Chapter 12  Program Implementation and Monitoring

The Water Sector Development Program (WSDP) is a call for action addressed to the Federal and Regional Governments, private sector, non-governmental organizations (NGOs), local communities and individuals and international development partners of Ethiopia. Implementation of the WSDP is a huge endeavor. Where to begin? And how to proceed? Those two questions of the implementation strategy are interrelated, and answers to these questions are provided in this chapter. These answers grow out of the various subsectoral recommendations that are presented in earlier chapters of Section II. The implementation strategy also takes into account the roadmap provided by the national water-sector strategy.

12.1 Main elements of the implementation strategy

The WSDP recommends an array of investments and measures that emerged through an extensive consultative process for each subsector and supporting program. These measures are outlined below as main elements of the implementation strategy. If these elements are not made explicit, implementation of the WSDP will not get concerted action; nor can its progress be monitored for mid-course correction and periodic revision.

- Capitalize and build upon the existing institutional structure. New institutions should be established only if extremely necessary and justifiable.
- Ensure integrated implementation and strong coordination among all program components, realizing that each of the program areas has its own specific, extension, communication, and research components.
- Tailor the program implementation to cope with funding constraints, if and when they emerge.
- Assign priority for completion of the ongoing programs/projects.
- View and implement resource mobilization efforts as part of the implementation strategy.
- Transform attitudes and practices to influence investments in favor of water resources development and management.
- Promote decentralized management and governance, and involve communities in localized water governance.
- Assign high priority to bridge technical capacity gaps in the short-term.
- Create conditions to build new and innovative partnerships at all levels.
- Rely on national expertise to deliver program outputs to the maximum possible extent, but secure external technical assistance whenever it is necessary.
- Make continuous adjustments in the implementation strategy based on program’s performance using monitoring indicators (financial, technical, institutional).
- Set priorities and begin implementation from undisputed resource development and management domains.
12.2 Roles of different partners

Implementation of the WSDP activities and projects will involve a large number of partners—each with different roles and functions. These include: (a) Government institutions; (b) private sector; (c) local communities and individuals; (d) NGOs; and (e) external support agencies. This section provides an overview of the roles and functions of these groups with the objective to develop a management model to cater the needs for implementation of the WSDP.

12.2.1 Government institutions

Implementation of activities of the WSDP at Federal and Regional levels will not only involve water-related institutions, but other institutions as well. Nevertheless, MoWR at the Federal level and WMEB at the Regional level will assume the lead responsibility. Their principal role will be to make high-profile decisions, designed for maximum impact within limited means. Reviewing sectoral policies and large investment projects is also an important function at this level. Increasing the resource allocation for priority components will send strong signals to civil society and international donors of the changes in investment patterns required for sustainable development and management of water resources. Another leadership role will be to improve the systems for inter-institution collaboration, and enhancing departmental capacities for implementation of program components. Within the framework of improved inter-institution collaboration for planning and programming, departments should focus on outreach and facilitation. Within the regions, concerned departments at the zonal/woreda level are seen as important players in implementing the WSDP activities. This level of administration will have to serve as an important link between the perceptions of the communities at the local level and the leadership role Government has to assume at Federal and Regional levels. These departments will collaborate on the spatial coordination of departmental plans and projects.

12.2.2 Private sector

The private sector so far has played very little part in the development of the water sector. However, as the Government moves towards the implementation of activities of the WSDP, it sees private sector as an important partner in achieving the WSDP objectives. The Government will examine the possibility of introducing different kinds of incentives to create conditions conducive to private sector participation. This would include, but not be limited to: provision of access to land and water resources, fiscal incentives - such as longer income tax holidays - and concessional lending from commercial sources. At the same time, the private sector is expected to improve their production of key inputs, establish more efficient markets, and bring new investments into the sector. During the course of forging public-private partnerships, it will be ensured that role of the private sector is viewed as of a service provider, and not of a resource owner.

12.2.3 Local communities and individuals

Individuals and communities have very important roles to play in the implementation of activities of the WSDP. Individuals are expected to invest capital and labor and to improve their resource management practices. Communities will be responsible for managing common resources, improving their own organizational set up, undertaking and maintaining projects, and increasing the involvement of women. They will be able to participate as project or program initiators, implementers, or owners as well as operators of community schemes. Their involvement as prime stakeholders in large-scale schemes needs to be ensured. The possibility of expanding the scope and functions of Water Users’ Associations (WUAs) beyond the irrigation subsector to improve governance of the whole implementation of the WSDP is an important avenue that needs to be explored.
12.2.4 Non-governmental organizations

Presently, more than 100 NGOs are involved in the water sector of Ethiopia. Their activities range from project identification to implementation and financing. Organized to promote integrated rural development, they are involved in rural water supply, small-scale irrigation development, and catchment management. The effectiveness of the NGO contribution to the WSDP can be improved if their activities are coordinated and linked to the development programs of the regions. Some Regional authorities stress the need for integrating NGO activities with central program efforts. In summary, the NGOs can perform four important functions within the context of the WSDP implementation: (a) bringing additional financial resources; (b) strengthening technical capacities of regional bureaus; (c) organizing local communities; and (d) undertaking rehabilitation works.

