

CALLDOWN CONTRACT

Framework Agreement with: LTS International Ltd

Framework Agreement for: FCDO International Multi-Disciplinary Programme (IMDP)

Framework Agreement Purchase Order Number: 8373

Call-down Contract For: Technical and Managerial support for Strengthening Climate Resilient Systems for Sustainable Delivery of SCRS-WaSH

Contract Purchase Order Number: PO 10077

I refer to the following:

1. The above-mentioned Framework Agreement dated 1st May 2019;
2. Your proposal of 5th November 2020

and I confirm that FCDO requires you to provide the Services (Annex A), under the Terms and Conditions of the Framework Agreement which shall apply to this Call-down Contract as if expressly incorporated herein.

1. Commencement and Duration of the Services

- 1.1 The Supplier shall start the Services no later than 6 October 2021 ("the Start Date") and the Services shall be completed by 31 August 2024 ("the End Date") unless the Call-down Contract is terminated earlier in accordance with the Terms and Conditions of the Framework Agreement.

2. Recipient

- 2.1 FCDO requires the Supplier to provide the Services to the Government of Ethiopia, Water Development Commission (the "Recipient").

3. Financial Limit

- 3.1 Payments under this Call-down Contract shall not exceed £7,447,926 ("the Financial Limit") and is inclusive of any government tax, if applicable as detailed in Annex B.

4. Payment Mechanism

- 4.1 Where the applicable payment mechanism is "Output Payment", invoice(s) shall be submitted for the amount(s) indicated in Annex B and payments will be made when the relevant output is delivered in its final form by the Supplier. Payments pursuant to clause 4.1 are subject to the satisfaction of FCDO's Project Officer in relation to the performance by the Supplier of its obligations under the Call-down.

5. Officials

FCDO

- 5.1 The Contract Officer is:

REDACTED

5.2 The Project Officer is:

REDACTED

Supplier

5.3 The Contract Officer is:

REDACTED

5.4 The Project Officer is:

REDACTED

6. Key Personnel

The following of the Supplier's Personnel cannot be substituted by the Supplier without FCDO's prior written consent:

REDACTED

7. Reports

7.1 The Supplier shall submit project reports in accordance with the Terms of Reference/Scope of Work at Annex A.

8. Duty of Care

All Supplier Personnel (as defined in Section 2 of the Agreement) engaged under this Call-down Contract will come under the duty of care of the Supplier:

8.1 The Supplier will be responsible for all security arrangements and Her Majesty's Government accepts no responsibility for the health, safety and security of individuals or property whilst travelling.

8.2 The Supplier will be responsible for taking out insurance in respect of death or personal injury, damage to or loss of property, and will indemnify and keep indemnified FCDO in respect of:

8.2.1 Any loss, damage or claim, howsoever arising out of, or relating to negligence by the Supplier, the Supplier's Personnel, or by any person employed or otherwise engaged by the Supplier, in connection with the performance of the Call-down Contract;

8.2.2 Any claim, howsoever arising, by the Supplier's Personnel or any person employed or otherwise engaged by the Supplier, in connection with their performance under this Call-down Contract.

8.3 The Supplier will ensure that such insurance arrangements as are made in respect of the Supplier's Personnel, or any person employed or otherwise engaged by the Supplier are reasonable and prudent in all circumstances, including in respect of death, injury or disablement, and emergency medical expenses.

8.4 The costs of any insurance specifically taken out by the Supplier to support the performance of this Call-down Contract in relation to Duty of Care may be included as part of the management costs of the project and must be separately identified in all financial reporting relating to the project.

8.5 Where FCDO is providing any specific security arrangements for Suppliers in relation to the Call-down Contract, these will be detailed in the Terms of Reference.

9. Call-down Contract Signature

9.1 If the original Form of Call-down Contract is not returned to the Contract Officer (as identified at clause 4 above) duly completed, signed and dated on behalf of the Supplier within **15 working days** of the date of issue on behalf of FCDO, FCDO will be entitled, at its sole discretion, to declare this Call-down Contract void.

No payment will be made to the Supplier under this Call-down Contract until a copy of the Call-down Contract, signed on behalf of the Supplier, returned to the FCDO Contract Officer.

Signed by an authorised signatory
for and on behalf of
Secretary of State for Foreign, Commonwealth
and Development Affairs

Name:

Position:

Signature:

Date:

Signed by an authorised signatory
for and on behalf of the Supplier
LTS International Ltd

Name:

Position:

Signature:

Date:

Annex A

FOREIGN, COMMONWEALTH & DEVELOPMENT OFFICE

PO 10077

**Technical and Managerial support for Strengthening Climate
Resilient Systems for Sustainable Delivery of SCRS-WaSH**

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1. Introduction

Support to “Strengthening Climate Resilient Systems for Water, Sanitation and Hygiene Services in Ethiopia (SCRS) WaSH Programme under the umbrella of One WaSH National Programme supported by the One WaSH National Programme Consolidated WaSH Account (OWNP/CWA)”.

The United Kingdom (UK) is the lead bilateral donor in the Water Sanitation and Hygiene (WaSH) sector in Ethiopia. Since 2008, the UK has developed a strong partnership with the Government of Ethiopia (GoE) working closely across the Ministries of Water, Irrigation and Energy, Health, and Education as well as with other donors.

The Foreign, Commonwealth and Development Office (FCDO) manages the United Kingdom's development assistance to Ethiopia and leads the United Kingdom's work to end poverty.

The UK supports the Climate Resilient pillar of the GoE's flagship programme, the One WaSH National Programme (OWNP). This support is provided through the **Strengthening Climate Resilience Systems on Water Sanitation Hygiene (SCRS-WaSH) programme over five years (October 2019 - September 2024)**. The SCRS WaSH programme primarily targets prioritised drought affected areas. It aims to improve access to climate resilient water and improved sanitation services, in addition to good hygiene practices for 1.2 million people in the prioritised drought affected and drought prone areas of Ethiopia.

FCDO's funding to the **SCRS WaSH** is delivered through the following highly complementary components:

- **Component 1: £80m Financial Aid (FA)** to the Government of Ethiopia's (GoE's) One WaSH National Programme (OWNP) over five years (October 2019 – September 2024). The FA is channelled through a pooled Consolidated WaSH Account (CWA) of OOWNP, which is **ring-fenced for the provision of climate resilient WaSH in the priority drought prone regions**. It also supports WaSH in schools and health facilities and building the capacity of OOWNP institutions.
- **Component 2: Up to £15 million complementary Technical Assistance** over four years (January 2021 – August 2024) to strengthen systems of delivery setups in the SCRS WaSH intervention areas. This technical assistance aims to amplify the impact of the financial aid mentioned above. The TA will be procured and managed by FCDO to sharpen the delivery of results. This will focus on: strengthening systems of WaSH delivery; transforming them into self-sustained delivery models; and establishing systems for post construction maintenance and spare part supply. In addition, the TA will pilot innovative private sector supplies with emphasis on effective Menstrual Hygiene Management products, in order to

address the challenge of “period poverty” at the targeted programme schools. The TA will also look at formulating a domestic resource mobilisation strategy.

In order to secure the combination of the required skill set for the broader TA focus areas, FCDO will use a hybrid mode that combines:

- a) A contract with a Supplier / Consortium
(for the tasks included under section 6 below)
- b) An MoU with UNICEF for a specified area of the TA, which includes;
 - i) Urban utility system strengthening in priority drought prone regions,
 - ii) Managing secondment to key expertise for prioritised SCRS WaSH regions and the Water Development Commission (WDC). This will be informed by a through capacity gap assessment.

Overall the TA support will be extended to three levels: federal level, regional level and facility level. The below table summarises how the TA works to respond to the needs at different levels.

Summary of TA supports at Federal, Regional and Facility level

Thematic area	National level	Regional level	Facility level
Strengthening systems for CR WASH	Support WDC to successfully lead CR WaSH implantation through expert secondment	<ul style="list-style-type: none"> Support selected regional bureau through expert secondment to implement SCRS WaSH facilities Support women and youth led water service maintenance and spare part supply groups in a form of small and micro enterprises 	Support rural and urban utilities management in strengthening their systemic elements to effectively and sustainably deliver the service
Sector financing strategy	Support MoWIE/WDC National-level analysis and formulation of domestic resource mobilisation strategy		

MHM innovation		Pilot innovative private sector supply of Menstrual Hygiene products to address “poverty of puberty” for adolescent girls at schools	
Deep dive adaptive learning evaluation	Conduct adaptive learning evaluation through operational and adaptive research to improve programme delivery.		

This Terms of Reference (ToR) focuses on core tasks which will be delivered by the Supplier with up to £7,447,926 funding. While using the two arrangements, FCDO will ensure strong synergy, alignment and coordination is maintained between UNICEF and the Supplier in delivering the overall system strengthening tasks both for the urban and rural WaSH management setups.

2. Purpose and Objective

2.1 Purpose

The main purpose of this assignment will be to:

- Strengthen delivery systems to ensure effective and timely delivery of SCRS WaSH programme as part of the One WaSH National Programme supported by the pooled resource the Consolidated WaSH Account (CWA);
- Strengthening service maintenance and spare part supply chain systems prioritising the role of women and youth in the SCRS WaSH intervention regions to improve the sustainability of the water supply schemes;
- Support Ministry of Water Irrigation and Energy (MoWIE) /Water Development Commission to strengthen the overall WaSH sector financing (both rural and urban), by developing a domestic resource mobilisation strategy including mobilising private sector capital. This needs to be linked with improving the operational efficiency of delivery units/ utilities as outlined above;
- To address challenges around ‘Period Poverty’ of adolescent girls at schools and enhance private sector engagement through piloting of innovative private sector supply of menstrual hygiene products and social marketing;
- Improve the performance of the implementation of the programme through deep dive evaluations for continued adaptive learning.

2.2 Programme Impact and Indicative Outcomes

The ultimate impact of the SCRS WaSH Programme is to contribute to sustained growth and transformation in Ethiopia by improving public health, education and nutrition through the provision of lasting, quality WaSH services for all.

The main results directly attributable to UK support will be:

- i. 1.2 million people provided with access to climate resilient water and improved sanitation services and good hygiene practices in prioritised and targeted drought affected areas;
- ii. 900 inclusive (women, girls and disability friendly) WaSH facilities for schools and health facilities (Health centres/posts) constructed and rehabilitated.
- iii. 98,000 new household sanitation facilities built;
- iv. Innovative products to support effective menstrual hygiene management introduced, piloted and scaled up at national level through social marketing;
- v. Systems for effective Operation and Maintenance strengthened to selected rural and urban management setups (utility models) in selected SCRS WaSH intervention regions, leading to greater sustainability and functionality of systems;
- vi. Organised women and youth groups supported for effective spare part supply chain and service maintenance in selected SCRS WaSH programme regions;
- vii. A robust sustainable Financing Strategy that guide domestic resource mobilisation in place.

2.3 Objectives

The Supplier – working with the Water Development Commission under MoWIE, Ministries of Health, Education and Finance and sectoral Bureaus in the intervention regions will provide technical and managerial assistance achieving the following key objectives:

- To strengthen systems of the WaSH delivery units in selected rural multi-village water supply schemes, ensuring sustainability of the service delivery in the prioritised SCRS WaSH intervention regions;
- To improve non-functionality of the water supply facilities and create job opportunities, by supporting organised women and youth groups to participate in water facilities maintenance and spare part supply services, in targeted

SCRS WaSH Regions. This support includes procuring the required, equipment and tools for the start-ups both for the maintenance and spare part supply groups;

- To support MoWIE and WDC on mobilising increased financing to the sector, by formulating a sustainable financing strategy for the WaSH sector with a focus on domestic revenue streams including mobilising private capital;
- To support effective Menstrual Hygiene Management for adolescent girls at targeted programme schools, through piloting innovative private sector supplies of MHM products and,
- To carry out a series of Deep Dive Learning Evaluations for continued adaptive learning. These should address the knowledge gaps on what works to improve delivery of OWNPs/SCRS WaSH supported by CWA as well as piloting innovations to build the private sector.

3. Duration and Break Points

The contract will include the option to extend for up to a maximum of 18 months (see section 12. below for more details about the contract extension's maximum budget). Such extension shall be subject to Business Case approvals, availability of funds and the continuing needs of the programme and shall be at FCDO's discretion.

The Supplier is expected to deliver a detailed annual work plan for the first year and an indicative plan for the remaining two - year period - including the methodological approach to delivering the task - as part of their Technical Response.

The contract will allow for formal break points at the end of June 2022, at the end of Sept 2023 and at the end of June 2024. Break points will involve a substantive discussion on performance, KPIs and challenges. Progress following a break point will be dependent on availability of funds, the continuing needs of the programme and satisfactory performance

FCDO reserves the right to scale back or discontinue the programme at any point if it is not achieving the results anticipated. Conversely, we may also decide to scale up the programme should it prove to be having a strong impact and the potential to yield better results – dependent on budget and ongoing effectiveness of the programme.

4. Recipient

The Recipient will be the Government of Ethiopia – Water Development Commission.

5. Scope of Work

The Supplier will work with the Water Development Commission (WDC) under MoWIE and its relevant directorates, other WaSH sector Ministries and intervention regions. In particular the Supplier will work with the Water Supply and Sanitation Infrastructure Management and Water Supply Study, Design and Construction monitoring Directorates at WDC, and the Bureaus of Water, Education, Health and Finance of the selected SCRS WaSH Regions for delivering key transformational agendas of SCRS WaSH. The scope of this assignment may be refined based on the assessment at each break point.

6. Key Tasks

The below bulleted activities are indicative areas for each of the key tasks. The Supplier is expected to come up with additional innovative, ways and means to deliver the specific core tasks.

Task 1

Strengthening the delivery systems or management setups of selected rural multi-village schemes in the Climate Resilient WaSH (CR WaSH) intervention areas.

This support aims to create a resilient and self-sustained management model that ensures sustainable service delivery. Choosing the right delivery or management model and strengthening its various systemic elements is the key part of the broader systems strengthening task.

The specific activities within this task include, but are not limited to:

- i. Assess existing multi-village or multi-woreda water supply schemes management setups from different dimensions, including the governance and accountability system **in the target regions**. The assessment needs to include reviewing the enabling environment and the key elements in place that can help management models work effectively, or that may constrain sustainable service delivery.
- ii. Revise the existing related guidelines, manuals and strategic documents at the Water Development Commission (WDC) and target regions and support in addressing the identified gaps. These documents will be reviewed and approved by WDC with input from target regions.

- iii. Develop criteria and select between 30 and 40 priority multi village piped schemes (including the existing ones) in each of the prioritised CR WaSH regions to be supported with strengthening their systems. The criteria will be approved both by WDC and FCDO. The exact number of total schemes will be determined following the completion of diagnostic assessment at the start of the contract.
- iv. Review best practices of similar management models and consolidate good lesson learning and recommendations to inform the task of strengthening the delivery units.
- v. Based on the assessments and reviews, develop a costed comprehensive plan with key milestones to deliver on strengthening systems of the prioritised multi-village water supply schemes in the target regions including the approach to follow. This plan will be approved both by FCDO and WDC and will serve the Supplier as a tool of implementation and a monitoring tool for WDC and FCDO.
- vi. Define options of management models for the selected schemes and based on analysis of the particular context of the intervention areas, complexity of the scheme and other key elements of sustainability and make a recommendation of the preferred model.
- vii. Analyse the preferred model against key strategic areas, which fall under social, institutional, economical, technical dimensions including transparency and accountability and produce an assessment report to inform the task of strengthening the identified systemic weakness.
- viii. In the case of existing management setups, conduct an assessment of the existing delivery systems (where applicable) and gather information on the context and establish a base line based on the key parameters.
- ix. Develop a costed capacity building plan for the preferred management model and implement the approved plan to strengthen the various systemic elements to adequately and sustainably deliver the service.
- x. Identify the key stakeholders and conduct stakeholders mapping and political economy analysis to establish clear understanding of the broader context and roles and responsibilities of the various actors in the service delivery to identify weaknesses and challenges and address through improvement measures.
- xi. Based on the assessment and analysis of the proposed options and recommendation from the existing systems analysis, develop a costed Business Planning (BP) for the management model as a tool of delivering sustained service. The BP should primarily focus on key ingredients that ensure sustainability of the service delivery. The BP will include but is not limited to:
 - Appropriate affordable water tariff setting based on community consultation and willingness to pay. The tariff setting should aim at generating adequate revenue to finance operation and maintenance

costs including capital maintenance expenditure and future expansion taking social targeting into consideration.

- A robust financial management system of tariff revenue including efficient revenue collection system.
 - A sound asset control and management strategy.
 - Tailor made capacity building for experts at different level including use of climate smart technologies for power source (example solar energy). This has to be informed with gap analysis and adequate mapping of other pipeline or existing similar supports to avoid overlap.
- xii. Support the implementation of the Business Plan of the preferred management models including capacitating with essential tools and equipment.
- xiii. Develop an adaptive monitoring system which includes real time monitoring to understand implementation alongside piloting innovations such as smarter water systems that trigger maintenance before total failure.
- xiv. Strengthen the governance, and the accountability system including the regional support teams and community engagement platforms. This includes:
- Defining the key stakeholders in the governance and management set up including communities.
 - Identifying the required skills and capacities for the key stakeholders in the governance and accountability system.
 - Developing a capacity building plan for the identified needs and implement to strengthen the accountability system at different levels including the community engagement platforms.
- xv. Develop and deliver systems to protect the water resource base to ensure year-round water availability. This includes:
- Preparing catchment management plan as part of the WaSH strategic plan of the management setup.
 - Increasing knowledge on the resource base through monitoring and overall water safety planning.
 - Implementation of the Catchment Management and Water Safety Plan to ensure water security and hence sustainability of the service delivery. In delivering this task the team is expected to engage and coordinate with the centrally managed programme TA and Basin Development Authority.
- xvi. Develop key indicators that enable measurement of the changes and the progress of the delivery units or management setups over the programme period and beyond.

