

FINAL APPRAISAL REPORT COWASH IV



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ABBREVIATIONS

BoE	Bureau of Education
BoF	Bureau of Finance (NOTE: This is used in the report as a generic name, when referring to all 5 Finance Bureaus. The regional finance bureaus have slightly varying names.)
BoFEC	Bureau of Finance and Economic Cooperation
BoFED'	Bureau of Finance and Economic Development
BoW	Bureau of Water
BoWYCA	Bureau of Women, Youth and Children Affairs
CLTSH	Community Led Total Sanitation and Hygiene
CMP	Community Managed Project
COWASH	Community-Led Accelerated WASH in Ethiopia
CWA	Consolidated WASH Account
DFID	Department for International Development
ETB	Ethiopian Birr
EUR	Euro
FTAT	Federal Technical Assistance Team
GoE	Government of Ethiopia
GoF	Government of Finland
GTP	Growth and Transformation Plan
HSDP	Health Sector Development Programme
JTR	Joint Technical Review
KOICA	Korea International Cooperation Agency
l/c/d	Litres/capita/day
M&E	Monitoring and evaluation
MEUR	Million Euro
MFA	Ministry for Foreign Affairs of Finland
MFI	Micro-finance Institution
MHM	Menstrual hygiene management
MoE	Ministry of Education
MoF	Ministry of Finance
MoH	Ministry of Health
MoU	Memorandum of Understanding
MoWIE	Ministry of Water, Irrigation and Energy
MSE	Micro- and Small- Enterprise
MTE	Mid-term evaluation
NHEHS	National Hygiene and Environmental Health Strategy
NWCO	National WASH Coordination Office
NWSC	National WASH Steering Committee
NWTT	National WASH Technical Team
ODF	Open Defecation Free
OWNP	One WASH National Program
O&M	Operation and maintenance
PMDB	Planning and Monitoring Database
POM	Programme Operational Manual
RPS	Rural piped system
RSU	(COWASH) Regional Support Unit
RWCO	Regional WASH Coordination Office
RWSC	Regional WASH Steering Committee
RWSEP	Rural Water Supply and Environmental Program
RWTT	Regional WASH Technical Team
SDG	Sustainable Development Goal

SME	Small and Medium-sized Enterprise
SNNPR	Southern Nations, Nationalities and People's Region
TA	Technical assistance
TOR	Terms of Reference
UNICEF	United Nations Children's Fund
WASH	Water supply, sanitation and hygiene
WASHCO	Water Supply Sanitation and Hygiene Committee
WDC	Water Development Commission
WSP	Water Safety Plan
WWO	Woreda Water Office
WWT	Woreda WASH Team

EXECUTIVE SUMMARY

This is an Appraisal Report of Finland's support to the WASH sector in Ethiopia through COWASH IV Project. The draft Project Document (PD) was prepared in November 2019.

The Community-led Accelerated WASH Phase IV (COWASH IV) is a continuation of long-term development cooperation of Finland in the Ethiopian water sector. The Project is part of the Ethiopian multi-sector wide approach, One WASH National Programme (OWNP).

Relevance

Ethiopian water, sanitation and hygiene sector has a well-developed common approach, based on decades long work on streamlining the objectives of sector ministries as well as water sector's donor agencies. OWNP is designed to be a continuous government long-term plan. OWNP is updated periodically to reflect the changes and new challenges of the sector. The latest version of OWNP, phase II, has been published in November 2018. OWNP II defines Ethiopia's national targets and the road map for the achievement of Sustainable Development Goal (SDG) 6 "Ensure availability and sustainable management of water and sanitation for all". OWNP sets medium-term targets for 2025, before the target year 2030 of full achievement.

COWASH IV is proposed in the draft Project Document (PD) to be implemented as a bilateral project in five Regional States namely Oromia, Amhara, Southern Nations, Nationalities and Peoples, Tigray and Benishangul-Gumuz.

COWASH IV will contribute to the short and medium-term targets of achieving a basic service level for rural population and for a limited number of households a safely managed service with rural piped schemes.

Ethiopia is lagging behind in the achievement of its SDG 6.2 target, namely that "By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations". Access to improved sanitation in the rural areas is low. The Government of Ethiopia (GoE) relaunched the national campaign for the Open Defecation Free (ODF) Ethiopia by 2024 on the 30.10. 2019. It is the view of GoE that all projects active in the Ethiopian WASH sector should participate this endeavour.

The commitment of COWASH IV to participate in the National ODF Campaign 2024 will be clearly articulated.

COWASH IV is highly relevant in the context of the rural water supply and sanitation situation in Ethiopia.

Effectiveness and efficiency

The Government of Finland (GoF) has historically supported the sector wide approaches in the Ethiopian water and sanitation sector. When OWNP was developed, it attracted a lot of donor interest and financing. Consolidated WASH Account (CWA) was created to pool WASH financing from development partners and streamline the implementation procedures. Major WASH sector development partners committed to align to a uniform GoE led and implemented programme.

Government of Finland is, as a part of its support to the WASH sector in Ethiopia, contributing for years 2020-23 4 million euro to the basket fund CWA II.

The effectiveness of COWASH IV is assessed as an additional and agile investment instrument. COWASH IV has the potential to support and improve the overall inclusiveness and community participation features of the Ethiopian water sector.

COWASH IV has the potential to innovate and test in scale new interventions of water supply and sanitation in Ethiopia. This is particularly relevant in the field of institutional WASH. Water supply and sanitation coverage as well as promotion of good hygiene, is on a very low level in Ethiopian rural schools and health facilities and many programmes have been less successful in promoting institutional WASH.

Therefore, there is a particular investment support to the institutional WASH in terms of improved supply in the COWASH IV project.

CWA II is implemented through regular GoE channels, where the regional and woreda level offices of water, health and education are the implementing partners. As a comparison, COWASH IV is proposed to implement water supply and sanitation programmes through WASH committees (WASHCO), receiving direct funding through the Micro Finance Institutions (MFI). This is known as the Community Managed Project (CMP) approach.

OWNP has several implementation modalities. The main implementation modality of COWASH IV CMP, is mentioned as an implementation modality in OWP.

The CMP approach, developed and implemented in a succession of GoF supported projects, was approved as one of the implementation modalities in the OWP, but not in CWA I or II.

COWASH IV has an important function to further develop and advocate CMP.

CMP has been successful in developing an effective and low-cost modality for community water supply. It has by now been used for the last 25 years to provide water supply services to some 5 million Ethiopians. CMP has been acclaimed for, due to its unique trust in and cooperation with the local communities, tangibly to increase the ownership of water supply systems within the villages. Water supply systems constructed with the CMP methodology have an exceptionally good functionality record.

As the ongoing phase of COWASH project was drawing to its end, negotiations were opened with the Government of Ethiopia about the form of the continuation of the Finland's support to the Ethiopian water sector. In this instance, both the Ministry of Finance (MoF) and Ministry of Water, Irrigation and Energy expressed their wish to continue the COWASH programme as a separate bilateral intervention, using the CMP modality. Ministry of Finance further accepted this modality of continuing the COWASH IV as a separate bilateral programme. This communicates the interest of the GoE towards the community implemented approaches in the water sector development.

CMP has, however, had challenges of scaling up and replication, and its mainly been implemented in bilateral programmes functioning outside the CWA I & II. One of the reasons for this is the perception that CMP does not align with GoE's financial management rules.

CMP itself is not a uniform procedure in all regions. Regional partners use slightly varying implementation modalities and funding channels. The recommendation of the appraisal team is to modify the CMP approach so that it is not perceived to conflict with the GoE financial rules. These include measures such as auditing at the lowest level and approved financial reporting templates. Amendments to the implementation procedures will be negotiated during the Inception Period of COWASH IV and approved in the National WASH Steering Committee (NWSC).

The appraisal team recommends that COWASH IV and CWA II will find synergy in the implementation of their community participation methodologies. To effectively and efficiently use capacity building resources, COWASH IV will organize joint training events with CWA II on the national and regional, to promote the CMP approach and inclusivity in water supply and sanitation in the whole WASH sector.

Comparative efficiency of the Regional implementing partners

The regional implementing partners' efficiency was compared. A calculation of how one euro for capacity building translated into water supply and sanitation investment was made. This is a simple comparison of one euro used for capacity building from the GoF contribution compared to euros expended by the regional actors towards the development of water supply and sanitation.

It revealed that there were considerable differences in the efficiency of the programme implementation between the regions, as presented in the table below. This gives the opportunity for a positive performance factor to be introduced in project planning and resource allocation.

Table 1. Euro invested for one euro utilized for capacity building (July 2019 situation)

Region	Euro invested for one euro utilized for capacity building
Oromia	1.6
Benishangul Gumuz	0.2
Amhara	2.1
Tigray	1.2
SNNP	1.6

Feasibility

The appraisal team was specifically asked to assess the administrative structure proposed in the draft PD, where the previous direct financing system for the GoF grants to the regions will be changed to a GoE aligned financing system.

The appraisal team concluded from the discussions, mainly with MoF, Ministry of Water, Irrigation and Energy (MoWIE) and the Embassy of Finland in Ethiopia (EoF), that there would be three possible options for the administrative structure of the COWASH IV as follows:

- a) Financial management by MoF
- b) Financial management by MoWIE.
- c) Financial management by the Embassy of Finland/ Cowash IV Federal Technical Assistance Team . The administrative structure of the program for the Phase IV would remain similar to Phase III, with direct agreements of MFA with the implementing regional Bureaus of Finance (BoF) and enhanced support from the Federal Technical Assistance Team.

It should be noted that none of these three options exactly reflect the one presented in the draft PD.

The intention of the appraisal team was to analyse the three options, present their advantages and challenges to a joint meeting of the competent authorities and implementing agencies. It was the intention to discuss all the options in an open meeting and go forward with the option agreeable to all. This would then be reflected in the final version of the Project Document. Due to the global pandemic of corona virus all meetings have been suspended for the time being and the appraisal team did not have the opportunity to attend the planned wrap-up meeting.

Given this situation: All three options are presented and analysed in the Appraisal Report and based on the analysis, the appraisal team, recommends one option in this report, which in their professional assessment best reflects the objectives and requirements of the competent authorities.

It is naturally in the full purview of the competent authorities to instruct the appraisal team to adopt any of the given options in their preparation of the Final Project Document.

During the final interview MoF informed the team that because coverage of COWASH IV was so large it can be considered a national programme and should therefore be managed by a Federal level authority. The preferred option was that COWASH IV would be managed as a sector project by MoWIE.

After the discussions with MoWIE, MoF and regional implementers, the appraisal team concludes that the appropriate option for the administrative structure relating to the financial management for COWASH IV is the option referred to in the main report as option b), where financial and coordination of the project would be undertaken by MoWIE.

The major changes of the new administrative structure in COWASH IV as compared to the previous phase would be as follows:

- The resource allocation between the regions will, mainly, follow the equity formula (General-purposed block grant formula), amended with some parts to be distributed based on past performance and future commitment from the Regional States.
- The financial reports are collated by dedicated persons in the Water Development Commission of MoWIE.
- According to the Ethiopian Constitution, the Office of Federal Auditor General (OFAG) is responsible for carrying out the audit of all the financial transactions of the federal government and subsidies to the regions. As the support to COWASH IV is a government subsidy to the regions, annual external Audits will be led by the (Regional office of) the Auditor General.

The proposed structure will reduce the workload of the MFA and Embassy of Finland (EoF). COWASH IV will create financial and technical monitoring systems, which are less labour intensive to MFA and the Embassy of Finland. Joint Technical Review of MFA of Finland together with the MoWIE and other sector ministries is an example of the resulting arrangements.

The issue with the proposed structure may arise with the Regional States. Operating COWASH IV as a sector programme under MoWIE may reduce the interest and commitment of the Regional States. Questions also arise about the participation of the other sector ministries, especially on the regional level.

The general rule in the GoE systems is that, the equity formula (block-grant formula) is to be adhered to for allocating funds to the regions. MoWIE is, however, open to using some additional criteria to enhance effectiveness and efficiency of the regional programmes. The appraisal team is recommending the following criteria to be used

1. Equity criteria (block grant formula).
2. Positive performance criteria based on the past performance (see Table 1. Above)
3. Regions' plans to invest and commitment of funds towards water supply and sanitation.

Physical targets

The COWASH Phase III Cumulative Performance Report from 2019 presents the achievement of physical targets as follows:

- 848 000 rural beneficiaries of water supply by constructing 4,842 community water supplies
- 250 school water supply systems
- 99 health facility water supply systems
- 114 school latrines
- 134 health facility latrines

Against this backdrop of the achievements of COWASH Phase III, the set physical targets of COWASH IV are, in the opinion of the appraisal team, relatively low. The target of 800,000 beneficiaries of water supply and 100 institutional water supply systems should be considered as a minimum. The target figures should be increased, when the population coverage targets and fund commitments from the regions are received.

Gender issues and inclusivity

COWASH has been renowned for good gender and inclusivity procedures and training packages. Many interviewees commented on their commitment to carry on these trainings and adherence to the procedures.

CWA II has created similar procedures and training packages, but possibly has less focus implementing all of them.

The cooperation with the Bureau of Women, Children and Youth Affairs will be intensified and common training and monitoring events between the BWYCA and COWASH IV can be organized. Better gender balance in the Regional Support Units is called for.

Budget

The budget planning system is detailed and based on a shopping list concept. It is the opinion of the appraisal team, that this limits the flexibility of the budget use. The budget planning templates should be revised to be more result based? And simplified.

Depending on the final administrative option chosen by the Competent Authorities, the capacity building budget needs to be revised. If the financial flows will be managed by the GoE federal level ministries (either MoF or MoWIE) both of the organizations have requested funding for covering the additional administrative costs. This entails contracting a financial manager and covering the additional auditing costs.

Technical assistance budget is suggested to be reduced from 4.75 million euro to 4.2 million euro.

Sustainability

COWASH IV aligns its activities with CWA II to address challenges related to non-functionality rates and unsustainable service delivery. The O & M systems and training should be coordinated between the two programmes, so that service providers (e.g. small businesses) can serve all water supply systems, not depending on which programme has supported their construction. These challenges will be tackled on two fronts, namely:

1. Strengthening the management of WASHCOs.
2. Clustering of sanitation marketing and establishment of O&M service providers. This is in practice done by establishing female led micro-enterprises to produce and/or supply household sanitation products as well as spare parts and O & M services.

COWASH III has developed a set of measures to increase the climate resilience of the water supply schemes. The main instruments are the Social, Environmental and Climate Risk Screening and Management (SECRSM) and the Climate Resilient Water Safety Plan (WSP).

Coherence

The Federal Technical Assistance Team (FTAT) has an important role in supporting the regional implementing partners. Furthermore, many activities of the FTAT are directly supporting the federal level OWP related activities and the coordination work of MoWIE.

FTAT will in COWASH IV expand its capacity building activities to assist also CWA II project implementers, if and when required. Training events will be coordinated on the Regional level, so that both CWA II and COWASH IV project implementers receive training in community involvement, gender and inclusivity. This could enhance the advocacy of Community Managed Project approach.

COWASH IV has also particularly been asked to pilot and scale up innovations. The following were mentioned by MoWIE, MoH and regional stakeholders: rural piped utility concept, revamping of sanitation and hygiene advocacy, composting school latrines, renewable energy pumping systems for rural schemes.

COWASH IV was also asked by the national Water Development Commission (WDC) of MoWIE to assist in one of the problems plaguing the sector. A problem, evident everywhere and mentioned in most interviews, is the high staff turn-over in the regional and woreda offices. It was the view of the Commission, that the local governments cannot retain staff long enough for them to become competent in the technical issues of WASH. A training unit was under discussion to improve the capacity of the staff. FTAT could offer a valuable resource to the WDC on this matter.

Regional support units

Some management issues relating to the regional support units were identified. The gender balance of the Regional Support Units (RSU) needs to be better. More women are needed in professional positions. A junior position in the RSU will be included for entry positions for women and young people. Relevant female officers of all stakeholders will be promoted for participation in trainings, retreats and regional and national meetings. In view of the national ODF 2024 campaign, all RSUs should have a sanitation and hygiene specialist as mandatory staff. The new administrative structure will require that each RSU has a financial management specialist, attached to the Bureau of Finance of Bureau of Water, depending on the chosen administrative structure

The CMP Director acting as a focal point and employed by the Regional State should have adequate seniority to manage the unit. A senior officer from the Water Bureau needs to be nominated as the CMP Director from the GoE side.

To maintain the efficiency of day-to-day operations, procurement thresholds for the RSU should be stated in the Project Document.

Recommendations

The table below summarizes and references all recommendations found within the main body of the appraisal document.

Table 1 Table of recommendations

Recommendations Table	
Relevance	
3.3 (R1)	COWASH IV will contribute towards the targets and indicators of OWNPN.
3.3 (R2)	COWASH IV will contribute towards targets and indicators of the National Hygiene and Environmental Health Strategy 2016-2020.
3.4 (R1)	COWASH IV will offer training on the community participation methodologies to regional and woreda officials implementing the CWA II.
3.4 (R2)	More research and advocacy to be undertaken to modify the CMP approach to align with the GoE financial rules. These include measures such as auditing at the lowest level and approved financial reporting templates and other measures outlined by COWASH III. Advocacy events will be organized by COWASH IV.
3.5 (R1)	The commitment of COWASH IV to participate in the National ODF Campaign 2024 will be clearly articulated
3.5 (R2)	RSU should have a sanitation and hygiene specialist as mandatory.
Effectiveness	
4.3 (R1)	A senior officer from the Water Bureau should be nominated as the CMP Director in the RSU.
4.3 (R2)	Procurement thresholds for the RSU should be stated in the Project Document.
4.3 (R3)	RSU should have a financial management specialist as mandatory.
4.3 (R4)	The size of the RSU should be adjusted in relation to the size of the field programme. The staffing list provided in the Final PD is to be considered as the maximum staffing level.
4.3 (R5)	In case the direct MFA – Regions funding option is chosen, RSU TORs must include timely reporting to FTAT on the progress and expenditure of the regional programme.
Feasibility	
5.5 (R1)	The administrative structure for COWASH IV is as follows: Option B: MFA has a financing agreement with MoWIE. MoWIE undertakes the financial management and coordination of the project.
5.6.2 (R1)	The regional grant amount to be allocated to each region will be estimated using the following criteria:

	<ul style="list-style-type: none"> • Equity formula (General-purpose Block Grant Formula) • Positive performance factor • Commitment of funds for investment towards water supply and sanitation
5.7 (R1)	Woreda selection criteria used by the CWA II, with some modification, should be recommended for the Regions for their use.
5.8.1 (R1)	Water supply coverage targets of the COWASH IV of 800,000 beneficiaries of community water supply and 100 water supply systems for institutions should be considered as a minimum and adjusted upwards to 1 Million people and 150 institutional water supply systems. It is suggested that the targets are adjusted by FTAT during the Inception Phase.
5.8.2 (R1)	Sanitation coverage targets of the COWASH IV need to be clearly quantified. This can be done during the Inception Phase.
Gender and inclusivity issues	
5.9 (R1)	Composition of the RSU/FTA could be exemplary by being more gender friendly. More women are needed in professional positions. A junior position will be included for entry positions for women and young people.
5.9 (R2)	Relevant female officers will be promoted for participation in trainings, retreats and regional and national meetings.
5.9.1 (R1)	COWASH IV to engage the CWA II and organize joint training and capacity building events on the gender and inclusivity packages.
Budget	
5.10 (R1)	The very detailed and pre-designed budget planning templates to be simplified and revised.
5.10 (R2)	Depending on the administrative structure selected, the Federal level budget will be amended.
5.10 (R3)	Technical Assistance Budget to be reduced.
5.10 (R4)	Funds for innovation to be budgeted
Innovation	
5.11 (R1)	Rural utility model tested with strong post-construction support
5.11 (R2)	Renewable energy solutions for the rural water supply need to be tested and scaled up
5.11 (R3)	New models of compostable toilets need to be modified and scaled up in the institutional WASH programme.
5.11 (R4)	Research and development into the software methodologies of the sanitation demand creation and ODF to be undertaken.
Coherence	
7.1 (R1)	FTAT will find opportunities in the Regional Programmes, where COWASH IV and CWA can streamline their woreda programmes and engage in joint capacity building
7.1. (R2)	FTAT to support the WDC in creation and operating of the training unit, serving the Regional States in their needs of developing the skills of the technical staff.