12.2.5 External support agencies

Given the financial size of the WSDP, the role of international lending and donor institutions in providing financial resources and technical assistance to implement the program can hardly be over-emphasized. Efforts to date to mobilize resources and invest in the sector have remained below the mark. This can best be evidenced by the fact that the country has been able to exploit only a fraction of its land and water resources. Ethiopia has had to rely on food-aid year after year because there is no irrigation infrastructure to support large-scale irrigated agriculture. The WSDP provides a comprehensive framework to donor agencies not only to select projects and programs for financing in accordance with their country assistance strategies, but also to coordinate water sector activities to improve the efficiency and management of external assistance. The Government’s resource mobilization strategy is presented in the next chapter.

12.3 Program Management

Program management entails four major functions: planning, implementation, coordination and monitoring. During the course of implementation of the WSDP, all of these functions are to be performed at three levels: national, regional, and local. At each level, different partners (identified above) are expected to make specific contributions in the execution of these functions. The WSDP management framework proposed below responds to the challenges posed by the sector specific constraints and issues, as well as being based on lessons learned from the implementation of similar programs.

12.3.1 Some important considerations

Three broad approaches could be considered for program management: the public sector-led approach, the representative approach, and the participatory approach.

Under the public sector-led approach, activities are usually carried out without the involvement of the people for whom services and facilities are being provided or constructed. This unfortunately means that the people least concerned address the sustainability of the provided services. The other serious problem with this approach is that it does not allow communities to adjust the blueprints developed by the public sector institutions to reflect their needs.

The representative approach, driven by political considerations of the elected representatives, also has some demerits. Representatives cannot plan and implement day-to-day economic activities of communities. At the same time, this approach is more often political rather than consensual, whereas consensus is a pre-requisite of development at the community level.

Both these approaches are not successful in reaching people and solving their problems. This
may not be due to them working inefficiently, but rather due to their implementation structure and mandates. The participatory approach, on the other hand, encourages making optimal use of grassroots opportunities. The systems of local governments, development administration and resource mobilization remain incomplete without the involvement of community organizations. None of this, however, will happen without Government support. The Government will ensure stable and reliable economic incentives for individuals, enforce consistent and equitable regulations for corporations, and provide enabling legislation allowing communities to reap the rewards of their collective efforts. Therefore, the program management arrangements proposed here aims at bringing all stakeholders together for increased upstream level support and improved downstream level coordination.

12.3.2 Management arrangements

The general management model for implementation of the WSDP is derived from the above consideration of typical decisions, stakes and key instruments. It is a closed loop that begins with Government leadership and ends with Government support to private and community implementation. Specific management arrangements proposed for the implementation of WSDP are exhibited in schematic form in figure 12-1. These arrangements ensure strong linkages between the Federal and Regional components of WSDP. In line with the broad implementation strategy guidelines, these arrangements would contribute further towards strengthening the existing institutional framework. Towards this aim, establishment of the following organs is proposed.

- National Steering Committee (NSC)
- Federal Program Management Unit (FPMU) at the Ministry of Water Resources
- Regional Program Management Units (RPMUs) at the Executive Council Office

National Steering Committee (NSC): The WSDP consists of interventions proposed for many subsectors. Therefore, program implementation and management can best achieve its objectives in a multi-sectoral development framework. This requires participation of leading institutional stakeholders. Accordingly, at the highest level, a National steering Committee (NSC) will be established. This will be an inter-ministerial body consisting of representatives of relevant Federal ministries and institutions, regional states, donors and private sector. Selected community representatives from different regions will also be represented on the committee. This committee will: (a) provide vision for poverty alleviation and sustainable water resources development and management; (b) improve the quality of decision making, sector efficiency and managerial performance in the implementation of the WSDP; (c) ensure inter-ministerial coordination for long-term sustainability of WSDP investments; and (d) mobilize financial assistance. This Committee will not be involved in the routine day-to-day program management operations; instead its role will be to monitor program progress and provide policy advice and guidance to the implementing organs.

