

WATER SUPPLY, SANITATION & HYGIENE SECTOR

FINANCING STRATEGIES Ethiopia Case Study

Presentation to OECD Task Team on WS&S

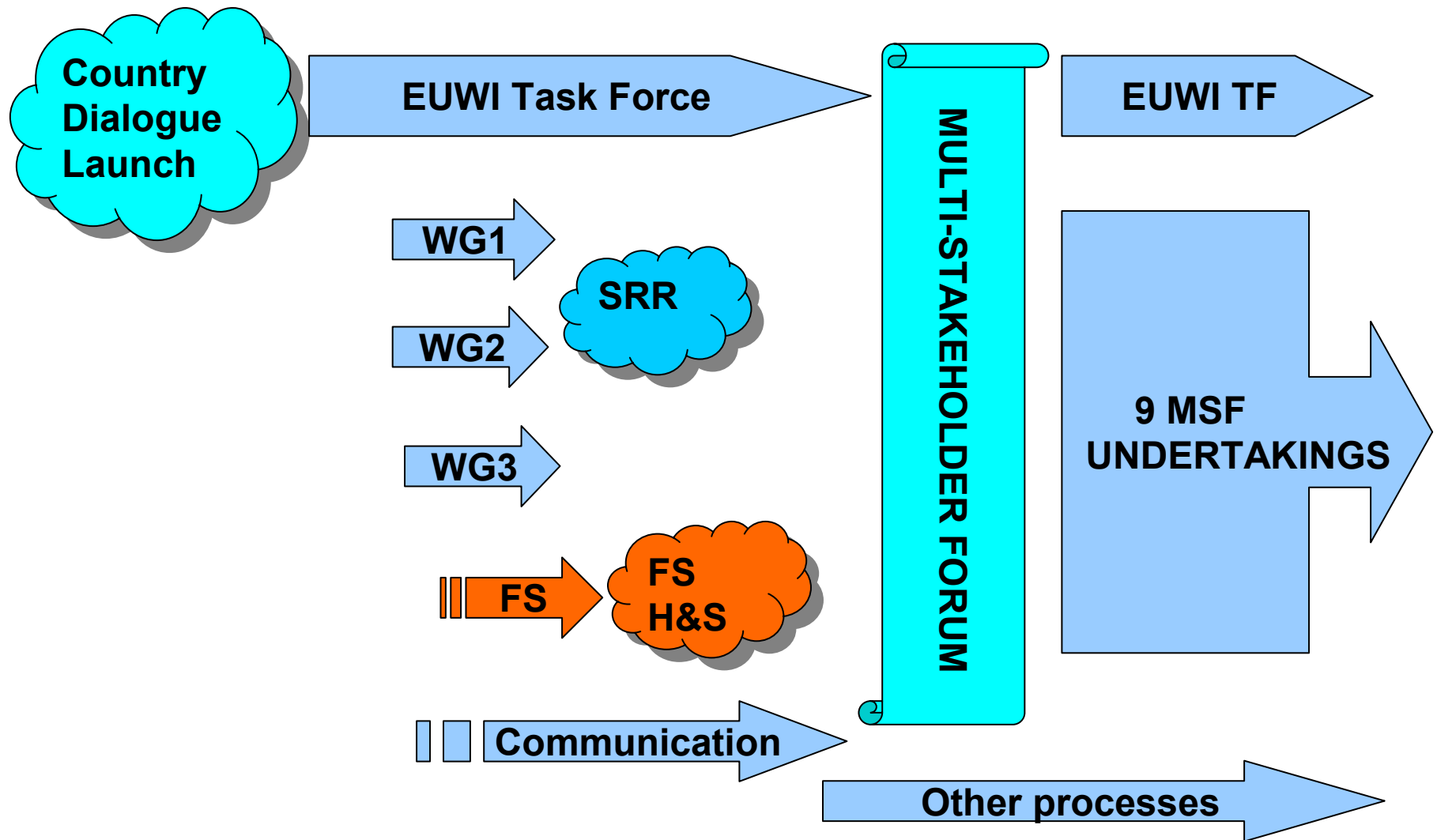
Presentation from DFID, Italian Development
Co-operation and Ministry of Water Resources, FDRE