Task 2

Support women and youth groups to be organised as Small and Micro Enterprises (SMEs) to provide water supply facilities maintenance and spare parts supply services.

Proper maintenance and spare part supply chain are critical to the delivery of sustainable water services. Regular maintenance of water systems is dependent on reliable supply of spare parts, which is critical for sustaining the use and functioning of water facilities at the community level. Therefore, establishing the SMEs focusing on water supply facilities maintenance and spare part supply will create better access of spare parts and maintenance systems, reduce non-functionality of schemes and ensure long lasting service delivery.

In addition, the support will also create job and income generation opportunities for the unemployed skilled women and youth in the intervention areas. The lesson and evidence from this support will inform the sector and beyond on job creation opportunities in the WaSH sector.

The main activities under this task include but are not limited to:

- i. Conducting an assessment of ongoing similar initiatives (the AFDB, USAID and others), identifying key lessons, identifying major barriers associated with water supply schemes service maintenance and spare part supply chain with emphasis on women and young people owned and led SMEs,
- ii. Based on the analytical work, produce a report with sound recommendations to inform the delivery of this task. The assessment should aim to reach more women led SMEs to better understand related challenges to women engaged in these areas.
- iii. In coordination with the Regional Bureaus of, Water, Finance, Small and Micro Enterprises Agency, and other key stakeholders, define a selection criterion and establish as a minimum 30 women and youth led SMEs in the selected SCRS WaSH regions with more emphasis on unemployed skilled women. The Supplier can consider criterion that enable better targeting of unemployed skilled women. In deciding the regions for the SMEs establishment, the Supplier should take into consideration the data on regional Water supply schemes non-functionality rates from the recently completed second National WaSH Inventory.
- iv. Define the required skills and capacities and develop a costed capacity building plan for the SMEs and deliver on its implementation in coordination with the Regional Water Bureau, TVET, and other key stakeholders.
- v. Increase the capacity of the prioritised SMEs with relevant skills to successfully run their business both for water supply service maintenance and spare part supply services in their start up activities.
- vi. Prepare a Business Plan for the SMEs and support its implementation including creating linkages with market outlets.

- vii. In coordination with the Bureau of Water, procure initial stock of spare parts and maintenance tools and equipment as a start-up support for the organised SMEs.
- viii. Define key performance indicators and develop a monitoring framework to monitor and encourage high performance of the SMEs.
- ix. Develop a mechanism to monitor and track the additional people that benefited from improved service delivery through the service maintenance and produce periodic report to inform FCDO's Annual Review.
- x. Identify and map the key stakeholders (Stakeholders) involved in supporting the SMEs and conduct capacity gap assessment in relation to supporting the SMEs
- xi. Improve the capacity of the regional sector office with tailored trainings to enable them to adequately support the SMEs.
- xii. Formalise the role and responsibilities of the key stakeholders and coordination among them with an MoU and establish an accountability mechanism to ensure the delivery of each committed tasks by the respective key Stakeholders.

Task 3

Formulate a sustainable financing strategy for the water sector and support its implementation.

This strategy is intended to help MoWIE to mobilise financial resource to sustainably address the financial constraint of the sector focusing on non-conventional revenue streams. The primary focus will be on domestic resource mobilisation including on how to mobilise private capital. The strategy could include international climate finance. The strategy will also link to the work above that focus on strengthening delivery systems of specific schemes that leads to increased internal revenue.

The specific activities under this task include but are not limited to are:

- i. Conduct a sectoral financial trend analysis for the water sector over the last five years (2014 - 2019). The analysis will capture contributions from: GoE, community and DPs through the different channels (Channel 1a and 1b through Ministry of Finance and Bureau of Finance - through sectors and Channels 3 - through NGOs) to understand the trajectory of sector financing from different sources. The analysis should where possible align with existing internationally recognised methodologies such as TrackFin developed by the UN-Water Global Analysis and Assessment of Sanitation and Drinking-Water (GLAAS).
- ii. Analyse the financing needs of the sector, the funding gap and barriers to mobilise more funding from domestic source particularly mobilising the private sector capital.

- iii. Gather experiences and good lesson learning from similar sectors and other countries on domestic resource mobilisation, analyse and define clear recommendations to inform the strategy development.
- iv. Analyse the context and the political economic situation including consultation with the key stakeholders particularly with the different category of private sectors linked to the sector and produce a report.
- v. Based on the analytical works mentioned above prepare and produce the draft financing strategy document.
- vi. Conduct subsequent consultation workshops at different stages of the strategy formulation with key government Ministries (MoWIE, WDC, MoF) and their regional organs, the private sector, NGOs and other key stakeholders to enrich the development and government ownership of a robust financing strategy.
- vii. Produce a final document of the financing strategy with supporting guidelines and manuals that help to translate the strategy into action.
- viii. Support the Water Development Commission and MoWIE in the implementation of the strategy.

Task 4

Piloting innovative private sector supply of Menstrual Hygiene Products to tackle constraints related to the absence of affordable, good quality menstrual hygiene products for adolescent girls on a sustainable basis.

This support aims to address the challenge of “period poverty” through piloting innovative private sector supply (Private Sector Menstrual Hygiene Products) to support effective Menstrual Hygiene Management for adolescent girls in the targeted schools. This will be coupled with essential behavioural change activities and social marketing and evidence establishment for scaling up to achieve sustained purchases by women and girls and the Government of Ethiopia beyond the programme. This task will be carried out in coordination with the Ministry of Education and its Regional Bureaus in the target regions.

Specific activities under this task include but are not limited to:

- i. Assessment of the potential and associated challenges and barriers related to access to affordable and quality supplies of menstrual hygiene products and impacts on girls’ education in selected schools,
- ii. Defining selection criteria and identifying target schools for piloting in the CR WaSH intervention regions ensuring complementarity with support to the institutional WaSH component under the financial aid.
- iii. Procure and pilot the innovative MHM products supplies to the targeted programme schools based on FCDO’s procurement rules and procedures.
- iv. Define key indicators and establish baseline data to measure progress and impact against milestones and targets.

- v. Establish evidence on the impact of piloting as part of the learning evaluation to inform wider scaling up by MoE.

Task 5

Set out a learning evaluation framework which proposes a series of deep dive evaluations that will enable continued adaptive learning throughout the programme.

These should aim to gather lessons and generate evidence to address knowledge gaps on key determinants of sustainability. This should explore evidence on what works to inform the programme and improve delivery during the implementation process. The Supplier is required to define key research questions to explore delivery of outputs and outcomes and sustainability of services in coordination with the key stakeholders. Where possible, the analysis and learning should use existing recognised frameworks to help structure the analysis and learning.

Key questions for adaptive management will include (and are not restricted to):

- i. What works to ensure the continuous maintenance and functionality of schemes?
- ii. What is the evidence on the use of reusable sanitary products in improving girls' educational attendance and performance?
- iii. What works to ensure a Multi-village management setup to provide self-financed and sustained service delivery?
- iv. To what extent is the technical assistance leveraging the impact of the financial assistance to GoE?

The Supplier will need to work with key stakeholders in the WaSH sector to build a culture of learning and improvement. They should adopt a continuous reflective approach to learning and bring on board key stakeholders in these activities. Technical Responses should set out how key stakeholders will be engaged throughout the project and what mechanisms will be used to ensure they are bought in to the process of learning and adaptation from the start.

7. Methodology

The contract shall include a two-month Mobilisation Phase. As mentioned above, the Supplier will develop a comprehensive workplan for the remaining 33 month period and a detailed annual work plan for the first year as part of their Technical Response. Following the end of the Mobilisation Phase, the team will commence with Implementation. The approved annual work plan will be the basis for the regular joint (FCDO, Supplier, WSD and UNICEF) monitoring and follow up meetings.

8. Duty of Care

- The Supplier is responsible for the safety and well-being of their personnel and Third Parties affected by their activities under this contract, including appropriate security arrangements. They will also be responsible for the provision of suitable security arrangements for their domestic and business property. All duty of care, transport, translation and logistical support, office space and insurances will be the responsibility of the Supplier.
- FCDO will share available information with the Supplier on security status and developments in-country where appropriate.
- All Supplier personnel will be offered a security briefing by the British Embassy/FCDO on arrival. All such Personnel must register with their respective Embassies to ensure that they are included in emergency procedures. FCDO will provide a copy of the FCDO visitor notes (and a further copy each time these are updated), which the Supplier may use to brief their personnel on arrival.
- A named person from the contracting organisation should be responsible for being in contact with FCDO to ensure information updates are obtained. There should be a process of regular updates so that information can be passed on (if necessary). This named individual should be responsible for monitoring the situation in conjunction with FCDO.
- The Supplier is responsible for ensuring appropriate safety and security briefings for all their personnel working under this contract and ensuring that their personnel register and receive briefing as outlined above. Travel advice is also available on the FCO website (<https://www.gov.uk/foreign-travel-advice/ethiopia>) and the Supplier must ensure they (and their Personnel) are up to date with the latest position.
- The Supplier is responsible for ensuring that appropriate arrangements, processes and procedures are in place for their personnel, considering the environment they will be working in and the level of risk involved in delivery of the Contract (such as working in dangerous, fragile and hostile environments etc.). The Supplier must ensure its personnel receive the required level of appropriate training prior to deployment.
- Suppliers must develop tenders on the basis of being fully responsible for Duty of Care in line with the details provided above and the initial risk assessment matrix prepared by FCDO. They must confirm in the tender that:
 - a) They fully accept responsibility for security and Duty of Care.
 - b) They understand the potential risks and have the knowledge and experience to develop an effective risk plan.

- c) They have the capability to manage their Duty of Care responsibilities throughout the life of the contract.
 - d) They will give responsibility to a named person in their organisation to liaise with FCDO and work with FCDO to monitor the security context for the evaluation.
 - FCDO will not award a contract to a Supplier which cannot demonstrate that it is willing to accept and have the capability to manage its duty of care responsibilities in relation to the specific procurement. Please refer to the Supplier Information Note on the FCDO website for further information on our Duty of Care to Suppliers Policy.
 - If bidders are unwilling or unable to accept responsibility for Security and Duty of Care as detailed above, bids will be viewed as non-compliant and excluded from further evaluation.
 - Acceptance of responsibility must be supported with evidence of capability (no more than 2 A4 pages) and FCDO reserves the right to clarify any aspect of this evidence. In providing evidence, tenderers should consider and answer yes or no (with supporting evidence) the following questions:
 - a) Have you completed an initial assessment of potential risks that demonstrates your knowledge and understanding, and are you satisfied that you understand the risk management implications (not solely relying on information provided by FCDO)?
 - b) Have you prepared an outline plan that you consider appropriate to manage these risks at this stage (or will you do so if you are awarded the contract) and are you confident/comfortable that you can implement this effectively?
 - c) Have you ensured, or will you ensure that your staff are appropriately trained (including specialist training where required) before they are deployed, and will you ensure that on-going training is provided where necessary?
 - d) Have you an appropriate mechanism in place to monitor risk on a live / on-going basis (or will you put one in place if you are awarded the contract)?
 - e) Have you ensured, or will you ensure that your staff are provided with and have access to suitable equipment, and will you ensure that this is reviewed and provided on an on-going basis?
 - f) Have your appropriate systems in place to manage an emergency incident if one arises?
-
- Other country-specific sources of information on potential risks can be obtained from the following sources:

FCO Travel advice:
<http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/>

World Meteorological Organisation:
<http://severe.worldweather.org/>

Global Flood risk map:
<http://globalfloodmap.org/>

CIA World Fact file:
<https://www.cia.gov/library/publications/the-world-factbook>

9. Governance and Reporting

- The Supplier will report to the WDC and FCDO (i.e. Senior Responsible Owner/Senior WaSH Adviser, WaSH Programme Officer, and the Deputy programme manager). WDC and FCDO will lead on the technical aspects of the contract and FCDO will be fully responsible for the financial aspects of this contract.
 - The Supplier will submit quarterly and annual progress reports to FCDO and WDC capturing the physical and financial performance. The format and content of the report will be proposed by the Supplier for FCDO acceptance during the first month of the Implementation Phase.
 - The performance of the Supplier will be monitored by the WDC and FCDO through the joint quarterly meetings and annual reviews. This will be informed through quarterly, bi-annual and annual reports provided by the Supplier.
 - The Suppliers bidding for this contract should describe how they will nurture good working relationships including with UNICEF which provide the other leg of the TA, whilst at the same time maintaining independence and impartiality with the One WaSH implementing partners.
-

10. Payment and Invoicing

- The Supplier will be responsible for demonstrating that it will mobilise adequate capacity to respond to the needs of this TOR ensuring effective achievement of all the deliverables outlined under section 11.
- Deliverables of the Supplier will be reviewed, and quality assured by FCDO and the Water Development Commission at MoWIE. FCDO and WDC will

make the final decision regarding the quality and acceptability of the deliverables.

Key Performance Indicators (KPI's)

- A proportion of Implementation fee payments to the Supplier shall be linked to Key Performance Indicators (KPI's). The purpose will be to manage the service providers performance throughout the life of this contract to allow the measurement of aspects such as service provision or programme delivery.
- KPIs for the programme, along with the scoring methodology and associated payment mechanism, are detailed in Annex 2. These KPI's may be subject to revision during the course of the contract. Continuation of the contract beyond the break points specified in Section 3: Duration and Break Points shall be subject to agreement on refined KPI's (where applicable).

Payment by Results Schedule

A Payment by Results model will be used for effective implementation - to incentivise efficiency and maximise results and value for money whilst ensuring that risk is shared between FCDO and the supplier.

All payments for fees, expenses and intervention costs will be made in arrears and in line with the Cost Template payment schedule.

Note that all costs which are related to fee rates must be fully detailed in tab 2.4 of the Cost Template and shall not be accepted as lump sums elsewhere.

- **Expenses**

Expenses (including, but not limited to Travel, Subsistence, Accommodation, Office Costs etc) shall be reimbursed quarterly with payments being due at the end of each 3-month period and shall be based on actual expenditure - with the final Cost Template unit rates as a ceiling (provided they are in line with the overall budget agreed with FCDO and FCDO policy on expenses).

- **Intervention Costs**

Intervention costs shall be reimbursed quarterly and shall be based on actual expenditure. These are expected to include, but shall not be limited to:

- Procurement of initial stock of spare parts and maintenance tools and equipment as a start-up support for the organised SMEs;
- Procurement of innovative MHM products for piloting supplies to targeted programme schools.

- **Fees**

Note that for the purposes of payment of fees (and the associated payment milestones), 'fees' shall be deemed to include the following Cost Template items:

- Total Programme Team (tab 2. Total Programme Cost)
- Total Monitoring and Evaluation Costs (tab 2. Total Programme Cost)
- excl. Travel, Subsistence & Accommodation
- Total Fund Management (tab 2. Total Programme Cost)
- Lead Organisation Management Fees (tab 2. Total Programme Cost)
- Lead Organisation NPAC (tab 2. Total Programme Cost)
- Contract Profit (tab 2. Total Programme Cost)

Payment of 'fees' (these Cost Template items) will be made quarterly with payments being due at the end of each 3-month period and shall be paid:

- i. **Output-Based**

80% on satisfactory delivery and FCDO and WDC approval of the outputs agreed by the parties prior to each 3-month period (provided these costs are in line with the overall budget agreed with FCDO).

The outputs agreed by the parties prior to each 3-month period require to be aligned with the workplan and the deliverables detailed in Section 11: Deliverables. They shall not be based solely on the submission of reports.

If an output-based payment milestone has not been satisfactorily delivered at the expected time, the associated payment may be at FCDO's discretion either (a) proportionately paid or (b) withheld for a 'reasonable' amount of time (up to 4 weeks) to allow the Supplier to deliver as 'Completed'. If a milestone is critically time-bound, meaning FCDO has stated a specific date for on-time delivery as 'Completed', then this will be made explicit to the Supplier at the outset and the impact of any late delivery will result in non-payment. The table below categorises milestone progress against payments:

Milestone progress during the reporting period	Category	Payment
No progress against planned milestone	Not Started	Nil
Less than 50% completion of the milestone	Started	Nil
50% or more completion of planned milestone	Advancing	Partial Payment
100% achievement of planned milestone as per FCDO agreement	Completed	Full payment

If a milestone has only partly been met 'Started' or 'Advancing' and completion of the milestone is out with the Supplier(s) control, due to

unforeseen circumstances, then (where appropriate) FCDO will seek to make a payment proportionate to what the supplier's level of effort has been, categorised as a % in the table above. FCDO will allow a reasonable amount of time and flexibility to adjust for the supplier to deliver the remaining milestone unless the milestone was determined as 'time-bound'.

If there is a dispute over the quality of a milestone then timely feedback will be provided and the Supplier(s) allowed one opportunity to improve the deliverable to the required standard and for full payment to be made.

ii. KPI-Based
20% on assessed and agreed KPI performance for that period.

As part of their Commercial Response, bidders are required to populate the Cost Template Payment Schedule with their proposed payment values – thus indicating the percentage of 'fees' based on assessed (and agreed) performance against the KPI's, Scoring Methodology and Payment Mechanism detailed in Annex 2 of these TORs (as subsequently amended and agreed post-award).