Federal Program Management Unit (PMIU): The FPMU will be established within the MoWR to provide technical, logistical and administrative support to, as described earlier, all aspects of program management: planning, implementation, coordination and monitoring. To begin with, it can start functioning as part of the Planning Department of the MoWR. However, there is a growing perception that once all the building blocks of program management are in place (probably in the second year of program implementation), it should be transformed into a full-fledged Department of Program Management and Coordination. The FPMU will ensure a continuous flow of information between the MoWR and RPMUs. Other re-
sponsibilities of the FPMU will include: (a) reporting on program progress and impact; (b) identifying gaps and bottlenecks; (c) brokering donors support; (d) monitoring and evaluating program performance and impact; and (e) reviewing and validating the continued relevance of the program components and approach etc. On top of its functions, it will serve as the Technical Secretariat to NSC.

**Regional Program Management Unit (RPMU):**
On the pattern of FPMU, a separate RPMU will be established in each region within the Executive Council Office. This is essential because much of the program components are to be implemented at the regional level. Socio-political considerations also warrant so. Its functions and responsibilities will almost be similar to those of the FPMU. It will ensure a continuous flow of information from the region to the FPMU at the MoWR.

**Sub-program Level Teams:** Both under the FPMU and RPMUs, 3-4 sub-program level teams will be established because the WSDP projects are grouped in accordance with major sub-sectors dealing with irrigation, hydropower, water supply and sewerage and general water resources. Number of teams in each region will be determined by the extent of sub-sectoral projects to be implemented in that region. These specialised teams will be responsible for co-ordination of sub-program level activities. Each regional sub-program level team will also co-ordinate with its Federal counterpart team for exchange of information and data on various aspects of program implementation. In many cases, since actual works will be executed through contracts with private companies, consulting firms, NGOs and local communities, these teams will also be responsible for the technical monitoring functions.
12.3.3 Program execution

Implementation of the WSDP works can be broadly grouped into two categories: (a) studies and designs works; and (b) construction works. In the case of small projects, most of the studies and design works will be undertaken using local capacities, which can be found within the private sector, and to some extent within the MoWR and EEPCo. Much of the small-scale construction work will be contracted out to local companies, NGOs and local communities. In the case of large projects, works will be awarded to local or international companies through a competitive bidding procedure. One of the key features of the WSDP implementation strategy is to promote new and innovative partnerships among various stakeholders. The Government will take necessary steps to promote conditions that foster partnership building, especially with the private sector so as to bring much needed investment to the water sector. At the beginning of the program implementation, a Program Implementation Manuel (PIM) will be prepared to define, inter-alia, rules and procedures for engaging local and international consultants in the execution of WSDP works.

12.3.4 Program monitoring

The ultimate responsibility for monitoring of the proposed program lies with the Government of Ethiopia as part of its fundamental responsibility to execute its own program. At the initiation of the program implementation, a detailed monitoring process will be defined, including operational plan, performance indicators, monitoring tools, and boundary conditions. These procedures will be elaborated in the Program Implementation Manuel, together with the concrete steps to be followed in the process with definition of responsibilities. In this context, a detailed electronic monitoring system will be put in place that will ensure timely flow of information among various implementing organs in the required format.

The monitoring system will include baseline data and information that will serve as a benchmark for future comparisons and evaluations. The monitoring system will respond to the specificity of each sub-program, its components and the outputs to be produced and will also encompass a reporting mechanism that will ensure a smooth flow of information regarding the implementation of various activities to managers at different levels of the hierarchy on a quarterly basis. This report will describe the achievement of benchmarks on the set time scale, specify the actions required by the concerned parties in order to achieve the next set of targets and, if necessary, will make substantive recommendations about the orientation of the program.

In order to be consistent with the level of responsibility, implementation of the WSDP will be reviewed and evaluated at a minimum of three different levels.

The first level of review and evaluation process calls for continuous monitoring of the performance indicators for various projects planned under different program components at the local/project level. Quarterly meetings between the project implementing agencies (private sector, communities, NGOs etc.) and sub-program level teams will provide the necessary forum for this review. The sub-program level teams will then consolidate and report their findings to the respective RPMUs.

The second level of review calls for more intensive review and evaluation of program performance on a bi-annual basis. The Program Managers of FPMU and all RPMUs will jointly undertake this review. Reports emerging from the first level of review will serve as the basis for discussion at this stage. Exchanges of inter-regional information and experience will help to fine-tune the implementation process and agenda. The FPMU and RPMU will assume the responsibility for preparing their respective progress reports for discussion at the meeting while the FPMU will prepare a summary of this review for submission to
the Minister of Water Resources. Critical issues impeding program progress, if any, will be highlighted so as to seek high-level guidance in overcoming the implementation constraints. If warranted, the Minister should call a meeting of the National Steering Committee to discuss and resolve these issues.