1 Introduction

Appraisal is part of the regular project preparation cycle followed by the Ministry for Foreign Affairs of Finland (MFA). It follows the previous steps of project identification and project formulation.

The appraisal team is tasked with reviewing the draft project document (PD) “Finland’s support to the WASH sector in Ethiopia (COWASH IV and CWA II)”, while listening to the opinions of others in consideration of the recommendations that it will make. Then based on changes approved by the Competent Authorities, prepare the final Project Document. Whilst the PD is covering Finland’s entire support to the Ethiopian water sector, the scope of this appraisal report as well as consequent revision of the PD is only related to COWASH IV.

Community-led Accelerated WASH Phase IV (COWASH IV) is a continuation of long-term development cooperation of Finland in the Ethiopian water sector. COWASH IV is proposed in the draft Project Document (PD) to be implemented as a bilateral project in five Regional States namely Oromia, Amhara, Southern Nations, Nationalities and Peoples’ Region (SNNPR), Tigray and Benishangul-Gumuz.

Presently the SNNPR is split into two regions. However, administration to the newly established Sidama region has not yet been transferred to the region. New regional decision-makers will need to be elected before establishing a new regional headquarters, so the administration will most likely be established sometimes after the next election. OWNPN – COWASH IV project administration for these two regions will continue for some time under SNNPR.

Finland also supports the Consolidated WASH Account II (CWA II), which is the main investment vehicle of the Ethiopian multi-sector wide approach, One WASH National Programme II (OWNPN II).

CWA II is now in its second phase, bringing together the major donors of the Ethiopian WASH sector.

COWASH IV, has been designed as a separate bilateral intervention, falling under the umbrella of the OWNPN II and aligned with the overall sector objectives.

COWASH IV is a continuation of the previous phases and reflects the development cooperation objectives of the Government of Finland in Ethiopia. The continuity and reliability of the Government of Finland, as a partner, is an important element of the cooperation between the two countries.

The previous phases of the COWASH project, as well as the earlier interventions of RWSEP and FinnWASH-BG, have developed and tested many of the project modalities and procedures. COWASH IV has been designed to continue and consolidate the best practices of the previous phases and earlier projects.

The appraisal team has given some consideration to the possible synergies that might be explored in bringing benefits both COWASH IV and CWA II .

The Appraisal Terms of Reference single out certain key issues to be investigated, and in this case highlight the need for the administrative structure and financial management issues to be scrutinized.

This appraisal team, informed by the views expressed by the competent authorities and all other stakeholder levels, intended to provide recommendations where there was general consensus. In the case of more challenging issues the appraisal team’s initial intent was to provide options to allow the competent authorities the opportunity to further discuss and conclude the projects approach.

The appraisal team in this report provides options to the future COWASH IV’s administrative structure and financial management. Due to the crisis caused by the Corona virus, the final meetings of the competent authorities where these options were to be discussed and final determinations made, were

cancelled. For this reason, the appraisal team, in trying to support a smooth project finalisation process, while still providing options, has more clearly indicated their opinion as to which option should, in the view of the appraisal team, be selected.

The appraisal report therefore is more prescriptive than would have otherwise been the case under normal circumstances. The appraisal report now requires the reader to register their approval/ objection to the clear recommendations made. The recommendations made are intended to result in clearly prescribed alterations to the Final Project Document rather than requiring a choice to be made from options presented.

The proposed alterations to the draft Project Document would therefore, in the absence objections or clear support for an alternative option, result in the preparation of the Final Project Document as represented by the proposed edits found as an Annex.

Annex 1 Proposed changes to the Draft Project Document

The appraisal team wishes to sincerely thank all parties in the Government of Ethiopia, Government of Finland and the communities, who have taken their time and effort to meet with us and share their valuable views.

2 Methodology

The appraisal team worked in Ethiopia during the 20th of February to 16th of March. During the period extensive stakeholder interviews were undertaken. Persons met and interviewed are presented as an annex.

Annex 2 Persons met

Interviews were prepared based on the appraisal matrix, prepared for the Inception Report. For each meeting, a list of issues to be discussed, was prepared. Discussions were conducted in English, but where appropriate, Amharic was used to engage the stakeholders in more detailed discussions. Three regions (Amhara, Oromia and Tigray) were visited by the team. Benisghangul-Gumuz representatives were interviewed by telephone and also met in Addis Ababa. SNNPR representatives were interviewed by telephone. Three of the five partner regions provided their comments on the draft Project Document in writing (Amhara, SNNPR and Benishangul-Gumuz).

The Federal Technical Assistance Team was met and interviewed, and they also provided comments in writing.

The team reviewed all the relevant documents. The list of documents reviewed is presented as an annex.

Annex 3 List of documents reviewed.

Field visits to a COWASH Phase III villages were conducted to meet members of a WASHCO and beneficiaries.

The report is written with the expectation that the main readers are the competent authorities of the COWASH IV. The structure of the report is such, that the specific TOR questions are at the top of each chapter, making it easy for the Client to assess, if the TORs have been addressed adequately.

3 Relevance

Specific questions raised in the TORs:

- Does the project contribute to its broader development context, in particular the One WASH National Program (OWNP II) and related CWA as well as to the related SDGs?
- Are the expected project impacts and outcomes well formulated and justified?

3.1 Alignment with Development Cooperation Policy of Finland and Global Theory of Change

Development Policy

In Finland's Development Policy the COWASH IV project falls into the priority area 4 " Food security and natural resources, including access to water and energy". Through its actions Finland promotes, the situation where

- All people benefit increasingly from clean environment and healthy ecosystems, conservation, sustainable management and use of renewable natural resources, such as forests and water bodies.
- All people have improved and equitable access to affordable and clean, sustainably produced renewable energy.
- The vulnerability of all people to extreme weather events and natural disasters has decreased and their resilience to them has increased.
- All people have improved possibilities to produce and access safe, nutritious, and adequate food
- All people have improved and equitable access to basic and sustainable drinking water, adequate sanitation services, and improved hygiene practices.

The COWASH IV Project is well placed to contribute also towards the Finland's development cooperation's priority area 1 "Strengthening the status and rights of women and girls":

Finland's actions strive to promote

- The right of women and girls of all abilities to access high-quality non-discriminatory sexual and reproductive health services is protected.
- Women and girls of all abilities enjoy the right to live a life free of violence and abuse, and to make decisions concerning their bodies in compliance with CEDAW.
- The rights of persons with disabilities, including their right to enjoy life free of violence, stigma and discrimination are protected

In addition to climate-specific actions, all development cooperation supported by Finland must be climate proof and climate smart.

Theory of change

The desired state and impact of the Finland's development action in the sphere of natural resources and climate change is defined as "Climate resilience and low greenhouse gas emissions development are promoted by sustainable use of natural resources". This is achieved by a series of outputs and outcomes, water supply, sanitation and hygiene development being one pillar.

Annex 4. The Theory of Change

3.2 Sustainable Development Goals

The Government of Ethiopia (GoE) has committed to attain the following Sustainable Development Goals (SDG). The relevant WASH sector SDGs are:

- SDG 6.1 “By 2030, achieve universal and equitable access to safe and affordable drinking water for all”
- SDG 6.2 “By 2030, achieve access to adequate and equitable sanitation and hygiene for all, and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations”

In the attainment of the SDGs, Ethiopia has a lot of ground to cover. The situation of water supply, sanitation and hygiene in the country is challenging, as reflected by the data of the Joint Monitoring Programme of UNICEF and WHO (JMP)¹ and presented below.

Figure 1 Coverage of drinking water, sanitation and hygiene in Ethiopia (JMP-2019).



The figure above provides a clear indication of the overall WASH situation in Ethiopia. The measurements of coverage must always be made in relation to clear definitions. UNICEF and WHO devised a JMP “ladder” for different service levels of water supply, sanitation and hygiene. The global definitions of the SDG 6. Service levels are elaborated as an annex.

Annex 5 JMP global definition of service level SDG 6.

The status of rural water supply and sanitation in Ethiopia, according to JMP 2019,² was:

- Basic service for 32% of rural population for water supply (safely managed 5% combined with basic coverage 27%).

¹ WHO and UNICEF, through the JMP, are custodian agencies for the SDG targets on drinking water, sanitation and hygiene, nominated by the Inter-agency and Expert Group on SDG Indicators (IAEG-SDGs), composed of UN Member States.

² The appraisal team is using the coverage estimates of the Joint Monitoring Programme of UNICEF and WHO, an international reference, rather than national GoE reference. This is due to the situation, that the information of the National WASH Inventory, undertaken in 2018, is not yet available. JMP uses the best available data sources, officially requested from the national governments.

- Basic service of 7 % for rural sanitation.

The coverage figures quoted by JMP based on the SDG definitions are naturally lower, compared to the previous national surveys, as the definition of “safely managed” in the context of SDGs requires a higher standard than previous coverage definitions.

Growth and Transformation Plan II (GTP II)

The development efforts of the water and sanitation sector are linked to the overall development agenda of Ethiopia. This is reflected in the *Growth and Transformation Plan II (GTP II)*, which aims to spur economic structural transformation and sustain accelerated growth towards the realization of the national vision to become a low middle-income country by 2025.

GTP II planning period is ending in June 2020 and there is no corresponding long-term plan yet available.

GTP II focuses on ensuring rapid, sustainable, and broad-based growth by enhancing the productivity of agricultural and manufacturing sectors, improving the quality of production, and stimulating competition within the economy.

GTP II sets out the following objectives:

- a) Achieve an annual average real GDP growth rate of 11 percent within a stable macroeconomic environment and thereby contribute towards the realization of Ethiopia’s vision of becoming a lower middle-income country by 2025, while pursuing comprehensive measures towards narrowing the saving-investment gap and bridging the widening trade deficit.
- b) Develop domestic engineering and fabrication capacity and improve productivity, quality, and competitiveness of the domestic productive sectors (agriculture and manufacturing industries) to speed up structural transformation.
- c) Further solidify the on-going public mobilization and organised participation to ensure the public become both owners and beneficiaries from development outcomes.
- d) Deepen the hegemony of developmental political economy by strengthening a stable democratic developmental state.

GTP II furthermore, refers to the water supply service level and coverage target.

- Provide safe and adequate water supply to rural communities with minimum service level of 25 l/c/d within 1 km from the water delivery point. Coverage to reach 85 % of the rural population with 20 % covered with rural piped systems.
- Decrease the rural water supply schemes non-functionality rate to 7 %.

The sanitation and hygiene service level targets are covered in the National Hygiene and Environmental Health Strategy (2016-2020), December 2016.

The NHEHS provides the following definition for the improved latrine:

“A hygienic sanitation option for securing sustainable access to safe, hygienic, sealed and convenient service for excreta disposal providing adequate and secured privacy, protected from rain, built either on site or connected to sewer or septic tank while at the same time ensuring a clean and healthful living environment”

GTP III is referred to in the Draft PD. The MoWIE expressed the view, that considering the projected progress, the service level targets will not be revised in the near future and that GTP II service level targets will be used for the foreseeable future.

3.3 One WASH National Program (OWNP)

- OWNP is a national WASH sector plan in Ethiopia, designed to be continuous government long-term plan. OWNP is updated periodically to reflect the changes and new challenges of the sector. The latest version of the OWNP, Phase II, has been published in November 2018. OWNP II defines

Ethiopia's national definitions and targets for the achievements of the SDG 6. The OWP sets medium-term targets for 2025, before the target year of 2030 of full achievement. OWP's short and medium-term targets (2 to 7 years) are based on GTP II and NHEHS. The intermediate objectives of the OWP during (2021 to 2025) are directed towards attaining increased and sustained coverage of safe water supply and sanitation in rural areas:

- 100% rural population using water supply with basic services of which 35% using piped water supply and 22% using safely managed drinking water supply services (safely managed on the premises)

OWP Drinking water targets 2021 -2025, on functionality are found as follows:

- Decrease rural water supply schemes non-functionality rate to 5%
- 100% of Woredas having spare parts supply chain services for rural water supply schemes maintenance
- 100% of Woredas with water quality monitoring system in place and rural water supply schemes with water safety plan
- 60% of Woredas having the private sector and/or small and microenterprises involved in rural water supply O&M activities.

OWP Institutional WASH targets are found as follows:

- To improve to access to full package WASH facilities to at least 40 per cent of schools including MHM.
- To provide improved and gender segregated sanitation facilities with hand washing to 75 per cent of primary schools and 100 per cent of high schools including MHM.
- 100 % of health facilities have gender disaggregated full packages of WASH facilities, including MHM facilities.

COWASH IV Draft Project Document does not explicitly mention the OWP targets. It can be concluded, that COWASH IV will contribute to the short and medium-term targets of achieving basic water supply and sanitation service level for rural population and for a limited number of households, a safely managed service with rural piped schemes.

Therefore, the recommendations of the Appraisal Team are as follows:

- **3.3 (R1) COWASH IV will contribute towards the targets and indicators of OWP.**
- **3.3 (R2) COWASH IV will contribute towards targets and indicators of the National Hygiene and Environmental Health Strategy 2016-2020.**

3.4 COWASH IV relation to Consolidated WASH Account II (CWA II)

The two support streams of the GoF to the WASH sector of Ethiopia are well aligned. CWA II is the main instrument to attain the objectives of the OWP.

CWA II is naturally a much larger programme in the Regions. The resources are allocated to the Regional States based on the General-Purpose Block Grant formula. The resource allocation of CWA II (situation March 2019) to all the Regional States, is presented as an annex.

Annex 6 CWA II resource allocation (March 2019)

Primarily, the regional water bureaus coordinated the COWASH IV and CWA II programmes so, that they did not overlap. CWA II has a much larger woreda coverage in all COWASH IV regions. The overlap and/or finding rural woredas for COWASH IV was not seen as a problem in the regions. This is taken into consideration in the woreda selection criteria presented in the 5.7.

A major rationale of continuing the COWASH IV programme as a separate bilateral project is the different implementation modality of COWASH when compared to CWA II.

COWASH IV is based on the Community Managed Project (CMP) modality where WASH Committees (WASHCO) receive required capacity development and resources to implement rural water supply, sanitation and hygiene programmes in their communities. CMP is described as one of the implementation modalities for rural water supply in OWNPN.

Both programmes promote a sector wide approach of WASH in planning and implementation and support the capacity development on regional and woreda level.

The two programmes are in many ways similar, but also have major differences.

In the rural programme, many efforts have been made to include the CMP approach to the CWA.

It worth noting, that during the latest identification and planning of the GoF support to the Ethiopian water sector, MoF and MoWIE specifically recommended the continuation of COWASH IV programme, as a community managed implementation modality for rural WASH. It was also noted by the COWASH III Mid Term Evaluation of 2018, that the programme has achieved a very high counterpart funding from the GoE.

This could communicate a renewed interest for CMP, and it is therefore worth continuing the advocacy efforts of previous years to promote CMP.

Interviews with the implementers of the CWA II in the regional and woreda level, as well as the interviews with the donor agencies contributing to the CWA II, revealing interesting similarities and/or differences between the two modalities as noted below:

Similarities

- Both programmes give considerable institutional support to strengthen the regional states and (in case of COWASH rural) woredas capacity for WASH implementation.
- The actual outputs of both programmes in the rural woredas are similar. Rural water supply schemes, including point sources, boreholes with hand pumps and small piped schemes are supported by both funding streams.
- Both programmes implement all WASH components i.e. water supply, sanitation and hygiene programmes.
- Both programmes work in communities and institutions (schools and health facilities).
- CWA II manuals and guidelines also emphasise full participation of the WASHCOs in the project work.

Differences

- CWA II has a large urban component and special programme for drought prone areas.
- CWA II is implementing rural water supply schemes as woreda managed programmes, where the implementing agency is the woreda.
- CWA II uses World Bank procurement rules and safeguards.
- CWA II focuses on large rural piped schemes.
- In the COWASH/CMP approach WASHCO funds are provided to the communities through the Regional Micro-Finance Institutions (MFI). COWASH IV is continuing this practice. CWA II is using the fund flow from MoF to the Bos and to the implementers at woreda level (water and other WASH sector offices.)
- The Regional and Woreda level implementers (including WASHCOs themselves) emphasised the community's full participation in the (COWASH) CMP programme, and the WASHCOs having a strong feeling of ownership as a consequence.
- During the field visits and interviews, it was obvious, that the Regional water bureaus and woreda water desks had different practices in relation to COWASH project implementation. Not all woredas sent the all funds to the WASHCO accounts in the MFIs. Depending on the

complexity of the scheme, the design, procurement and supervision of works were delegated to the woreda, zonal or regional water bureaus. This is the case in all regions. Management of deep borehole contracts and piped schemes are delegated to woreda water desks, zonal and sometimes Regional Water Bureaus.

SNNPR voiced its criticism towards the financial controls of the MFIs, especially on the woreda level. The Region has moved to using commercial banks instead of the MFIs.

At first glance consideration of which party handles the monies may be considered a small difference, however it is a critical and fundamental difference.

In COWASH III the actual handling of the monies is delegated to the WASHCOs in some types of water supply constructions projects (point sources), while for others more complex systems it is delegated to the woreda and regional offices.

The appraisal team reviewed the COWASH III community participation guidelines and compared them to similar tools in the CWA.

The important thing in the application of the community participation approaches is the transparency and delegation of as much authority to the WASHCO as possible. In the COWASH IV/CMP approach, the WASHCO has the decision-making over the construction process and funds relating to the community water supply systems. The Woreda water team has oversight and puts in place some financial controls.

