

Ethiopia Overview: Water, sanitation and hygiene

Summary

Ethiopia has a vision of achieving 100% of basic Water and Sanitation and to meet expected target for safely managed WASH. To achieve these targets, Ethiopia will require more than US\$2 billion annually. Currently, the financing gap is estimated as 60 - 70% of SDG requirement. The ambition is highest for rural and urban water supply services where significant investment is required. In addition, access to water and sanitation services is significantly lower in poorer communities and among vulnerable groups.

Five major actions to ensure an aggressive approach to progress include:

1. Ensuring a climate resilient WASH program with special emphasis in the low land areas of the country
2. Diversification of financing modalities (3ts – taxes, tariffs, transfers; blended financing; and climate and humanitarian nexus funding)
3. Universal “improved” water and open defecation free may be met by 2030 given that financing investment can increase from less than 1% of gross domestic product (GDP) to 2 to 4%
4. Strengthen the sector performance monitoring by establishing sound monitoring and evaluation monitoring information systems to the national WASH program
5. Roll out national strategies to eliminate open defecation in rural and urban to improve access to basic sanitation levels

Overview of the Ethiopia’s vision and targets for the SDGs

The water, sanitation and hygiene sector in Ethiopia is guided by the One WASH National Program (OWNP), National Hygiene and Environmental Health Strategy and Integrated Urban Sanitation and Hygiene Strategy and School WaSH strategy. (2013- 2020). The strategy prioritizes the elimination of open defecation by 2023 and achieving universal access to safe water services by 2030 and 82% improved sanitation by 2020.

In 2015, Ethiopia achieved the MDG Target coverage of 57.2% for water and 28% for sanitation. This was partly sufficient to achieve the MDG targets for water and significant progress on sanitation. The more ambitious WASH targets and standards under the SDGs significantly raises the bar for what is required. The main challenges are limited multi-year funding to reach the ambitious target, poor quality services for the poor in urban and rural areas, mainly in the area of sanitation and hygiene. Coverage and quality of services are lower among vulnerable groups including the underserved areas.

The critical bottlenecks to overcome include: Inadequate implementation capacity for hygiene and environmental health weak sector governance and integrity, particularly the lack of separation of oversight from service provision; a heavy reliance on public financing and absorption challenges; human resource constraints; lack of a review mechanism to assess progress on a regular basis; and limited multi-year funding agreements from partners which limits predictability of planning. If these are not resolved, progress will remain slow and the SDGs will be missed.

2. Review of the sector – State of the Sector Building Blocks and Collaborative Behaviours

Ethiopia is improving the foundations of a well-functioning sector. The ongoing midterm review of the Consolidated WASH Account (CWA) as well as review and updating of the OOWNP have helped to clarify the vision for the SDGs. There are some gaps which need to be addressed in a number of building blocks.

Policy and strategy: In addition to the ongoing review and updating of the OOWNP, the Hygiene and Environmental Strategy, the Integrated Urban Sanitation and Hygiene strategy, the School WASH strategy and strategic action plans address the four sub-sectors and will be bolstered by decentralized plans to scale-up the reduction of open defecation in rural districts and urban settings, and increase the WASH service level in schools and health care facilities. Above all, the equity of resource allocation, particularly for targeting vulnerable groups, can be improved.

Institutional arrangements: The recent aggressive action on staffing the WASH program structure across the country in the all sector ministries from federal to kebele level structures will help create clear accountability and responsibility amongst the different stakeholder in the sector.

Sector financing: Public funding to the sector generally increased during the MDG period from very low percentage in 1990 to 24% in 2016. In the coming months, the OOWNP is going to be revised. That’s a good opportunity to revise the funding needs –in line with the Second Growth and Transformation Plan (GTP-2) and SDG targets. There seems to be a significant funding gap that will require: Financing investment to increase from less than 1% GDP to a range of 2% to 4%; Improving **efficiency** of the funds (making sure that funds are allocated to priority areas and sub-sectors) and synergies between interventions; Diversification of financing modalities (3ts – taxes, tariffs, transfers; blended financing; and climate and humanitarian nexus funding)

Planning, Monitoring and Review: A monitoring framework system supported by an information system which integrates data on water and sanitation services across the four WASH ministries is under development in the Ministry of Water, Irrigation and Electricity. For this to happen the Joint Technical Review and Multi-stakeholder Forum are conducted to ensure program planning, monitoring and review. The initiative of national school WASH survey conducted in 2016 is a good example for this.

Capacity development: Given the deployment of the required program staffs at national and subnational structures, they have very limited operational funding and limited resources for program management. Given this, the country is well positioned to build capacities at different modalities so long as the sector can access possible financing and support from development partners (DP).

In terms of the SWA **Collaborative Behaviours**, Ethiopian government and development partners are working together to improve the ways of working in the water, sanitation and hygiene sector. The government has led the process of developing the sector vision and strategy with the support of DPs, which is focussed on achieving universal access by 2030. The largest DPs (World Bank, African Development Bank, DFID and UNICEF) have committed their programs and funding to be managed by government in a Consolidated WASH Account to accelerate the achievement of this government-led strategy. The ongoing CWA midterm review and review and updating of the OOWNP will provide another chance to align the sector programs with the SDG targets.

While the monitoring and evaluation architecture is elaborate, greater use of the findings captured by information systems and reports is needed to drive performance improvements.