The third level of review calls for an annual review of program performance by the National Steering Committee. Towards this aim, the FPMU will prepare the Annual Progress Report with the involvement of all stakeholders (especially the RPMUs). This report will reflect the results achieved so far, as well as the problems encountered in program execution. In addition, the effectiveness of the management and coordination mechanisms will be reviewed. This meeting in addition to reviewing the past progress will approve the operational plan for the next year. The situation with respect to resource mobilization will be reviewed and a strategy devised for mobilizing additional funding to meet the next year’s targets. This meeting will take place at the end of each year so as to allow time for the revision of work plans, and the incorporation of agreed changes into the budget for the coming financial year.

In sub-sectoral chapters (chapter 5 through 9) growth targets are set for different planning horizons: short-term (2002-2006), medium-term (2007-2011) and long-term (2012-2016). A physical program is developed to meet these targets, and corresponding annual investment schedules are drawn up. Achievement of these targets or implementation of proposed annual program would serve as broad benchmarks for monitoring program progress. Since achievement of these benchmarks would depend upon availability of required funding, monitoring benchmarks would be adjusted accordingly to reflect realistic goals. In addition, at the beginning of each year specific benchmarks and performance indicators will be developed as part of the annual operational plan, especially those relating to institutional and technical capacity building.

12.4 Institutional and organizational reorientation

Successful implementation of the WSDP depends on fulfilling a number of preconditions. The most critical of these preconditions are availability of (a) adequate institutional and organizational capacity and (b) the required funds. This section deals with the first issue, while the second is discussed in chapter 13. Within the context of capacity building, many institutions will have to reorient their functions and mandates so as to be able to secure the basis for successful implementation of the WSDP activities. In this regard, the short-term capacity building plan will be specifically geared to focus on achievement of the following objectives. Parallel to this effort, meanwhile, implementation of a general capacity building program, as outlined in chapter 10, will be ongoing.

- Improved capacities of Federal and Regional governments to integrate the proposed WSDP interventions into their respective economic development plans, capable among other things for providing clear and stable decisions on resource allocation, resource sharing, and pricing of critical resources.

- Improved capacities of the zonal/woreda level organs of the Regional administration in coordinating local level development and implementation of the WSDP, and enabling the communities to organize and participate in the implementation of activities of the WSDP. This will help to achieve improved spatial and sectoral coordination of subsectoral plans at the district/woreda level. Where such organs do not exist, the Regional governments will be encouraged to establish these.

- The capacity for increased interagency cooperation in plan making and program-
ming, and, where needed, in extension, implemen-
tation and operation at all levels will be stream-
lined and strengthened. This will also include cre-
ation of the capability in line ministries and institu-
tions (at the federal, regional, and district/woreda
levels) to provide technical assistance and sup-
port for implementation and monitoring of activi-
ties of the WSDP.

- The corporate sector will be encouraged
to take the lead in modernizing the water
sector of Ethiopia. Horizontal equity in
regulations and incentives will be pro-
moted for competitive firms to invest in
providing water supply services.

- Given the policy for lean government and
budgetary constraints, most of the capac-
ity building work will be done by reorient-
ing, training and upgrading existing profes-
sionals. Indigenous expertise will be taped
from government, NGOs, community
groups, and the private industrial and com-
mmercial sectors.

12.5 Hopeful factors

In spite of the stagnant character of the water
sector, there are many hopeful factors in the
present situation. First, the Ethiopian government
remains very much committed to the goal of pov-
erty alleviation and realizes that sustainable de-
velopment and management of water resources
is crucial to achievement of this goal. As such,
water has been reflected as one of the priority
areas in the country’s poverty alleviation strategy.
Second, Ethiopia has come a long way in creat-
ing mutual trust and better understanding with its
riparian neighbors about equitable sharing of trans-
boundary waters. The NBI has made consider-
able progress and a common vision has been
developed, together with investment plans for
mutually agreed projects. Third, Ethiopia has al-
ready committed to mobilizing a considerable
amount of financial resources from domestic
sources to meet the short-term investment needs
of the WSDP. Fourth, provision of water supply to
those having no access to safe drinking water
supply remains on the top of internal development
agenda, as was agreed in the Millenium
Development Goals and recently reaffirmed in the
Johannesburg Summit. Accordingly, the multilat-
eral and bilateral development agencies are ex-
pected to extend more support to the water sec-
tor in Ethiopia. Finally, building partnerships with
the private sector is increasingly seen as an im-
portant means of bringing additional financial re-
sources to the development and management of
the water sector. Ethiopia is ready to discuss such
partnerships and create the necessary incentive
structure and regulations to promote the partici-
pation of the private sector.