In CWA II the Woreda Water Team undertakes the contracting and has the authority to expend the funds. The WASHCO should there be in the position to oversee the construction process, exercise quality control and financial oversight.

COWASH III has made a detailed proposal on implementing the CMP approach through the CWA (Community Managed Programme Implementation Manual within the One WaSH - Consolidated WaSH Account Project (One WaSH - CWA), March 2019). The COWASH III has made a careful analysis of how the CMP could be further modified to suit the CWA II implementing procedures. The document and procedures form a good starting point for e.g. joint training programmes of COWASH III and CWA II on community participation. This training would mostly be targeted to the regional and woreda water officials implementing/supporting the CWA II and COWASH IV programmes.

Therefore, the recommendations of the Appraisal Team are as follows

- ***3.4 (R1) COWASH IV will offer training on the community participation methodologies to regional and woreda officials implementing the CWA II.***
- ***3.4 (R2) More research and advocacy to be undertaken to modify the CMP approach to align with the GoE financial rules. These include measures such as external auditing led by the Auditor General approved financial reporting templates and other measures outlined by COWASH III. Advocacy events will be organized by COWASH IV.***

3.5 Open Defecation Free Ethiopia by 2024

The Cumulative Performance Report of COWASH III describes a stagnant situation in relation to the Open Defecation Free (ODF) progress in the COWASH III woredas. This trend is visible in the Figure 2 below. Some of the variation in e.g. lower number of ODF verified rural kebeles could be explained by different/changing monitoring indicators and definition of what constitutes ODF.

This trend is also visible in the Joint Monitoring Programme (UNICEF/WHO) -2019 Sanitation Data discussed earlier.

Interviews with the implementers suggest, that households had built temporary latrines from local materials and were not moving up the sanitation ladder towards improved latrines and that the ODF practice was not sustained.

The same trend was communicated to the appraisal team in the Public Health Department of the Ministry of Health.

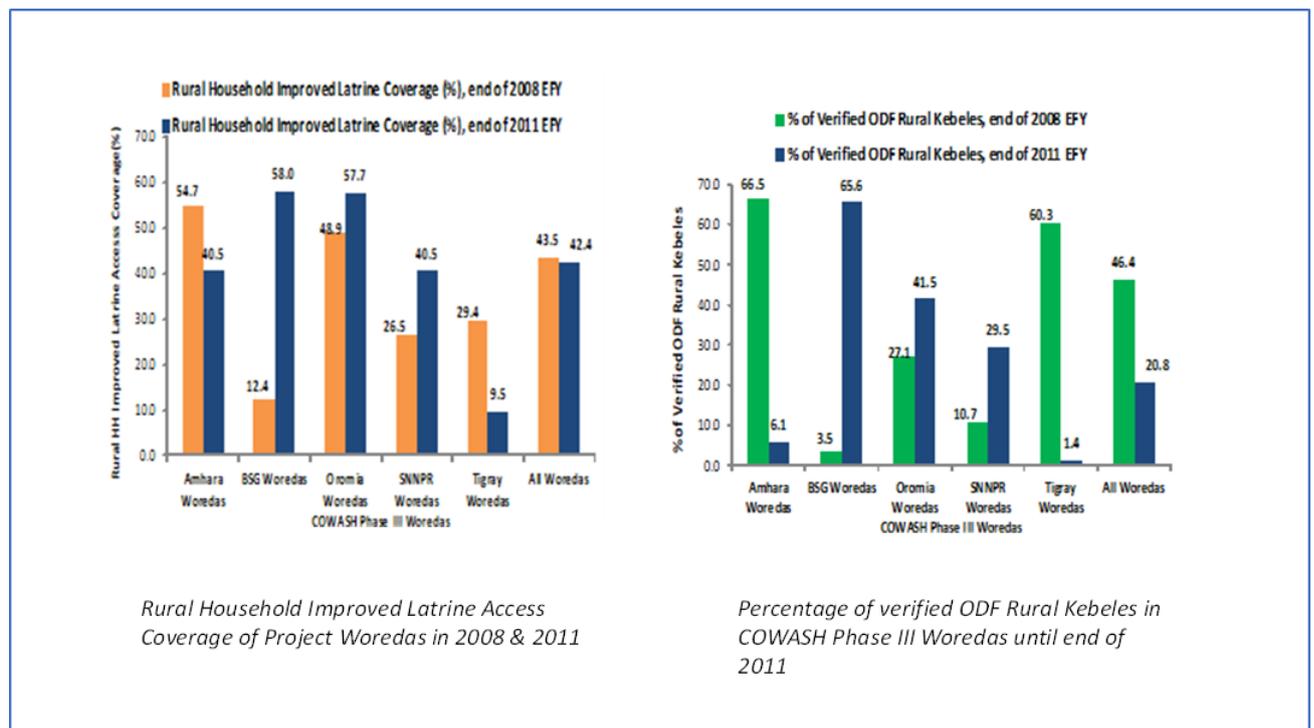


Figure 2 Sanitation indicators and trends of COWASH III³,

The Government of Ethiopia launched a new initiative to boost the Open Defecation Free campaign in November 2019. The draft document describing the initiative is titled **National ODF Campaign 2024**. It is a joint venture of the Ministry of Health (MoH) and MoWIE. When the team interviewed MoWIE about the initiative, it was communicated that “each project is expected to support the ODF campaign in the woredas they support”.

Summarised highlights of lessons learnt and the National ODF Campaign 2024 Draft Document are presented below.

Limitation of ODF in Ethiopia:

- The huge achievement in reducing open defecation is overshadowed by abundance of substandard toilets.
- Outcome evaluation of the CLTSH program indicates that the campaign is more or less a failure with only 25% of triggered kebeles having become ODF without any guarantee for sustainability.
- There is clear lack of coordination among concerned institutions such as MoWIE and MoH even in the presence of OWP.
- Insignificant achievement in behavioural change and hence a return to the tradition of not using latrines is most likely

³ source: COWASH Phase III Cumulative Performance Report (01/08/2016-06/07/2019)

- There is severe lack of data even to know the actual ODF status of Ethiopia except some estimates of the CLTSH program⁴.

National ODF 2024 Campaign Document (Draft)

The main pillars and principles of the campaign implementation are as follows:

- Achieve sustained improved sanitation and hygiene behaviour.
- Create ODF baseline database by Woreda.
- Mobilize stakeholders to one national campaign to eliminate open defecation.
- Mobilize and utilize sufficient fund and other resources.
- Carry out capacity building that could ensure the fulfilment of the national target of ODF.
- Achieve sustainable behavioural change that would ensure utilization of basic and safely managed toilet.
- Strengthen the enabling environment to allow for active participation of the private sector and civil society in the provision of sanitation services and infrastructure.
- Monitor and evaluate performance of Kebeles towards ODF.
- Design steps towards ODF+ to ensure sustainability.
- Strengthen research and development of the WASH Sector.

Earlier COWASH phases have participated the previous ODF efforts. The latest ODF campaign effort has been published by the GoE after the submission of the draft PD. Commitment of COWASH IV for current ODF campaign efforts should be clearly articulated in its Project Document. COWASH IV is well aligned for the following tasks:

- Capacity building is the core function of COWASH IV.
- Innovation in sanitation awareness raising and demand creation.
- Research and development in cooperation with other Finnish projects e.g. Agrobig.
- Household sanitation financing instruments designed and piloted in cooperation with MFIs and SACCOs.
- Support to entrepreneurs.
- COWASH IV to increase the M & E coordination with regional and woreda level officials, especially with the Bureau of Health and to support the production of reliable data on ODF and sanitation situation.

Therefore, the recommendations of the Appraisal Team are as follows:

- ***3.5 (R1) The commitment of COWASH IV to participate in the National ODF Campaign 2024 will be clearly articulated***
- ***3.5 (R2) RSU should have a sanitation and hygiene specialist as mandatory.***

3.6 Outcomes and impacts

The outcomes and impacts as found in the Draft Programme Document are generally well formulated and reflect the project purpose. To emphasize the inclusivity aspect of the Project, words “inclusive and equitable” can be added to the expected outcome.

Impact Statement:

” Improved public health and well-being, social development and climate resilience in the communities in the Project area”

⁴ Source: NATIONAL ODF CAMPAIGN 2024, October 2019)

Expected outcome:

” Increased and sustained coverage of **inclusive and equitable** water supply, sanitation and hygiene in rural areas of selected woredas”

4 Effectiveness

Specific questions raised in the TORs:

- Does the risk analysis take adequately into account the political context, financial management issues and programmatic issues?
- Assess whether effectiveness and efficiency aspects of the project and the PD could be still enhanced

4.1 Risk analysis

4.1.1 Global pandemic of COVID-19

Since the completion of the first draft of the Appraisal report, the COVID-19 pandemic has dramatically changed plan of the entire development cooperation with strict travel restrictions, quarantine and social distancing rules. The planning events, seminars and other meetings have been moved online and the start of COWASH IV has been delayed to January 2021.

This is a risk mentioned in the risk matrix and it has materialised in a very drastic manner. The delay is only tentative at this point and the COVID-19 situation globally and especially in Ethiopia is likely to affect the final starting date.

4.1.2 Political and institutional context

The analysis made in the draft PD regarding the political risks seems valid. The draft PD states the perceived improvement in the political situation, but also considers that the risk of political and civil society instability still remains high. The situation since the writing of the draft PD has developed insomuch as the date for the general election has been delayed due to the COVID-19 pandemic. This may have further implications on the political situation.

The draft PD states the risk of inadequate engagement from the WASH line ministries especially MoF, MoWIE, MoE and MoH. This is a risk perceived at the Federal level, however the cooperation of the different Bureaus of the Regional and Woreda level is perceived to be better and more hands on.

4.1.3 Alignment

The risks of moving from the COWASH III implementation arrangement, where MFA has agreements directly with Regional States, to a new agreement were analysed. In the future should MFA have an agreement and delegation of financial management to the Federal level Ministry namely MoF/MoWIE, alignment with the Government of Ethiopia financial management rules will result in number of issues.

The following issues were highlighted by various stakeholders:

- Principles of the division of GoF grant funds between the Regions using the equity formula (General Purpose Block Grant formula).
- Accountability issues relating to the management of funds below the Woreda level.
- Alignment with the Government of Ethiopia auditing systems (Auditor General).

In the event that the future COWASH IV regional allocation was based solely on the equity formula then this would likely result in the Regional States having a very different share of GoF grant funds from those received in COWASH III. Whilst the aligned GoE systems, such as the equity formula, are transparent and

a standard tool in the government fiscal policies, certain Regional States are likely to have resistance against significant reduction in the support provided.

There was also discussion of the risk, that the CMP approach will not be easily replicated, as the Regions perceive that the Federal level, specifically the MoF to be overly careful with financial rules pertaining to the distribution of funds to the WASHCOs.

These issues will be discussed in more detail in the chapter “Feasibility”, where recommendations are made.

4.1.4 Management issues, accountability relationships of Regional Support Units

The complex project design results in the need for clearly defined accountability relationships.

The Regional Support Units (RSU) are funded by the Government of Finland and form part of the technical assistance support to the Regional States. The salaries and benefits of the RSU staff, recruited and contracted by the Regions, are paid from the Capacity Building budget line. There have been some special arrangements relating to the position of the RSU as a semi-independent unit, such as allowances to do small scale procurement outside the GoE procurement system. The salary scale as well as benefits have not been in line with the GoE regular staff, due to the contractual rather than employee status.

The RSU staff aren't employees of the consulting company providing the Federal level TA but contracted by the Regional Water Bureau heads. They report to the CMP Directors (called in some regions CMP Coordinators), who are the COWASH project coordinators in the Regions.

The Federal level TA has an advisory role to both the Federal implementing ministries as well as to the regional and woreda level implementing agencies.

In COWASH III it is the responsibility of the Federal Technical Assistance Team (FTAT) to consolidate the financial reports and they have been tasked with this in the Terms of Reference for the consultancy services. These reports are provided by the Bureaus of Finance, Bureaus of Water, Education and Health, with the support of the RSU. There is however no direct accountability relationship of the RSUs towards the FTAT, and this can create a bottleneck for the flow of financial reporting and delays in the funding requests to be delivered. The workload experienced by the Embassy of Finland is partly due to this management issue.

The above issue may become critical, if the COWASH IV is going to continue the financial management system based on the MFA-Regional State financial agreements and financial flows. It should in that case be addressed.

This accountability relationship between the FTAT and RSU could, to some degree, be strengthened by including a reporting responsibility by RSU to FTAT in some technical/financial matters. The TORS of the relevant RSU staff would include responsibilities relating to progress and financial reporting and have clearly defined delivery dates of various reports.

Contractual relationship relating to overall performance and other management would still be between RSU and the Regional State.

4.1.5 Financial Management

The fiscal risks of the COWASH funding system have been regularly assessed by the BOF led annual audits as well as the external auditors engaged by Ministry for Foreign Affairs. The latest audit report of KPMG auditors, commissioned by MFA, was available to the Appraisal Team. The auditors have assessed the fiscal risks of the COWASH as low or moderate.

Risks mentioned in the audit report of COWASH Phase III

The agreements between the GoF and the Regional States on the implementation of COWASH III do not define any deadlines for the quarterly or annual reporting. The appraisal team was informed by the

Embassy of Finland, that some regions have not been able to provide the quarterly reports according to the defined reporting timeline. KPMG observed differences in the financial figures between consolidated COWASH III annual reports and region-level reports. This is mainly due to updates made to regional level reports after they have been submitted to the FTAT for consolidation.

If reporting timelines are not adhered to and if the consolidated reports of the Project are not accurate, there is a risk that decisions are made based on inaccurate information. KPMG assessed this risk as moderate.

The Auditor further observes that there have been delays in submitting the data to the web-based WASH facility system and system has not been kept up to date.

The risk is that if the information in the system is not kept up to date it is difficult for the FTAT to monitor the progress of the Project. The auditor assessed this risk as moderate, highlighting that the Regions should submit their data to the WASH facility system on time and regularly.

Non-availability of funds for operational expenses at the Woreda level has been mentioned as a risk in the appraisal team interviews. This is particularly described in the case of the operational funds provided by GoE through government channels. In the Woredas, these funds are provided to the general use accounts and there is no mechanism of ring-fencing them, as is the case in the capacity building funds. There is then the possibility, that the operational funds provided by GoE for COWASH are used for purposes, unrelated to COWASH activities.

The latest audit report of KPMG observes a moderate risk regarding the timeliness of the fund transfers.

The structure of GoE fund flow varies between different Regions. In the Southern Nations, Nationalities and Peoples Region⁵ and Tigray Regions, Bureau of Planning and Finance transfers monies directly to Micro-Finance Institutions (MFI). In other Regions, Bureaus of Finance transfer the funds to different sector bureaus who transfer them further to the MFI.

When several steps and organisations/units are included in the fund flow and disbursement of funds, it may slow down the implementation of the Project⁶.

Risk relating to the financial management are:

- Timely financial and progress reporting.
- The operational funds not being earmarked clearly for COWASH use from the GoE share in the woreda level.

4.1.6 Change in technology

The relatively high Value for Money ratio of COWASH III is partly due to the fact that it provides simple and low-cost technology. This situation would change if more complex and technologically developed water systems represent an increasing part of the project expenditure. The efficiency of the COWASH IV programme could reduce, in terms of population covered, if the complex water supply systems will be a large share of the implementation.

The Regional states have however communicated to the team, that availability of low-cost technology sites would be one of the selection criteria for Phase IV woredas. The number of rural piped schemes built during the previous phases has been low, due to the lengthy planning and implementation process. A lowered efficiency of COWASH IV, due to the high number complex water supply schemes, is therefore

⁵ This was the situation during the KPMG audit in 2019. Later SNNPR changed the financing route from MFIs to commercial banks.

⁶ Source: (Performance Audit of COWASH III, July 2016–December 2018 31 May, 2019 Report 6/2019)

unlikely. It is further unlikely that such developments will have a substantial impact on the project's efficiency.

The CWA II, on the other hand, has been reported to have delays in the completion due to the lengthy procurement processes and safeguard reporting processes applied to the rural piped schemes.

4.2 Risk mitigation

CMP not replicated – risk of non-alignment

The scaling up and implementing the CMP approach without the GoF grant support was discussed with many stakeholders. It was found that to a limited degree, the implementing partners apply and copy the CMP approach, with some modifications, already now. These cases should be studied and scaled up.

The appraisal team has made specific recommendations in relation to advocating the CMP/COWASH to CWA II, addressing issues that inhibit scale up. Generally, COWASH IV should be more active in advocacy efforts towards CWA II in highlighting the advantages of the CMP approach and the lessons learnt so that it be seen as more appealing and acceptable to other partners.

Management issues and timeliness of reporting

The new financing arrangement proposed in the draft PD, changes the financing flows and hence puts a federal level ministry (either MoF or MoWIE) at the top of the accountability structure. As the MoF/MoWIE may in the future be the institution disbursing the support to capacity building, vehicles and equipment and operations to the regional bureaus, they will also request for the accounting for the resources provided.

Unlike the FTAT, the MoF/MoWIE will have an official mandate to ask for the Bureaus of Finance/Bureaus of Water as well as the RSUs to prepare the financial and the progress reports.

As mentioned above, if the competent authorities decide to continue with direct financial flow to the regions from MFA, the timeliness of reporting needs to be addressed.

4.3 Overall effectiveness and efficiency of the regional programmes, COWASH III

The definition of efficiency as per the OECD/DAC evaluation criteria is the extent to which the intervention delivers results in an economic way, where "economic" is considered to be the conversion of inputs (funds, expertise, natural resources, time, etc.) into outputs, outcomes and impacts.

The efficiency of the use of MFA funds (grant towards capacity building and operational costs and its relationship to the water supply and sanitation investment) varies considerably between one region and another. MFA funds are provided to a large degree to support regional investments, however, there appears little relationship between the size of the support funds and the size of the investment funds.

In one region for every one Euro that MFA provides in support funds 2.1 Euro is invested in water supply and sanitation, while in another region the € 1 provided by MFA reflects an investment of only 20 cents.

In one region € 1 of MFA support reflects more than 10 times the investment than it does in another region.

The result of the analysis can be seen in the table below. There are no obvious explanations to offer, except for there being a disconnect between committed and actual expenditure in water supply and sanitation investment. The best and worst performing regions both have a long history of implementing the CMP projects (Amhara with RWSEP and Benishangul Gumuz with FinnWASH-BG). Internal safety and security concerns were mentioned in the case of Benishangul Gumuz. The Region has communicated, that due to the security situation, and less anticipated revenue collection there has been little regional budget to spare for the COWASH III matching fund.

Table 2 One euro used on capacity building resulting in x euro of investment (July 2019 situation)

Region	Euro invested for one euro utilized for capacity building
Oromia	1.6
Benishangul Gumuz	0.2
Amhara	2.1
Tigray	1.2
SNNP	1.6

The efficiency analysis has been made by taking t A) actual utilised investment fund and dividing it by B) actual utilised capacity building funds.