The Supplier accepts that a proportion of payment of 'fees' will be withheld in accordance with Annex 2 if KPI performance is assessed as less than 'good'.

The successful Supplier will submit invoices to FCDO on supplier's letterhead - in line with the Cost Template Payment Schedule and assessed and agreed KPI performance. The Supplier is required to assess and report on a quarterly basis against the KPI's to FCDO. FCDO shall then undertake the final assessment of the KPIs prior to agreement on the KPI payment to be made for the quarter.

11. Deliverables

11.1 Key deliverables will include the following:

The Supplier - working with the Water Development Commission, WaSH sector Ministries and their Regional Bureaus, and other key stakeholders - will deliver the following key deliverables under each task. These deliverables will also be reviewed

based on the findings of planned assessments during the initial start-up period of the assignment and at break points as deemed necessary.

a) Task 1

Strengthening the delivery systems or management setups of selected rural multi-village water supply schemes in the SCRS WaSH intervention regions.

Key deliverables under this task:

- A diagnostic assessment report of the existing delivery systems, capturing clear recommendation to inform the implementation plan of strengthening the management setup and its delivery.
- A short report outlining prioritised multi-village water supply schemes for strengthening their systemic elements to ensure delivery of resilient services from the financial aid.
- Analytical report of management models options, carried out based on context, schemes complexity and other critical elements.
- A costed comprehensive implementation plan for strengthening systemic elements of the preferred management models of the prioritised multi-village schemes.
- Quarterly, biannual and annual progress reports capturing the delivery on the number of schemes management setups established/strengthened including status of their performance as per their Business Plan.
- A costed and tailored capacity building plan for the management and governance body of the delivery units.
- Brief periodic delivery reports on the planned training packages.

b) Task 2

Support women and youth groups to be organised as Small and Micro Enterprises (SMEs) to provide water supply facilities maintenance and spare parts supply services.

Key deliverables under this task:

- Analytical report on the diagnostic assessment of the existing water supply facilities maintenance and spare part supply groups/SMEs in the intervention areas and other parts of the country to inform the formulation and delivery of implementation plan for the respective SMEs establishment.
- A costed implementation plan for establishing the SMEs including procurements of start-up tools and equipment for the service maintenance and spare part supply groups (SMEs).

- Report outlining the number of women and youth led SMEs established for both services mentioned above in the targeted regions.
- Annual report capturing non-functionality rate of water supply schemes in the intervention regions.
- Assessment report, publication on evidence produced.
- Costed capacity building plan for both spare part and maintenance service SMEs, including but not restricted to entrepreneurship and skill upgrading trainings.
- Costed capacity building plan to capacitate the relevant directorate at WDC/MoWIE and the decentralised organs of the Ministry at the region, zone and woreda level in relation to strengthening the SMEs.

c) Task 3

Formulate a sustainable financing strategy for the WaSH sector and support its implementation.

Key deliverables under this task:

- Analytical report on the trajectory of WaSH financing, funding gap, and political economic context for sector financing
- A WaSH sector Financing Strategy focusing on domestic resource mobilisation

d) Task 4

Piloting innovations to build the private sector supply of Menstrual Hygiene Products to tackle specific constraints which is the absence of affordable, good quality menstrual hygiene products on a sustainable basis.

Key deliverables under this task:

- Assessment report on challenges and barriers related to quality and affordable MHM products supply.
- Report outlining priority schools identified including selection criteria for piloting the innovative MHM product supply in the prioritised SCRS WaSH intervention regions.
- Periodic status reports and learning materials from piloting of the innovative menstrual hygiene products in the target schools.

e) Task 5

Deep Dive Learning Evaluation for continued adaptive learning

Key deliverables under this task:

- Learning Evaluation framework which sets out key research questions for the deep dive learning evaluations, key methods of data collection, as well as an approach to real-time monitoring which can inform delivery during implementation. This framework should set out arrangements for how key stakeholders in the WaSH sector will be engaged with the process of adaptation and learning for improvement.
- Short reports from the deep dive learning evaluation findings and accessible, bite-size summaries of best practice which inform better delivery of climate resilient WaSH and best practice for the wider WaSH sector.

11.2 In addition to the above task specific deliverables, the Supplier will also deliver the following overarching key deliverables.

- A detailed annual work plan and indicative three-year work plan for the overall assignment. These work plans will be included within your Technical Response and will be reviewed periodically following the completion of the diagnostic assessments.
- Quarterly, Biannual and Annual financial and programmatic progress reports to the WDC and to FCDO Ethiopia. These reports should clearly state progress against the milestones and timeline agreed in the work plan.
- An exit plan, including a plan to sustain the benefits of this technical and managerial support beyond the life of this project, with objectively verifiable milestones.

All the above outlined deliverables will be further elaborated and finalised following the completion of the assessments related to the core tasks at the start of the assignment in consultation with key stakeholders at Federal and Regional level.

12. Timing and Cost

The duration of the contract is 35 months from 6 October 2021 to 31 August 2024 – and shall comprise of a 2-month Mobilisation Phase followed by a 33-month Implementation Phase.

The maximum budget available for the services to be provided under this contract will be up to £7,447,926 (inclusive of all applicable taxes). The budget for the Implementation phase should be broken up by each major task mentioned under section 6 of this ToR.

The maximum budget available for the 18-month extension term is £3.5 million (inclusive of all applicable taxes).

Supplier(s) should not craft their bids in such a way as to reach the budget ceiling but should instead construct their bid to meet the evaluation criteria and the pursuit of Value for Money.

13. End of Contract Activities

Three months before the expiry date of the contract the Supplier will prepare a draft Exit Plan for FCDO's approval which shall include:

1. A disposal plan for all assets procured throughout the lifetime of the programme in accordance with FCDO procedures on asset management and disposal;
2. Addresses any material items that are necessary or desirable for the continued co-operation of the UK Government with partner governments after the contract ends;
3. The Suppliers' plans on co-operating to ensure the smooth transfer of responsibilities from the Supplier to any persons or organisation taking over such responsibilities after the contract ends;
4. The Suppliers' plan to deliver to FCDO (if requested or as otherwise directed by FCDO) prior to the contract end date (or termination of the contract), any finished work or, unfinished materials or work-in-progress which relate to the contract;
5. The Suppliers' plans to provide FCDO before the contract ends a summary of the status and next steps in relation to any on-going projects or other material and unfinished activities being conducted or monitored by the Supplier;
6. The return by the Supplier of all Confidential Information to FCDO before the contract end date.
7. Allows for a period of up to thirty (30) days after the contract end date (or termination date) for the exit process to be properly implemented.

14. Delivery Chain Mapping

Delivery Chain Mapping is a process that identifies and captures, usually in visual form, the name of all partners involved in delivering a specific good, service or charge, ideally down to the end beneficiary. Addressing this is the actions /activities required to manage regular and exceptional risk throughout the network to reduce exposure and vulnerability.

Suppliers must be able to demonstrate a full and comprehensive approach and methodology for undertaking due diligence and taking on the risk management of all downstream delivery partners. FCDO may request specific audits of the project and all project partners to be undertaken.

In advance of any release of funds and as part of their reports, the Supplier will be required to produce a delivery chain risk map which should, where possible, identify all partners (funding and non-funding e.g. legal/ contributions in kind) involved in the delivery of the programme. Risk maps should be reviewed and updated periodically, in line with agreed programme monitoring processes and procedures. As a minimum, it should include details of:

- The name of all downstream delivery partners and their functions
- Funding flows (e.g. amount, type) to each delivery partner
- High level risks involved in programme delivery, mitigating measures and associated controls.

A suggested format is attached at Annex 3.

15. Asset Management

The Supplier will need to set out how they will maintain, control and report on any assets purchased with FCDO funds, mitigating against theft, damage or loss. A detailed asset management plan will be developed within the delivery plan for this programme. FCDO will then determine how the assets are disposed of at the end of the programme as part of the closure strategy. Any funds not spent by the programme will be returned to FCDO at the end of the programme.

All assets will be disposed of in a way that represents best VfM with a clear record of decision making, including approval by Head of Department or delegate.

16. UK Aid Branding and Communications

Suppliers that receive funding from FCDO must use the UK aid logo in their development and humanitarian programmes to be transparent and acknowledge that they are funded by UK taxpayers. Partners should also acknowledge funding from the UK government in broader communications, but no publicity is to be given to this contract without the prior written consent of FCDO.

17. Transparency

FCDO has transformed its approach to transparency, reshaping our own working practices and pressuring others across the world to do the same. FCDO requires Suppliers receiving and managing funds, to release open data on how this money is spent, in a common, standard, re-usable format and to require this level of information from immediate sub-contractors, sub-agencies and partners.

It is a contractual requirement for all Suppliers to comply with this, and to ensure they have the appropriate tools to enable routine financial reporting, publishing of accurate data and providing evidence of this to FCDO – further IATI information is available from:

<http://www.aidtransparency.net/>

18. Licence to Operate

The Supplier, its Supplier members and all downstream partners will have the appropriate licence(s) to operate in-country.

Ethiopia has a complex tax situation. Suppliers may consider it beneficial to investigate this area prior to bid submission - in order to satisfy themselves that they are fully aware of tax obligations for the lifetime of the contract and that they have allowed for these costs within their submitted Cost Template

19. Digital Principles for Partners and Suppliers

FCDO expects all partners and Suppliers who manage aid programmes with a digital element to adhere to the global Principles of Digital Development. If any proposal and intervention include a digital element this must be costed separately within the proformas and are subject to approval by FCDO's digital team. Additional information and guidance on digital spend advice and controls for FCDO partners and Suppliers is available on: <https://www.gov.uk/government/publications/guidance-on-digital-spend-advice-and-controls-for-FCDO-partners-and-Suppliers>

In accordance with the Principles of Digital Development we expect Suppliers to generate data through open standards, open data, open source technologies and open innovation. Any deviation from this is subject to approval by FCDO's digital team.

20. Ethical Principles

It is a requirement by FCDO that all partners' commissions and funds comply with the Ethics principles. Partners will be required to include consideration of ethical issues and a statement that they comply with the ethical principles.

21. Safeguard Considerations

FCDO requires assurance regarding protection from violence, exploitation and abuse through involvement, directly or indirectly, with FCDO Suppliers and programmes. This includes sexual exploitation and abuse but should also be understood as all forms of physical or emotional violence or abuse and financial exploitation.

The programme, amongst others, targets vulnerable children and sensitive areas of work. The Supplier must demonstrate sound understanding of the ethics in working in this area and applying these principles throughout the lifetime of the programme to avoid doing harm to beneficiaries. In particular, the design of interventions including research and programme evaluations should recognize and mitigate the risk of negative consequences for women, children and other vulnerable groups. The Supplier will be required to include a statement that they have duty of care for informants, other programme stakeholders and their own staff, and they will comply with the ethics principles in all programme activities. Their adherence to this duty of care, including reporting and addressing incidences, should be included in both regular and annual reporting to FCDO.

Appropriate policies and procedures need to be in place in the organisations/institutions that could expressly prohibit all forms of physical or emotional violence/ abuse, financial exploitation, sexual exploitation/ abuse and to address reports of such acts. This needs to ensure every child, regardless of their age, gender, religion or ethnicity, can be protected from harm. The safeguarding approach requires being inclusive of vulnerable groups such as people with disabilities, children, girls, children from minority groups etc.

FCDO does not envisage the necessity to conduct any environmental impact assessment before the implementation of this TA programme. However, it is important to adhere to principles of "Do No Harm" to the environment.

22. Disability

For FCDO disability inclusive development means that people with disabilities are systematically and consistently included in and benefit from international development.

Civil Society and Private Sector partners should outline their approach to disability inclusion and how people with disabilities will be consulted and engaged throughout the project.

23. General Data Protection Regulations (GDPR)

Please refer to the details of the GDPR relationship status and personal data (where applicable) for this project as detailed in Appendix A and the standard clause 33 in section 2 of the contract.

24. Procurement of Goods and Equipment

Further detail on requirements in relation to the Procurement of Goods and Equipment is detailed in ITT Volume 1.

Where procurement is undertaken as part of programme activities, this must be done using robust systems which ensure best value for money for the programme. The Supplier must ensure that programme assets are accurately tracked, reach their intended beneficiary, and are used for their intended purpose.

25. Background and Rationale

The Water Supply Sanitation and Hygiene (WaSH) sector in Ethiopia started from a very low base, far behind the average for Sub-Saharan African (SSA) countries. According to the UNICEF/WHO Global Joint Monitoring Program for water and sanitation (JMP), in 1990 only 14 percent of the population had access to improved water supply, while the average for SSA countries was 48 percent. Similarly, only 3 percent had access to improved sanitation, compared to 24 percent average for SSA countries.

However, over the past two decades, access to improved water supply and sanitation (WSS) services in rural and urban areas in Ethiopia has improved remarkably and Ethiopia has achieved the Millennium Development Goal target for water supply. The recent sectoral report shows that by 2019 access to improved drinking water has increased to 75 percent and access to improved sanitation has increased to 34 percent. However, about 25 percent of the population, with largely drought affected and hard to reach areas are still deprived of safe drinking water while about 66 percent do not have access to improved sanitation.

Safe drinking water, sanitation and hygiene (WaSH) are critical to people's health and well-being, and especially to maternal, new-born and child health. According to some data, almost 10 to 15% of the global burden of disease is attributable to unsafe WaSH and women and children are most affected by the consequences of poor access to these services. Diarrheal disease, resulting from contaminated food and water sources, is a leading cause of child mortality and morbidity in many countries including Ethiopia, and diarrhoea is a major cause of malnutrition. Women and girls bear the burden of water collection – and as a result miss out on opportunities for education, leisure time or productive activities. The lack of safe, separate and private sanitation and washing facilities in schools is one of the main factors preventing girls' attendance at school. As such, improvements in WaSH are central to improving women and children's health in many countries. A stronger WaSH sector, and better coordination between the health, education and water sectors, is essential to achieving this goal.

WaSH services need to be more resilient to Ethiopia's highly variable climate leading to frequent drought and flood. The 2015 drought affected 9.6 million people in 221 woredas (districts) and six regions (administrative units below the Federal state) of the country. Water points ran dry and people were displaced as well as affected by waterborne diseases. The 2016 drought increased the proportion of non-functional boreholes by 17 percentage points, rising to 39%. Such droughts have led to critical water shortages and disease outbreaks and force both GoE and Development Partners (DPs) including FCDO to invest heavily in humanitarian response. The likelihood of these extreme events is expected to increase with climate change, and greater attention to climate resilience is needed to ensure sustainability of WaSH services.

In addition, despite the progress made to date, inequalities in the service provision persists. The quality of WaSH facilities and services differ between the poor and non-poor, between rural and urban areas, between large cities and small cities, and across and within geographic regions

The Ethiopia's first nation-wide programme, the One WaSH National Programme (OWNP), is an exemplary model, which is designed to respond to harmonisation and alignment agenda and address the above mentioned cross sectoral multi-faceted challenges. OWNP has brought the four sector Ministries (water, health, education and finance) and their lower organs to jointly provide WaSH service provision in the country.

To address the threat of frequent drought, in a sustainable manner, GoE through its flagship programme, the One WaSH National Programme (OWNP) is championing Climate Resilient WaSH service provision. FCDO has committed to provide up to £95 million over 5 years (October 2019 – September 2024) to support this GoE effort in addressing climate change impacts by implementing **Strengthening Climate Resilient Systems for Water, Sanitation and Hygiene Services in Ethiopia (SCRS – WaSH)** programme. This will form part of the Climate Resilient WaSH pillar of Ethiopia's One WaSH National Programme.

FCDO's new support aims to improve access to climate resilient water and improved sanitation services and good hygiene practices for 1.2 million people in the prioritised drought affected and drought prone areas of Ethiopia. In supporting this programme

FCDO is fully co-ordinated and partnering with leading development partners including; the World Bank, the African Development Bank, UNICEF, Government of Finland and South Korea. The Saudi Development has just joined the Consolidated WaSH Account with a total funding amount of £34.5million.

The SCRS – WaSH programme aims to realise its objective through a combination of targeted Financial Aid (FA) to GoE and a targeted Technical Assistance (TA) support to strengthen systems of delivery. The FA will focus primarily on implementing climate resilient WaSH facilities which ensure year-round access to resilient WaSH services at household, community and institution level in the targeted intervention areas. FCDO's non-budget support Financial Aid will be disbursed through a pooled funding mechanism (the One WaSH Consolidated WaSH Account – OWNPC/CWA) managed by GoE (the Ministry of Finance) but the resource channelled to the climate resilient WaSH pillar will be ring fenced. This harmonised mechanism will not only reduce transaction costs but will also help ensure alignment of partners' support to Government priorities, strengthening the "One Plan, One Budget, One Report" approach.

The FA will be complemented with a targeted TA support that facilitate the delivery of the FA and which focuses on:

- Strengthening the WaSH delivery systems of selected rural multi-village management units and urban utilities in the Climate Resilient WaSH (CR WaSH) intervention Regions to improve their operational efficiency and be self-sustained entities.
- Support organised women and youth groups to engage in spare part supply and service maintenance including providing start up equipment and tools to ensure sustainability of the service delivery;
- Formulating a sustainable financing strategy for the WaSH sector with a focus on domestic revenue streams and mobilising private capital;
- Tailored Technical Assistance to selected low performing drought prone Developing Regional States (DRS) in a form of expert secondment;
- Piloting innovations to support effective Menstrual Hygiene Management at programme schools to build the private sector supply (Private Sector Menstrual Hygiene Products); and,
- Deep Dive Learning Evaluations for continued adaptive learning. Capturing and utilising evidence of what works to inform better delivery through adaptive learning.