12.6 Moving ahead in the
initial years

Implementing the WSDP activities will take con-
siderable multi-sectoral and sectoral planning and
programming over the next 1-2 years, along with
capacity building and institutional strengthening.
Yet the focus solely on planning and institutional
development in the initial years risks losing mo-
mentum on substantive action—that is, implemen-
tation of projects. Feedback from the implemen-
tation of projects at ground level is also important
for proper planning and strengthening of institu-
tions. Chapters 5-10 have indicated the priority
projects in each subsector; some are ongoing
while others have to be implemented. One might
argue that some of the short-listed projects are
not ideal for the given conditions—they might need
to be made more cost effective, or need to be
reconceived as inputs to facilitate community de-
velopment rather than as managerially delivered
products. Revamping these projects is seen to
be a continuous exercise, yet there are many
short-listed projects that are believed to be good
candidates to get action underway. In addition, the
Government will take following actions in the ini-
tial years to ensure smooth implementation of
WSDP activities and secure sustainability for the
WSDP investments over the entire planning hori-
zon.
• To initiate and facilitate program implementation, the following institutional arrangements will be made: (a) creation of a National Steering Committee representing all stakeholders; (b) establishment of a Federal Program Management Unit (FPMU) within the Ministry of Water Resources; and (c) establishment of Regional Program Management Units (RPMUs) in the Executive Council Offices of all regions.

• The FPMU and RPMUs will be made fully functional by assigning necessary staff and making available the required equipment. These units will develop an operational plan (work plan) for the short-term, especially with more details for the initial years, for approval of the National Steering Committee.

• A Program Implementation Manuel (PIM) will be prepared that would serve as a step-by-step guide to deal with different aspects of program implementation. Such aspects may include, but not be limited to: procurement of goods and services, engagement of consultants/firms, accessing program funds, disbursement procedures and regulations, roles and functions of implementing agencies vis-à-vis other agencies participating in the program etc.

• A monitoring system that will include baseline data and information and encompasses a reporting mechanism will be put into place. This system will also include detailed procedures for the monitoring and evaluation of program impacts.

• The WSDP has identified a series of projects with tentative cost estimates. Proposed interventions will be transformed into detailed project documents in line with the formats and requirements of funding agencies. In some cases, these project documents might already exist but will need some updating. These documents (whether new or revised) will give due attention to environmental and social impact assessments in line with the guidelines proposed in chapter 11.

• A detailed resource mobilization strategy will be worked out consistent with the strategic guidelines proposed in chapter 13. A series of resource mobilization meetings will be arranged with all partners, whether domestic or international, particularly with the private sector. The WSDP will be introduced at all international water related conferences in order to sensitize the international community. These efforts will also continue in the medium and long-term.

• Necessary measures will be taken to speed-up the pace of implementation of on-going projects, and linking their progress or constraints to the overall monitoring system for the WSDP.

• A short-term capacity building plan will be prepared and implemented to enable the existing institutions to cope with the extensive program management requirements in the first part of the planning horizon. The plan will include detailed assessment of capacities in the FPMU and all RPMUs, and an action plan to meet the capacity gaps. Capacity building priorities as defined in section 12.4 above will be specifically targeted.
Chapter 13  Financing the WSDP

The WSDP is not just an investment plan. Rather, it is concerned with the way all social and economic development will be undertaken. Indicating the size and phasing of core subsectoral programs in chapter 5 through 10 highlights the physical thrust of the WSDP, as well as the investment Ethiopia needs to, literally, make for its future.

13.1 Investment requirements: an overview

Total estimated cost of the WSDP is $US 7,444.8 million over a 15 year period (2002-2017), covering all aspects of water resources development and management, and extending to all possible uses (see table 13-1). This turns out to be a little less than $US 500 million per year. Immediate requirements for the short-term planning horizon (2002-2006) are $US 2,110 million -28 per cent - of the total investment plan (see chapter 10 for more details).

The proposed investments are likely to generate thousands of jobs, as most of the WSDP investment areas are heavily biased in favor of labor-intensive processes. The WSDP would thus make a useful contribution to the critical problem of employment generation in a surplus labor economy. This would also enhance the prospects for sustainability of investments, since people will be able to pay for the services.

13.2 Sources of funding

Projections of investment requirements to support the WSDP activities over the next 15 years are based on three major sources of financing: (a) external sources; (b) domestic resources; and (c) private capital—both domestic and international.