A/B = One euro utilised for capacity building results in X euros of invested in water supply and sanitation

COWASH III stipulates a minimum of 30:70. (where 1€ capacity = 2.3€ investment). The draft PD recommends a 40/60 ratio (where 1€ capacity = 1.5€ investment).

The figure 3 above provides a comparison of the 30:70 ratio mandated by COWASH III and the 40:60 ratio recommended in the Draft PD as it compares to the actual ratios of the different regions in COWASH III as of July 2019.

The 40/60 ratio recommended in the draft PD had already been well communicated to the Regional States. The regions have anticipated the GoF contribution and have in April 2019 committed their contribution to the investment funds of COWASH IV. The contributions are generous and well over the expected 60 %.

The TORs of the appraisal require the appraisal team to “Assess whether efficiency could be still enhanced”. Possible scenarios to address this issue with recommendations are found in Chapter 5.

Efficiency of the RSU

In COWASH III for each Region there is a prescribed list of seven to eight full time specialists making up the RSU. The appraisal team found that all RSUs were fully staffed, independent of the size of the scale of the programme in the different regions. There appeared to be no part-time staff.

Several stakeholders communicated to the team that the management relationships of the RSU are not clear and that the roles and responsibilities were not properly defined. CMP Director/Coordinator (GoE staff) and RSU team leader’s roles are in some cases overlapping and this can even cause tensions in the work environment. The RSU salary structure is also not in line with other corresponding institutions (not GoE nor CWA II/PMU).

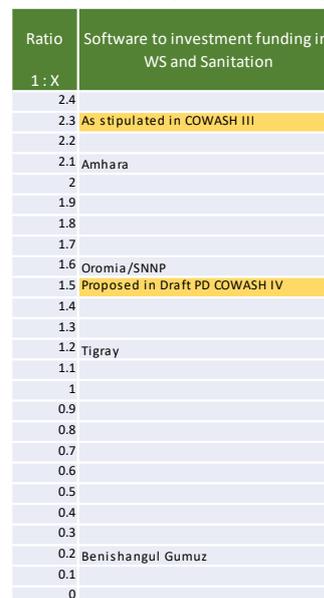
Some regional states commented on the composition of the RSU. Specifically, it was hoped, that one of the mandatory specialists would be a sanitation and hygiene specialist. In view of the upcoming ODF 2024 campaign, this appeared reasonable.

Independence of the RSU

There seems to be a need to maintain the independent status of the RSU, albeit with clear accountability.

The RSU has in the earlier phases of COWASH been reporting to the CMP director/coordinator in Water Bureau. This should continue, but the appraisal team is recommending that a senior official from the

Figure 3 Conversion ratio in comparison to past and recommended minimums



Water Bureau is nominated. The CMP coordinator needs adequate authority to manage the team and the programme.

The change of administrative structure and fund flow will require, that each RSU has a mandatory financial management specialist.

In case the GoE and GoF decide to continue the implementation arrangement, where the Regional States have direct agreements with MFA, the FTAT and RSU must be given a more binding requirement for financial reporting. This need to be reflected in the TOR of the RSU, with some accountability on technical/financial matters to FTAT.

To maintain the semi-independent status of the RSU, the procurement rules should be relaxed in the same manner, as during COWASH III. This means the relaxation of the GoE procurement rules in terms of certain thresholds.

The following addition from the COWASH III document is recommended to be included:

“The CMP Director/Coordinator assigned from the Water Bureau and the CMP Specialist have jointly the authority to decide on procurements defined in the RSU’s approved Annual Work Plan and budget, as well as on procurement required for the smooth running of the RSU. RSU Procurement thresholds are:

- Direct procurement up to Birr 5,000 (Exception is the car maintenance where the threshold is up to Birr 70,000)
- Procurement based on proforma collection Birr 5,000-50,000
- Open tender above the Birr 50,000 “

Physical capacity building and human capacity building

Expectation at the Regional bureaus, that the COWASH IV will provide means of transport and office equipment is high. A large portion of the capacity building budget will most probably be used for vehicles and office equipment.

Some Regional Bureaus commented that the overall share of the capacity building over the investment was too high and recommended and that GoF should allocate part of the capacity building funds towards the investment of water supply and sanitation. This is discussed in the Budget Chapter.

Based upon the discussion above the recommendations of the Appraisal Team are as follows:

- ***4.3 (R1) A senior officer from the Water Bureau should be nominated as the CMP Director in the RSU.***
- ***4.3 (R2) Procurement thresholds for the RSU should be stated in the Project Document.***
- ***4.3 (R3) RSU should have a financial management specialist as mandatory.***
- ***4.3 (R4) The size of the RSU should be adjusted in relation to the size of the field programme. The staffing list provided in the Final PD is to be considered as the maximum staffing level.***
- ***4.3 (R5) In case the direct MFA – Regions funding option is chosen, RSU TORs must include timely reporting to FTAT on the progress and expenditure of the regional programme.***

5 Feasibility

Specific questions raised in the TORs:

The new PD proposes a new administrative structure for the program, in which the administrative process from the point of view of the Embassy and MFA is simplified.

To be analyzed, what will be the challenges to implement the new administrative structure and how would they be solved?

- Are the management responsibilities adequately defined, for example how will the joint planning, reporting and fund requests be arranged and what will be the responsibility of the Federal level TA unit and Regional Support Units (RSUs)?
- Are there any governance gaps?
- Will this work in practice and reduce the administrative layers, at the same time not at the expense of the project implementation as well as regions' participation and commitment?

5.1 Proposed change of the administrative structure

The change required in the administrative system only relates to the channelling of the GoF contribution to capacity building and operational funds to the Regional States. Other fund categories i.e. the TA contract and the investment and operational funds from the GoE contribution to COWASH IV are not considered under this discussion and will be managed as proposed in the draft PD.

The need for the change in the administrative system is instigated by two considerations:

- The financing system of the GoF grant funds, used in COWASH III, which has one agreement with MoF, 5 agreements with Regional States and consultancy contract, is cumbersome and results in a considerable workload for the EoF and the MFA desk officer in Helsinki.
- The system of channelling the GoF grant funds in COWASH III is non-aligned with the financial systems of GoE, and hence not strictly following the principles of Paris/Accra Declaration on Aid Effectiveness.

The appraisal team discussed with both federal and regional level administrations about the proposed change in the administrative structure of the program. The impression was, that especially at the regional level, the administrations had given this issue considerable thought. Three of the regional states put their positions in writing.

Options for the administrative structure

The appraisal team concluded from the discussions, mainly with the Ministry of Finance (MoF), Ministry of Water, Irrigation and Energy (MoWIE) and the Embassy of Finland in Ethiopia (EoF), that there would be three options for the administrative structure of the programme.

- a) Financial management by Ministry of Finance.
- b) Financial management by MoWIE.
- c) Financing agreements between MFA and five Regional States. The administrative structure of the program for the Phase IV would in principle remain the same as in Phase III, with direct agreements with the implementing regional Bureaus of Finance (BoF). This option would need to be improved with enhanced TA support, mainly from the FTAT.

It should be noted that none of the above options are the same as that proposed in the draft programme document. The proposal in the draft PD is suggesting a Federal level financial agreement with MoF and tri-partite MoUs between the MFA, MoF and BoF. This type of arrangement is not familiar in the federal fiscal system of Ethiopia.

The financial systems of Ethiopia are generally categorised into three 'channels', as described below. It was the view of the MoF that COWASH IV should fall under one of these systems.

Three GOE financial flow channels:

- 1) **Channel 1** is 'on-budget' and is managed by MoF, regional BoFs and woreda Finance Offices. 'On-budget' means included in the national annual budget description. Channel 1 is further divided into:
 - a) Channel 1a: funds are transferred through MoF to regional BoFs, and then to WASH sector bureaus and offices
 - b) Channel 1b: funds are transferred through MoF but funds go directly to WASH sector bureaus and offices.
- 2) **Channel 2** funds are made available directly to the WASH sector ministries (MoWIE, MoH, MoE) and then to their respective sector bureaus and offices at lower levels. Channel 2 is also 'on-budget'.
- 3) **Channel 3** funds are directly transferred by donors and aid agencies to service providers and the donor retains financial control. Channel 3 funds are 'off-budget', meaning they are outside the control of government and are not included in the national annual budget.

OWNP has programmes using all three channels. CWA II specifically uses Channel 1a. COWASH III is presently using Channel 3.

Schematic pictures of the different channels are presented in figures X, Y and Z below.

After discussions with the federal and regional level stakeholders, the appraisal team has identified options for COWASH IV funding channels as follows:

Option A: Management by MoF: It was the view of the MoF, that the COWASH IV fund management options a) Financial Management by the MoF would be implemented through **Channel 1a**. This would have the implication, that the resources allocation between the regional states would follow the general-purpose block grant formula.

Option B: Management by MoWIE: Such an option would fall under **Channel 2**. It was the view of the MoWIE that resource allocation between the Regions would also be made based on the general-purpose block grant formula, but adjustments could be made based on other criteria.

Option C: Financing agreements between MFA and five Regional States: This option would most closely mirroring COWASH III. Direct agreements with the implementing regional BoFs, would allow the resource allocation to be negotiated and different criteria used when determining the grant funding between the regions.

The three options and their positive features and challenges were discussed with stakeholders at all levels. A comparison of the administrative structure options is presented in the annex

Annex 7 Comparison of administrative structure options

5.2 Option A: Financial Management by MoF

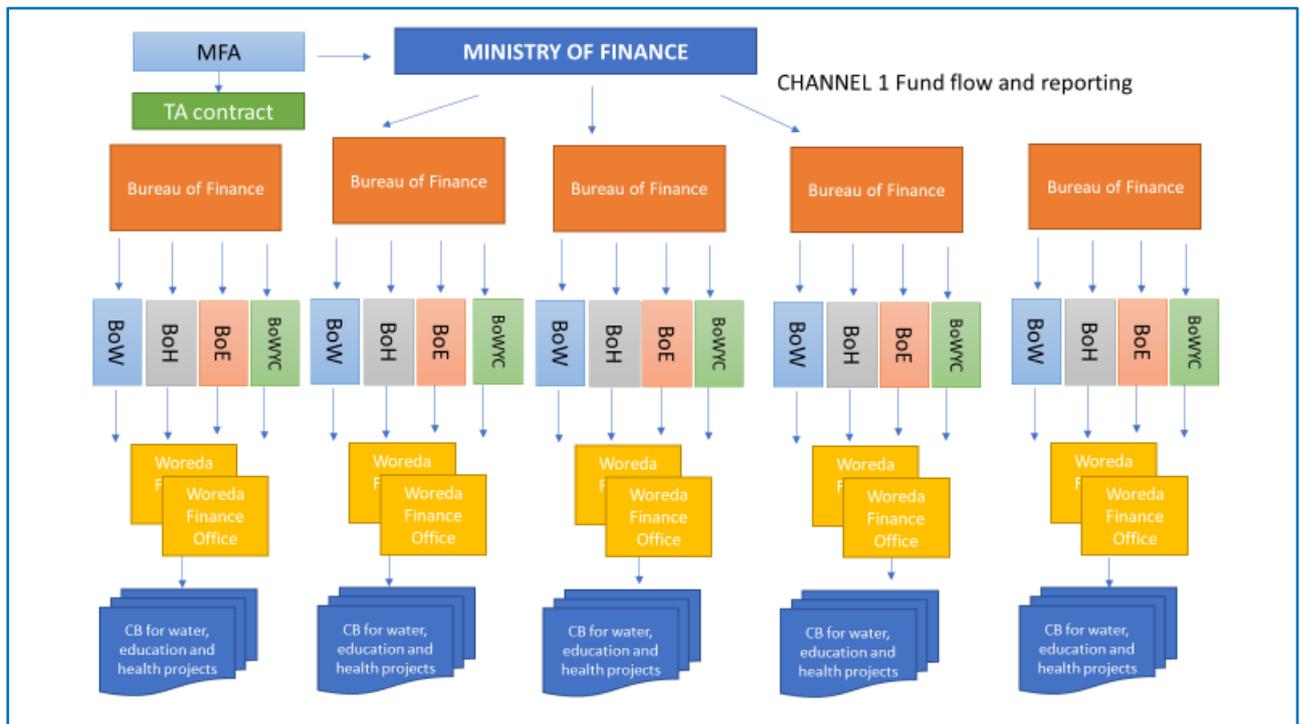


Figure 4 Schematic picture of Option A, financial management by Ministry of Finance

Schematic picture for the Option A of fund flow of the GoF contribution for capacity building and operational funds is presented in the Figure 4.

It is noted that this does not include investment and operational funds provided by the GoE. The fund flow to community accounts for construction activities would be channelled through MFIs, as presented in the Draft PD.

Technical Assistance support is provided in kind, MFA having a contract with a consulting company.

Features of the administrative system, Option A

- Option A follows the fund flow through Channel 1 a. (See figure XX above).
- MFA would sign one financing agreement with MoF.
- The competent authorities are the Ministry of Finance in Ethiopia and MFA in Finland.
- MoF would sign implementing agreements with 5 Regional States.
- MFA would sign a consultancy contract with the company providing the federal level technical assistance.
- Embassy of Finland would be the member of the National WASH Steering Committee, providing the overall governance and guidance to COWASH IV.
- MoF would be represented in the Regional WASH Steering Committees through its respective BoFs.
- MoF would open a dedicated bank account in the federal level and manage it.
- Funds will flow to Regional BOFs. BOFs will then distribute the budgeted funds to sector bureaus and woredas.

- BoF, with the assistance from RSU will collate the progress and financial reports from sector bureaus and woredas. Each region will send the reports to MoF.
- BoFs will also make projections of funds needed for next disbursement based on the cash flow plans of implementing agencies and disbursed budget utilization.
- MoF will be responsible for collecting the financial/progress reports from Bos and reviewing them. MoF will make one consolidated financial and progress report and fund request to MFA biannually.
- MFA/EoF will participate in the National WASH Steering Committee meetings, which will approve the report.
- Based on the accepted and reconciliated financial/progress reports from the Regional BoFs, MoF will make a fund request on behalf of all the five participating Regional States.

- MFA will undertake the payment to the dedicated COWASH IV account.
- A roll over system, where an advance would be paid to cover two upcoming quarters, would be designed to allow for smooth fund flow. Disbursement will be on the basis of financial reports and will include gross forecasts for one year deducting ending balances/cash on hand and in the bank at the end of the six months (2 quarters) period. This will effectively avail a net resource sufficient to cover two-quarter need.
- The separate COWASH IV account will be audited by the Auditor General.
- MFA can request to give no objection to the Terms of Reference to the annual audits. The audits are undertaken by local audit firms contracted by the Auditor General.
- MFA will have the right to review any audits and interim financial reports, apart from the semi-annual consolidated fiscal and progress reports
- MFA will also have the right to arrange external audits of the COWASH IV account and the regional fiscal operations related to the MFA funding of COWASH IV .
- If there are questions by the Auditor General, the implementing partners will be accountable to MoF, and MoF will be ultimately responsible for the funds to MFA.
- The financial management of GoF funds in MoF will require a dedicated focal person, and the cost of this person and the audits are to be compensated through COWASH IV capacity building budget (GoF grant).
- The focal person would be contracted by MoF and will be the financial manager in charge of the COWASH IV accounts and finances. The focal person will also be participating all the Regional WASH Steering Committee meetings in official capacity. A representative of FTAT will participate the Regional WASH Steering Committees as an observer. EoF would participate as and when deemed necessary, i.e. when regional annual plans and budgets are approved.
- The focal person in the MoF would be the main communication link between the MoF and EoF.
- The Embassy and MFA representative would participate annual joint technical reviews for MFA, EoF, MoF, MoWIE, MoH and MoE. These would be technical reviews specifically organized for COWASH IV, not to be mixed with technical reviews of CWA II. The technical reviews could be arranged in conjunction with Regional WASH Steering Committee meetings.

Advantages of Option A:

- The Financial flow of the donor funds would follow Channel 1 a. The system is aligned with GoE financial management.
- Division of funds between the Regional States will follow the formula of the General-Purpose Block Grant. This is a politically decided principle on the highest level of Ethiopian government.
- MFA and the Embassy of Finland can move to a much-simplified reporting and fund request system.
- There would be no need to participate all the regional level steering committee meetings (Regional WASH Steering Committee). This is also the practice in the CWA II, where the donors participate the regional meetings on *ad hoc* basis. This would decrease the workload of the EoF in Addis Ababa considerably, reducing some 10 meetings annually.

- Other sector bureaus (BoH, BoE, BoWYC) can have a separate budget for their capacity building, managed by BoF.
- This financing arrangement changes the financing flows and hence puts a federal level ministry, in this case MoF at the top of the accountability structure. As MoF will be the institution disbursing the capacity building funds to the regional bureaus, MoF will also request for the reconciliation of the funds from the BoFs. Unlike the FTAT during COWASH III, MoF will have an official mandate to ask for the Bureaus of Finance as well as the RSUs to prepare the financial and the progress reports. This may improve the situation of delayed reporting, mentioned in the risk analysis of the MFA auditors, KPMG.

Issues relating to Option A:

- COWASH IV is considered by MoF to be a small programme in the context of Ethiopian donor funding. It is a risk, that the MoF would not give the programme the full attention. It was the view of Director of Bilateral Cooperation Directorate, that this type of programme would be better managed by a sector ministry, in this case MoWIE.
- Timely disbursement of funds could be risked, if all the regional offices are not preparing the financial statements and fund requests in time. As the reporting and fund requests are done as one package, the fast regions must wait for slow ones. In COWASH III, once one Region has sent their reporting and fund request, it was forwarded to and addressed by MFA.
- The draft PD proposes a system, where the fund disbursement is based on the previous fiscal year's performance. This system will be partially a "rolling" fund disbursement and can most probably mitigate the delaying effect of consolidating the regional reports. The first half of the Ethiopian FY will be critical.
- The draft PD further proposes a system, where funds are, in case not utilized in time, recalled and reallocated to other regions.
- The Capacity building grant will be off-set from the Regions' general purpose block grant, hence reducing the amount the region has available for other purposes.
- During the discussions, a CMP related risk was highlighted namely that the transfer of investment funds of the Regions to the Micro Finance Institutes could be questioned by the Auditor General. Some interviewees expressed as their view that the CMP approach may be compromised. This is however considered to be a minor risk, as the GoE has requested for the continuation of the COWASH IV project, implementing rural water supply using the CMP methodology. It is well understood by MoF, that using the MFIs as financial intermediaries is an integral part of the CMP approach.