23 October 2007

Ethiopia WASH Financing Strategy

- 1.1 Who wanted it and why?
- 1.2 How was it developed?
- 1.3 What did it find?
- 1.4 What did it propose?
- 1.5 What has it achieved?
- 1.6 What challenges remain?

1.1 Who wanted it and why?



EUWI TF ACTION PLAN

**MSF
UNDERTAKINGS
ACTION
PLAN**

**FINANCE
ROUND
TABLE**

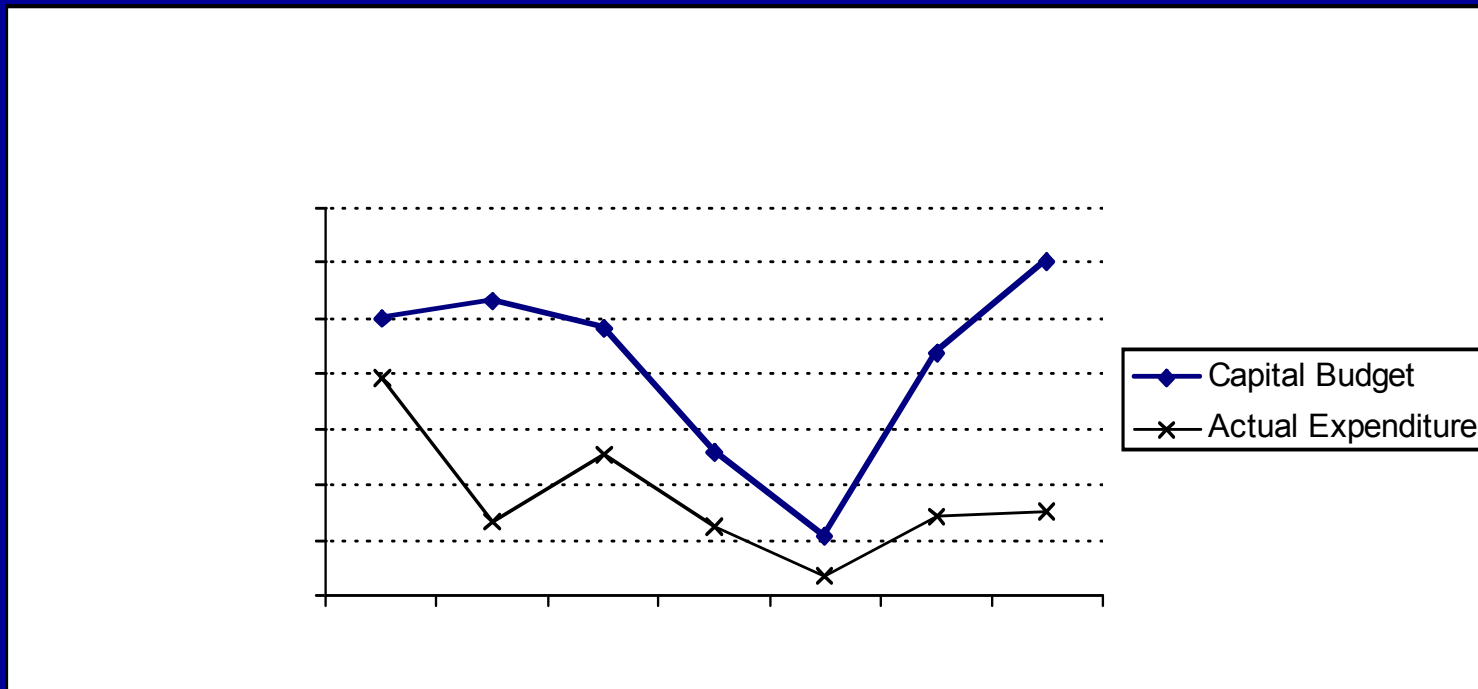
**SWA
p
JLP**

**Mini-
MSF**

Other processes