13.2.1 External sources

(a) Multilateral and bilateral aid: A number of major multilateral and bilateral agencies are already assisting the water sector and have committed resources to numerous water projects. So far, the donors have reacted positively to the WSDP in the meetings held during the formulation of the WSDP. Due to its critical role in poverty alleviation and achieving the goals of sustainable development, water is perceived as an important priority in many donors’ development assistance agendas. However, because a substantial aid pipeline already exists, especially for the projects to be implemented under the Nile Basin Initiative the question of additional aid resources at this stage may be premature. It is important that Ethiopia should carefully determine that on what projects, and in what form, it would

Table 13-1. Summary of investment plan ($US millions)

<table>
<thead>
<tr>
<th>Subsector</th>
<th>Short-term</th>
<th>Medium-term</th>
<th>Long-term</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Water supply &amp; sewerage</td>
<td>876.2</td>
<td>1,057.9</td>
<td>1,001.7</td>
<td>2,935.8</td>
</tr>
<tr>
<td>2. Irrigation</td>
<td>307.9</td>
<td>456.9</td>
<td>918.3</td>
<td>1,683.1</td>
</tr>
<tr>
<td>3. Hydropower</td>
<td>649.1</td>
<td>525.9</td>
<td>776.7</td>
<td>1,951.7</td>
</tr>
<tr>
<td>4. General water resources</td>
<td>183.9</td>
<td>231.9</td>
<td>240.5</td>
<td>656.3</td>
</tr>
<tr>
<td>5. Institution/capacity building</td>
<td>92.9</td>
<td>63.3</td>
<td>61.7</td>
<td>217.9</td>
</tr>
<tr>
<td>Total</td>
<td>2,110.0</td>
<td>2,335.9</td>
<td>2,998.9</td>
<td>7,444.8</td>
</tr>
</tbody>
</table>
like to seek donors’ assistance and maintain on-going dialogue with the donors. Here it is sufficient to note that the aid pipeline, as well as current inflows, matched by donors’ interest, provides grounds for optimism.

(b) Debt-swap arrangements: A second source of aid-related funding for the WSDP is somewhat less conventional. Ethiopia faces quite a bit of debt burden. A slow down in macroeconomic growth performance, failure to diversify the export base, and a looming world recession leading to reduction in trade collectively constitute a troubling matrix for Ethiopia’s debt servicing capacity. Present debt servicing capacity is estimated to be around 3.5 per cent of the GDP, and projected to stay at the same level in the next 3-4 years. In monetary terms, debt servicing in 2001-2002 amounted to about $248 million. Ethiopia has reached a decision point for enhanced HIPC (Heavily Indebted Poor Countries) facility in October 2001. The Government plans to utilize this debt relief to supplement its efforts to boost investments in social sectors. In other words, relief given on debt servicing and on the principal amount would be used to finance the WSDP activities. This approach has proven to be very successful in improving the capacity and performance of social sectors in many developing countries. There is no reason why Ethiopia can’t make best use of this facility to support one of the most vital social programs in the country.

(c) Government Sources: Ethiopia will have to increase its allocations to the water sector if the goal of poverty alleviation is to be achieved. Besides showing its commitment to the development of water sector, it will help to stimulate the interest of other funding partners such as international agencies, NGOs and private sector in the WSDP and would provide evidence of matching words by actions. However, this would require extra revenue generation efforts. There are two ways in which the Ethiopian Government could raise funds directly for activities of the WSDP. The first, and most obvious, category is new taxation measures, such as a polluter pay principle. For example, industrial units damaging water quality with untreated wastewat could be taxed. In addition to direct pollution taxes, resources could be supplemented by lotteries and other fund raising schemes that have already demonstrated their potential in raising private capital in many parts of the world. A second source for mobilizing domestic resources would be to rationalize water charges within the context of efficiency, equity and cost recovery considerations.

(d) Non-government sources: Community contributions in the form of cash and in-kind inputs would be another instrument for domestic resource mobilization. The WSDP activities will benefit the local communities in terms of growth of economic activities in local economies resulting in increased employment opportunities and household incomes. If communities become convinced about these impacts, the experience of many countries shows that they will contribute. This is especially true for small-scale irrigation and rural water supply schemes. The role of community participation in reducing recurrent project costs and enhancing sustainability of water supply schemes can hardly be over-emphasized. Attaching a price tag to these two contributions will reduce the investment requirements.

13.2.3 Private sector

Given the dire constraints on and competing demands for existing public revenues and specificity of aid commitments, the private sector will have to assume a lead role in providing the required capital and management expertise to the WSDP. In many countries of the world, private sector response has been laudable. In Ethiopia, private sector contributions have been almost negligible. The Government will need to encourage and stimulate private investment towards activities of the WSDP by establishing special credit lines, identifying market opportunities and assisting with technical information. This applies both to the commercial banking sector and private companies. In addition to the domestic private sector, large multinational companies can bring special-
ized management experience and large scale fi-
nancing. The Government, drawing on similar ex-
periences elsewhere, will develop a strategy to
attract such investments. It is important that the
domestic private sector in Ethiopia also views the
WSDP as a source of opportunity, not merely of
taxation.