5.3 Option B: Financial Management by MoWIE

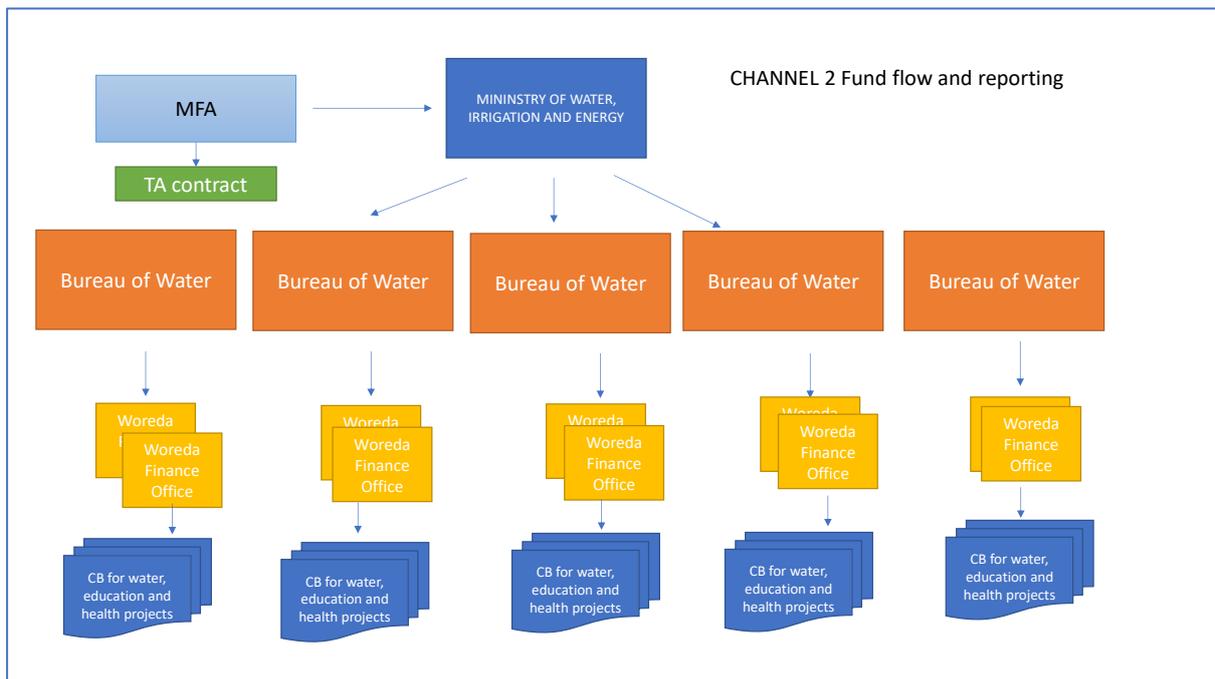


Figure 5 Schematic picture of the Option B, financial management by Ministry of Water, Irrigation and Energy

Schematic picture for the Option B of fund flow of the GoF contribution for capacity building and operational funds is presented in the Figure 5.

It is noted that this does not include investment and operational funds provided by the GoE. The fund flow to community accounts for construction activities would be channelled through MFIs, as presented in the Draft PD.

Technical Assistance support is provided in kind, MFA having a contract with a consulting company.

Features of the administrative system, Option B

- Option B follows the fund flow through Channel 2 . (See figure 5 above).
- MFA would sign one financing agreement with MoF which would be the competent authority.
- The management of the programme would be delegated to MoWIE by MoF.
- The entity within MoWIE managing the project would be Water Development Commission.
- MoWIE would sign implementing agreements with 5 Regional States.
- MFA would sign a consultancy contract with the company providing the federal level technical assistance.
- Embassy of Finland would be the member of the National WASH Steering Committee, providing the overall governance and guidance to COWASH IV.
- MoWIE would be represented in the Regional WASH Steering Committees by a focal person nominated by the Water Development Commission. A representative of FTAT would participate the Regional WASH Steering Committees as an observer. EoF would participate as and when deemed necessary, i.e. when regional annual plans and budgets are approved.
- A dedicated bank account would be opened in the national bank and it will be managed by WDC.
- Funds for COWASH implementation at Woreda level will flow to Regional Bureaus of Water. BoW will further distribute the funds to woreda finance office. The health and education related project funds will be distributed in the woreda level.

- BoW, with the assistance from RSU will collate the progress and financial reports from sector bureaus and woredas. Each region will send the reports to MoWIE /WDC.
 - BoWs will also make projections of funds needed for next disbursement.
 - MoWIE will be responsible for collecting the financial/progress reports from BoWs and reviewing them. MoWIE will make one consolidated financial and progress report and fund request to MFA biannually.
 - MFA/EoF will participate in the National WASH Steering Committee meetings, which will approve the report.
 - Based on the accepted and reconciliated financial/progress reports from the regional BoW, MoWIE, will make a fund requests on behalf of all five participating Regional States.
 - MFA will undertake the payment to the dedicated COWASH IV account.
 - A roll over system, where an advance would be paid to cover two upcoming quarters, would be designed to allow for smooth fund flow.
 - The separate COWASH IV account will be audited by the Auditor General.
 - MFA can request to give no objection to the Terms of Reference to the annual audits. The audits are undertaken by local audit firms contracted by the Auditor General.
 - MFA will have the right to review any audits and interim financial reports, apart from the semi-annual consolidated fiscal and progress reports.
 - If there are questions by the Auditor General, the implementing partners will be accountable to MoWIE, and MoWIE, will be ultimately responsible for the funds to MFA.
 - MFA will also have the right to arrange external audits of the COWASH IV account and the regional fiscal operations related to MFA funding of COWASH IV.
-
- The financial management of GoF funds in MoWIE, will require a dedicated focal person, and the cost of this person and the audits are to be compensated through COWASH IV capacity building budget (GoF grant).
 - The focal person would be contracted by MoWIE and will be the financial manager in charge of the COWASH IV accounts and finances.
 - The focal person will also be participating all the Regional WASH Steering Committee meetings in official capacity. A representative of FTAT will participate the Regional WASH Steering Committees as an observer. EoF would participate as and when deemed necessary, i.e. when regional annual plans and budgets are approved.
 - The Water Development Commissioner would be the main communication link between the MoWIE, and EoF.
 - The Embassy and MFA representative would participate annual joint technical reviews for MFA, MoWIE, MoH and MoE. These would be technical reviews specifically organized for COWASH IV, not to be mixed with technical reviews of CWA II. Joint technical review should be organized in conjunction with the annual meetings of the Regional WASH Steering Committees.

Advantages of Option B:

- The Financial flow of the donor funds would follow Channel 2. The system is aligned with GoE financial management.
- MoWIE, as a sector ministry, has the required expertise and knowledge of the substantive issues of rural water supply.
- There is interest in the MoWIE to take over the financial management of the COWASH IV.
- The entity within MoWIE suitable for the assignment would be the Water Development Commission.
- Division of funds between the Regional States will follow the formula of the General-Purpose Block Grant. Additional criteria for the fund allocation, such as the past performance in fund utilization and investment, can be entertained while using this option.
- MFA and the Embassy of Finland can move to a much-simplified reporting and fund request system.

- There would be no need to participate all the regional level steering committee meetings (Regional WASH Steering Committee). This would decrease the workload of the EoF in Addis Ababa considerably, reducing some 10 meetings annually. The EoF would participate the annual meetings, where budgets and annual work plans are approved.

Issues relating to Option B:

- The Regional States have committed considerable amounts to invest towards the COWASH IV programme objectives. This commitment could be considered to be based on the Region being the partner with MFA. If this is changed, and the programme is changed to be a sector programme of the MoWIE, the interest of the Regional States could wane and the programme could shrink considerably.
- Timely disbursement of funds could be risked, if all the regional offices are not preparing the financial statements and fund requests in time.
- MoWIE will transfer the funds to BoWs in the regions. They will not transfer the funds to other sector bureaus (BoH, BoWYC and BoE). This will cut out the Bureaus of Health, Women, Youth & Children Affairs and Education for their capacity building requirements from the official financing routes. These are, however, not considerable amounts and could be taken care of, with special arrangements with RSU or FTAT. The health and education related investment projects in the communities will be funded on the woreda level. The community level training and capacity building events are financed through the woreda funding.
- If official route to the Bureaus of Health and Education is established for the financial matters, separate financial agreements with the Ministry of Health and Ministry of Education need to be signed. This will gain increase the contract management workload in both Embassy of Finland and MFA in Helsinki.
- BoFs do not have a role in the Channel 2 financing system. This is commented by MFA to be a disadvantage, as BoFs are influential actors in the Regional States, hence promoting the COWASH project and have an important role in management of the GoE investment funds towards COWASH objectives.
- The Capacity building grant will be off-set from the Regions' general purpose block grant, hence reducing the amount the region has available for other purposes.

5.4 Option C: Separate financing agreements with regional BoFs

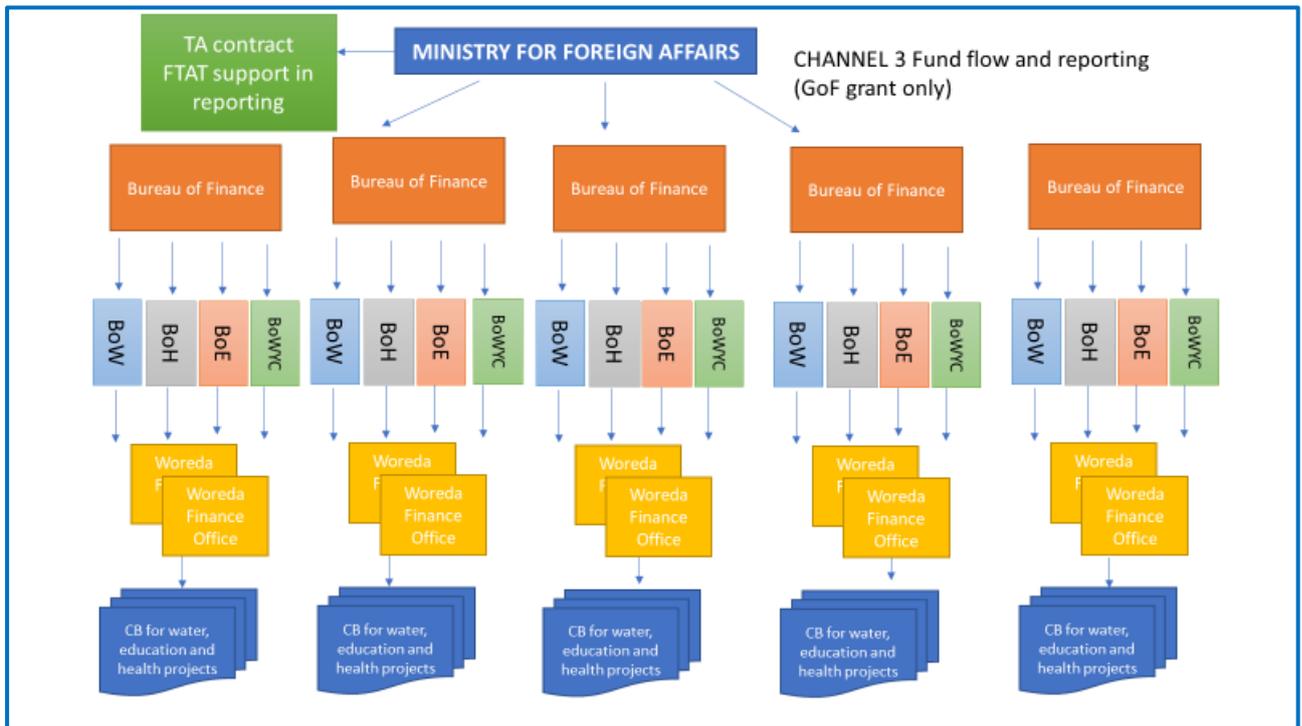


Figure 6 Schematic picture of the Option C, financing agreements between MFA and five Regional States

Schematic picture of fund flow in the Option B of the GoF contribution for capacity building and operational funds is presented in the Figure 6.

It is noted that this does not include investment and operational funds provided by the GoE. The fund flow to community accounts for construction activities would be channelled through MFIs, as presented in the Draft PD.

Technical Assistance support is provided in kind, MFA having a contract with a consulting company.

Features of the administrative system, Option C

- The financing arrangement falls under the arrangement of channel 3.
- The competent authorities are the Ministry of Finance in Ethiopia and MFA in Finland.
- Based on the inter-governmental agreement, MFA will enter into separate financing agreements with Regional States.
- BoFs will be in charge of the financial management.
- The agreements between MFA and the BoFs will define the financial management and the financial flows, disbursement, reporting, auditing and arrangements to be used in the grant funds channelling. These arrangements will mirror the COWASH III arrangements.
- EoF is a permanent member of the National WASH Steering Committee and Regional WASH Steering Committees.
- BoFs will then distribute the budgeted funds to sector bureaus and woredas.
- BoF, with the assistance from RSU will collate the progress and financial reports from sector bureaus and woredas. Each region will send the reports to Federal Technical Assistance Team.

- BoFs will also consolidate cash flow plans and funds utilized and make projections of funds needed for next disbursement.
- FTAT will be tasked in their TOR for collecting the financial/progress reports from BoFs and reviewing them.
- FTAT will make a simplified budgeting and reporting format.
- FTAT will organize intensive training for the RSU, BoF, BoW personnel involved in the COWASH IV reporting. The training will be repeated regularly to allow for the staff turnover.
- A timeline will be agreed between BoFs, FTAT and Embassy of Finland for the timely submission of reports. These timelines will be documented in the Regional financing agreements as well as the consultancy contracts of the FTAT.
- FTAT will make one consolidated and reconciled financial report, progress report and fund request to the Embassy of Finland biannually.
- The consolidated and reconciled financial report as well as progress reports will be approved by the National WASH Steering Committee, where MFA/EoF is a member.
- EoF will review and recommend the biannual reports to be accepted and forward them to MFA.
- EoF will review the fund request and make recommendations for disbursement to MFA.
- The financial experts in RSUs will be working in the BoF and will be tasked to provide timely financial reporting in their TOR.

Advantages of Option C:

- The arrangement mirrors the COWASH III financial management systems and is familiar to the Regions. When interviewed, majority (4 out of 5) of the regional representatives voiced their satisfaction with the system.
- There will be more flexibility in terms of the resource allocation criteria, and the criteria can be negotiated and agreed in the NWSC.
- MFA/EoF through participation in the Regional WASH Steering Committees will maintain close relationship with the project implementers.
- Other sector bureaus (BoH, BoE, BoWYCA) can have a separate budget for their capacity building, managed by BoF.
- With direct disbursement of MFA funds to the Regions, the payments are done in euro and the foreign currency could be at their disposal. The Regional BoFs have recently been given the authority to open foreign currency accounts. The Amhara Bureau of Water commented on the need for foreign currency for purchasing/importing electromechanical parts for the water supply systems, including solar powered pumping systems. With the disbursements channelled through MoF/MoWIE the payments to regions would be made in ETB.

Issues relating to Option C:

- The feasibility of the option C is dependent on the ability of FTAT to collect and collate the financial and progress reports. If the FTAT has similar challenges in producing the consolidated reports than during COWASH III there are delays and additional workload for the EoF.
- Contract management is cumbersome with a large number of contracts. This is increasing the workload of the desk officer in MFA in Helsinki.
- Participation in all the Regional WASH Steering Committees' meetings increases the travel requirement and workload for EoF considerably.

In conclusion

The Regional States participating the COWASH IV all had a view on the proposed administrative changes. Four of the five Regions were opposed to the proposed changes and requested for the administrative structure to remain the same as in the COWASH III. This appears natural, in view of the lesser financial

controls of the bilateral agreements, as compared to the GoE aligned financial management system. The bilateral agreement system has a degree of flexibility.

The Senior Water Adviser of MFA communicated that the Ministry had the wish to align with the GoE systems, as articulated in the Paris Principles on Aid Efficiency and Accra Agenda of Action.

The senior officer in MoF, in charge of the bilateral aid portfolio, communicated as his view, that COWASH IV, partnering with a number of Regional States, has a status of a national programme and should be managed by a federal authority.

After discussions with the MoWIE the appraisal team had an impression, that MoWIE knew the programme well and was committed to promote the objectives and issues important to MFA, such as the CMP modality.

On balance, the appraisal team found Option B Financial management by MoWIE being the most feasible.

The consultant recommends, that the administrative structure for COWASH IV is as follows:

- ***5.5 (R1) Option B: MFA has a financing agreement with MoWIE for the financial management and coordination of the project.***

Depending on the final decision of the competent authorities, the draft Project document will be amended accordingly.

The consultant recommends, that the administrative structure for COWASH IV is as follows:

- ***5.5 (R1) Option B: MFA has a financing agreement with MoWIE. MoWIE undertakes the management and coordination of the project.***

Depending on the final decision of the competent authorities, the draft Project document will be amended accordingly.

5.5 Division of funds between the regional states and woreda

Specific questions raised in the TORs:

- The GoF budget is divided between the TA component and funding to the Regions. With the current political situation in the country it is important to have clear criteria agreed with the GoE, how the funding will be divided between the regions. The regions will then select the woredas to be included in the program, but there should also be some criteria for the regions to select the woredas

The funding criteria between the regional states will be determined by the administrative structure finally chosen. If the project is placed by the MoF into the funding Channel 1 of the OWNP, this will automatically result in using the federal fiscal rules of the GoE and the General-Purpose Grant Formula for determining each Regions share. This is the case in CWA II. The system is briefly described below.

5.5.1 General-purpose block grant formula

Ethiopia is a highly decentralized country. A World Bank report (Ethiopia - Evaluation of MDGs specific purpose grant to regions) from 2016 stated, that sub-national government taxes and revenues accounted for about 28 percent of general taxes and revenues, and sub-national expenditures amounted to 51 percent of general government expenditures. The ensuing vertical mismatch is bridged by grants from the Federal government to the regions. In 2016 these grants accounted for 57 percent of sub-national (regions and woredas) expenditures. For many years, these grants consisted mostly of a block grant (the Federal General-Purpose Grant) given without “strings attached”, meaning the regions can allocate the funds as they see fit.

Transfers are made to regional governments based on an equity formula that considers each region's population size, level of infrastructure development favouring disadvantaged regions, revenue raising potential, and an expenditure assessment for the provision of basic services. The equity formula is approved by the House of Federation and is reviewed every few years.

The advantage of using this formula as the basis for the division of funds between the regions, is that it is politically approved and traditional way of resource allocation in Ethiopia, used for the last 20 years. It also reflects the GoE's assessment of the needs for development financing in the regions.

The difficulty of using this criterion, is that the amounts to regions would be very different from that seen in COWASH III. A test calculation, comparing the capacity building funds to regions in COWASH III with the proposed COWASH IV is presented the following table.

Table 3 Test calculation of the Regional shares of the MoF grant

Region	Amount agreed for COWASH III, euro	Projected amount for COWASH IV Based on Block Grant Formula	% MFA grant compared to COWASH III
Oromia	1 669 432	5 234 625	314 %
Benishangul Gumuz	1 894 383	273 111	14 %
Amhara	4 839 671	3 277 330	68 %
Tigray	1 737 035	895 197	52 %
SNNP	1 339 714	3 049 738	228 %
TOTAL	11 480 235	12 730 000	111 %

As seen in this table the distribution of resources changes substantially, if grant support is distributed based only on the block grant formula. Note that the total amount to be distributed does not include contingencies.