MULTI-STAKEHOLDER FORUM #2

Example of gap between budgets & expenditure: Benishangul Gumuz region

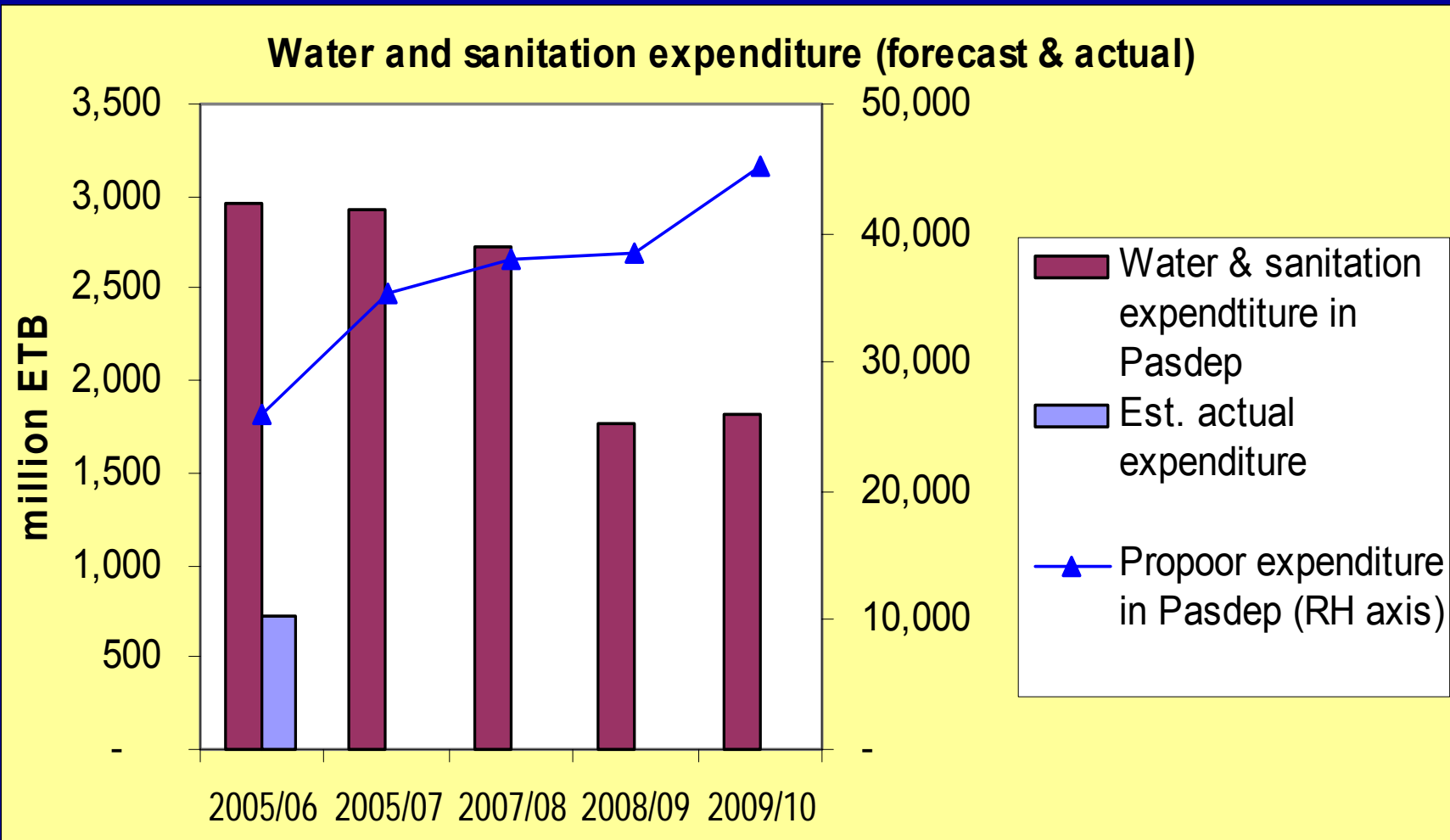


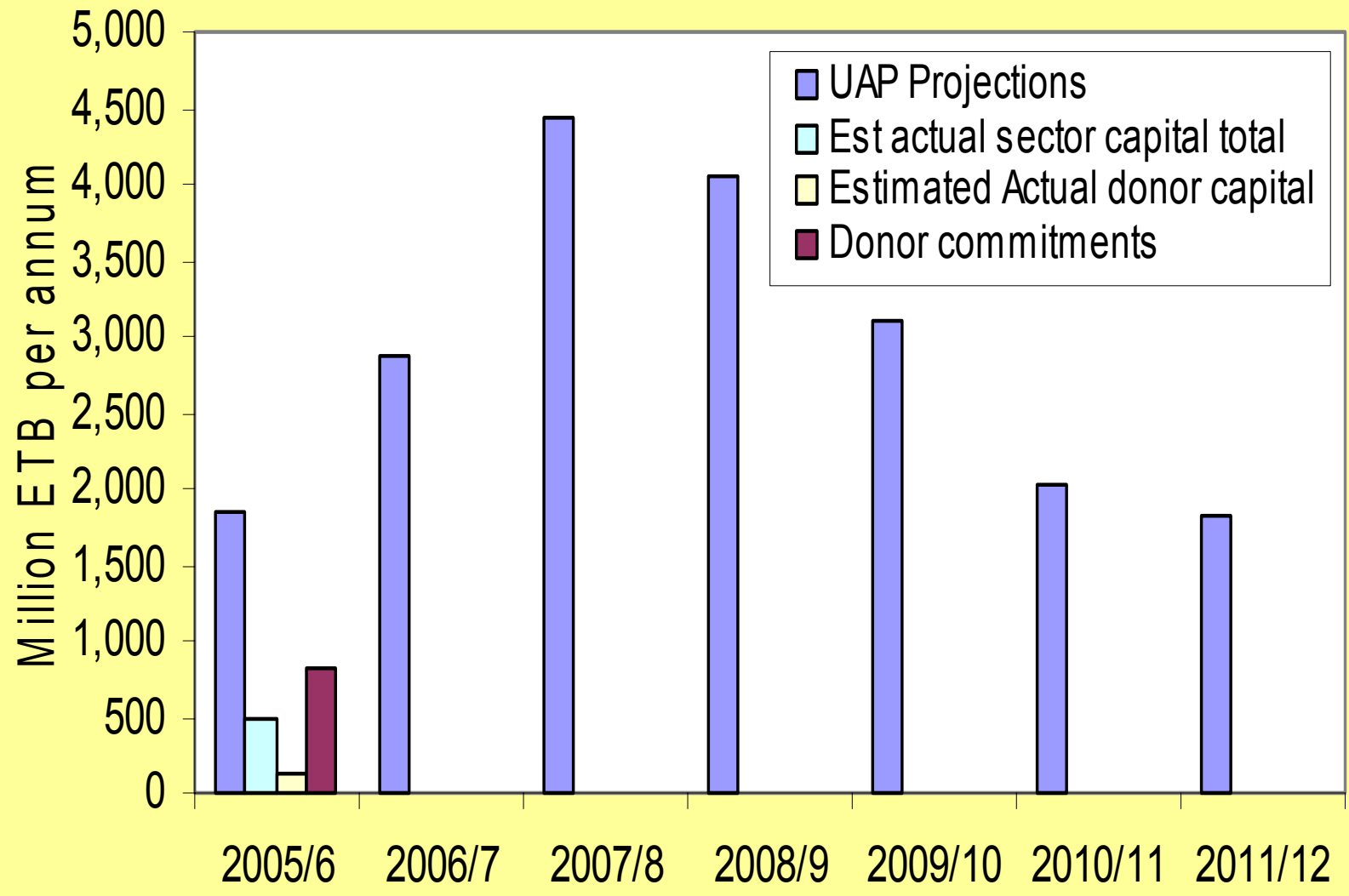
1.2 How was it developed?