The programme targets primarily drought prone, drought affected areas and will implement social targeting to better address the needs of women and girls and people with disabilities through inclusive WaSH service provision. Overall, the programme through its complementary components (FA + TA) will address issues related to sustainable WaSH services, and greater equity in service provision, whilst offering high value for money and a clear rationale for continued investment.

In order to secure the combination of the required skill set for the broader TA focus areas, FCDO use a hybrid mode that combine a contract with a Supplier of a Supplier and MoU with UNICEF for a specified area of the TA. **This ToR focus on core tasks which will be delivered by the Supplier with up to £7,447,926 funding.** While using the two arrangement, FCDO will ensure strong synergy, alignment and coordination is maintained between UNICEF and the Supplier in delivering the overall system strengthening tasks both for the urban and rural WaSH management setups.

Annex 1: Business Case

Separate Attachment

Annex 2: Key Performance Indicators, Scoring Methodology and Payment Mechanism

Key Performance Indicators

<u>Key Performance Indicators</u>	<u>KPI Description</u>	<u>KPI % Weighting</u>	<u>Score (1 to 6)</u>	<u>Max. Possible Total Score</u>
1. Timeliness and quality of delivery	1a) All programme reports are submitted in time, of acceptable quality to FCDO, and are easily understandable with very little need for comments and revisions. 1b) Appropriate identification and management of risks, with risk register completed during the Mobilisation Phase and updated on a quarterly basis. 1c) Robust management of downstream delivery partners across the delivery chain	35		210
2. Team Performance, Client Relationship, and Engagement	2a) SCRS-WaSH programme implementing government partners and UNICEF are well informed of programme activities and opportunities by the end of mobilisation period and throughout Implementation. 2b) Active engagement in: - joint follow up meetings - which include FCDO, government, UNICEF and the Supplier. - regular engagement with SCRS-WaSH Intervention regions. 2c) Programme implementing partners (including FCDO) are satisfied with performance (feedback from satisfaction surveys completed at the end of each TA delivery in addition to informal feedback during TA delivery).	20		120
3. Adaption and continuous improvements	3a) Supplier's management team ability to respond quickly and adapt to the changing contexts or requests within the agreed timeline. 3b) The Supplier's management team responsiveness to FCDO's recommendations in annual reviews, monthly calls, and at other relevant points.	20		120
4. Value for Money, Effective Programme and Financial Management	4a) Maximising value for money across inputs, outputs, and outcomes and the FCDO 4E Framework through demonstration of effective programme management. VFM analysis to support/accompany regular reporting. 4b) Robust cost control and timely submission of accurate forecast updates (within a 5% tolerance).	25		150
	TOTAL	100	-	600

KPI Scoring Methodology

Score	Definition
6	Responsibilities delivered with a high level of efficiency and effectiveness. Supplier proactive in taking steps to achieve outcomes according to contracted responsibilities
5	Responsibilities delivered efficiently and effectively
4	Minor effort required to improve delivery of one or more contracted responsibilities
3	Effort needed to deliver contracted responsibilities
2	Major effort needed to deliver responsibilities. Significant effort required from FCDO where the Supplier is not delivering
1	Serious under performance. Not meeting most contract deliverables

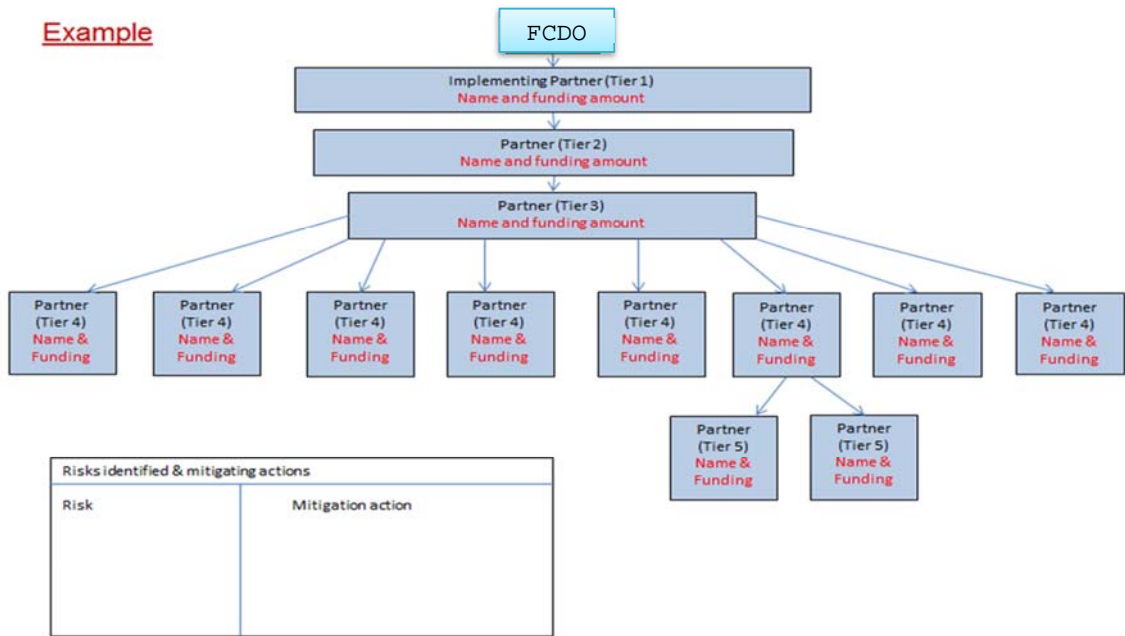
KPI Payment Mechanism

In line with the maximum total score of 600, the proposed payment KPI % structure shall be as follows:

Scoring Methodology	Total Score Achieved	% KPI Payment
Serious Underperformance Consistently below requirements	0-200	20% payment
Underperformance Often below requirements	201-300	40% payment
Less than Satisfactory Sometimes performs below requirements	301-350	60% payment
Generally Satisfactory Mostly meets requirements	351-400	90% payment
Good Performance Consistently meets requirements	401-550	Full Payment
Outstanding Performance Consistently exceeds requirements	551-600	Full Payment

Annex 3: Delivery Chain Map

Example





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Annex 4: Summary Risk Assessment Matrix

As part of FCDO's Duty of Care policy, FCDO Ethiopia has assessed the country and project risks (see below) to allow the ITSP to take reasonable steps to mitigate those risks.

Project/intervention title: Strengthening Climate Resilience Systems on Water Sanitation Hygiene (SCRS-WaSH)
Location: Ethiopia
Date of assessment: 20 March 2020

Theme	FCDO Risk score
OVERALL RATING	2
FCO travel advice ^[1]	3
Host nation travel advice	2
Transportation	2
Security	2
Civil unrest	3
Violence/crime	3
Terrorism	3
War	1
Hurricane	1
Earthquake	1
Flood	1
Medical Services	2
Nature of Project/ Intervention	1

1 Very low risk	2 Low risk	3 Med risk	4 High risk	5 Very high risk
Low		Medium	High risk	

^[1] Please visit FCO Travel advice: <http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/> for more details.



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Annex 5: Programme Risk Matrix



No.	Risks	Risk Category	Risk Owner	Triggers	Gross risk		Mitigation strategies	Residual risk		Risk Proximity	Current Status and Trend
					Probability	Impact		Probability	Impact		
Political and governance:											
1	Possibility of resurgence of social and political unrest related to the postponement of election which could adversely impact access to programme site and targeted communities and therefore disrupt programme activities, redirect effort and reduce GoE commitment to the programme, and could ultimately affect the overall programme delivery.	External Context	SRO/ WaSH Advisor	Domestic or regional conflicts escalate to a level that undermines political stability			FCDO liaises with the GoE the WB, and other contributing DPs to proactively monitor the changes in political and security context and recommend further mitigation measures, including possible pull-back from financial aid.				↔



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2	New restructuring of SNNPR and the creation of the new region might create tension and unrest						FCDO liaises with the GoE the WB, and other contributing DPs to proactively monitor the changes in political and security context and recommend further mitigation measures, including possible pull-back from financial aid.			
3	UK decision of merger that might lead to delaying of required programme decision such as payments, signing of contracts and MoUs	Internal context	SRO/ WaSH Advisor				Programme team to follow up with FCDO SMT and facilitate timely decision.			
4	Internal displacement from other regions due to internal conflict can add pressure to localised water sources.	External Context	SRO/ WaSH Advisor	Domestic or regional conflicts			<ul style="list-style-type: none"> - The WB will use its fiduciary, social and environmental safeguard instruments to monitor associated risks. - Prior to mobilisation of contractor for civil works due attention to community sensitisation and implementation of safeguards instruments will be critical to ensure that potential localised unrest does not overly impact project related activities. - Coordination between federal and regional governments will be strengthened for effective information exchange and monitoring 			
Natural hazards and economic situation:										



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5	Disruption of programme activities and delivery of WaSH services due to weather extremes or drought; This can also lead to redirection of effort and development funding both from GoE and DPs in the above context	External Context	SRO/ WaSH Advisor	Natural hazard, such as drought, flood and other water related disease outbreaks			<ul style="list-style-type: none"> - FCDO to intensively engage and follow-up with WDC and DPS for the timely implementation of CR WaSH pillar of the programme. This should include strengthening of systems and related capacity building at different level. - FCDO liaises with the GoE, the WB, implementing partners, and the Supplier to proactively monitor the changes in situation and recommend appropriate measures to manage including rescheduling activities whenever possible. 				↓
6	Disruption of programme activities due to COVID 19 pandemic and measures in place to contain the spread.	External Context	SRO/ WaSH Advisor	Health Pandemic COVID 19			<ul style="list-style-type: none"> - MoWIE to improve the connectivity of key staffs while working remotely by procuring devices that could speed up net connection to improve their efficiency. NWCO to organise regular virtual joint follow up meetings with programme regions and WaSH sector Ministries PMUs to provide supportive provision and facilitate timely programme decisions. 				
Institutional capacity and sustainability:											



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7	Limited implementation capacity for the implementation of big and complex water supply schemes under SCRS WaSH particularly in the DRS. and the Water Development Commission. This could ultimately result in delay in delivery of results.	Delivery Risk	SRO/ WaSH Advisor				<ul style="list-style-type: none"> - Expedite secondment of key expertis through the UNICEF manged SCRS WaSH TA to prioritised CR WaSH Regions and WDC based on the capacity gap assessment to be done by the UNICEF. 				↑
8	Risk of ensuring VfM in programme (TA service) delivery;	Delivery Risk	SRO/ WaSH Advisor				<ul style="list-style-type: none"> - Commonly applied prices and established VfM metrics will be used as benchmarks as much as possible in agreeing fee and expense rates. - Building the practice from the current programme, carry out robust joint (FCDO, SP and GoE) monitoring of contract performance will be made through periodic progress and financial reports including intermittent follow-ups bi-annual KSM reviews. 				↑
9	Risk of the different TA components achieving cohesion due to the hybrid nature of the TA arrangement and therefore being less effective in driving programme delivery.	Delivery Risk	SRO/ WaSH Advisor				A regular joint follow up system which include (FCDO, WDC, UNICEF and the Supplier) will be in place and meeting will be held regularly to ensure strong coordination and alignment is in place.				



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Appendix A:

Schedule of Processing, Personal Data and Data Subjects

This schedule must be completed by the Parties in collaboration with each-other before the processing of Personal Data under the Contract.

The completed schedule must be agreed formally as part of the contract with FCDO and any changes to the content of this schedule must be agreed formally with FCDO under a Contract Variation.

Description	Details
<p>Identity of the Controller and Processor for each Category of Data Subject</p>	<p>The Parties acknowledge that for the purposes of the Data Protection Legislation, the following status will apply to personal data under this contract</p> <ol style="list-style-type: none"> 1) The Parties acknowledge that Clause 33.2 and 33.4 (Section 2 of the contract) shall not apply for the purposes of the Data Protection Legislation as the Parties are independent Controllers in accordance with Clause 33.3 in respect of Personal Data necessary for the administration and / or fulfilment of this contract. 2) For the avoidance of doubt the Supplier shall provide anonymised data sets for the purposes of reporting on this project and so FCDO shall not be a Processor in respect of anonymised data as it does not constitute Personal Data.



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Section 4 – Appendix A Annex B

Schedule of Prices

REDACTED

Annex 1 - Business Case

Summary Sheet

Title: Strengthening Climate Resilient Systems for Water, Sanitation and Hygiene Services in Ethiopia (SCRS – WaSH)		
<p>Programme Summary: <u>Improve access to climate resilient</u> water and improved sanitation services and good hygiene practices for 1.2 million people in the prioritised drought affected and drought prone areas of Ethiopia.</p> <p>Despite the good progress that Ethiopia has made in improving access to WaSH, frequent climate variability that led to successive droughts affecting large geographical areas, huge existing unmet needs, and geographical and social disparities have remained key challenges. To address these challenges, particularly the threat of frequent drought, in a sustainable manner, GoE through its flagship programme the One WaSH National Programme (OWNP) is championing Climate Resilient WaSH service provision.</p> <p>The proposed SCRS – WaSH programme will contribute to the GoE's Climate Resilient (CR) WaSH provision to drought prone areas. The programme aims to realise this through a combination of targeted Financial Aid and Technical Assistance support. The FA will focus primarily on implementing climate resilient WaSH facilities which ensure year-round access to resilient WaSH services at household, community and institution level in the targeted intervention areas. This will be complemented with TA support that focuses on:</p> <ul style="list-style-type: none"> • Strengthening the WaSH delivery systems of selected rural multi-village management units and urban utilities in the Climate Resilient WaSH (CR WaSH) intervention areas to improve their operational efficiency and be self-sustained entities. This includes support to women and youth groups to engage in spare part supply and service maintenance; • Formulating a sustainable financing strategy for the WaSH sector with a focus on domestic revenue streams and mobilising private capital; • Tailored TA to selected Developing Regional States (DRS); • Piloting innovations to build the private sector supply; and, • Deep Dive Learning Evaluation for continued adaptive learning. Capturing and utilising evidence of what works to inform better delivery through adaptive learning. <p>The programme targets primarily drought prone, drought affected and hard to reach areas and will implement social targeting to better address the needs of women and girls and people with disabilities through inclusive WaSH service provision. Overall the programme through its complementary components (FA + TA) will address issues related to sustainable WaSH services, and greater equity in service provision, whilst offering high value for money and a clear rationale for continued investment.</p>		
Programme Value: £95 million		Country/ Region: Ethiopia/ Sub-Saharan Africa
Programme Code: 300237	Start Date: October 2019	End Date: September 2024
Overall programme risk rating:	Moderate	
Vault Number:		

Intervention Summary

What support will the UK provide?

The UK will provide up to £95 million over five years (2019 – 2024), to support sustainable access to climate resilient clean water and improved sanitation services and good hygiene practices. This programme will prioritise the drought affected and drought prone areas of Ethiopia through strengthened climate resilient systems of WaSH delivery whilst supporting sustainable financing systems for WaSH in Ethiopia.

The expected **impact** of this intervention will be to improve public health, education and nutrition through the provision of lasting, quality WaSH services for people in the targeted drought prone areas. The programme will achieve this through targeting the following **outcomes**:

- A. Sustainable access to climate resilient clean water and improved sanitation services and good hygiene practices for 1.2 million people in the prioritised drought affected and drought prone areas of Ethiopia (**Annex 1**).
- B. Establishing building blocks for transformational change in the delivery of WaSH services (resilience, inclusion, sustainability and learning).

The programme has 2 components:

- **Component 1 (£80m):** Financial Aid to the Government of Ethiopia's (GoE's) One WaSH National Programme (OWNP) through a pooled account but largely ring-fenced for the provision of climate resilient WaSH services, but also supporting WaSH in schools and health facilities and building the capacity of OWNPs institutions. The FA supports both construction of new facilities and rehabilitation of non-functional schemes in the intervention areas. The World Bank, African Development Bank and UNICEF are partnering in this support.

Component 2 (£15m): Technical Assistance to transform the sector through:

- Strengthening *the WaSH delivery systems of selected rural multi-village management units and urban utilities in the Climate Resilient WaSH (CR WaSH) intervention areas* to improve their operational efficiency and be self-sustained entities. This includes support to women and youth groups to engage in spare part supply and service maintenance. This will create an opportunity of economic empowerment for women and job creation for unemployed youth;
- Formulating a sustainable financing strategy for the WaSH sector with a focus on domestic revenue streams and mobilising private capital;
- Tailored TA to selected Developing Regional States (DRS);
- Piloting innovations to build the private sector supply; and,
- Deep Dive Learning Evaluation for continued adaptive learning. Capturing and utilising evidence of what works to inform better delivery through adaptive learning.

Overall, this element will focus on the ability of service providers both in the rural and urban settings to establish sustainable, equitable and efficient WaSH services. This also is in line with DFID's WaSH Approach Paper which recommends focusing on systems strengthening to ensure sustainability of the service delivery.

Why is UK support required?

35 million people have no access to clean water in Ethiopia. 68% of the population have no access to proper latrine facilities. WaSH is still among the top three health risks and one of the key barriers to school attendance and enrolment particularly of girls in Ethiopia.

Ethiopia faces frequent droughts, which often require expensive humanitarian emergency response, particularly in the 60% of the country that is arid and semi-arid. Such droughts have led to critical water shortages and disease outbreaks and force both GoE and Development Partners (DPs) including DFID to invest heavily in humanitarian response. This could be avoided through strengthening the resilience of water and sanitation services to such climatic shocks. Focussing on this will allow the UK to undertake less emergency humanitarian support and ensure the sustainability of service delivery.