5.5.2 Other resource allocation principles

Criteria to be use in addition to the equity criteria/block grant formula were discussed and met with a positive response. Additional criteria and their merits are discussed below.

Positive past performance

In the attempt to enhance the efficiency of the programme, the appraisal team suggested the use of performance-based criteria in the resource allocation. The Regions, having demonstrated good performance in terms of water supply and sanitation implementation during Phase III, would in this juncture be rewarded.

Positive past performance would be measured with a factor, describing the efficiency of the capacity building grant funds used to provide water supply and sanitation investment, as presented in Chapter 4.3.

Commitment of funds towards COWASH IV

The regions could also be rewarded for committing their own funds for the COWASH IV investment, over the agreed minimum (40 % grant from GoE, 60 % investment fund from the Regional State). This could act as an incentive structure for achieving a better efficiency for the Project.

It is hence recommended, that MFA would consider negotiating an additional criterion based on the commitment of funds from the implementing regions.

Overall fund allocation formula

The appraisal team designed an overall fund allocation formula. All the Federal level officers interviewed, gave a serious weight to the equity (block-grant) formula. The team therefore recommends the following weights for the fund allocation criteria:

- 50 % of the GoF grant to the Regions is divided based on the equity formula.
- 35 % of the GoF grant to the Regions is divided based on the positive past performance criterion.
- 15 % of the GoF grant to the Regions is divided based on the implementation plan and commitment of funds.

The total (maximum) amount of the GoF grant, including capacity building support, institutional WASH investment support and operational funds will be 12,73 million euro. The Regional Budget of the MFA grant additionally has 5 % in contingencies. This amounts to 920 000 Euro. This amount is not divided between the Regions.

TA support is not included in this amount, as Technical Assistance services are procured by MFA and hence the funds are not divided to the Regions.

Based on the commitments received from the Regional States in April 2020 and using the above criteria the distribution of funds between the regions is calculated in the table 4 below.

Criteria and weight	Amount, euro
To be divided ased on Block Grant Formula (50 %)	6 365 000
To be divided ased on performance factor (35 %)	4 455 500
To be divided ased on coomitmen for COWASH IV (15 %)	1 909 500
Total to be divided between the regions	12 730 000

Table 4 The use of the resource allocation criteria, amounts of the GoF grants to be allocated by different criteria

Region	Amount agreed for COWASH III, euro	Projected amount for COWASH IV Based on Block Grant Formula	Amount based on the past performance factor	Amount based on the Commitment factor	Total projected MFA grant for COWASH IV, euro	% of projected COWASH IV of agreed COWASH III	Commitment of the Regional States towards investment and operational costs, Euro	Total COWASH IV (GOE +GOF), TA not included, Euro
Oromia	1 669 432	2 617 312	1 019 152	219 610	3 856 074	231 %	8 035 260	11 891 334
Benishangul Gumuz	1 894 383	136 555	154 478	738 373	1 029 407	54 %	2 162 162	3 191 569
Amhara	4 839 671	1 638 665	1 394 621	294 890	3 328 176	69 %	9 000 000	12 328 176
Tigray	1 737 035	447 598	815 094	410 460	1 673 152	96 %	5 214 791	6 887 943
SNNP	1 339 714	1 524 869	1 072 155	246 167	2 843 191	212 %	6 432 432	9 275 623
	11 480 235	6 365 000	4 455 500	1 909 500	12 730 000	111 %	30 844 646	56 304 647

Table 5 Amounts of GoF grant funds to be distributed for the Regional States and their commitments. Federal level TA funds not included.

Based upon the discussion above the recommendations of the Appraisal Team are as follows:

- **5.6.2 (R1) The regional grant amount to be allocated to each region will be estimated using the following criteria:**
 - **Equity formula (General-purpose Block Grant Formula)**
 - **Positive Performance Factor**
 - **Commitment of funds from the Regions**

5.6 Criteria suggested for the Regional States for the woreda selection

The OWP, when selecting the participating woredas for the Consolidated WASH Account funding, is using the following criteria:

- 1) Low Level of WASH access
 - a) the level of rural water supply coverage in line with GTP II standard,
 - b) HH sanitation coverage based on MoH definition for improved HH latrine
 - c) proportion of ODF kebeles in a woreda,
- 2) WASH coverage for schools and
- 3) WASH coverage for health facilities.
- 4) % Stunting in children.
- 5) Low level of ongoing assistance in the Woreda

During the interviews of the Regional stakeholders, the stakeholders were aware of the above criteria and were prepared to use the same. Coordination between programmes (CWA II, COWASH IV, other donors and NGOs) and poverty levels in the woreda were also mentioned.

In principle, all the Regional States should coordinate the support so, that COWASH IV and CWA II would not be supporting same woredas. This is important, as CWA II and COWASH IV both give technical support, capacity building, construct rural waters supplies and institutional sanitation. Having the two programmes operating in same woredas would not be efficient use of resources.

Based upon the discussion above the recommendations of the Appraisal Team are as follows:

- *5.6 (R1) Woreda selection criteria used by the CWA II, with some modification, should be recommended for use by the Regions.*

5.7 Target setting

Specific questions raised in the TORs:

- Are the set targets and indicators in the results framework feasible, taking into account the available resources?
- How should the result framework be developed/completed?

5.7.1 Target setting for COWASH IV

The set targets for the new phase are reflected against the good past performance of the COWASH Project.

COWASH PHASE III Cumulative Performance Report 01/08/2016-06/07/2019) 3 years into the implementation of COWASH III presents the achievement of physical targets as follows:

- 848 000 rural beneficiaries of water supply as per the GTP II service level by constructing 4,842 community water supplies
- 250 school water supply systems
- 99 health facility water supply systems
- 114 school latrines
- 134 health facility latrines

Against the backdrop of the relatively successful COWASH Phase III, the set physical targets of COWASH IV seem low (800,000 people covered with GTP II service level and 100 school and health institution water supply systems)

More resources are available from the Government of Finland during the Phase IV. This has resulted in more matching fund from the Regional Governments, who also have indicated their interest in increasing the number of woredas, where COWASH would be implemented.

At the time of the writing of the Appraisal Report, the total commitment from the Regional States towards the COWASH IV programme is some 1.5 million population coverage with water supply. If

assumed, that 70 % of this can be actually completed, the figure could safely be adjusted to 1 million people. This is a tentative figure and should be looked at critically during the Inception Phase.

There are a few considerations on the attainability of the population figures covered by water supply.

- a) Regions have expressed their interest to move towards new woredas, with lower water supply coverage at present. This may indicate, that the "last mile" problem of more difficult ground water conditions may not yet be fully encountered. The assumption is that adequate simple technology water, accessible by means of low-cost water point sites are still available. This is an argument in favour of increasing the target.
- b) The attainment of the SDGs in the Ethiopian context. The Government has stated in the OOWNP, that there is an intermediary target, where 100 % will be covered with basic service level. This is the GTP II service level, used for design of the COWASH III water supply systems. This is attainable and there is good experience in CMP projects attaining this service level. The difficulty is in the objective of 22 % of population reaching safely managed status. This in the rural context means a piped scheme to the premises. As there is interest and also experience during COWASH III to build rural piped schemes, it is assumed, that this COWASH IV can contribute towards this target.

It is suggested, that COWASH IV will take a critical look at the results framework during the inception report. Beginning of the next phase of the project will be a better time for assessing the implementation framework and targets for mainly two reasons:

- New decision-makers could be in place in the Regional States and can participate the planning. This however is now dependant on the Governments ability to organize the elections considering the COVID-19 pandemic.
- Project end data from COWASH III will be available.
- National WASH Inventory figures may already be published and will give the Regions a realistic vision of the WASH situation in different woredas.

Based upon the discussion above the recommendations of the Appraisal Team are as follows:

- ***5.8.1 (R1) Water supply coverage targets of the COWASH IV of 800,000 beneficiaries and 100 water supply systems for institutions should be considered as a minimum and adjusted upwards to a tentative 1 million beneficiaries and 150 institutional water supply systems. It is suggested that the targets are adjusted by the FTAT during the Inception Phase.***

5.7.2 Sanitation coverage target

The Draft PD has a sanitation coverage target stating "Increase the coverage and usage of improved latrine to 62 % in selected woredas"

This particular target is not well formulated, as it is difficult to know the starting level. "Selected woredas" will in many cases be new woredas, where the COWASH III has not assessed the baseline.

It is recommended that a direct numeric target of "Number of households using an improved latrine" will be determined.

Other target figures in the draft PD are very specific. For example that "90 % of WASHCOs are aware of the availability of the spare parts" as opposed to the OOWNP target of "100% of Woredas having spare parts supply chain services for rural water supply schemes maintenance". It should be possible to agree with the Regional States that the targets would be uniform, and the Regional Bureaus would commit to providing the spare parts (in this case).

Some targets based on awareness and the verification is to be done by household surveys. There is a risk that these surveys will be expensive to implement, and the data collected not entirely reliable.

It is recommended that numerical sanitation targets are agreed with the Regional States during the Inception Phase. This process can be done as follows:

- Regional States funding commitment towards COWASH IV investment.
- Selection of COWASH IV woredas.
- Assessment of the baseline situation in the selected woredas and
- Decision-makers commitment towards sanitation targets.

Based upon the discussion above the recommendations of the Appraisal Team are as follows:

- **5.8.2 (R1) Sanitation coverage targets of the COWASH IV need to be clearly quantified. This can be done during the Inception Phase.**

5.8 Gender issues and inclusivity

‘Specific questions raised in the TORs:

- In project Phase III, women and people with disabilities were specifically targeted in order to ensure their participation and access to decision making in project activities.
- Is the equality and empowerment of women and disabled people adequately addressed and maintained in Phase IV?

During the COWASH III 196,340 people, from federal to kebele level, have received different trainings with the support of the project. Of these people trained, 36.1% were female and some 3.3% were reported to have had some kind of disability. Generally, the cooperation with the Bureaus of Women, Children and Youth Affairs is good. The representative of the Bureau sits in the Regional WASH Steering Committee. The Bureau was hoping for a better awareness and more discussion about the budgeting. They were not totally clear, how COWASH III allocated them their share.

A comment made by a representative of the Amhara Bureau of Women Children and Youth was particularly enlightening, she indicated: “There are capacity gaps in the economic empowerment of women in the Amhara region. We recommend investing more on women in empowerment specifically economic empowerment. We can organize women in Self Help Group approach and provide initial capital to invest by themselves that is a key for women in economic empowerment.” The Bureaus of Women, Youth and Children have been participating the work of COWASH since Phase I. They were aware of the programme and were hoping for continued and even increased cooperation.

A task suggested by the Tigray Bureau of WYC would be a joint and regular WASH monitoring event. The Bureau could regularly monitor the COWASH woredas and check girls’ WASH situation in schools, girls’ toilets and MHM rooms, monitoring the women’s situation in households in terms of water supply, sanitation and hygiene. WASHCO women membership and leadership is an important feature of the programme.” The women’s participation in WASHCOs has had wider implications.”

The intervention with the women headed micro-enterprises seems to be successful and worth continuing. There were examples in Tigray, where women were running a maintenance operation for repairing the water points.

Composition of the RSU/FTA could be exemplary by being more gender friendly. More women are needed in professional positions. As a minimum a junior position could be considered for entry positions for women and young people. The Tigray team showed greater gender balance and in the opinion of the appraisal team this was also reflected in the field work. They have managed to reach 100 % chairperson position of women in their WASHCOs.

Women’s participation in many events, not only in WASHCO meetings, should be promoted. Women’s participation in trainings, where they get benefits, should be monitored and enhanced. Relevant female officers should be promoted for participation in trainings, retreats and regional and national meetings.

These activities are well represented in the draft PD and there is no doubt that COWASH IV can continue to make an impact on the gender balance and inclusiveness of the Ethiopian WASH sector.

Based upon the discussion above the recommendations of the Appraisal Team are as follows:

- *5.9 (R1) Composition of the RSU/FTA could be exemplary by being more gender friendly. More women are needed in professional positions. A junior position will be included for entry positions for women and young people.*
- *5.9 (R2) Relevant female officers will be promoted for participation in trainings, retreats and regional and national meetings.*

5.8.1 COWASH IV – CWA II cooperation in terms of gender and inclusivity

Numerous interviewees stated that the gender and inclusivity packages developed during the previous phases of the COWASH programme are good and very applicable in all the WASH sector programmes, especially the CWA II. When asked if they were fully applied in the CWA II, the respondents replied, that there may be limitations in the adoption of the gender and inclusivity guideline, due to the limited capacity building resources.

It is suggested here that an effort will be made during COWASH IV to engage the CWA II and organize many more joint training and capacity building events.

Based upon the discussion above the recommendations of the Appraisal Team are as follows:

- *5.9.1 (R1) COWASH IV to engage the CWA II and organize joint training and capacity building events on the gender and inclusivity packages.*

5.9 Budget

Specific questions raised in the TORs:

- How could the program budget structure be developed/modified to ensure that it includes all necessary items and has sufficient flexibility?

Formats are being in use for budget planning but these formats are very detailed and lock the implementation into only the pre-planned activities. This is a kind of “shopping list” approach. Innovative approaches while using these formats will present difficulties. The format need to be reviewed and improved.

The transparency and flexibility of the budgeting process can be increased, especially so that other sectors, other than water i.e: education, health and women’s affairs, will be more committed to the programme implementation. More joint budget planning events are recommended.

A budget line for infrastructure innovation should be added to the Regional budgets, from the GoE contribution. These could be planned annually and utilized in the same manner as the MFA share of the investment costs for institutional latrines.

The total budget expectation from the regional states, based on the contribution share 60/40 is some 757 million ETB. This is well below the actual commitments of the regional states, received in March – April 2020, which amount to some 1 130 million ETB. The 60 % contribution of the Regions is calculated based on the total support to the regions from MFA, including the contingencies.

The woreda administration were commenting on the strong community ownership of implemented water supplies. The financial participation of the community WASHCOs was deemed important.

Depending on the administrative structure agreed upon, there may be need to change the budget to include a federal level cost line for supporting the federal ministries to undertake the financial

management. This budget line will be taken from the capacity building budget, contributed by the GoF. This line will be amended to the final PD budget proposal.

The overall TA budget is suggested to be reduced. This is especially relevant in the case, where the financial management is moved to the federal level ministries (Options A and B).

The reduction of TA budget is suggested to be made from the budget line of long-term national experts on the federal level. Additional reductions can be made in the budget line for national and international capacity building. This is understood to be a budget line for advocacy and representation of COWASH in the international forums. As the COVID-19 pandemic has reduced the international travel and large international gatherings for at least short-term future, it is possible to reduce this budget line.

It is suggested that a new budget line is added to the federal level TA budget to be used for software innovation costs. This would be managed by the consultant team, at cost.

The new proposed TA budget (including software innovation) is 4.4 million Euro, reduction from 4.7 million Euro.

Tentative budget outline is presented in Annex 1.

Based upon the discussion above the recommendations of the Appraisal Team are as follows:

- **5.10 (R1) The very detailed and pre-designed budget planning templates to be simplified and revised**
- **5.10 (R2) Depending on the administrative structure selected, the Federal level budget will be amended.**
- **5.10 (R3) Technical Assistance Budget to be reduced.**
- **5.10 (R4) Funds for innovation budgeted**

5.10 Advanced technologies

Specific questions raised in the TORs:

- The Project Document notes that while there is an increasing need for more advanced, higher technology schemes (e.g. piped systems), the applicability of CMP approach for such schemes is limited.
- How could Phase IV best test and develop i.e. pilot the applicability of CMP approach also for higher technology schemes?

MoWIE recommended that COWASH IV would test and develop the rural public utility model. MoWIE also expressed as their view, that the point sources and small piped schemes could be managed under one rural utility. (clustering of rural water supply systems)

The Regional Bureaus of Water and several Woredas have already built a number of rural piped schemes and were interested in testing solar pumping.

Role of WASHCO in rural piped systems

The role of the WASHCOs is different in a rural piped scheme, as reflected by:

- The construction of these schemes includes designing, preparation of bidding documents and contracting.
- The WASHCO delegates the procurement to the Woreda, the large procurements are delegated to the Regions. The woreda needs to provide intensive technical advice and supervision of works.

The WASHCO can still have a decisive role in the signing of contracts and approving the payments. According to the Regional Bureaus of Water, CMP has added value in creating a strong feeling of ownership.

The COWASH IV can best pilot and scale up the CMP implemented Rural Piped Schemes, by adhering to transparent budgeting and procurement procedures. Post construction support and long-term follow up to get the rural utilities up and running is equally important. These modalities and practices should be shared with the CWA II and joint training and monitoring should be done.

Innovation

The wish for new solutions for rural WASH problems was expressed by several interviewees. Renewable energy solutions to the rural water supply need to be tested and scaled up. MoH expressed concern, that CLTS and consequently ODF has stagnated and sanitation promotion needs to be redirected. New ideas, research and testing is badly needed.

Compostable toilets were introduced in Tigray and workable solutions are already there. These need to be modified and scaled up in the institutional WASH programme.

COWASH IV has the means and opportunity to be the small and agile programme for innovation and testing.

Based upon the discussion above the recommendations of the Appraisal Team are as follows:

- *5.11 (R1) Rural utility model tested with strong post-construction support*
- *5.11 (R2) Renewable energy solutions for the rural water supply need to be tested and scaled up*
- *5.11 (R3) New models of compostable toilets need to be modified and scaled up in the institutional WASH programme.*
- *5.11 (R4) Research and development into the software methodologies of the sanitation demand creation and ODF to be undertaken*

6 Sustainability

6.1 Functionality and private sector

Specific questions raised in the TORs:

- Assess the concrete measures suggested on how the functionality of the water supply schemes can be improved, including maintenance issues such as financing of repairs, payment for water and spare part supply, and milestones how this can be implemented and monitored.

The COWASH III has supported small scale entrepreneurs to take up the maintenance business of the water points. Some success was documented in Tigray. The private sector entrepreneurs sell spare parts as well as provide a repair service.

In Phase IV, COWASH aligns its modalities to those of CWA II to address challenges related to non-functionality rates and unsustainable service delivery. This includes, as in CWA II, strengthening activities of rural water supply management capacity but not limited to the following:

- Strengthening and establishing aggregated management of WASHCOs. In this support COWASH can go beyond networking to bring aggregated management models under which operation and maintenance of several water schemes, both piped schemes as well as point sources, is carried out under one unit of either private or public service delivery body. This aggregation will also result in economies of scale of rural service delivery.

- Clustering of Sanitation marketing and O&M service: COWASH IV finances establishment of female led micro-enterprises to produce and/or supply household sanitation products; attached to these there is an O&M service provision. The O&M arrangement includes establishment, equipping and training of the local private sector to be operated by women and youth-led micro and small enterprises (MSEs) organized for supplying spare parts and to do routine maintenance or repair works for rural WASH schemes at the request of WASHCOs.