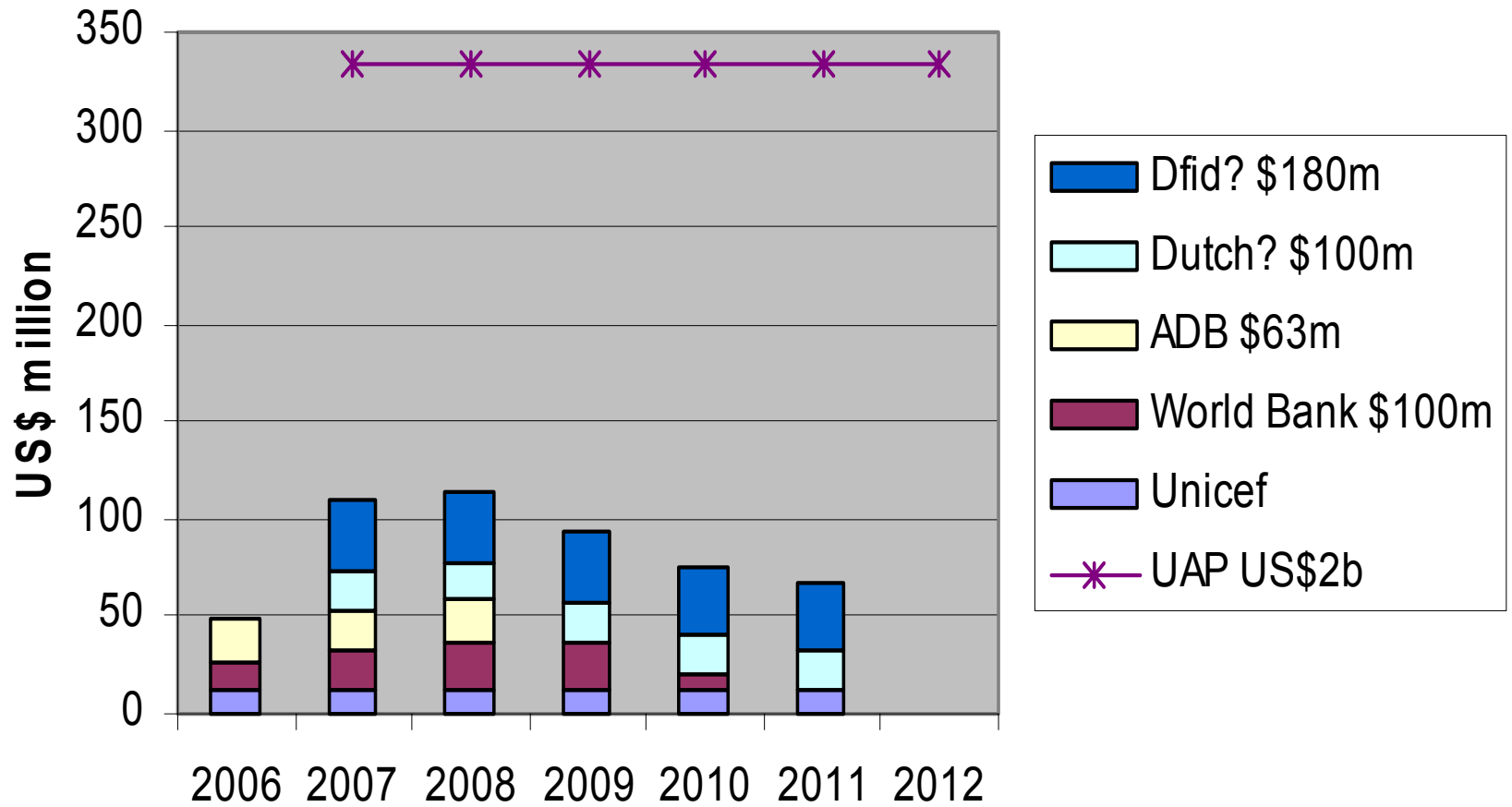
It is now well recognised that financing water and sanitation is not just an issue of mobilising the required volume of investment. Equally important issues include appropriate institutional arrangements, developing related capacity, and selectively targeting expenditure towards intended beneficiaries. The use of limited public resources for promoting sector reform, thereby attracting community and market-linked resources, is also important. Finally, effective, efficient and transparent use of resources has gained recognition. This is the financing challenge in the new millennium.