Inequalities in the provision of WaSH services continue to exist. In line with its Leave No One Behind policy DFID Ethiopia can help the sector rise to these challenges.

GoE has developed a Climate Resilience WaSH sub-programme under the One WaSH National Programme. As a lead and highly trusted donor in the sector, DFID is well placed to contribute to the delivery of this programme.

Does the programme fit with DFID's strategic architecture: the UK Aid Strategy, Single Departmental Plan, International Development Act and the department's Business Plan?

The programme results will contribute to Target 4.1 of the Single Departmental Plan and DFID Ethiopia's target to help 2.4 million people get access to water and sanitation services. It will also contribute to Target 4.2 (Prioritise the rights of women and girls). By targeting the prioritised drought affected and drought prone areas, the programme is also in line with DFID's Leave No One behind Policy. Furthermore, the programme aligns with the UK's Africa Strategy, where climate change and ensuring water security and natural resources management are key pillars in the shifts of the strategic architecture.

What percentage of DFID's Single Departmental Plan results target does this programme represent? Could the programme be adjusted in scope or scale to deliver SDP results?

The DFID Ethiopia SDP target for water and sanitation is 2.4 million. This programme is expected to contribute about 48% of SDP results, to add to those already achieved by the existing programme.

ICF funding will provide 25% of the total budget so results accrued through the programme will take this proportion and report back to the ICF programme to indicate their contribution during the annual results commission.

Is the programme coherent with the wider international community and partner government response? Has the programme set out a sustainable exit strategy?

The intervention directly supports the GoE's new initiative on Climate Resilience WaSH (GoE has committed to allocating 50% of the required funding. By supporting the OWNPN, the programme is fully co-ordinated with leading development partners including; the World Bank, the African Development Bank, and UNICEF. Developing a sustainable financing strategy with GoE will enable DFID to move towards a sustainable exit from the sector.

Has the programme considered working with HMG Departments and accessing cross-HMG funds?

There will be links with British expertise, and partnerships with UK Universities. Only DFID funds will be used.

How does the programme relate to other UK aid within the specific sector, including multilateral, bilateral and centrally managed programmes?

The programme has been designed alongside the centrally managed programme "Delivering climate resilient Water, Sanitation and Hygiene in Africa and Asia" programme (IATI: GB-1-2025027). The CMP supports pre-investment activities while this programme comes with support for the actual Climate Resilient (CR) oriented investment and systems strengthening. The programme will also draw from research and evidence including DFID

funded water security research programmes (REACH and UPGro). Furthermore, the new TA will also have the opportunity to benefit from the partnership with the General Education Quality Improvement Programme for Equity Technical Assistance (GEQIP TA) in promoting safe spaces for girls at schools.

Is there sufficient flexibility to learn and adjust to changes in the context? What level of flexibility is there to shift this and future commitments?

One of the key areas of the TA is a series of deep dive learning evaluations for continued adaptive learning. This will give an opportunity to make timely adjustments based on established evidence. DFID will have close oversight of the priority evaluation and research questions to be studied and has allocated sufficient management resource to ensure this element is truly flexible and adaptive. This will be essential given ongoing Country Development Diagnostic and Spending Review decisions. Sustainable financing support in WaSH is a new area for DFID in Ethiopia, and a flexible and adaptive approach will be key to testing this (see management section for other areas of flexible approach).

Does the proposed level of risk to be taken fit with DFID's risk appetite?

The programme is classed as having a moderate risk profile, which is acceptable given the context. While the funding is channelled through the GoE, having the oversight role of the World Bank and the application of the Bank's inherent safeguards is designed to minimise fiduciary, social and environmental risks.

Is there a clear communications strategy to reinforce our objectives? Will the programme be branded with the UK aid logo and recognise UK Government funding – and, if not, why not?

UK support will be acknowledged in all key communication made by implementing partners.

Has the programme been quality assured? How confident are we that the skills, capability, resources and political will exist to deliver the programme?

Yes. The programme received a category 2 rating with clear arguments in support of funding and convincing vfm.

The continued government leadership and commitment in championing the CR WaSH agenda, the well-established programme implementation and management arrangements of the existing programme, the embedded capacity building in the new programme, and prior interventions by the CMP provide a robust enabling environment that supports strong programme delivery. In addition the increased commitment of major DPs like WB and AfDB to support and partner in the CR WaSH pillar of the programme gives assurance that the programme will deliver the anticipated results.

Current DFID support has resulted in substantial capacity building and better results delivery. The new programme will build on this through an embedded capacity building component, which will support continued capacity and systems strengthening.

Do the SRO and team have the capability and resources to deliver this project?

The SRO has successfully delivered DFID's previous support in this area, supported by a capable programme team and cross cutting advisors.

LIST OF ABBREVIATIONS

AfDB	African Development Bank	MoH	Ministry of Health
ASP	Annual Statement Progress	MoWIE	Ministry of Water Irrigation and Electricity
ARI	Acute Respiratory Infection	NGO	Non-Governmental Organisation
AWD	Acute Watery Diarrhoea	NPV	Net Present Value
BC	Business Case	NTDs	Neglected Tropical Diseases
BCR	Benefit Cost Ratio	NWCO	National WaSH Coordination Office
BSG	Benishangul Gumuz	NWSC	National WaSH Steering Committee
CBA	Cost Benefit Analysis	ODF	Open Defecation Free
CLTS	Community-Led Total Sanitations	OWNP	One WaSH National Program
CR	Climate Resilience	PaWS	Partners for Water and Sanitation
CRGEF	Climate Resilience Green Economic Facility	PDIA	Problem-driven Iterative Adaption
CWA	Consolidated WaSH Account	PDP	Peace and Development:
DP	Development Partner	PEPE	Private Enterprise Programme Ethiopia
DRS	Developing Regional States	PFM	Public Financial Management
EEMIS	Ethiopian Education Management Information System	PIDG	Private Infrastructure Development Group
EFY	Ethiopian Financial Year	PIM	Programme Implementation Manual
ESAP	Ethiopia Social Accountability Program	PMUs	Programme Management Units
EUR	Ethiopia Urbanisation Review	POM	Programme Operational Manual
EU	European Union	PPP	Public Private Partnership
FA	Financial Aid	PPIAF	Public-Private Infrastructure Advisory Facility
FPbC	Family Planning by Choice	SCRS	Strengthening Climate Resilient Systems
FMM	Financial Management Manual	SDP	Single Departmental Plan
GDP	Gross Domestic Product	SNNPR	Southern Nations Nationalities People Region
GLASS	Global Analysis and Assessment of Sanitation and Drinking-Water	SRO	Senior Responsible Owner
GNI	Gross National Income	TA	Technical Assistance
GoE	Government of Ethiopia	USAID	United States Agency for International Development
GTPII	Growth and Transformation Plan	WaSH	Water Sanitation and Hygiene
HP	Hygiene Promotion	WB	World Bank
ICAI	Independent Commission on Aid Impact	WEDC	Water, Engineering and Development Centre
ICED	Infrastructure & Cities for Economic Development	WHO	World Health Organisation
IRR	Internal Rate of Return	WSS	Water Supply and Sanitation
LIFT	Land Investment for Transformation		
M&E	Monitoring and Evaluation		
MDG	Millennium Development Goals		
MoF	Ministry of Finance		

A. Strategic Case

A1. Why WaSH?

1. Water, sanitation and hygiene (WaSH) is integral to the UK Aid Strategy; fundamental to tackling extreme poverty and helping the world's most vulnerable; and contributes to other UK strategic aid objectives such as strengthening resilience, peace, security and governance and promoting prosperity.

Poor WaSH is one of the top 3 causes of death and disability in Ethiopia, contributing to more than 20% of death and disabilityⁱ. Diarrheal disease is the single biggest killer of Ethiopian children above one year old – causing 15% of post neonatal deaths and 13% of deaths in children aged 1-4 years. The importance of WaSH to improve public health is readily understood by the UK public, who identify this as a key sector for UK Aid investment. WaSH also contributes to several other UK Aid objectives. Continuing to invest strategically in the WaSH sector aligns with DFID's "Best Buys" evidence papers. The health evidence states that in order to maximise health returns there must be concurrent investment in areas such as WaSH.

3. Carrying water is a significant contributor to disability in Ethiopia. Evidence suggests that water carrying, especially by head loading is a major contributing factor in musculoskeletal disease burden – specifically neck pain¹. Lower back and neck pain is the 4th largest cause of disability in Ethiopia, responsible for 11% of disability (Years Lived with Disability, YLD)ⁱⁱ. Diarrheal diseases also contribute to 17% of neonatal disability (measured in YLD).

4. WaSH is intimately linked with gender equality – safe WaSH is vital to unlock the potential of women and girls. The health, education and nutrition impacts of poor WaSH disproportionately affect women and girls as they are the main collectors of water. In a study in Ethiopiaⁱⁱⁱ women interviewees spontaneously raised the following benefits of improved water supply:

- Increased time available for maternal roles, such as care-giving (including preparing food and taking care of children, particularly those with diarrhoea);
- Nutritional benefits from reduced sickness;
- Physical benefits from reduced load-carrying burden;
- Adolescent girls benefit significantly from improved menstrual hygiene; and,
- Protecting women from gender based physical violence while travelling far to fetch water.

5. The majority of schools in Ethiopia still do not have adequate water, sanitation and hygiene/washing facilities, undermining school attendance, particularly for girls. Only 38% of primary and 62% of secondary schools have access to a water supply^{iv}. WaSH contributes significantly to education through the health benefits of improved water and sanitation, reducing absence due to illness and improving cognitive development^v. One large-scale study found that water treatment (WT) and hygiene promotion (HP) interventions combined to reduce absenteeism by 39%. **The benefit was significantly greater for girls,** with a reduction of 58% in girl's^{vi} absenteeism resulting from the WT and HP interventions individually. There is widespread ^{vii}anecdotal evidence that WaSH, particularly effective menstrual hygiene management, significantly increases girls' school attendance. In Wukro Town (Tigray region), girls' absenteeism fell to zero within the first year of establishing a menstrual hygiene management club that provided knowledge, materials and facilities^{viii}

6. WaSH is good for business and a key factor for firms investing in the growing economy. The econometric evidence of the impact of water and sanitation infrastructure on economic growth is not well documented. However, Hutton (2013) estimated that the benefits from meeting the water supply and sanitation (WSS) MDG targets are around US\$60 billion annually, with a US\$4.30 return for every dollar invested. WaSH service provision can be linked to inclusive growth, job creation and capturing the benefits of urbanisation in the following ways:

- Through improved health, WaSH infrastructure increases labour productivity, which in turn contributes to growth and poverty reduction.
- Expenditure on public WaSH services could potentially stimulate domestic manufacturing. For example, in 2016, around \$22m of iron and steel tubes were imported into Ethiopia^{ix}, and in the same year, \$42.8m worth of pumps for liquids were imported. If this demand can be met by domestic manufacturing and supply, this would reduce the foreign exchange bill and stimulate job creation.
- Operation and management of water and sanitation systems could create jobs for the growing graduate population. WaSH systems in Ethiopia increasingly require high levels of technical skill, which could be met by the steady stream of water engineering graduates in Ethiopia. This would help increase service quality whilst absorbing some of the youth entering the market. However, the scale and macro-economic impact of these jobs is not yet well understood.
- Urban WaSH investment can support positive urban growth - the World Bank's recent study, the [Ethiopia Urbanisation Review \(EUR\)](#)², identified water supply and sanitation as a major constraint to urbanisation and a critical factor in the attractiveness of a city for businesses and their employees.

A2. Why Climate Resilient WaSH?

7. Climate Resilient WaSH increases resilience and reduces the humanitarian burden. Ethiopia has one of the most complex and variable climates in the world - around 60% of Ethiopia faces high climate variability, frequent drought and recurrent floods. These can in turn lead to disease outbreaks like cholera/acute watery diarrhoea (AWD) and contribute to conflict and inward migration.

8. High rainfall variability is likely to be further stressed by climate change, leading to an increased frequency and strength of droughts and floods^x. 'Improved' water sources are more resilient to rainfall variability and climate change,^{xi} and WaSH systems themselves also need to be resilient to these stresses^{xii}.

This high rainfall variability is likely to be further stressed by climate change, which may lead to changes in key seasonal rainfall and increases in the frequency and strength of droughts and floods^{xiii}. Improving the resilience of water and sanitation services to climate variability can increase resilience to these vulnerabilities as 'improved' water sources are more resilient to rainfall variability and climate change^{xiv}. But WaSH systems themselves also need to be resilient to these stresses^{xv}.

9. As climate variability is a key factor in influencing sustainability, building the resilience of water and sanitation services is the key ingredient to ensure the long term sustainability of water and sanitation service delivery. This especially is fundamental for Ethiopia where climate variability, demonstrated in serious drought and flood is a frequent phenomenon.

10. Climate resilient WaSH services ensure that boreholes and other services continue to function during droughts and contribute to reduce humanitarian emergency responses (for example by reducing the risk of displacements and specific WaSH related responses such

as water trucking). Given the high cost per person of water trucking in relief operations, climate resilient WaSH interventions represent Value for Money. Climate Resilient WaSH promotes water security as it brings an opportunity of year round water availability through the linkage it creates between WaSH and water resources management, protecting the natural resource base.

A3. Progress to date

11. Ethiopia has made impressive progress in expanding access to water and sanitation from a very low base. In the 1990s, only 14% of the population had access to water and 3% to sanitation coverage. In 2017, this had increased to 65% and 32% respectively. In 20 years, 45 million people gained access to water^{xvi}. Ethiopia has made rapid progress in reducing open defecation (92% of population in 1992 to 28% in 2015).^{xvii}

12. However, with a population of over 100 million, this means 35 million people still lack access to clean water, and around 70 million still lack access to improved sanitation. About 30 million people are still practicing open defecation¹⁵ in addition subsequent drought is threatening the sustainability of investment made to date.

13. The Government of Ethiopia has set ambitious targets in the Growth and Transformation Plan (GTPII), aiming to increase rural water supply from 58% to 85% between 2015 and 2020; and for the urban water supply to rise from 51% to 75%. They have also increased the minimum service level for rural populations to 25 litres per capita per day, accessible within 1 kilometre. For urban populations, the minimum service level differs depending on the size of the town or city, but is also significantly increased. Meeting these targets will require substantial funding – second phases of the One WaSH targets are estimated to require \$6.5 billion (2016 – 2020).

14. DFID has been fundamental to building a multi-stakeholder sector-wide platform in the form of the One WaSH National Program (OWNP). This has brought coordination among four WaSH sector Ministries (Water, Health, Education and Finance) and, harmonisation and alignment of efforts among development partners active in the WaSH sector. This has catalysed improved performance and efficiency through co-ordination of efforts being guided by ONE PLAN, ONE BUDGET and ONE REPORT principles. Accordingly, through the Consolidated WaSH Account (CWA), all donor funds have been pooled with GoE funds to deliver a single national plan. The CWA is working well to deliver the OOWNP and to date has reached 3.8m people with safe water since its creation in EFY2007^{xviii}. However, the sector is at a crossroads, facing several major issues including gaps in coverage, frequent drought that led to drop down and drying of water sources, social and regional disparities, underfunding, and limited implementation capacity.

A4. What are the needs?

15. As set out, the scale of the challenge remains monumental and current plans are under-financed. For the period 2016-2020, the OOWNP Phase II will require \$6.5bn, a marked increase from previous periods (it was \$2.41bn for 2011-2015) – in order to deliver an increased service standard. The previous period had a 32% shortfall (around \$771m), and the estimated gap for the 2nd phase of OOWNP is 44%. GoE funding is constrained; donor resources are under pressure; and the private sector is not yet willing to invest capital without stronger revenue streams. Therefore, more transformational and long-term approaches are needed to sustainably finance the sector.

16. WaSH services need to be more resilient to Ethiopia's highly variable climate. The 2015 drought affected 9.6 million people in 221 woredas (equivalent of districts) and six regions (administrative units below the Federal state) of the country. Water points ran dry and people were displaced as well as affected by waterborne diseases. The 2016 drought increased the proportion of non-functional boreholes by 17 percentage points, rising to 39%.

The likelihood of these extreme events is expected to increase with climate change, and greater attention to climate resilience is needed to ensure permanence of WaSH services.

17. There are significant inequalities in the provision of WaSH services. Despite the progress made to date, inequalities still persist. The quality of WaSH facilities and services differ between the poor and non-poor, between rural and urban areas, between large cities and small cities, and across and within geographic regions (WB Poverty Diagnostic, 2017). This is most acute in the arid and semi-arid parts of the country (lowland peripheries), which are largely drought prone and drought affected areas.

18. The Developing Regional States (DRS) (Annex 5) - Somali, Afar, Benishangul Gumuz and Gambella Regional States require stronger levels of support to implement the OOWNP particularly resilient WaSH provision and better utilise the budget allocated to them. For example Afar and Somali regions only delivered around 14% of their planned activities under the OOWNP for 2009EFY (compared to around 70% in Tigray, Amhara, SNNP and Oromia) - this is in part due to the challenging hydrology, which requires more complex schemes. Capacity limitations and near constant state of emergency response to drought, conflict and displacement exacerbate these challenges.