Fig 1 Application to the SWA Collaborative Behaviours by government and partners, Ethiopia

| COLLABORATIVE BEHAVIOUR | GOVERNMENT | DEVELOPMENT PARTNERS |
|---|------------|----------------------|
| 1 Enhance government leadership of sector planning processes | ★ ★ ★ ★ ☆ | Not available |
| 2 Strengthen and use country systems | ★ ★ ★ ☆ ☆ | ★ ★ ★ ★ ☆ |
| 3 Use one information and mutual accountability platform built around a multi-stakeholder, government-led cycle of planning, monitoring, and learning | ★ ★ ★ ★ ★ | ★ ★ ★ ★ ☆ |
| 4 Build sustainable water and sanitation sector financing strategies that incorporate financial data from taxes, tariffs, and transfers as well as estimates for non-tariff household expenditure | ★ ★ ☆ ☆ ☆ | ★ ★ ★ ★ ☆ |

Priority actions to be taken to ensure the readiness of the sector for the SDGs

- Revised and updated OWNPN with due consideration and alignment with SDG up to 2030.
- Increase the share of public resources allocated to WASH sector.
- Endorsement and rolling out of the different strategies across the WASH sector ministries (Water, Health and Education).
- Amend the Water Resources Management policy and strategy to fully define governance, financing, climate resilience and oversight roles of rural water and sanitation, as well as clearly separate the service provision and oversight functions for urban water and sanitation services.
- The Ethiopian government and development partners will gradually increase the amount of development financing on national budget, starting by putting sector financing on the sector plan.

3. Sector investment needs, the financing gaps and areas for improving efficiency

Investment needs and funding gap

Ethiopia will require \$2 billion per year to achieve the water, sanitation and hygiene SDG targets. The largest share of the investments will be targeted at capital expenditures in the medium-term and mostly dominated by investment needs in rural and urban, as well as water and sanitation. These costs are driven mostly by effect of drought in the low land areas of the country, population growth due to migration in urban areas, the rapid development of industrial parks in urban settings, rehabilitation to maintain services, and new construction of facilities and systems to expand services. Currently, the financing gap is estimated as 60 – 70%. The deficit is mostly in rural and urban water where current funding projections cover 70% of the costs. The government is setting up a more structured way of collecting financial information from different stakeholders across the sector.

Strategies to close the financing gap

Projections of available finances indicate higher allocations and more predictable funding streams from 3ts – taxes, tariffs, transfers; blended financing; and climate and humanitarian nexus funding. However, these possible sources alone will be insufficient to guarantee the aggressive nature of progress which is required to achieve the SDGs. A combination of domestic revenues, more efficient allocations and use of available financing through CWA of the OWNPN as well as accessing commercial revenue is needed. The most viable options for mobilizing additional resources include accessing domestic private markets and commercial resources. In addition, inefficiencies must be curtailed particularly those emanating from poor revenue collection, high levels of non-revenue water, poor tariff setting and business plan development and high operating costs. These make the water and sanitation service providers an unattractive investment for commercial finance which is needed to expand coverage and sustain services.

The current contribution of tariffs to operations and maintenance can be further improved if quality of services is high. To achieve the SDGs and particularly to mobilize additional funding, an aggressive resource mobilization strategy, which combines higher household and public contributions, as well as access to commercial financing, is needed. In addition, cost saving measures will be needed, in particular using alternative energy sources for utilities.

4. Planned actions to catalyze progress towards the SDGs

Steps the government and partners are prepared to take to make the sector fit for purpose

- a. **Policy and strategy:** Once the ongoing review and updating of the OOWNP as per the SDG and GTP – 2 targets is finalized and endorsed by the sector, ministries responsible for water, sanitation and hygiene will support regions and woredas to develop plans aligned with national plans and programs.
- b. The Ministry of Water, Irrigation and Electricity will work with other ministries, DPs, civil society organizations to amend the national policy and ensure that oversight functions are separated from service delivery roles by 2017.
- c. Capacity development: gradually put in place the required logistics and infrastructures for national, sub-national and district coordination offices needed to ensure program delivery of service provision to reach the optimum staffing by 2017
- d. Ministry of Health developed strategies (national hygiene and environmental health strategy, integrated urban sanitation and hygiene strategy, and strategic action plans) for both urban and rural to catalyze towards SDGs. On top of these, the Ministry of Education has developed and will very soon roll out for implementation at scale.

Relevant (SMART) actions to ensure the Collaborative Behaviours are applied

- e. In the current fiscal year of 2017, the Ministry of Water Irrigation and Electricity working with other sector actors and DPs, is conducting the mid-term review of CWA and review and updating of the OOWNP to assess progress, align with SDG standards and climate resilience. This regular review and monitoring will be overseen by the National WASH Steering Committee to meet country commitments.
- f. Development partners have already begun to use country procurement procedures with the view to fully align with the government by 2030.

Plans and strategies to reduce the financing gap in Ethiopia

- g. Plans to use existing resources more effectively:
 - i. Public funding and finance from the DPs will be increased significantly
 - ii. The current rate of fund utilization will further be strengthened for 100% utilization on a timely basis
 - iii. To assure responsibility and accountability systems, utilities will develop and put in place sound tariff systems and business plans
- h. Plans to access more financing:
 - i. To reach the SDGs, development and humanitarian financing needs to be combined under a common ONEWASH programme approach
 - ii. Financing investment needs to increase from less than one percent of GDP to a range of 2% to 4% for Ethiopia to reach SDG targets by 2030



This country brief was prepared by the National WASH Coordination Office under the Ministry of Water, Irrigation and Electricity with full participation of ministries of health, education and finance and partners including development partners, bilateral agencies, civil society, private sector and research and learning agencies.