Mehta, 2003

1.3 What did it find?







1.4 What did it propose?

Phase 1

Substantial Increase Sector-based donor funding

Substantial Increase Government funding

Grow loan financing

Phase 2

Move donor Funding to direct budget support

Government funding

Grow loan financing

Phase 3

Government funding

Grow loan financing

time

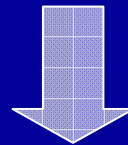


1. Strengthen programmatic approach

2. Harmonise and strengthen financial mechanisms

3. Strengthen sector monitoring and capacity building

4. Undertake reforms (micro-finance; private operators)



Outcomes sought

Improved
financial viability

Efficient operations;
User fees

New loans
into sector

Strengthened
WRDF

New grants
into sector

New donors
attracted

Integrated
NGO funding

Sustainable
NGO funding

1.5 What has it achieved?

Sector Framework Agreement

A common commitment to promote a programmatic approach

A. Governance and coordination

Sector Coordination mechanisms that will replace EUWI country dialogue process

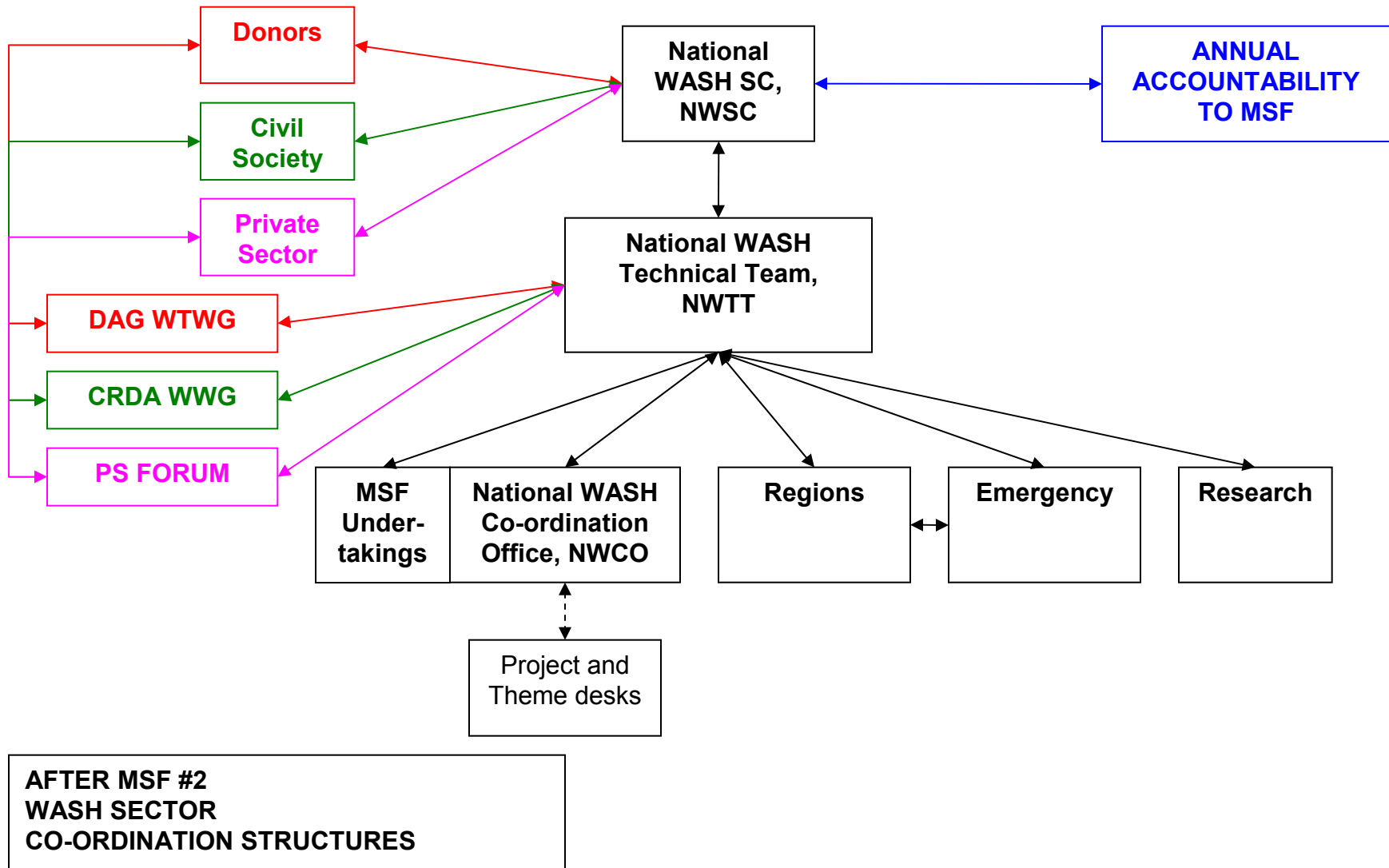
B. Joint Financing Agreement

Promoting alignment of financing mechanisms

C. Other joint sector initiatives

Other joint sector initiatives such as the undertakings from the 1st Multi-Stakeholder Forum

A. Governance and coordination



B. Joint Financing Agreement

Purposes: promote alignment of financing mechanisms; increase resources into sector

Support programmatic approach

- 1) Fund sector coordination
- 2) Fund other initiatives to promote sector effectiveness: e.g.
 - Sector reforms
 - e.g. small operators
 - Strategy development
 - (UAP implementation)
 - Monitoring and evaluation
 - Value for money studies
 - Tracking studies
 - Communication Strategy

Prioritisation:

- *Pooled Fund for TA now to move programmatic approach forward*
- *Pooled Capacity Building Fund in the medium term*