19. WaSH services need to be more accountable to citizens. The Ethiopia Social Accountability Program (ESAP) shows that GoE authorities and providers of WaSH services need to be more accountable for performance and better meet the needs of lowland periphery populations, under-served people and urban consumers. Accountability challenges in the WaSH sector vary by urban/rural location, but some typical problems raised through ESAP are:

- The lack of water technicians in the woreda water and sanitation bureau;
- Water bureaus do not systematically collect information about breakdowns, which can leave water points in disrepair for months;
- Water bureaus can face frequent staff turnover and staff shortages, causing large water system implementations to stall;
- Old water systems no longer have a functioning water management group in place, leading to lack of community ownership over the water installations and unreported breakdowns;
- The installation of water systems may require specialist knowledge, which makes it hard for communities to check on the quality of the construction;
- Often very little can be achieved at kebele level, necessitating multiple woreda interface meetings because “issues were beyond the kebele capacity to solve”; and,
- The water sector is susceptible to ‘reverse incentive structure problems’, whereby the lack of government water provision gives rise to private sector suppliers, who may lose business when water supply problems are solved.

20. WaSH in health and educational facilities are lagging behind. Whilst progress has been made on WaSH in homes, WaSH in health and educational facilities remains poor. Only 38% of primary schools, 62% of secondary schools and 70% of health facilities have access to water supply – this undermines the health and educational impacts of WaSH access.

21. Gains to date need to be secured in the face of population growth and vulnerability. To date, the sector has focussed on increasing access to WaSH (with great success). However, the sector now needs to ensure that gains in access are not eroded by inadequate attention to operation, maintenance and post-construction support, and the country’s vulnerability, especially to climate change. This requires the sector to shift from a focus on construction to an approach centred on sustained service quality. There are three dimensions to this:

- **Functional sustainability:** As the sector moves to adopt more resilient technologies to address the challenges triggered by climate variability and change (including more complex multi-village systems), it needs to rethink its approach to ensure sustainability of services, in addition to delivering first-time access to those unserved. This calls for strengthening of delivery systems to create strong technical and financial capacities and capabilities that will enable service providers to support adequate and timely operation and maintenance activities. The Government of Ethiopia has already begun good start-ups which include development of new operation and maintenance models to respond to this need, but these are likely to require additional support.
- **Financial viability:** Sustained coverage will require ongoing financing to ensure that capital investments translate into effective service delivery. The sector is currently underfunded in this regard (less than 20% of the total WaSH sector budget is allocated for operation and maintenance) and faces multiple constraints as mentioned previously. A more viable approach is therefore needed that both increases spending efficiency within the existing resource envelope *and* identifies innovative revenue streams focussing on generating internal revenue, mobilising private capital and business models that can tap into these sustainably.
- **Water resource sustainability:** To date, WaSH services have not placed significant strain on available water resources. As coverage widens and more sophisticated, technologies are deployed (such as large multi-village systems) the sector's demand will increase significantly. Coupled with other growing demands for water from the agriculture and industrial sectors, water availability will become increasingly critical. This will require buffering of water supply services, more efficient use of water (including re-use) and appropriate governance arrangements.

22. Urban service provision needs to transform to better meet growing demand, and enable rather than hinder productive urban growth. Ethiopia's urban population is projected to grow from 19% to at least 30% by 2030^{xix} - this is both a threat to WaSH gains made to date, and an opportunity to shape urban development. WaSH services need to be planned to meet this future demand, which requires an acceleration of progress and a more strategic, long-term approach, particularly for municipal financing. The recent Ethiopian Urbanization Review identified water supply and wastewater treatment as major blockages to urban growth - without interventions on water supply and sanitation, urban growth is likely to outpace existing infrastructure, leading to poorer living conditions and making towns and cities less attractive.

A5. Why should DFID intervene?

23. Improving WaSH services directly supports the UK's vision of Ethiopia as a stable, industrialised, resilient, more inclusive country, able to self-finance its way out of poverty and harness the potential of its youth. This is also consistent with the UK's Africa Strategy, which aims to improve water and natural resource management, and build Africa's future resilience and reduce the future need for aid.

24. Directly supports DFID Ethiopia's strategic direction:

- **Leave No One Behind:** Poor WaSH has a disproportionate impact on women and girls and people with disabilities. Furthermore, despite Ethiopia's good progress in improving overall access to improved water and sanitation, geographic/regional disparities still persist, particularly in the lowland periphery. Therefore, focusing on

how to reach people in these areas is essential to DFID's Leave No One Behind agenda.

- **Resilience Building:** Strengthening the climate resilience of WaSH is very much in line with DFID's resilience building agenda. Sustainable and resilient WaSH is instrumental in building resilience to climatic shocks demonstrated in subsequent draught and flood. Climate Resilient WaSH is also instrumental to address water poverty and in security as it creates opportunity for surface and ground waters to recharge through its focus on catchment management and protecting the natural resource base itself.
- **Reducing DFID's emergency humanitarian spend.** A large proportion of historical humanitarian spend has been on emergency water and sanitation, mainly through expensive water trucking. In 2016/17 alone, US\$31 million was spent on water trucking operations (at peak time \$175,200 was spent per day). Overall the cost for water trucking was about four times the regular programme cost. Upstream investment in resilient development is more cost effective than emergency response and presents long-term value for money for DFID.
- **Inclusive Growth:** WaSH is a critical factor for decent business environments. It can also stimulate job creation through service provision, supply chains (domestic manufacturing growth and import substitution) and construction. WaSH plays a key role in making towns and cities attractive for growth and jobs.

25. Contributes to delivering several of DFID's Single Departmental Plan targets. This intervention directly contributes to DFID Ethiopia's target to help 2.4 million people access water and sanitation services, which is in line with the Single Departmental Plan targets which include;

- Target 4.1 *"Strive to eliminate extreme poverty by 2030 and support the world's poorest people to access sustainable basic services"*.
- Target 4.2 *"Prioritise the rights of Women and girls"*. Water collection is seen as the role of women and girls, so they are the main collectors of water. This often requires significant time, energy and exposure to risk (including gender-based violence). As a result, unsafe water, sanitation and hygiene have a disproportionately negative impact on women and girls.

26. Strengthens integration with other DFID programmes. This intervention will strengthen the impact of other DFID programmes in Ethiopia, and in some cases is essential to enabling their intended impacts:

- School and health facilities rely on WaSH to function as safe, hygienic institutions and deliver health and education outcomes. Therefore, WaSH programming complements wider human development programmes.
- This intervention helps to build more resilient systems (complementing the Building Resilience in Ethiopia programme, and the Climate Resilient WaSH CMP), and as mentioned above reducing the need for expensive emergency responses.
- Innovations for access/reliability/sustainability – DFID Research and Evidence Division's water security programmes (REACH and UpGro) have both informed the current business case and are well positioned to provide ongoing research and evidence to support programming.

27. In line with the Government's response to ICAI's report on DFID's Results in Water, Sanitation and Hygiene^{xx}. This report recommended DFID to:

- Embed sustainability in its WaSH programming and measure how well this is implemented, and,
- Improve the measurement and reporting of the development impact of the WaSH programmes, particularly for vulnerable groups.

28. Create a good platform for DFID responsible exit strategy. The UK has invested more than £200m to date in building WaSH systems in Ethiopia, particularly the OWNPN. This investment is at risk without continued support for sustainability – but it also cannot continue indefinitely. This calls for enhancing domestic resource mobilisation. DFID can help the sector transition to a more sustainable financing model by improving the efficiency of the OWNPN and by diversifying the investment profile of the sector through domestic resource mobilisation and supporting effective private sector participation. Building a sustainable, self-financing system will reduce dependence on UK Aid and ultimately lead to a responsible exit strategy for DFID.

29. Investment in Climate Resilient WaSH could reduce DFID's humanitarian spend. A large proportion of historical humanitarian spend has been on emergency water and sanitation, mainly through expensive water trucking. In 2016/17 alone, US\$31 million was spent on water trucking operations (at peak time \$175,200 was spent per day). Overall the cost for water trucking was about four times the regular programme cost. Upstream investment in resilient development is more cost effective than emergency response and presents long-term value for money for DFID.

A6. What is DFID best placed to do?

30. DFID occupies a clear leadership role amongst other WaSH development partners in Ethiopia, having been a lead bilateral donor in the WaSH sector and a major champion of the OWNPN and the CWA, which is the nucleus for the consolidated budget. DFID is on the few donors strong in the WaSH sector with significant humanitarian and resilient programming. The World Bank, EU, AfDB and Finland are the other key donors in the sector, and the DFID has a long history of collaboration and co-ordination with them. The DFID also enjoys a trusted relationship with the Government of Ethiopia at both Federal and Regional levels, which enables it to act as a critical friend. **DFID can build on the lessons from its current support.** DFID's support to the OWNPN to date has resulted in a deep understanding of the limitations and opportunities for the OWNPN and CWA. DFID is already playing a major role in strengthening and improving capacity - and will continue to do so, with a sharper focus on sustainability and inequality.

31. DFID has strong and relevant experience in climate resilient WaSH. The DFID-funded Building Adaptation to Climate Change in Health through Resilient WaSH (BACCHRW) programme has developed DFID's understanding of the challenges of water and sanitation resilience. DFID's new "*Delivering climate resilient Water, Sanitation and Hygiene in Africa and Asia*" programme (IATI: GB-1-2025027) will have a footprint in Ethiopia which the proposed intervention can enhance and leverage – in particular, an embedded climate resilience officer in the National WaSH Co-ordination Office will give DFID excellent access to contribute to GoE efforts. The centrally-managed programme will also contract a Technical Assistance provider on climate resilient WASH. This will enable key activities (such as groundwater assessment mapping) to kick start GoE's CR WASH strategy, which this Business Case can build on with larger investments.^{xxi}

32. UK Universities lead in research and policy for development, WaSH and climate change and DFID is well placed to draw this capacity and inform best delivery of CR WaSH programme.

33. Government Agencies. The British Geological Survey is world-renowned as a leader in African groundwater mapping and research, which is an excellent opportunity for the realisation of the priority focus area of this Business Case, resilient WaSH, operating in difficult hydrogeological formations.

34. DFID can tap into UK expertise on urban WaSH to complement other strong development partners. The World Bank is already investing significantly in urban WaSH and is best placed to lead in this regard. Other donors such as the Italian Development Co-operation and USAID also support urban development. However, there are specific areas

where DFID could tap into the British Expertise capacity that has significant potential to support:

- System strengthening of Water utilities. The UK's water utilities have world-class expertise on climate resilient water supply and management, which is of particular relevance to urban and large-scale rural utilities in Ethiopia. A consortium of UK private water companies, Partners for Water and Sanitation (PaWS, set up under a DFID program IATI: GB-1-113490) used to collaborate with the GoE Ministry of Water in the mid-80s. This BC will enable revitalisation of such partnerships and mobilise this expertise to strengthen utilities to improve their operational efficiency.
- Drawing the experience of UK-supported finance mechanisms. The Public-Private Infrastructure Advisory Facility (PPIAF) and Private Infrastructure Development Group (PIDG) could facilitate the development and financing of PPPs for infrastructure informing the sustainable financing strategy.

35. Overall, UK expertise in climate resilience, WaSH and water resources can contribute to GoE priorities. The existing Centrally Managed Programme will provide a strong complement to in-country programming, by unlocking key barriers to action (e.g. knowledge on groundwater) which will permit greater investments by in-country programming. Focussing on climate resilience would be very strongly aligned with national priorities - the Minister for Water, Irrigation and Electricity has taken a strong personal interest and created a Climate Resilience pillar for the OWNPN. This shows government commitment to this dimension and provides a clear opportunity and point-of-entry for DFID.

A7. Key shifts

36. This intervention re-orientes DFID's engagement in the WaSH sector in Ethiopia, building on its support to date and aligned with GoE priorities. The Key shifts in this new proposed UK support are:

37. A focus on climate resilience building. DFID will have a thematic focus on strengthening the climate resilience of water and sanitation services in Ethiopia within the framework of OWNPN and in line with DFID's comparative advantage in the sector. Climate Resilient WaSH provision includes constructing resilient technologies/schemes which are less vulnerable to drought. This includes a deep boreholes and big springs linked to piped networks, which provide water for a large number of population and institutions. It also includes protecting the resource base, and ensuring systems are resilient to adequately support post construction activities (adequate operation and long term maintenance).

38. Smarter Financial Aid. GoE systems have proven to be effective at delivering results, so the UK will continue to support with financial aid - earmarked for the climate resilient WaSH pillar of the OWNPN. By focussing on increasing sustainability and through targeting areas of under-performance and the underserved (particularly drought prone and drought affected areas in the arid and semi-arid areas of the country) and concentrating on the climate resilient WaSH pillar, DFID can have a more focussed impact.

39. Complementary Technical Assistance to enhance the impact of the FA. The UK Technical Assistance will complement the FA and will focus on system strengthening which are the key determinants of sustainability of the service delivery through the FA. Whilst the CWA is an effective funding mechanism for delivering results, there are several areas in which it could evolve. DFID will therefore use complementary climate resilience oriented technical assistance to focus on addressing systemic weakness and facilitate the delivery of the Financial Assistance and maximise its impact.

40. To ensure complementarity, this TA will address issues beyond the scope of the Centrally Managed Programme. The TA in this Business Case will focus on: strengthening systemic weakness of both rural and urban WaSH management units as appropriate for them to adequately manage, and maintain more complex large WaSH systems; support

organised women and youth groups to engage and support the effective operation and maintenance systems; support the development of a sustainable sector financing strategy focusing on domestic resource mobilisation; secondment of expertise to low performing Developing Regional States (informed by capacity gap assessment); and a series of deep dive performance evaluations to improve implementation performance and pilot innovation to build the private sector.

41. The summarised area of focus of the current ongoing programme and the new proposed support are outlined below to better clarify the key shift.

42. A Current Support: The current DFID One WaSH Programme - £106million over five years (IATI: GB-1-203766) consists of four components:

- Financial Aid to OWNP (supports all 4 pillars. Rural WaSH, Urban WaSH, Institutional WaSH and Capacity Building and programme Management) - £80m
- One WaSH Plus – managed by UNICEF and delivering complementary support to the OWNP on key strategic areas including addressing needs of women and girls, and integrated urban WaSH with innovative models in eight small towns and surrounding rural villages - £22m
- Monitoring and Evaluation support - supporting the operationalisation of the OWNP M&E MIS systems - £4m
- Emergency WASH (not originally a component, but £13m of FA was reallocated in response to the 2015/16 El Nino induced drought).

43. B. The Proposed Support: Will have two components:

1. Financial Aid to OWNP under three components:

- Climate Resilient WaSH (77%) ring-fenced under the Consolidated WaSH Account.
- Institutional WaSH (13% Inclusive WaSH at schools and health centres and health posts); and,
- Capacity Building and Programme Management (10%). Building capacity of GoE experts from woreda/district to Federal in the four implementing sector Ministries (MoWIE, MoE, MoH and MoF) including to beneficiary communities.
- The support will target the prioritised drought prone and water stressed woredas. The approach used to define the CR WaSH intervention woredas/districts is based on defined criteria that include the extent of drought and flood and the level of WaSH coverage, for the woreda and institutions (**Annex 1**).
- Climate WaSH intervention areas are mainly rural but will also have an urban element when schemes are big and serve multi-village and multi woredas/districts. Some proportion of The WB and AfDB new support is also targeting this component, offering an opportunity to collaborate and partner.

2. Technical Assistance £15m. The TA component is a key ingredient for sustainability of the service delivery and will ensure high vfm. The TA focus areas include:

i. Strengthening the delivery systems of selected rural multi-village management units and urban utilities in the Climate Resilient WaSH (CR WaSH) intervention areas to improve their operational efficiency and be self-sustained entities. The key focus areas include;

- Strengthening IT based management, operation, maintenance and monitoring system of both urban and rural delivery units including

piloting innovative systems like smarter water systems that trigger maintenance before total failure;

- Support women and youth groups to engage and support spare part supply and service maintenance;
 - Strengthen automated bill collection and financial management system;
 - Support effective Business Planning, including setting appropriate water fee and tariff structure both for the urban and rural management units to adequately generate internal revenue for efficient O&M;
 - Enhance leakage detection and management system ;
 - Strengthen the leadership, the accountability system and community engagement platforms; and,
 - Enhance systems to protect the water resource base to ensure year round water availability.
- ii. Tailored TA to selected two Developing Regional States (DRS). This will be informed by the capacity gap assessment being conducted by the National WaSH Coordination Office (NWCO) in DRS. This will take the form of embedded experts directly supporting regional teams.
- iii. Formulating a sustainable financing strategy for the WaSH sector: This strategy will help to sustainably address the financial constraint of the sector focusing on non-conventional revenue streams with primary focus on domestic resource mobilisation including on how to mobilise private capital. The strategy will also link to the work above focused on strengthening delivery systems of specific schemes, in order to better understand the revenue generation potential of effectively managed systems. As mentioned, developing this strategy will create a platform for a responsible DFID exit strategy.
- iv. Piloting innovations to build the private sector supply (Private Sector Menstrual Hygiene Products). A specific pilot innovation to build the private sector supply of locally manufactured reusable menstrual hygiene products. This will use DFID's tested market building methodology^{xxii} to tackle a specific constraint which is the absence of affordable, good quality menstrual hygiene products on a sustainable basis^{xxiii}. This will be coupled with essential behavioural change work^{xxiv} and social marketing to achieve sustained purchases by women and girls and the Government of Ethiopia beyond the programme.
- V. Deep Dive Learning Evaluation for continued adaptive learning. This aims to gather lessons and generate evidence to inform the programme during the implementation process (one key question for adaptive management will be on the continuous maintenance and functionality of schemes), to ensure better delivery of outputs and outcomes and sustainability of services. In addition, the learning evaluation will also focus on establishing evidence on the contribution of the use of reusable sanitary products to improve girl's educational attendance and educational performance.