13.3 Financial plan

At this stage it would be premature to indicate who
would contribute what resources towards imple-
mentation of the WSDP. Part of the Government’s
resource mobilization strategy is to present this
WSDP to various partners and to seek their par-
ticipation in its implementation. However, based
on past experience of financing to the water sec-
tor, as well as the response of different partners
to other sector development plans (health, edu-
cation and road), the Government has made ten-

tative estimates of funding from different sources.
These estimates were arrived at on the basis of
expected contributions of different partners to
various components of the WSDP (table. 13-2),
and will be subject to further refinement as the
discussions on resource mobilization proceed.

Translating above subsectoral figures over the
entire WSDP will set the following financial tar-
gets from different sources over the next 15
years: $1,827 from Government sources (24.5%),
$1,895 from international private sector (25.4%),
$759 from domestic private sector (10.2%),
$377 from communities/beneficiaries
(5.1%) and $2,585 million from multilateral and
bilateral donors (34.8%).

Table 13-2. Contribution of various financing sources to WSDP (Per cent)

<table>
<thead>
<tr>
<th>Subsector Description</th>
<th>Government (Federal and Regional)</th>
<th>Private Sector (Int'l)</th>
<th>Private Sector (Domestic)</th>
<th>Communities/Beneficiaries</th>
<th>Multilateral/Bilateral</th>
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At this stage, the financial picture for short-term (2002-2006) is relatively clear. Total investment requirements for all subsectors are $2,110 million. The Government has already mobilized a total of $1,241 from different sources, including $742 million available under the NBI. The remaining balance turns out to be $174 million per year over the next five years. In other words, the Government has raised enough resources to begin program implementation. As program implementation progresses, and resource mobilization efforts are intensified, it is expected that the remaining resources will become available. The Government fully realizes that the future of this program and of resource mobilization greatly depends upon its implementation performance in the initial years of the program. At the same time, the Government remains hopeful that different partners will use the opportunity provided by the WSDP to invest in sustainable development of Ethiopia.

There should be no doubt about Government’s commitment to allocate higher resources for investing in the water sector. A recent paper presented by the Government of Ethiopia in the Third United Nations Conference on the Least Developed Countries (May 2001) provided Ethiopia’s development vision over the next years (2001-2010). It was estimated that Ethiopia would need to invest an amount of $39 billion to achieve the targets set under this vision. Out of this, about $25 billion would be invested in major development programs which have a strong impact on poverty alleviation. Water was not only identified as one of the important pillar of the development vision, it also received a significant share of resource allocations marked for the development of social sectors. The paper went on to state that water sector investments would be targeted to realize the objectives of the water resources policy issued in 1999.

### 13.4 Steps towards resource mobilization

Bringing people out of the poverty trap is the main development goal of the present government. The Government is fully aware of the fact that not many options are available to pursue this goal. Out of the limited options available, development of water sector stands out prominently as a way to achieve the objectives of sustainable development. This is because water occupies a central role in the national development process—both as a natural resource and as a service provider to other sectors of the economy. The country has already suffered too much because of the number and scale of water related disasters—either too little water (drought) or too much uncontrolled water (floods). As such, the Government views investment in the water sector as both a necessary effort, and as an opportunity to invest in the future of Ethiopia.

Therefore, the Government is planning to exert concerted effort towards raising the required resources for implementation of activities of the WSDP. Though resource mobilization efforts will continue over the entire planning horizon, the Government plans to take the following steps to meet the short-term resource gap of $869 million over the next five years.

1. A donor’s meeting will be organized in Addis Ababa to launch the implementation of the WSDP and to secure donors’ interest in various WSDP activities. As mentioned earlier, the Government has already raised some resources from its own sources that will be utilized to initiate implementation of the program.

2. The Government has already constituted a Resource Mobilization Committee. This committee has started its work and is holding discussions with the representatives of resident donor agencies. The committee however will intensify its work once this report is officially released and distributed to all potential partners.

3. The committee will hold meetings with various donor agencies (not present in Addis Ababa) at their headquarters and...
introduce them to the various aspects of the WSDP. Similar efforts will be made to secure the interest of large international private sector companies. Experience elsewhere shows that multinational companies usually remain interested in investing in urban water supply projects.

• The Government will soon announce a policy on tax rebates and extending credit lines to private sector companies that would be willing to invest in water sector.