The road map outlined in the Draft PD, comprising of post-construction support and capacity building can, based on the experience of COWASH III, be deemed to be feasible.

6.2 Climate change measures

Specific questions raised in the TORs:

Is the climate change/sustainable use of natural resources addressed adequately in the project document?

Climate resilience measures in the draft PD follow the climate resilience assessment and capacity building systems developed during COWASH III. The main instruments are the SECRSM (Social, Environmental and Climate Risk Screening and Management) and the Climate Resilient Water Safety Plan. These are established instruments, undertaken in well over 2000 water supply schemes. The resulting catchment management plans include most common watershed management measures, such as tree planting, gully repair, contouring and other measures of reducing surface water runoff.

The interviewees gave anecdotal evidence on the willingness of the WASHCOs, after the watershed planning and training exercises, to undertake measures of watershed protection. Zero grazing, communal agreements on limitations of cattle pastures, tree planting and protection of spring catchments were mentioned.

More piloting can always be done on technologies such as sand dams, however the measures prescribed in the draft PD of appraisal, planning and capacity building, are effective and are recommended also for Phase IV.

7 Coherence

7.1 Participation in the WASH sector cooperation

Specific questions raised in the TORs:

- Assess whether the proposed project adequately promotes participation in the sector development processes, donor coordination as well as cooperation with the CWA II.

MFA, through its representatives in Embassy of Finland, participates actively in the donor coordination and CWA II decision making. The Embassy has a role on specifically following and assessing gender and inclusivity issues. The draft PD has a Result area of "Strategic Learning and Dissemination" which well describes the project's activities in data collection, knowledge creation and dissemination.

Federal Technical Assistance Team (FTAT)

FTAT plays an important role in supporting the regional implementing partners, however it is also noted that the Regional Support Units are capable and independent, while the regional implementing partners (Bureaus of Water, Health and Education, ..) are operating independently.

Many activities of the FTAT are directly supporting the federal level OWNP related activities and the coordination work of MoWIE. The FTAT team also provided inputs to the coordination and reporting functions of OWNP, which include Multi Stakeholder Forums and Joint Technical Reviews.

Advocacy towards CWA II and other donors in scaling up the CMP approach is called for. The appraisal team suggests, that FTAT would make research and assessment of the participation and inclusion aspects of the actual implementation of the CWA II community level and small-scale projects and make suggestions for the improvement to CWA II.

The National Water Development Commission (WDC) stated that they are planning to tackle the common problem of staff turn-over. The rapid turnover of staff in the remote woredas was one of the issues of greatest concern in the Regional offices. The WDC Commissioner informed the appraisal team about the plans to set up a training unit, especially for engineering design and supervision skills. He could see a role for FTAT in organizing and supporting the training events for woreda engineers and other staff.

Based upon the discussion above the recommendations of the Appraisal Team are as follows:

- ***7.1 (R1) FTAT will find opportunities in the Regional Programmes, where COWASH IV and CWA can streamline their woreda programmes and engage in joint capacity building. This will be include in the TOR of the FTAT.***
- ***7.1 (R2) FTAT will support the WDC in creation and operating of the training unit, serving the Regional States in their needs of developing the skills of the technical staff.***

7.2 Cooperation with the other project supported by MFA

There are several areas of common interest in the two other GoF supported projects in Amhara. The Agrobig II Project has extensive experience in women's micro enterprise. They are working through SACCOs, cooperatives and self-help saving groups. They also have, through working with REILA Project extensive knowledge of rural financing, including issues of collateral. Cooperation and exchange of knowledge with these two projects could be increased and would be pertinent especially for household sanitation financing.

Annexes

Annex 1 Proposed changes to the Draft Project Document

Annex 2 Persons met

Annex 3 List of documents reviewed.

Annex 4. The Theory of Change

Annex 5 JMP global definition of service level SDG 6.

Annex 6 CWA II resource allocation (March 2019)

Annex 7 Comparison of administrative structure options

Annex 1. Proposed changes to the Draft Project Document

Page and chapter in the Draft Project Document	Text to be changed	Reference: RECOMMENDATION TABLE DRAFT APPRAISAL REPORT	Proposed new text	Approved for change YES/NO/ Or MODIFY
Page 13. Para 3.	COWASH IV is part of OOWNP and contributes to the achievement of GOE’s WASH targets to be set out in GTP III.	3.3. (R1) 3.3. (R2)	COWASH IV is part of OOWNP and contributes to the achievement of GOE’s WASH targets as set out in the OOWNP Phase II. The targets are presented in ANNEX X. (An additional annex with the OOWNP II targets will be added)	
Page 26. Para 4.		3.4 (R1)	Add (iii) to Output 4.1. (iii) COWASH IV will offer capacity building to CWA II in community participation modalities in terms of transparency, information sharing and empowerment of WASHCOs. COWASH IV and CWA II will pursue joint training events for the woreda staff.	
Page 26 Para 3	New paragraph.	3.4.(R1)	COWASH IV will document its community participation experiences so that other programmes such as CWA can benefit from the lessons. COWASH IV will offer to a possibility to CWA II to organize joint training events for the woreda staff, to avoid duplication and guarantee, that the message of both projects is similar.	
Page 26 Para 3	New paragraph	3.4 (R2)	There is a perceived non-alignment of CMP with the GoE financial rules. There is a need to undertake more research and advocacy to remove the perceived obstacles for scaling up. Amendments to the implementation procedures will be negotiated during the Inception Period of the COWASH IV and approved in the National WASH Steering Committee	
Page 22, para 8.	ODF 2024 campaign	3.5 (R1)	Add the following chapter: COWASH IV will contribute towards the objectives of the National ODF 2024 Campaign as follows: <ul style="list-style-type: none"> • Extensive capacity building on regional, zonal and woreda level on the issues of sanitation and hygiene. 	

			<ul style="list-style-type: none"> • Innovation in methodologies of sanitation awareness raising and demand creation. • Research and development of rural sanitation technologies in cooperation with other Finnish projects e.g. Agrobig. • Household sanitation financing instruments designed and piloted in cooperation with MFIs and SACCOs. • Support to entrepreneurs in sanitation marketing. • COWASH IV to increase the M & E coordination with regional and woreda level officials, especially with the Bureau of Health and to support the production of reliable data on ODF and sanitation situation. 	
Page 36, Para 5.	<ul style="list-style-type: none"> • RSU <ul style="list-style-type: none"> ○ Sanitation, Institutional sanitation and behavioural change TA? 	3.5 (R2)	Add (Mandatory in every Region)	
Page 31, para 1.	Add text. After RWSC.	4.3 (R1)	The role of the CMP director should be clearly defined as the client of RSU, giving him managerial authority of the RSU staff. Persons of adequate seniority and decision-making capacity at Bureau level should be nominated as a CMP directors.	
Page 30. 4.3.1 Para 5	Text to be added to 4.3.1	4.3 (R1)	A senior officer from the Water Bureau should be nominated as the CMP Director of Regional COWASH IV who manages the RSU in close communication & evaluation with the FTAT.	
Page 31. Para 1	Add text to para 1	4.3 (R2)	The CMP Director/Coordinator assigned from the Water Bureau and the CMP Specialist (RSU Team Leader) have jointly the authority to decide on procurements defined in the RSU's approved Annual Work Plan and budget, as well as on procurement required for the smooth running of the RSU. RSU Procurement thresholds are:	

			<ul style="list-style-type: none"> • Direct procurement up to Birr 5,000 (Exception is the car maintenance where the threshold is up to Birr 70,000) • Procurement based on proforma collection Birr 5,000-50,000 • Open tender above the Birr 50,000 	
Page 36, Para 5.	<ul style="list-style-type: none"> • RSU <ul style="list-style-type: none"> ○ Para 3 Financial Management Specialist/Accountant 	4.3 (R3)	Add (Mandatory in every Region, attached to Bureau of Finance and Economic Cooperation)	
Page 36. 6.3. TA		4.3. (R4)	Size of the RSU should be adjusted in relation to the size of the field programme. The staffing list provided below is to be considered as the maximum staffing level.	
Page 31 4.3.4	Entire chapter 4.3.4 rewritten	5.5 (R1)	This chapter to be rewritten, after the Decision of the Competent Authorities of the administrative option	
Page 31. 4.3.3	Entire chapter 4.3.3. rewritten	5.5. (R1)	This chapter to be rewritten, after the Decision of the Competent Authorities of the administrative option	
Annex 8. Para 4.	MFA/Embassy of Finland and BoF as Mandatory members	5.5 (R1)	Remove: MFA/Embassy of Finland (depending on the administrative option chosen)	
Annex 8. Last Para	Decisions can also be made through exchange of letters between respective BoF and MFA/Embassy of Finland for any issue that needs urgent decision and under situation of force majeure. The representatives of BoF and MFA/ Embassy of Finland have a veto right.	5.5 (R1)	Replace with: Joint monitoring with MoF, WDC, MoH, MoE and EoF is organized at least once per year.	
Page 31, 4.3.3.	New paragraph	5.6.2 (R1)	The regional grant amount to be allocated to each region will be estimated using the following criteria: <ul style="list-style-type: none"> • Equity formula (General-purpose Block Grant Formula) • Positive performance factor • Commitment of funds for investment towards water supply and sanitation 	
Page 17. 3.1.4	Project scope. Revise para 1 to include	5.7 (R1)	Woreda selection criteria used by the CWA II should also be recommended for the Regions for their use.	

Page 19. Para 6	Add text to targets of Output 1.1.	5.8.1 (R1)	Water supply coverage targets of the COWASH IV of 800,000 beneficiaries should be considered as a minimum and adjusted upwards. This can be best made, when the Regions have answered to the competent authorities about their plans and commitments.	
Page 21,	Add text	5.8.2 (R1)	Sanitation coverage targets of the COWASH IV need to be clearly quantified. This can be best made, when the Regions have answered to the competent authorities about their plans and commitments.	
Page 37 Para 1	Add a new paragraph in the beginning.	5.9 (R1)	Composition of the RSU/FTAT could be more gender friendly. More women are needed in professional positions. A junior position could be considered for entry positions for women and young people.	
Annex 3	Add bullet point on page 4.	5.9 (R2)	Relevant female officers will be promoted for participation in trainings, retreats and regional and national meetings.	
Page 26. Outcome 4 para 3	Add text to para 3.	5.9.1 (R1)	COWASH IV to engage the CWA II and organize joint training and capacity building events on the gender and inclusivity packages.	
Page 35. Table 3.		5.10 (R1), (R2)	See suggested budget below.	
Page 34	Para 5. Add text.	5.10 (R3)	To increase the flexibility of the budgeting process, the very detailed and pre-designed budget planning templates to be simplified and revised.	
Page 19 Output 1.1.	Add following text to Output 1.1	5.11 (R1) 5.11 (R2)	Rural utility model will be tested with strong post-construction support. Renewable energy solutions for the rural water supply need to be tested and scaled up	
Output 3.2, Page 23	Add following to Output 3.2	5.11 (R3)	New models of compostable toilets need to be modified and scaled up in the institutional WASH programme.	
Page 20. Output 2.1	Add following text to Output 2.1	5.11 (R4)	Research and development into the software methodologies of the sanitation demand creation and ODF to be undertaken.	

Annex 11	To be added to the FTAT TOR	7.1 (R1)	FTAT will find opportunities in the Regional Programmes, where COWASH IV and CWA can streamline their woreda programmes and engage in joint capacity building	
Annex 11	To be added to the FTAT TOR	7.1 (R2)	FTAT to support the WDC in creation and operating of the training unit, serving the Regional States in their needs of developing the skills of the technical staff.	

Changes to budget as per Recommendation

Budget line	Government of Finland	Regional States	Community Contribution 15 %	All contributions	Government of Finland	Regional States	Community Contribution 15 %	All contributions
Currency	EUR	EUR	EUR	EUR	ETB	ETB	ETB	ETB
Regional level budget								
Investments								
- Community WASH		14 000 000	2 100 000	16 100 000		518 000 000	77 700 000	595 700 000
- Institutional WASH	2 000 000	2 000 000		4 000 000	74 000 000	74 000 000		148 000 000
- Innovation funds for construction		500 000		500 000		18 500 000		18 500 000
Capacity Building	9 930 000			9 930 000	367 410 000			367 410 000
Operational budget	800 000	3 000 000		3 800 000	29 600 000	111 000 000		140 600 000
Regional financing	12 730 000	19 500 000	2 100 000	34 330 000	471 010 000	721 500 000	77 700 000	1 270 210 000
Contingencies	920 000	975 000		1 895 000	34 040 000	36 075 000		70 115 000
Regional financing, total (40/60)	13 650 000	20 475 000	2 100 000	36 225 000	505 050 000	757 575 000	77 700 000	1 340 325 000
Federal level budget								
Costs of the personnel support	250 000			250 000	9 250 000			9 250 000
Other costs (travel etc)	100 000			100 000	3 700 000			3 700 000
Total support to MoWIE	350 000			350 000	12 950 000			12 950 000
Technical assistance								
Technical Assistance	3 760 000			3 760 000	139 120 000	-		139 120 000
Federal level capacity building	240 000							
Innovation, research and piloting	400 000			400 000	14 800 000			14 800 000
Total through TA support	4 400 000			4 160 000	153 920 000			153 920 000
TOTAL	18 400 000	20 475 000	2 100 000	40 735 000	671 920 000	757 575 000	77 700 000	1 507 195 000

Exchange rate used 37 ETB to Euro (1st of June 2020)

Annex 2. List of Key Persons met by the COWASH IV Appraisal Team

I. Ministry of Water, Irrigation and Energy

1. Dr. Negash Wagesho State Minister, Ministry of Water, Irrigation and Energy (MoWIE)
2. Dr. Beshah Mogesse Commissioner, Water Development Commission (WDC)
3. Ato Nureidin Mohammed Engineering Procurement & Contract Administration Directorate Director, WDC
4. Ato Abiy Girma National WaSH Coordination Office Coordinator, MoWIE
5. Ms. Lakech Haile Gender Specialist, NWCO

II. Ministry of Finance

1. Ato Kokeb Misrak Director, Bi-Lateral Cooperation Directorate, MoF
2. Ato Misganaw Eyasu Desk officer for Finland Program & M&E senior advisor, MoF

III. Ministry of Health

1. W/ro Ekram Redwan Director, Hygiene & Environmental Health Directorate

IV. Ministry of Education

1. Ato Yohannes Wegasso Director, School Improvement Directorate
2. Ato Alemu Chekole M&E expert, ONWP-CWA PMU staff
3. Ato Teklit Berhane Senior Sanitation and WaSH specialist, ONWP-CWA PMU Team leader
4. Ms. Lewam Abebe Senior Water Supply Specialist, ONWP-CWA PMU staff

V. Federal Technical Assistance Team

1. Mr. Arto Suominen Team Leader, COWASH Federal Technical Assistance Team
2. W/ro Meaza Kebede Gender & Enterprise development specialist
3. Ato Abebaw Getachew M&E specialist

VI. Amhara Region

1. Dr. Tilahun Mehari Bureau Head, Regional Bureau of Finance and Economic Development
2. Ato Yimer Habte Deputy Bureau Head, Director CoWASH program, Regional Bureau Water, Irrigation and Energy
3. Ato Kinde Alebachew Case team leader, Hygiene and Environmental health, Bureau of Health
4. Ato Anteneh Demelash Director, Gender Mainstreaming Directorate, Bureau of Women, Children and Youth Affairs (BoWCYA)
5. Ato Yohannes Desalegn CoWASH focal person, BoWCYA
6. Ato Taglo Layew Project planning and follow up specialist, BoWCYA
7. Ato Dereje Chane Finance Manager, Amhara Credit and Saving Institute
8. Ato Berhanu Ayichew Programme Director, Agro-Big
9. Ms. Meerii Komulainen Team Leader, Agro big
10. Ato Aberham Kebede Team Leader and CMP specialist, Amhara Region RSU
11. Ato Mulatu Ferede Capacity building specialist, Amhara Region RSU
12. Ato Muluneh Genetu M&E specialist, Amhara Region RSU
13. Ato Addisu Fantaye Zonal Advisor, Amhara Region RSU
14. Ato Muluneh Abeje Zonal Advisor, Amhara Region RSU
15. Ato Anemut Admassu Financial Management specialist, seated at BoF??, Amhara Region RSU

VII. Oromia Region

1. Ato Tesfaye Chemedo Deputy Bureau head, Regional Bureau of Finance
2. Ato Ayele Kefale Deputy Bureau Head, Regional Bureau of Water and Energy Development
3. Ato Fantahun Bersisa Financial management CWA & CoWASH Focal Person, Bureau of Finance
4. W/rt Surane Alemayehu Bureau Head, Bureau of Women, Children and Youth Affairs (BoWCYA)
5. Ato Retta Fikadu CoWASH focal person, BoWCYA
6. Ato Tibebu Telila Director, CoWASH project, Bureau of Water and Energy Development
7. Ato Melkamu Delju Team Leader and CMP specialist, Oromia Region RSU
8. Dr. Fekadu Megersa Capacity building specialist, Oromia Region RSU
9. Ato Dereje Paulos M&E specialist, Oromia Region RSU

VIII. Tigray Region

1. Ato Daniel Assefa Bureau Head, Regional Bureau of Plan & Finance
2. Ato Getachew Fekadu Deputy Bureau head, Regional Bureau Water Resource
3. W/rt Mebrate Kassaye Financial management CWA & CoWASH Focal Person, Bureau of Finance
4. Dr. Yetemwork G/Meskel Bureau Head, Bureau of Women, Children and Youth Affairs (BoWCYA)
5. Dr. Rieye Esayas Deputy Head, Bureau of Health (BoH)

6. Ato Mulugeta Chernet Hygiene and Sanitation specialist, OWNP – CWA PMU member, BoH
7. W/ro Asequal Germay Case team coordinator, ONWP – CWA PMU member, BoH
8. Ato Hailom Berhanu Hygiene and Sanitation specialist, ONWP – CWA PMU member, BoH
9. Ato Kiflom Fisseha Hygiene and sanitation specialist, ONWP – CWA PMU and CoWASH focal person, Bureau of Education
10. Ato Solomon G/Tsadik Team Leader and CMP specialist, Tigray Region RSU
11. W/ro Berhan W/Gebriel MSE and gender Specialist, Tigray Region RSU
12. Ato Girmay Abraha Hygiene and Sanitation specialist, Tigray Region RSU
13. Ato Girmay Tesfay Capacity building specialist, Tigray Region RSU
14. W/ro Etsegenet G/Michael Facilitator, Tigray Region RSU
15. W/ro Abeba Aseged CMP specialist, Tigray Region RSU
16. Ato Desalegn Kiros CMP specialist, Tigray Region RSU

IX. Development Partners

1. Mr Arto Valjas Embassy of Finland
2. Ms. Marjaana Pekkola Embassy of Finland
3. Ato Gezahegn Alemu Embassy of Finland
4. Ato Gulilat Berhane, WaSH consultant, World Bank, Ethiopia Country Office
5. Ato Amanuel Teshome WaSH Specialist, World Bank, Ethiopia Country Office
6. W/ro Martha Solomon WaSH Advisor, Department for International Development, DFID Ethiopia
7. W/rt Serkaddis WaSH project officer
8. Ms. Boram Im Korea International Cooperation Agency (KOICA)