A8. Gender equality

44. As mentioned, the negative impacts of poor water and sanitation are disproportionately felt by women and girls. Therefore providing safe water and sanitation will benefit them directly and contribute to gender equality. In the absence of DFID action, progress would slow, and the negative impact would be mainly on women and girls – which would not be in line with the Gender Equality Act.

45. The programme through its TA will support strengthening systems for spare part supply chain and service maintenance for effective WaSH facilities maintenance. The TA will support women and youth groups to engage and support the service maintenance and spare part supply, thus contributing to women's economic empowerment, enhancing gender equity and creating job opportunity for the unemployed youth. DFID's engagement in gender-smart WaSH services has the potential to complement and accelerate its wider gender, empowerment and inclusion work in Ethiopia.

A9. Terrorism and financing

46. The risk of programme funds inadvertently financing terrorism is negligible. Financial flows are clear and safeguards and oversight mechanisms provide strong fiduciary assurances. The financial aid component uses GoE's PFM system. Despite certain substantial risk areas as identified by DFID's 2018 Annual Statement of Progress, GoE's PFM system is sound and provides confidence that funds are used for the intended purposes. Risk areas include weaknesses in procurement management and internal control. In addition, quarterly financial reports track disbursements through to end beneficiaries and fund utilisation. The Federal Auditor General also carries out an annual audit and World Bank follow up implementation of Audit recommendations as a lead agency for fiduciary oversight. This will be complemented by the 2019 PEFA.

47. The other component is technical assistance (TA). The TA component is managed by DFID, and paid to service providers upon receipt of agreed deliverables following a fair and open procurement process.

A10. Results Chain

48. The ultimate **impact** of this intervention is to contribute to sustained growth and transformation in Ethiopia by improving public health, education and nutrition through the provision of lasting, quality WaSH services for all.

The main results directly attributable to UK support will be:

- i. 1.2 million people provided with access to climate resilient water and improved sanitation services and good hygiene practices in prioritised and targeted drought affected areas;
- ii. 150 new large, medium and small multi village climate resilient water supply schemes constructed (*these are schemes that could serve 10,000 – 20,000 beneficiaries*)
- iii. At least 110 multi-village water supply schemes rehabilitated;
- iv. 900 inclusive (women, girls and disability friendly) WaSH facilities for schools and health facilities (Health centers/posts) constructed and rehabilitated.
- v. 98,000 new household sanitation facilities built.
- vi. Innovative products to support effective menstrual hygiene management introduced, piloted and scaled up at national level through social marketing;
- vii. Systems for effective Operation and Maintenance strengthened to selected rural and urban management setups (utility models) in 3 to 4 selected CR WaSH intervention regions, leading to greater sustainability and functionality of systems.
- viii. Organised women and youth groups supported for effective spare part supply chain and service maintenance in selected 3 to 4 selected regions.
- ix. A robust sustainable Financing Strategy that guide domestic resource mobilisation in place.

A11. Working with partners

49. Building on the experience from the current programme, DFID will work in partnership with the World Bank, the African Development Bank, UNICEF, and Government of Finland in providing this support, as well as other donors like South Korea and Denmark who have

expressed interest in supporting the sector. The World Bank is currently preparing new support through the Consolidated WaSH Account with total funding of \$300m. The Bank will support all five components of the One WaSH Programme (Rural WaSH, Urban WaSH, CR WaSH, Institutional WaSH, programme management and Capacity Building). AfDB will soon be discussing its Country Strategy with GoE, which will determine the allocation for WaSH. UNICEF has expressed its commitment to supporting the CR WaSH. As mentioned in previous sections, resource allocated to the CR WaSH pillar from all DPs including DFID through the pooled resource, (the Consolidated WaSH Account) will be ring fenced. WB on behalf of contributing partners has been the lead agency in providing oversight on fiduciary, social and environmental safeguards. This established practice will continue for this new Business Case.

50. In addition to its contribution to the pooled account, WB signed an agreement with GoE in March 2017 to finance an Urban Sanitation Programme for 23 big cities including Addis Ababa. AfDB has also signalled that it will continue support to Urban WaSH.

B. Appraisal Case

B1. Appraisal of Feasible Option

51. The appraisal case follows a two-step approach to identify and appraise options. First, a number of strategic options for achieving the intended outcomes are appraised. Second, different delivery modalities for the preferred strategic option are identified and assessed.

52. Key considerations for option identification

- Contribution to DFID's resilience and inclusive growth agenda;
- Bulk results and substantial contribution to the SDP annual results;
- Opportunity for DFID for policy dialogue and influencing;
- Fiduciary and safeguard risks;
- Transaction cost to DFID;
- Contribution to sustainable GoE system strengthening;

B2. Strategic Options

53. There are three possible strategic options (excluding do nothing) that could feasibly achieve the intended outcomes.

Option 1 – Do Nothing

54. What would happen?: DFID would stop bilateral funding for WaSH in Ethiopia, stepping back and leaving multilateral agencies and other bilateral donors (e.g. Finland, Denmark) to fill the gap. This would further increase the financing gap set out above. The DFID Centrally Managed Programme, *Delivering Climate Resilient WaSH in Africa and Asia* (IATI identifier: GB-1-205027), would continue to provide around £15m of funding for WaSH in Ethiopia.

Advantages	Disadvantages
<ul style="list-style-type: none"> ● Freeing up DFID financing for other sector or programme, priorities ● DFID transaction costs would be reduced 	<ul style="list-style-type: none"> ● A serious reputational risk to DFID of suddenly withdrawing targeted bilateral funding after years of support ● Significant impact on DFID's SDP WaSH results ● A reduced impact of DFID's health and education programmes in the absence of complementary WaSH interventions ● The OWNPs financing gap would increase, with serious impact on progress
EVIDENCE	Rating: Medium

The evidence of the impact of 'doing nothing' is set out in the strategic case – the OOWNP is already underfunded, so further reductions would severely undermine delivery and progress towards universal access to WaSH. Diarrhoeal disease remains the single biggest killer of children in Ethiopia, and poor WaSH affects school attendance.

To date, DFID has played a major role in shaping and continuously improving the OOWNP and its systems. DFID has also been a major advocate of a sector-wide approach, improved co-ordination and collaboration on the grounds of efficiency and in line with the principles of development effectiveness. A retreat from this approach would damage the UK's credibility and reputation.

Option 2 – Financial Aid to the CR WaSH component of the One WaSH National Programme complemented by targeted technical assistance.

55. What would happen? DFID would continue to play a central role in supporting the OOWNP, but target its support instead of providing general support. This will be through a mix of Financial Aid and targeted TA. The FA would largely be earmarked for the Climate Resilient WaSH component of OOWNP (77%) (both new construction and rehabilitation of old schemes) – and work in close synergy with the Centrally Managed Programme, *Delivering Climate Resilient WaSH in Africa and Asia*. Some financial assistance will also be allocated for inclusive institutional WaSH (13%), capacity building and programme management (10%). As mentioned, the TA will support: Strengthening the WaSH delivery systems of selected rural multi-village management units and urban utilities in the CR WaSH intervention areas (*including support for women and youth groups to support service maintenance*) to effectively manage and adequately support post construction activities (O&M); Tailored TA to selected Developing Regional States, Formulating a sustainable financing strategy for the WaSH sector with a focus on domestic revenue streams and mobilising private capital, Piloting innovations to build the private sector supply; and, deep dive Learning evaluation for continued adaptive learning. The TA aims to facilitate the impact of the financial assistance.

Advantages	Disadvantages
<p>Key Advantages</p> <ul style="list-style-type: none"> • An opportunity to reduce the expensive humanitarian response. • Year round water availability and thus water security. • An opportunity to protect the natural resource base through WaSH and Water Resources management linkage. • Ensures the sustainability of the service delivery. • Support improving the operational efficiency of systems. <p>Other additional Advantages</p> <ul style="list-style-type: none"> • Alignment with Government plans. • Predictable and achievable results. Substantial contribution to the SDP annual results (>300 - 500,000/year DFID attributed results). • In line with Africa Strategy (inclusive growth, Climate change and NR management) • Better opportunities for DFID involvement in policy dialogue and influencing. • More efficient spend as intervention would be coordinated with other donors and use existing systems. • DFID transaction costs would be low due to using an established system modified to accommodate CR WaSH. • Low fiduciary and safeguard risks since WB play a lead oversight role on the fiduciary, social and environmental safeguard aspects. • Substantial contribution to sustainable GoE system strengthening (in line with DFID Global future WaSH strategy and ICAI recommendation). 	<ul style="list-style-type: none"> • Less emphasis on urban water and sanitation. • Requires a separate financing arrangement (earmarked/targeted support within the pooled fund) beyond the established practice. • Less freedom for DFID to pursue additional innovations compared to some other options. • Limited DFID control of agenda as it is a multi-donor.
EVIDENCE	Rating: Medium
<p>Evidence from DFID's WaSH Evidence Paper, WaSH Sector Scoping Study and SHARE stress the importance of addressing systemic issues in the WaSH sector to deliver outcomes. Complex issues such as sustainability, resilience and equity need to be addressed at national level. The evidence and the lesson learning from the One WaSH Plus programme demonstrates that emphasis on resilient technologies and system works well to bring communities out of serious water crises resulting from drought and other climatic shocks. Wolenchiti Town is one of the beneficiary town of the DFID funded One WaSH Plus programme, The Town and the surrounding satellite villages (with more than 40,000), was one of the priority one drought prone areas in the country. It used to be totally water trucked. The population in this area now access sustainable water supply and sanitation services as a result of the climate resilient WaSH system built by the programme serving both the urban and rural setting from one single source.</p> <p>This evidence clearly demonstrates that climate resilient systems and facilities are the best mechanisms to build the resilience of communities to withstand climatic shocks, reduce the expensive humanitarian response, and ensure sustainable WaSH service delivery. This new</p>	

Business Case will be informed by and build on such evidence and experiences to transform service delivery in the targeted drought prone areas.

The Busan Partnership for Effective Development Co-operation and the Paris Principles on Aid Effectiveness reiterate the value of coordinated, sector-wide approaches. DFID's support to the OWNP to date has demonstrated that, despite some inefficiency, government systems work well and can deliver increased access to WaSH across the country through a sector-wide approach.

Option 3 – Standalone programme with developing regional states to deliver climate resilient WaSH, complemented by targeted TA

56. What would happen? DFID would cease pooling its money with other DPs through the CWA and would instead develop its own standalone programme, directly delivering CR WaSH in DRS. It would provide financial assistance direct to DRS (Afar and Somali) to finance climate resilient rural WaSH - complementing the Centrally Managed Programme. This will be complemented by targeted TA. Similar to option 2, the targeted TA would support: strengthening the WaSH delivery systems; formulating a sustainable financing; tailored TA to selected strategy; piloting innovations to build the private sector supply, and deep dive learning evaluation for continued adaptive learning..

Advantages	Disadvantages
<ul style="list-style-type: none"> • More available finance for targeted regions. • Better able to target under-served populations and extend the coverage of the OWNP. • Freedom for DFID to pursue more transformative interventions, with innovation and agility. • Ability to constructively challenge the system and Government approach. 	<ul style="list-style-type: none"> • Higher fiduciary risk as funds will be channelled to regions with historically very low capacity. • Risk of displacing GoE allocation and other DPs pulling back from supporting the programmatic approach. • Less opportunity for policy dialogue and influencing. • More pressure on regional, zonal and woreda capacity requiring separate programme management, implementation and reporting arrangement. • Likely to be more costly as DFID would have to duplicate existing systems and would be unable to benefit from economies of scale. • Much higher transaction costs, particularly for DFID advisor time. • Loss of scale – low results and contributions to SDP. • Reputational risks of DFID changing direction, having been a major advocate of increased co-ordination. • Unlikely to provide added value, as the activities are likely to be similar activities to CWA/OWNP.

EVIDENCE

Rating: Medium

DFID's Peace and Development (PDP) programme implemented WaSH activities in Somali Region and demonstrated that a targeted, regional focus approach can work in Ethiopia. PDP aimed to provide an improved water source to 341,000 people^{xxv}. However, these PDP WaSH results are not adequate to meet the SDP WaSH results target and there is insufficient data to compare VfM under PDP with DFID's support to OWNP.

The One WaSH Plus component of DFID's current support has shown that a focussed intervention can influence practice and implementation, through innovation.

USAID's Lowland WaSH programme has also shown that a direct implementation approach can work in Ethiopia, providing over 70,000 people in rural lowlands with access to improved drinking water.

Option 4 – Financial Aid to the urban WaSH component of the One WaSH National Programme, complemented by targeted technical assistance

57. What would happen? This is similar to option 2 in terms of approach (national programme channelling earmarked funding directly to MoF. But, it would earmark funds for the urban WaSH (small and medium town) component. Other support areas would be the same: capacity building and system strengthening. Also, the targeted TA would support: strengthening the WaSH delivery systems; formulating a sustainable financing; tailored TA to selected strategy; piloting innovations to build the private sector supply, and deep dive learning evaluation for continued adaptive learning.

Advantages	Disadvantages
<ul style="list-style-type: none"> • More resources for this hugely underfunded sub-sector (small and medium urban WaSH) and thus greater urban WaSH results. • Creates conducive environment for urbanisation and economic growth. • More efficient spend as intervention would be coordinated with other donors and use existing systems. • DFID transaction costs would be low as this would use an established system. • Low fiduciary and safeguard risks since the WB would play a lead oversight role on the fiduciary, social and environmental safeguard aspects. • Substantial contribution for sustainable GoE system strengthening (in line with DFID Global future WaSH strategy and ICAI recommendation). 	<ul style="list-style-type: none"> • Less alignment with Government plans. • Less resource for rural WaSH where large segment of the unserved and the drought affected live. • Less emphasis on CR WaSH system and capacity strengthening. So, this option would not help DFID achieve the transformational changes it is aspiring to, i.e its resilience agenda. • Less SDP results in WaSH. • High level of scrutiny regarding the human right issues and political instability. • There is a risk of following a 'Business-as-Usual' approach as the funds will be channelled to existing CWA account, leading to limited transformation. • Limited DFID control of agenda as it is multi-donor.
EVIDENCE	Rating: Medium
<p>The World Bank has a good track record of urban WaSH programming in Ethiopia. The Water Supply Development and Rehabilitation Project (1996 – 2003) supported investment in water supply infrastructure and initiated sector dialogue and institutional reform, mainly the creation of autonomous city water utilities. Through its Urban Water and Sanitation Services Project (UWSSP), it has been supporting the GoE in the provision of improved access to safe drinking water and sanitation facilities to urban residents since 2004. The first phase of the programme (2004-2013) co-financed by DFID helped scale up institutional reforms to 203 woredas and 87 cities, supporting decentralization and a demand- driven approach, as well as greater efficiency and business planning. This was deemed successful^{xxvi}.</p> <p>The UNICEF-managed and DFID-supported One WaSH Plus programme, a component of the One WaSH National Programme, has been implemented in 8 small towns in Amhara, Oromia, Somali and Tigray regions. The programme is designed to address critical service delivery gaps in key strategic areas including integrated Urban WaSH with innovative models in small and medium towns. This programme has proved effective by introducing innovative approaches and in establishing sustainable business models through partnerships between local administrations and private sector operators. It has also been innovative in targeting all the segments of the community, living both in town and in peri-urban areas in the programme areas, serving from a single source both the rural and urban setting. Further wider scale up to towns in other regions needs consideration and buy-in from GoE.</p>	

Conclusion of Appraisal of Strategic Options

58. Option 1 (Do Nothing) is not feasible as it would severely hamper progress on WaSH, which has been shown to be a major component of health and education outcomes in Ethiopia. DFID's withdrawal at this stage would present major reputational risks and harm relationships with development partners and Ethiopia. Ultimately, this option would hinder efforts for inclusive growth and transformation in Ethiopia.

59. Option 2 (Support the Climate Resilient WaSH services) will significantly respond to GoE efforts to address the frequent drought problem in a sustainable manner. It provides a good platform to coordinate WaSH activities and reduce transaction costs of service delivery with respect to water supply, sanitation, and hygiene in the prioritised drought prone areas. It really supports DFID's resilience and inclusive growth agenda, helps promote DFID Ethiopia's Human Development status beyond 2020, and helps deliver significant SDP WaSH results contributing to the sustainability agenda. The approach in CR WaSH, which is serving multiple villages and districts from single source also creates an opportunity to provide WaSH access to displaced people within the intervention areas. To better achieve the intended results, this option requires more targeted assistance to the CR WaSH intervention areas and active engagement to achieve transformative change and address the systemic challenges. The option will benefit from the lesson learned and the evidence established from the implementation of One WaSH supported by the CWA and the DFID supported and the UNICEF managed One WaSH Plus programme in responding to droughts through resilient technologies and systems.

60. This option also provides sufficient flexibility to tailor the delivery approach for each of the targeted outcomes. It is worth noting that this option will also support improving the operational efficiency of utilities, an important dimension for sustainable self-financing.

61. Option 3 (Support DRS CR WaSH) would allow DFID to tailor interventions to DRS, thus ensuring better equity. But it would not achieve the transformative scale of impact that DFID aspires to at national level. It would also have limited success improving national systems and governance as a regionally focused programme would be unable to address systemic challenges. Transaction costs would be significantly higher, with high co-ordination and reputational risks – however, the value of targeting those left behind in the lowland periphery may warrant the additional costs.