The year 2003 has been declared as an International Year of Freshwater. During that year a number of international water meetings are planned. All efforts will be made to introduce the WSDP in those meetings.
Chapter 14  Summary of Conclusions

The WSDP report is carefully structured in terms of investments planned for the development of water sector over the next 15 years. The objective is to present a comprehensive inventory of projects that should be implemented in the different subsectors that form the water sector. These projects were identified to meet the specific growth targets set for each of the subsectors, while the national development agenda formed the basis for setting the growth targets. Subsector specific recommendations are dispersed throughout the report, and so is the case in regards to Government commitments to development of water sector are concerned. This chapter brings these recommendations and commitments together in the form of an agenda for action.

14.1 Agenda for action in the short-term

The Government of Ethiopia will undertake the following actions to provide basis for successful implementation of the WSDP.

- Program implementation will begin as soon as possible. For this purpose, the Government will not wait for resource mobilization to take place. The Government views resource mobilization as a continuous activity parallel to those defined in the WSDP. Moreover, sufficient resources have already been raised (or for sure will become available) to initiate the program activities—at least to begin the implementation of short-term program.

- Necessary steps will be taken to mobilize the resources required to meet the financial gap in the short-term. This specifically will include organizing a donor’s conference, meetings with individual donors, visiting headquarters of various donor agencies and multinational companies, and introducing the WSDP in all major international water meetings.

- Following institutional structure will be established to provide solid start to program implementation: a National Steering Committee, a Federal Program Management Unit (FPMU) within the Ministry of Water Resources and Regional Program Management Units (RPMUs) in all regions. These units will be staffed with qualified personnel and equipped with required facilities. If competent staff is not available from the relevant Government institutions to make these units functional, their services will be secured from the private sector. Existing rules and regulations regarding staff salaries and benefits will be made flexible, at least in the short-term, realizing that required staff otherwise may not be available.

- A Program Implementation Manual will be prepared describing the rules and procedures for financial management and reporting, procurement of goods and services, contract management, and monitoring and evaluation of program activities etc. This Manual will be prepared at the very beginning of program implementation, as FPMU and RPMUs will need it for their day-to-day functioning.

- All future water sector projects and donors activities will be coordinated within the framework provided by the WSDP. This applies equally to all those projects that are not included in this WSDP.

- As a matter of priority, the implementation capacity of Federal and Regional institutions at the lowest administrative levels and the community will be strengthened. That will entail employing additional skilled manpower, upgrading the skills of existing manpower, and purchas
ing construction machinery, vehicles, and equipment. Capacity-building and institutional development will be focused in all major program activities.

- The monitoring and evaluation system for following up the progress of program and project implementation will be strengthened in terms of both manpower and institutional capacities. Improvements will be made at all levels of implementation: Federal Government, Regional Government, zonal administration, woreda administration, and project management levels.

- The WSDP beneficiaries and stakeholders will be encouraged to become actively involved in program activities. Towards this aim, a legal framework for establishing voluntary beneficiary associations, similar in nature to the water users’ associations and farmers’ cooperatives, will be provided.

- The Government will take necessary steps to create conditions conducive to the participation of private sector in program implementation activities.

- Environmental protection standards, with respect to protection of water quality, will be strictly enforced.

- If funding becomes a constraint, Federal projects will be given priority over those of the regional projects, followed by the Addis Ababa priority projects.

- The program’s performance will be continuously monitored and evaluated at different levels—ranging from project level progress to subprogram level performance to national level evaluation and assessment.

14.2 Summary

The WSDP consists of, and depends on, an interweaving of the physical means of land and water resources with the necessary economic, social, environmental and political factors. Implementation of such a plan will require heroic efforts by both the Government and people of Ethiopia. The impact of concerted efforts to increase food production, providing safe drinking water to those who presently do not have an access, generate additional hydropower to stimulate economic growth will be felt in almost every department of the Federal and Regional Governments. These institutions will need to start reorienting themselves to cope with these impacts.

The WSDP will intimately affect the life of every family in each project area. Each year thousands of farmers and their families will be involved in technologic, economic and social revolution. The local communities must become aware of a new frontier, after years of decreasing hopes and resources. The Government should play a lead role in raising this awareness among the rural population, though it will be a daunting task because of problems of village isolation, illiteracy, shortage or lack of qualified personnel, and lack of mass communication media. Success will not occur unless the communities can be motivated and mobilized to extend their efforts to cooperate.

Staffing of the implementing institutions will be a difficult problem. Domestic personnel will clearly not be available in adequate numbers during the early years of the program, but every effort should be made to build up the domestically recruited staff as quickly as possible. During the early years, technical assistance from private sector and external support agencies will probably be essential. It is evident that, based on the present salary structure, competent professionals will not be willing to work. The Government therefore must adjust itself to this reality and be ready to attract national professionals by offering them competitive packages.
References