X. Degua Temben Woreda, Tigray Region

1. Ato Tekalay Tekle Mariam, Woreda Administrator
2. Ato Haylay Zeray Head, Woreda Labor and Social affairs office
3. Ato Nebiat Gebre Medhin Expert , Woreda Water Office
4. W/ro Tebreh Kiros Head, Woreda Women, Children and Youth Affairs office

Annex 3 List of documents reviewed

COWASH Phase III, *Cumulative Performance Report (01/08/2016-06/07/2019)*

Colin, J. & al. July 2018, *Support to Community-Led Accelerated WASH in Ethiopia (COWASH) Phase III, Mid-Term Evaluation*

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Haile, Lakech, Women's and Youth Affairs Directorate Director, Ministry of Water Irrigation and Energy, December 2014, *Gender Mainstreaming Information Sheet: The Ethiopian Experience*

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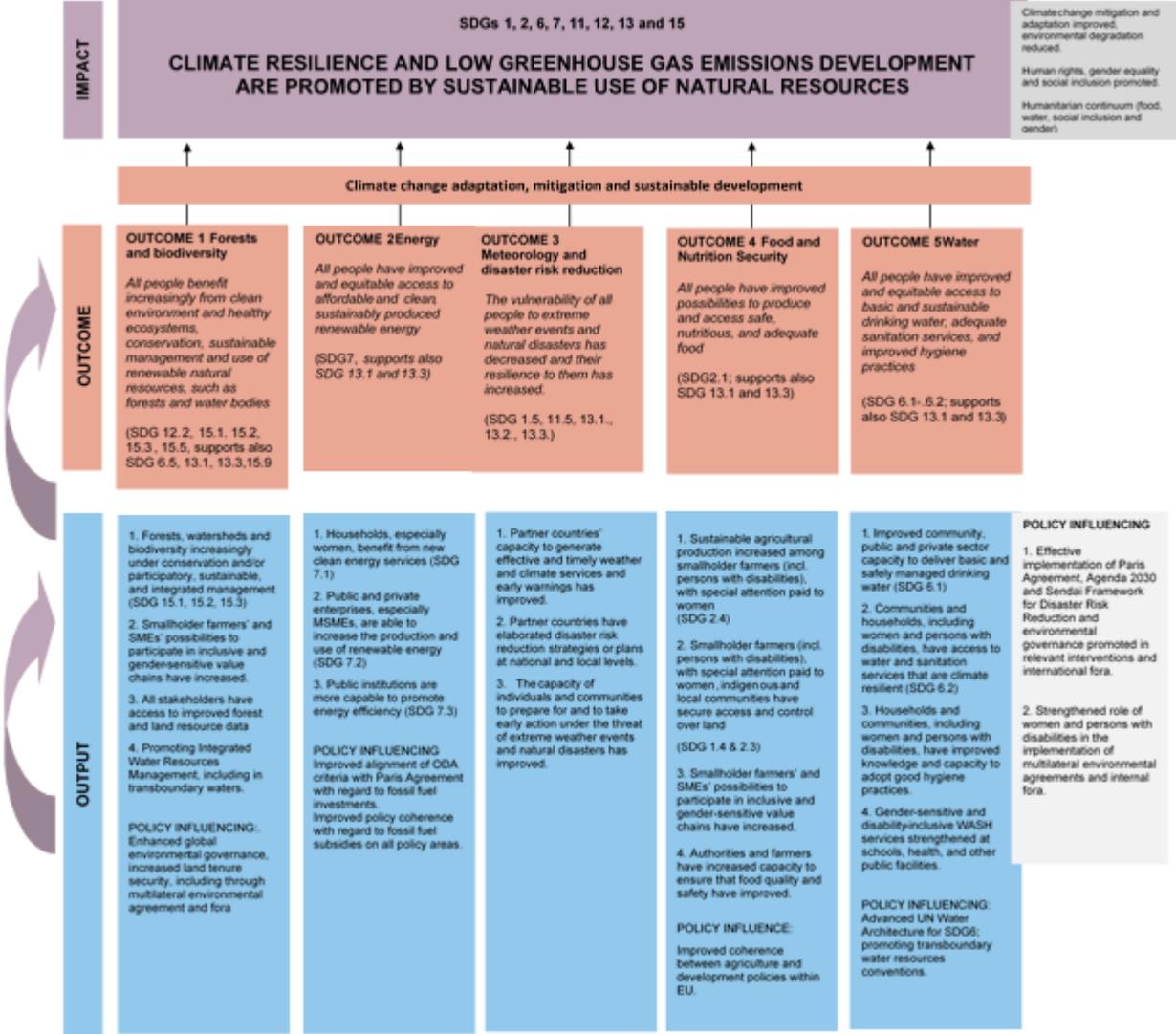
One Wash National Program, September 2019, Program Operational Manual (POM) for the Consolidated WASH Account (CWA) Phase II,

Pichon, Florence, July 2019, Rural water supply in Ethiopia, A political economy analysis

Support To Community-Led Accelerated Wash In Ethiopia (COWASH) Phase III, Project Document, April 2016

Annex 4 Global Theory of Change for the Development Cooperation of Finland

Theory of Change – Development Policy Priority Area 4: Natural Resources and Climate Change



N.B. **On Energy**, the earlier output related to “Increased access to finance by SMEs for investments in clean energy” and related indicators (Number of jobs, Number of companies getting access to finance, etc.) will be reported under PPA 2. **On Forests and Biodiversity**, the number of jobs created e.g. in the improved value chains, will similarly be reported under PPA 2.

ASSUMPTIONS:

OUTCOME 1: FORESTS AND BIODIVERSITY

From inputs and means to outputs

- Adequate allocation of financial resources to address objectives related to biodiversity and water resources, natural resource, environmental governance and forestry, taking also into consideration that forestry is mentioned as one of the thematic priorities in the 2019 Government Program.

- Finnish aid mechanisms and instruments are used in a complementary and coherent manner recognizing the linkages between forestry, climate, energy water, biodiversity as well as food and nutrition security.
- MFA country strategies recognize the role of forests as part of sustainable rural development.

From outputs to outcome 1

- Government policies recognize the importance of rights-based approach, especially land tenure, and gender equality and private sector in efficient and sustainable forest and other renewable natural resources management.
- Governments and public-sector organizations adopt a more open and transparent approach to sharing information generated and maintained through systems established through MFA support
- Coherence among the MFA support and that of the other donors and financing institutions to partner countries is maintained and improved

From outcome 1 to impact

- Political stability in partner countries is maintained
- Necessity and urgency to act on climate change is translated into conducive policies in partner countries
- Countries' adherence to and implementation of global environmental conventions, including UNFCCC, UNCBD and UNCCD, remains supportive

OUTCOME 2: ENERGY

From inputs and means to outputs

- Energy sector interventions continue to be prioritized in MFA programming and funding allocations to increase energy access and mitigate climate change.
- Finnish private sector instruments succeed in mobilizing private sector actors, both project developers and investors, that are committed to responsible business, including UN guiding principles, in order to increase energy access.
- MFA policies, guidelines and training provide project partners and implementers with adequate capacity for efficient implementation in order to produce high-quality results and enable to leverage additional resources from both public and private financiers.

From outputs to outcome 2

- Energy efficiency and renewable energy solutions are considered as a viable alternative to replace and complement fossil-based solutions in developing countries and are supported by enabling policies, legislation and regulation both at larger-scale grid-connected and at off-grid level.
- National policy and legislative frameworks enable and incentivize private sector participation in energy sector, including supporting entrepreneurship on distributed renewable energy, energy saving companies, etc.
- Effective donor coordination attract other donors, and coherent and complementary use of Finnish aid instruments create synergies and avoid overlap.

From outcome 2 to impact

- The urgency to act on climate change is translated into conducive climate and energy policies both at global, regional and country level.
- The commitment to phase out harmful and distortive fossil fuel subsidies is turned into concrete actions in order to create a level playing field for renewable energy at global, regional and country level.
- Developed economies adhere to their commitment to provide adequate climate finance to developing countries.

- Further innovation in renewable energy technologies at global scale result in additional cost reductions that improve the competitiveness of renewable energy technologies against fossil fuel-based solutions.

OUTCOME 3: METEOROLOGY AND DRR

From inputs and means to outputs

- Synergies are strengthened between the different Finnish-funded programs using various aid instruments, and with partner programs, thus covering the value chain from delivering climate and weather services to early warning, early action and enhanced resilience.
- Disaster Risk Reduction (DRR) is integrated cross-cuttingly in all activities funded by the MFA.
- MFA's participation in international initiatives, such as REAP and CREWS, includes concrete actions and funding towards the objectives of these initiatives.

From outputs to outcome 3

- Partner Countries continue to invest in their national meteorological and hydrological services (NMHS).
- National and local authorities are committed to preparing DRR plans as well as enforcing their implementation, using an inclusive (gender and non-discrimination) and human rights-based approach.
- Funds and capacity building is available for early warning systems (EWS) and early action.
- Individuals and communities are committed to participate in trainings and elaboration of EWS.
- Collaboration within REAP partners results in synergies and added value and reduces overlapping initiatives and activities.

From outcome 3 to impact

- The Agenda 2030 for Sustainable Development, the Paris Agreement, and the Sendai Framework for Disaster Risk Reduction are implemented in a coordinated manner, strengthening the synergies between them.
- Climate information is available and used to support evidence-based decision-making on how to adapt to a changing climate and manage risks associated with climate variability and extremes.

OUTCOME 4: FOOD AND NUTRITION SECURITY

From inputs and means to outputs

- Efficient use of Finnish funding available to support food and nutrition security through different modalities (bilateral/multi/research/CSOs)
- Coherence among the Finnish aid modalities, including recognition of the nexus between food, water and energy
- MFA's country strategies continue to recognize the importance of food and nutrition security for all development.

From outputs to outcome 4

- Policies, strategies and priorities of partner countries remain conducive for equitable, inclusive and sustainable food and nutrition security development
- Partner countries allocate adequate funds for sustaining positive development for food and nutrition security
- Extreme climate events will not destroy the projects' achievements
- Coherence among the Finnish and other donors' and financing institutions' support to partner countries
- Alignment of the donor support with the national development priorities and policies
- international trade policies conducive to agricultural production in developing countries

- Partner country legislation on sustainable natural resources management, land tenure, inclusive development, gender equality, food security etc. is up to date
- Climate change adaptation is mainstreamed in partner countries development policies

From outcome 4 to impact

- Countries' adherence to and implementation of global environmental conventions, including UNFCCC, and global temperature increase remains under control
- Political stability in partner countries is maintained

OUTCOME 5: WATER

From inputs and means to outputs

- Resource allocation within MFA is coordinated allowing for a balanced approach towards planned results, as opposed to mono-programming (only sanitation or only water, only rural WASH or only urban etc.).
- Diversification of use of Development Policy instruments is assumed (see above assumption 2), including instruments such as research, multi-bi, and multilateral cooperation, with special focus on multilateral influencing for strengthened water governance (incl. transboundary water) through water architecture initiative and for full implementation of SDG 6.
- Regional and international elements are strengthened in MFA global water program portfolio.

From outputs to outcome 5

- Enabling environment strengthened to guarantee sustainability of initiatives, including attention paid to strong post-construction packages; focus on implementation activities only underpins both short and long-term sustainability.
- Policy coherence in place at country level: in Sub-Goal 4.2 (i) Water Supply, Sanitation and Hygiene (WASH) education, health and water sector are fully involved; and in Sub-Goal 4.4 (ii) Integrated Water Resources Management (IWRM) agriculture, forestry, energy and water sectors are fully involved.
- Strong HRBA and social inclusion elements programmed into interventions, allowing approach towards WASH for All, including those most marginalised.

From outcome 5 to impact

- National budget allocations for WASH increase in partner countries.
- Humanitarian crises caused by natural disaster and human turmoil do not overwhelm human and financial capacity in partner countries, and continuum is addressed as a cross-cutting theme to improve disaster risk reduction and preparedness.
- Water as a Natural Resource is addressed at least at the level guaranteeing sustainability of drinking water as well as in reference to Sub-Goal 4.4 also at Water Bodies.
- Improved inter-sectoral policies across water-related sectors (water, education, health) to facilitate reaching the results.

ANNEX 5. SUSTAINABLE DEVELOPMENT GOAL 6, Service Level Ladders

The global indicator selected by UN Member States for monitoring SDG target 6.1 is ‘proportion of population using safely managed drinking water services’

Safely managed drinking water creates a new service norm and represents an additional ‘rung’ at the top of the Joint Monitoring Programme (JMP) drinking water service ladder. The JMP service ladders are used to benchmark and compare service levels across countries. These have been updated and expanded to facilitate enhanced global monitoring of drinking water, sanitation and hygiene. The new ladders build on the established improved/unimproved facility type classification, thereby providing continuity with past monitoring, and introduce new rungs with additional criteria relating to service levels.

“Safely managed drinking water” is defined as the use of an improved drinking water source which is:

- located on premises,
- available when needed, and
- free of faecal and priority chemical contamination

The improvement of the drinking water situation within a population is presented in the

JMP global monitoring ladder for drinking water services, see table below.

Service level	Definition
Safely managed	Improved source located on premises, available when needed, and free from microbiological and priority chemical contamination
Basic	Improved source within 30 minutes round trip collection time
Limited	Improved source over 30 minutes round trip collection time
Unimproved	Unimproved source that does not protect against contamination
No service	Surface water

Improved sanitation facilities are those designed to hygienically separate excreta from human contact. There are three main ways to meet the criteria for having a safely managed sanitation service (SDG 6.2). People should use improved sanitation facilities which are not shared with other households, and the excreta produced should either be:

- treated and disposed in situ,
- stored temporarily and then emptied and transported to treatment off-site, or
- transported through a sewer with wastewater and then treated off-site.

The improvement of the drinking water situation within a particular population is presented in

JMP global monitoring ladder for sanitation in the table below.

Service level	Definition
Safely managed	Use of improved facilities which are not shared with other households and where excreta are safely disposed in situ or transported and treated off-site
Basic	Use of improved facilities which are not shared with other households
Limited	Use of improved facilities shared between two or more households
Unimproved	Use of pit latrines without a slab or platform, hanging latrines or bucket latrines
Open defecation	Disposal of human faeces in fields, forests, bushes, open bodies of water, beaches and other open spaces or with solid waste

ANNEX 6. Consolidated WASH Account, resource allocation

CWA Fund distribution formula			
Region	Allocated Resource, ETB	EUR	Resource share %
Oromia	3 202 164 873	100 067 652	34.50 %
Amhara	2 007 160 803	62 723 775	21.60 %
SNNP	1 868 703 877	58 396 996	20.10 %
Tigray	560 332 390	17 510 387	6.00 %
Somali	927 382 630	28 980 707	10.00 %
Afar	280 630 815	8 769 713	3.00 %
BG	170 051 123	5 314 098	1.80 %
Gambella	123 589 067	3 862 158	1.30 %
Harari	70 622 324	2 206 948	0.80 %
Dire Dawa	81 773 217	2 555 413	0.90 %
Total	9 292 411 125	290 387 848	100.00 %

ANNEX 7. COMPARISON OF DIFFERENT ADMINISTRATIVE STRUCTURE OPTIONS

Administrative structure	Advantages	Challenges	Other issues	Comments
Financial management by the Ministry of Finance	MFA and Embassy of Finland can move to a much-simplified reporting and fund request system.	Timely disbursement of funds may be problematic. As the reporting and fund requests are done as one package, the fast regions must wait for slow ones. In the COWASH III, once one Region has sent their reporting and fund request, they will be forwarded to the MFA.	The financial management of the GoF funds in MoF will require a dedicated focal person, and the cost of this person and the costs of audits are to be compensated through COWASH IV federal level budget	
	The system is fully aligned with the GoE financial management.			
	The regional shares of the GoF grant for capacity building will be determined by the % of the General-purpose block grant formula.	This will change the fund allocation between the Regions. Some Regions are to lose considerably.	The capacity building grant of GoF will be off set from the Regions general purpose block grant.	This is politically expedient, as the block grant system is in use and accepted in the GoE resource allocation between Regional States.
	Audits by the Auditor General.	Auditor General may raise questions of fund allocation through MFIs.		MFA can, if so agreed, have a no-objection on the TOR of the auditors.
	Embassy of Finland does not need to be co-chair of the Regional WASH Steering Committee but be ordinary permanent member.			EoF can participate in selected RWSC meetings.
Administrative structure	Advantages	Challenges	Other issues	Comments
Financial management delegated to Ministry of Water, Irrigation and Energy.	MFA and Embassy of Finland can move to a much-simplified reporting and fund request system.	Timely disbursement of funds may be problematic. As the reporting and fund requests are done as one package, the fast regions must wait for slow ones. In the COWASH III, once one Region has sent their reporting and fund request, they will be forwarded to the MFA.	The financial management of the GoF funds in MoWIE will require a dedicated focal person, and the cost of this person and the costs of audits are to be compensated through COWASH IV federal level budget	
	The system is fully aligned with the GoE financial management			
	The regional shares of the GoF grant for capacity building will be			

	determined by the % of the General-purpose block grant formula, an amended with other criteria.			
		Other WASH sector implementing partners (MoH and MoE) have expressed their concern. Fund flow to regional bureaus of Health, WYC and Education is not possible.		There was a degree of opposition towards this option.
	Audits by the Auditor General.	Auditor General may raise questions of the investment fund allocation through MFIs.		MFA can, if so agreed, have a no-objection on the TOR of the auditors.
	Embassy of Finland does not need to be co-chair of the Regional WASH Steering Committee, but be permanent ordinary member.			EoF can participate in selected RWSC meetings
Administrative structure	Advantages	Challenges	Other issues	Comments
MFA has financing agreements with the 5 regions. The administrative structure of Phase III will be continued, and enhanced with support from FTAT.	The system is familiar and favoured by several Regional Bureaus.	Management of multiple contracts creates a considerable workload on Embassy of Finland and MFA in Helsinki.	Amhara Regional Bureau of Finance and Economic Cooperation has justified the direct financing agreement with MFA to the region with the availability of foreign currency at the regional level. The Regional BoFs have the authority to open foreign currency accounts.	
			The Amhara Bureau of Water commented on the need for foreign currency for purchasing/importing electro-mechanical parts for the water supply systems, including solar powered pumping systems.	
	The regional shares of the GoF capacity building funds can be negotiated between the MoWIE and MFA.			Performance and commitment criteria can be introduced.
		Does not reduce the need of the EoF to lead all the Regional WASH Steering Committee Meetings as co-chair.	It is possible to tighten the requirements for both the RSU and the FTAT for timely and accurate financial and progress reporting as part of their employment and consultancy TOR/Contract.	