Key Development Issues and Rationale for Bank Financing

The overarching objective of Ethiopia’s Poverty Reduction Strategy, termed Plan for Accelerated and Sustained Development to End Poverty (PASDEP) is to foster economic growth, improve access to and the quality of basic service delivery, reduce Ethiopia’s vulnerability, and foster improved governance. To achieve these objectives government and donor investments are targeted at eliminating the poverty traps that have hindered the development of the country such as infrastructure, rural development, human development, and capacity building. PASDEP through the Universal Access Program for water supply and sanitation services aims to provide clean potable water to the entire population within seven years.

CAS
The WSSP remains aligned with the current PASDEP and CAS by:

- Fostering economic growth through small town development
- Improving access to and the quality of basic service delivery through sustainable access to potable water and sanitation services
- Fostering improved governance by building the capacity of local government to engage with citizens for more responsive services.
- Supporting donor harmonization through a multi-donor trust fund for water supply and sanitation.
The Bank’s County Assistance Program through the Water Supply and Sanitation Project has been instrumental in supporting the development and implementation of the Government’s Universal Access Program for Water Supply and Sanitation Services.

The CAS notes that the Bank has been well engaged in the water sector and will continue to scale up support in the sector in part by bringing other donors into the sector. The intended outcome is to increase access to safe drinking water from 52% to 85% and to increase the proportion of households using latrines from 39% to 78%. At the same time goal is to reduce the proportion of malfunctioning water facilities from 2% to 10%.

**Government Strategy.** As a basis for development in the sector, GOE has adopted a National Water Resources Management Policy, a National Water Strategy, and Sector Development Program. Some of the key policy principles and provisions of the Policy include:

- Recognizing water as an economic good
- Devolving ownership and management autonomy to the lowest possible local level
- Promoting involvement of all stakeholders, including the private sector, to improve efficiency in service provision
- Moving toward full cost recovery for urban schemes and recovery of operation and maintenance cost for rural schemes to ensure their sustainability
- Integrating planning for sanitation and hygiene with water supply improvements

**Rationale for Bank Involvement**

The Bank has been involved in the water supply and sanitation sector through the Water Sector Development and Rehabilitation (WSDR) and Ethiopia Social Rehabilitation and Development Fund (ESRDF) Projects and in other subsectors, including irrigation, hydro-power and water resources management. An ESW was conducted to prepare a Country Water Resources Assistance Strategy on how these can be best integrated in future support. Through the preparation process for the WSSP the Bank has facilitated consultation with a view towards translating sector policy into a practical implementation strategy.

The original project has drawn on the experience of other donors active in the sector, including African Development Bank, UNDP, UNICEF, JICA, Irish Aid and Finland. The African Development Bank adapted the implementation arrangement of the WSSP and DFID has provided co-financing to the project through a Multi Donor Trust fund managed by the Bank. It is expected other donors will join in supporting the Government’s program as experience shows effectiveness of spending in the sector toward achieving the MDGs.

**Objectives**

The objective of the original project, which is still valid and remains unchanged, is increased access to sustainable water supply and sanitation services, for rural and urban users, through improved capacity of stakeholders in the sector and better management of water resources. Accordingly, the project is designed to build the capacity of all stakeholders, both public and
private, to plan, construct and maintain water supply and sanitation facilities. In the process approximately 5500 rural water supply schemes and about 50 town water supplies will be improved in the first years.

Progress toward achieving the principal outcome will be measured through the following key indicators, that were included in the results framework:

- number of people with access to improved water supply in rural and urban areas;
- number of effective woreda and community water and sanitation programs established through the project;
- number of effective, autonomous water boards established through the project in towns and cities.

**Progress to-date:**

In addition to the contribution to the overall sector development and setting the trend for sector wide and programmatic route, in its five years of implementation the project has shown substantial progress in both the capacity building and physical scheme construction. This view is more valid today due to further progress made in many areas, which includes:

- The project provided support to organize and build the capacity of town water boards in 87 small towns. As the only major intervention working on urban water supply in the country, the project assisted to further clarify the government’s Cost recovery policy for Urban Water Supply.
- Developed manuals, guidelines and training materials to complement the capacity building effort and ensure that HDWs and springs developed in better quality and are sustained.
- The project Complemented the capacity building with construction of water supply schemes (1288 HDW, 835 Spring on spot, and 576 Shallow wells, 99 Deep Boreholes, 75 Rural piped systems, 35 Rain water harvesting schemes and 13 pounds), conducted hygiene and sanitation promotion resulting in construction of hundreds of institutional and thousands of House hold latrines in all the participating communities. In this regard the project in the rural areas facilitated access to clean water and improved sanitation facilities to about 1.4 million people.
- The project further supplemented its capacity building activity in the urban areas by supporting the immediate service improvement in 87 towns which benefited about 143,000 people.
- The project supported the preparation, appraisal and approval of participatory demand driven Woreda wide plans in 204 woredas.
- The project helped the establishment of cascaded capacity building system at all levels with active involvement of private sector. This includes newly established and trained; woreda support groups (WSG), town support groups (TSG), community facilitation teams (CFT), and Technical Service Providers (TSPs). These professional support teams are serving other sector partners such as AfDB to cover more program woredas.
The proposed Additional financing:

Within the original project objective and following the same implementation arrangement, the proposed additional financing will be used to complete project activities that needed more time and financing to ensure the full achievement of the intended development objective.

Under the urban WSS component, currently 22 of the small towns could only be funded partially under the project due to financing gap. The unit cost per capita during project preparation and two years after that was in the range of US$ 30 to US$45 per capita while at the moment it is in the range of US$55 to US$ 80 per capita. This is mainly due to the price escalation on some of the import items for the construction of water supply and sanitation works and related construction supervision activities due again to the increase in the cost of fuel. The additional financing will therefore be used to fill the financing gap to complete the rehabilitation and expansion work in these 22 towns and to take another 28 towns up to step three where fund are provided for rehabilitation and expansion.

While the additional financing supports completion of the urban water supply component. The financing will also provide for deepening project progress in the following areas;

a. The project has served as tool for joint government donor sector planning and monitoring. As a result, SWAP is evolving in the sector with donors supporting WaSH in the country making progress towards a common implementation and funding arrangement.

b. The WSSP is supporting the establishment of sector M&E-MIS which is at its early stage. The additional time will allow for sufficient time to pilot and roll out the sector M&E-MIS system.

In similar manner, though the rural water supply and sanitation component has largely achieved its objectives and provided capacity building and increased access to WSS in the targeted 200 woredas, it is envisaged that the additional financing will complement the DFID financing through preparing additional 50 woredas for investment by providing capacity building assistance.

Safeguard Policies (including public consultation)

OP 4.01 Environmental Assessment: Under the ongoing Water Supply and Sanitation Project, environmental management capacity is being strengthened significantly through the (i) recruitment of a Capacity Building Consultant who will be responsible for designing and implementing a Training of Trainers Program at the regional levels; (ii) the employment of Environmental Consultants to prepare environmental assessment reports for the secondary towns; and (iii) employment of two Environmental Specialists at the Ministry of Water Resources Management who are responsible for monitoring and reporting on the
environmental activities under the ongoing project as well as the additional financing operation.

For example, the Project Management Unit (PMU) has arranged for the environmental assessment (EA) of the construction of a water supply system in Wolkite town. In an effort to identify potential environmental and social impacts, the consultant has used the revised Environmental and Social Screening Form (ESSF) included in the PIM. The revision of the ESSF was carried out at mid-term to ensure a more detailed environmental screening procedure. The EA report will be disclosed at municipalities in Ethiopia and at the Bank’s Infoshop shortly. EA terms of reference for the remaining four towns are under preparation.

**OP 7.50 Projects on International Waterways:** Ethiopia’s riparian were notified during preparation of the ongoing project. This notification is still valid since the activities to be financed under the additional financing operation have not changed. Thus, no additional water will be used due to the additional financing investments.

**Safeguard screening category:** The safeguard screening category of the project is S2. One or more safeguard policies are triggered, but effects are limited in their impact and are technically and institutionally manageable.

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<th>Safeguard Policies Triggered by the Project</th>
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<td>Environmental Assessment (OP/BP/GP 4.01)</td>
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<td>Projects in Disputed Areas (OP/BP/GP 7.60)*</td>
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1. Tentative financing

   Source: ($m.)
   BORROWER/RECIPIENT 0
   International Development Association (IDA) 80

   Total 80

2. Contact point

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* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas.
Location: Addis Ababa, Ethiopia (IBRD)