Programme support

Capacity
Building

Investment financing

Grant finance
window

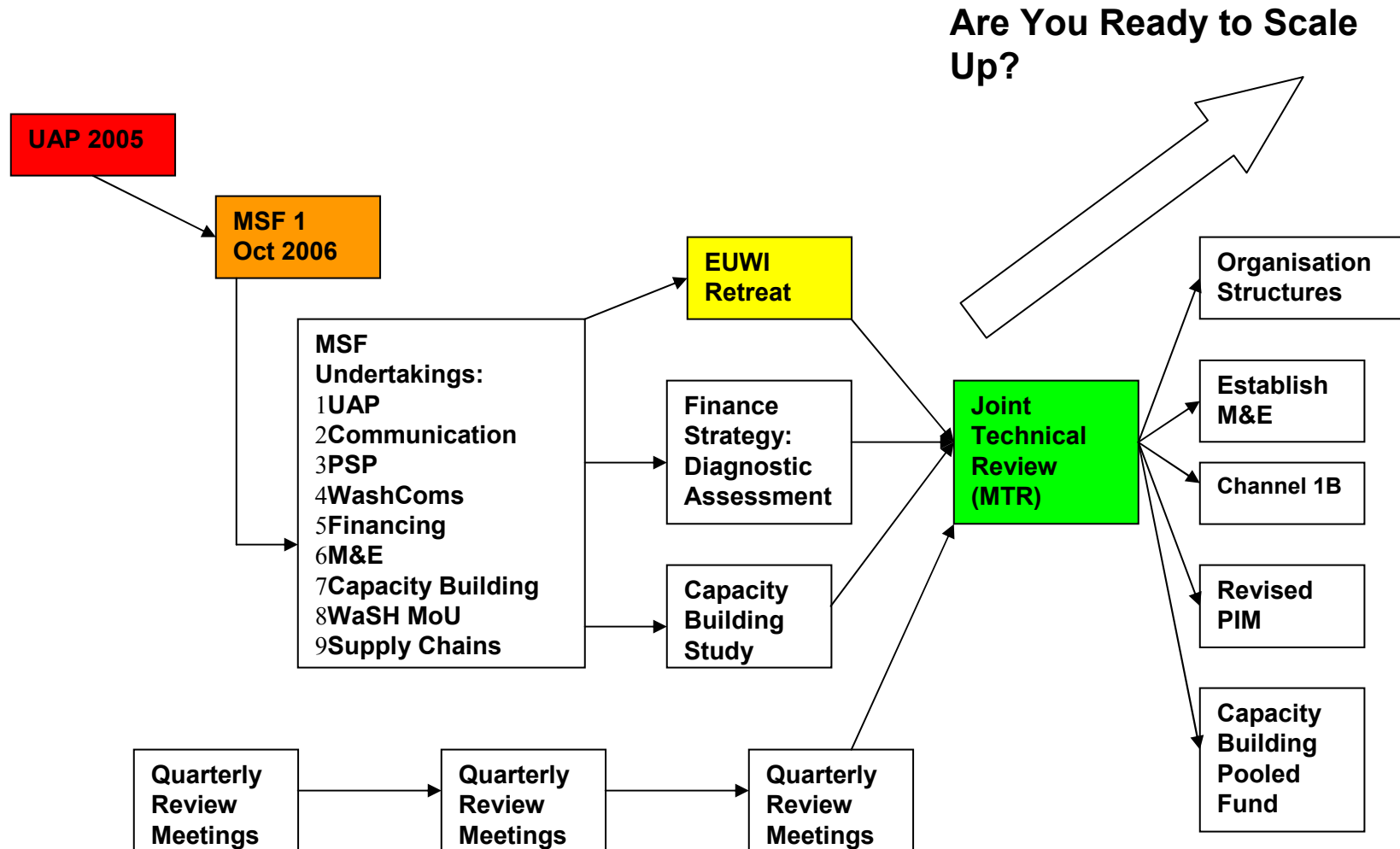
Loan finance
window

Innovation
Funds

C. Other joint sector initiatives

1. M&E strengthened (specific recommendations made)
2. Turning around urban utilities (building on current initiatives)
3. Reforms for small scale private sector
4. Developing micro-finance
5. Better NGO coordination
6. Further research

1.6 What challenges remain?



Comparative Analysis Issues

- Fiscal Decentralisation
- Integrating Hygiene and Sanitation
- Quality of Expenditure Data 
- NGO contributions and humanitarian and emergency assistance
- What do sector financing models tell us?
- Recurrent and capital financing



Hot News !!

- We have just been informed by MoWR that in the past year:
 - rural water supply access has improved from 41.2% to 46.4%
 - Urban water supply access has improved from 78.8% to 82.0%
- But it is not clear with what resources this has been achieved



THANK YOU