62. Option 4 (Support National urban WaSH) would allow DFID to tailor the intervention to the hugely underfunded sub-sector (small and medium urban WaSH). But given that the World Bank and other donors are providing huge financing to this component, this option would not achieve the transformative scale of impact that DFID aspires to, and it will not strengthen DFID's resilience agenda. Therefore the urban investment option is not preferred compared to option 2 which focuses on CR WaSH, Institutional WaSH, Capacity building and systems strengthening. As highlighted in the strategic case above, the CR WaSH has strong links to our humanitarian portfolio and sustainability.

63. Therefore Option 2, offers the best opportunity to achieve short-term results and long-term transformational changes, ensures sustainability of service delivery and deliver the intended outcomes. This is the preferred option.

B3. Delivery Channels

64. This section sets out options for delivering the preferred Strategic Option. Each option is assessed against the following key issues:

- **Existing capability and capacity** of likely implementing partners to deliver the intended outcome and manage risks;
- **Developing future DFID capability:** where DFID has a strong comparative advantage or needs to develop skills in the future, DFID should consider 'making' part of the programmes i.e. undertaking the work with DFID staff resources. Alternatively, where DFID is not interested in developing these skills, does not have

the skillset and it would be cheaper to procure the services, then a 'buy' option should be progressed;

- **Cost drivers** and the scope to manage them: any factor that could cause a major change in cost (e.g. anticipated supplier/partner fees, competition, security, scale and scope, exchange rates);
- **Control over risk and delivery** as determined by opportunities available to measure and manage performance, and the scope to transfer delivery risk from DFID; and
- **Timing and resources** required before the programme can start, and implications on the timing of benefits.

Detail analysis on the delivery options against the above evaluation criteria as well as conflict risk and accountability is summarised in Annex 2.

65. This is followed by a Cost-Benefit Analysis of each option, seeking to identify, quantify and value the benefits over the programme period. Finally a VFM assessment is made, applying the three principles of Economy, Efficiency and Effectiveness, as well as assessing Equity.

Delivery Channel 1 – Delivery through the GoE (MoF) and TA procured through a hybrid model (comprising direct and indirect procurement)

66. How would this model work? DFID would transfer earmarked funds directly to the Government's Consolidated WaSH Account (CWA); funds would be used mainly for the CR WaSH component of the OWNPN (ring fenced for this pillar), with a proportion allocated for institutional WaSH, capacity building and programme management. It would be managed, distributed and utilised by GoE according to the Programme Implementation Manual (PIM) of the OWNPN. DFID would have oversight through regular joint monitoring missions and the OWNPN reporting system, as well as the World Bank supported fiduciary (*financial, procurement and audit*) social and environmental safeguarding processes.

67. The complementary targeted TA would be procured directly. Given the nature of the TA, the aim would be to procure a consortium with diverse skillsets.

Delivery Channel 2 – Delivery through UNICEF and TA directly procured

68. How would this model work? This is delivery through a third party in the form of UNICEF. DFID would transfer funds to UNICEF to support CR WaSH in Ethiopia. UNICEF's programme is partly aligned with the national OWNPN and partly separate from the sector-wide approach.

69. UNICEF would need to redesign its existing WaSH programme to deliver the intended outcomes of this intervention, namely climate resilience, and supporting institutional WaSH, capacity building and system strengthening. UNICEF would coordinate with the national One WaSH programme to ensure aid effectiveness. DFID would have oversight through regular joint monitoring missions and an agreed reporting system with UNICEF.

70. Similar to option 1, the complementary targeted TA would be directly procured, targeting a consortium of suppliers.

Delivery Channel 3 - Delivery through NGOs

71. How would this model work? This option is delivery through a third party NGOs. DFID would channel funding outside of GoE channels in support of a CR WaSH-focused programme in line with GoE priorities. The programme would fund inputs (construction/rehabilitation of CR WaSH facilities and expansion of institutional WaSH) and provide capacity building and system development. NGO-based delivery in WaSH was previously tried by DFID Ethiopia in the PDP Basic Services component which channelled its funding through an NGO consortium to address service delivery in the Somali Region. This approach, however, was not tested for national level delivery of WaSH programmes.

Design needs further consideration based on the existing national strategy, and the programme would need to be planned and implemented working closely with the Ministry of Water, Irrigation and Energy. DFID would have oversight through regular monitoring missions and agreed reporting systems with the NGO.

72. Similar to option 1, the complementary targeted TA would be directly procured, targeting a consortium of suppliers.

Delivery Channel 4 - Delivery through a fund manager

73. How would this model work? This would be direct procurement through a contracted supplier in the form of a fund manager. DFID would set up a fund, with a directly procured fund manager who would work with the Ministry of Water, Irrigation and Energy, the regions and non-state actors to deliver CR WaSH services, institutional WaSH, and capacity building of state and non-state actors working in WaSH. Under this option, DFID would agree a MoU with government stakeholders; the fund manager would be procured by DFID. Funds would be transferred from DFID to the fund manager and the Fund manager would then disburse funds to the Ministry, regions and non-state actors for agreed programme activities. DFID would have oversight through regular monitoring missions and agreed reporting systems with the fund manager.

74. Similar to option 1, the complementary targeted TA would be directly procured, targeting a consortium of suppliers.

75. Conclusion of Appraisal of Delivery Options: The appraisal of delivery options using the evaluation criterion summarized in annex 1 revealed that **Delivery Channel 1 (delivery through MoF/CWA using earmarked funding complemented by targeted TA) is preferred.**

Earmarked FA: Financial assistance will help to deliver results and continue to deepen engagement and influence with the Government of Ethiopia. The current trend is towards earmarked financial aid to ensure aid effectiveness and impact. Existing evidence suggest that earmarking should be at the level where the objectives of donors and partner governments genuinely align and that ex-ante conditionality should be abandoned as a mechanism for coercing reform. DFID Ethiopia envisages earmarked FA to GoE to ensure that CR WaSH, institutional WaSH, capacity development and system strengthening receive most attention in programme implementation. This approach was tested in Sustainable Development Goals-Pool Fund support for Sustaining and Accelerating Primary Health Care in Ethiopia (SAPHE) and is working. The Family Planning by Choice (FPBC) programme is also based on earmarked funding using a payment by results modality.

Targeted TA: DFID would provide targeted technical assistance to support the implementation of the national multi-donor CR WaSH and its transformation. It aims to leverage the impact of financial assistance provided and to use the influence built to drive transformational change. DFID would focus on specific themes as identified in its scoping study, annual reports from the current programme of support, and the most recent OOWNP Annual Report. The TA covers a spectrum of interventions, including:

- **Accelerating delivery of OOWNP** – by targeting the weaknesses identified above, with a focus on the low performing Developing Regional States, including: timeliness of disbursements; financial data; improving M&E; co-ordination across sectors; environmental and social safeguarding.
- **Demonstration and development of approaches to transform the OOWNP** – to influence key sector actors and stimulate changes in the OOWNP. This would target: climate resilience; utility performance and sustainability (including financial strategy).

- **Innovation and amplification to develop new approaches** that can demonstrate how WaSH can contribute to other development impacts. This includes: gender; job creation; conflict/governance; rethinking sanitation and hygiene.

B4. Theory of Change

76. As part of the theory of change thinking behind this intervention, the Business Case is based upon the following assumptions about the Ethiopian political-economy context:

1. Large, government-led programmes (such as the One WaSH National Program) determine the dominant sectoral activities and outcomes, so change and impact has to happen through them.
2. However, these programmes are like super-tankers – slow to change and inherently conservative and cautious in nature.
3. The Government of Ethiopia values practical action and partnership. They are more inclined to trust partners who have shown their commitment to Ethiopia's development pathway by investing in and supporting their agenda.
4. *Showing how something works in Ethiopia* is better than *telling people how* it could be done or simply replicating ideas from other countries without adapting to context.
5. We do not yet know the answers to some of the issues raised and gaps identified. Innovation, active experimentation and learning are needed to '*navigate by judgement*'.

The theory of change of the preferred option has three pathways to reach the intended outcomes:

1. Improved access to WaSH

77. Starting point: The OOWNP is working, but not as effectively, equitably or sustainably as it could. It is a proven delivery vehicle for WaSH. Therefore this intervention aims to use the existing system to deliver results, whilst seeking to facilitate the impact of financial assistance to improve the efficiency of the OOWNP through TA.

- **Inputs to Outputs:** If DFID provides funding to the CWA then the OOWNP will be able to construct or rehabilitate CR WaSH facilities in homes, communities and institutions. Community Led Total Sanitation and Hygiene (CLTSH) delivered through the OOWNP will reduce open defecation. Through its technical assistance to the OOWNP, DFID can strengthen the performance in DRS.
- **Outputs to Outcomes:** CR WaSH facilities will improve access to WaSH services in homes, communities and health/education facilities. As regards to water, the key outcome will be increased use of the water facilities as a result of the intervention. Increasing awareness of communities through behavioural change interventions will increase the number of Open Defecation Free kebeles (ODF). Improved performance in DRS will reduce inequality and support more inclusive development in Ethiopia.
- **Outcomes to Impacts:** The WaSH interventions will lead to enhanced climate resilience. In addition, improved access to WaSH in homes, communities and health/education facilities and increase in ODF kebeles will reduce incidence of diarrhoea, free up time for women and girls, and enable girls to manage their menstruation properly. This will improve public health and increase school attendance – across the whole country – thereby supporting a resilient economy, increased productivity and broad-based economic growth.

78. Assumptions: OWNPN continues to be an effective delivery mechanism. GoE will address staff turnover; GoE maintains commitment to drive climate resilient WaSH mainstreaming and development at national level under the One WaSH framework. GoE has agreed to earmark funding to CR WaSH pillar and DPs including the WB are working towards earmarking. There is sustained political support for equality and inclusive development.

79. Evidence: The OWNPN has proven to deliver results as demonstrated through its regular reporting, joint monitoring missions, including the recent one held in December 2018. As highlighted in the 2018 Annual Report, the OWNPN helped the construction, rehabilitation and expansion of 16,400 rural water supply schemes and completion of 27 town water supply systems, thus providing 3.87 million people (3.53 million rural and 0.34 million urban residents) with access to clean water from an improved source. It also facilitated and stimulated the construction of 1.1 million improved household latrines serving about 5.27 million rural residents in the program woredas^{xxvii}. Other development partners continue to actively support the CWA and OWNPN and the Minister of Water, Irrigation and Electricity is personally championing the climate resilience of WaSH mainstreaming in the OWNPN.

80. There is strong, systematic evidence for the development impacts of WaSH, including in DFID's own WaSH evidence paper^{xxviii} and multiple systematic reviews. The evidence that WaSH interventions will lead to accelerated reduction in diarrhoeal diseases (outcome to impact) is strong. There is good evidence that inadequate WaSH contributes substantially to the child mortality burden in Africa. Also, there is good evidence of additional health impacts of WaSH including: acute respiratory infections, undernutrition, soil-transmitted intestinal helminth infection (ascaris, trichuris and hookworm), schistosomiasis, Guinea worm and trachoma. A systemic review conducted in 2014 indicated the existence of evidence of association between sanitation and maternal mortality and between water and maternal mortality^{xxix}. A study on under-fives mortality in Somali Region identified source of drinking water as one of the key determinants and stressed the need to improve access to safe/piped drinking water^{xxx}. There is on-going research on the non-health impact on WaSH^{xxxi}. Limited existing evidence indicates that the non-health benefits of WaSH interventions are substantial^{xxxii}.

2. More sustainable access to WaSH

81. Starting point: The WaSH sector needs a transformative shift towards sustainability and ensuring permanent, quality, affordable services. This requires new approaches that need to be developed outside of the OWNPN, but will inform and feed back into the OWNPN over time as they prove their effectiveness. The 'answers' are not well-known, so a more adaptive approach is needed. This involves working collaboratively with local actors (regional governments in intervention regions; urban utilities; communities; Federal government; NGOs) – to identify problems and develop solutions together – iterating and refining them in response to learning.

- **Inputs to Outputs:** Technical assistance and action learning will support local actors to develop more resilient approaches to WaSH; stronger management and viability of WaSH utilities; and a sustainable financing strategy.
- **Outputs to Outcomes:** Effective new resilient approaches and models will influence the shape of the OWNPN and lead to more sustainable WaSH services.
- **Outcomes to Impacts:** More sustainable WaSH services will ensure that improved access is permanent and is resilient in the face of climate, population growth and time.

82. Assumptions: OWNPN is sufficiently financed to start shifting attention towards strengthening systems of service delivery as well as implementing first time-access to those unserved. The sector is open to new approaches and particularly to the participation of the

private sector. WaSH utilities are willing to adopt new business models. Continuous learning through M&E supports change and improves delivery.

83. Evidence: DFID has been adopting more adaptive programming and applying this learning^{xxxiii}, including through 'Thinking and Working Politically' and the 'Doing Development Differently' initiatives. Problem-driven Iterative Adaption (PDIA) is now recognised as an effective approach for addressing complex development. The adoption of the menstrual hygiene management approaches pioneered through DFID's One WaSH Plus programme has demonstrated how new approaches developed alongside the OWNPs can influence and change it. See management case for examples of learning areas this programme aims to target.

3. Continuous improvement

84. Starting point: The WaSH sector's culture of learning and improvement needs to be strengthened and supported to ensure continuous improvement of WaSH service delivery. This will be through adopting a continuous and reflective approach to learning (rather than just through regular reporting and evaluations).

- **Inputs to Outputs:** By using a participatory and action learning approach, local actors and the WaSH sector more broadly will develop a culture of reflective learning.
- **Outputs to Outcomes:** Assuming the sector is willing to change, and then this culture of reflective learning will strengthen the continuous improvement of WaSH service delivery.
- **Outcomes to Impact:** Continuous improvement of WaSH service delivery will ensure that the sector adapts and develops in response to future challenges and trends.

85. Assumptions: The sector learns from experience and is willing to change. Adequate monitoring and evaluation is in place to answer relevant policy and delivery questions.

86. Evidence: Learning is an integral part of adaptive programming and PDIA. The ICAI review into how DFID learns^{xxxiv} identified excellent learning as essential for UK aid to achieve maximum impact and value for money.

Input

Activities

Outputs

Outcomes

Impact

OWNP continues to be an effective delivery mechanism

OWNP is sufficiently financed

Sustained political support for equality and inclusive development

Financial Aid

Construction and rehabilitation of climate resilient water points and latrines delivery of CLTSH Construction of inclusive WaSH facilities (water points and latrines, incinerators, & MHM facilities)

Climate resilient water points, latrines, and handwashing facilities
Open Defecation Free(ODF) kebeles
Health facility and school water points, latrines, incinerators, & MHM facilities

Increased use of WaSH facilities as a result of improved access to WaSH through new construction and rehabilitation of WaSH facilities

System strengthening and capacity building

More efficient, effective & equitable
One WaSH national programme
Better absorption and performance in DRS, strong and effective delivery units both in rural and urban settings

More equal and inclusive progress

Technical Assistance

More Sustainable approaches to WaSH and service delivery:

- Increased resilience of WaSH services
- Stronger management and more viable WaSH utility business models
- Sustainable Financing Strategy
- Increased culture of Learning

More sustainable access to WaSH and continuous improvement of the service delivery

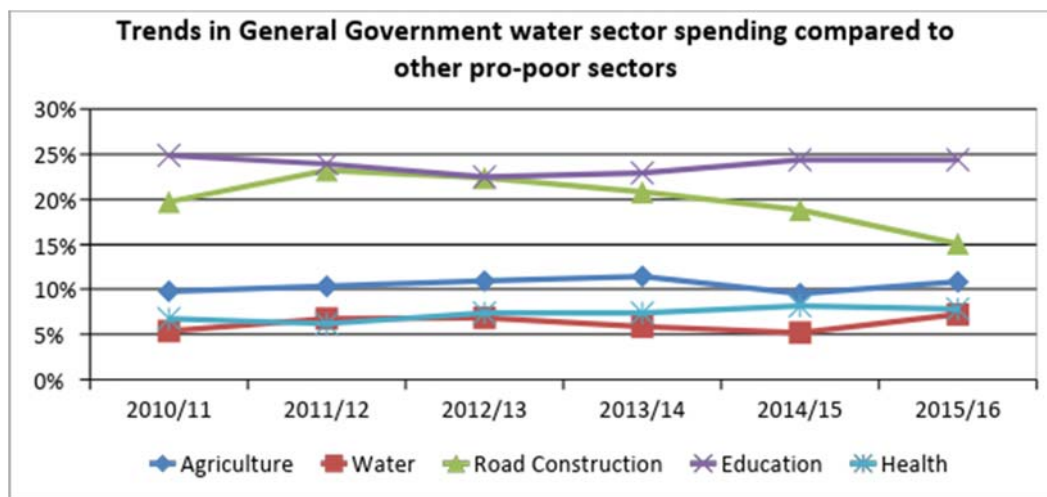
Action learning

Increased climate resilience, Improved health and human development, supporting a resilient economy, increased productivity, and broad-based economic growth

B5. What are the costs and benefits of feasible options?

B 5.1 Trends in WaSH spending

87. During the GTP I period, GoE's WaSH spending has increased in absolute terms. The overall water sector spend increased from £184.9 million in 2010/11 to £359.9 million in 2014/15 and further to £707.8 million in 2016/17. However, the sub-sector has the lowest share of total government spending (close to 7%) compared to other pro-poor sectors such as education which receives over 24% of government spending (see figure below).



88. The WaSH spend highlighted above does not include spending by NGOs, the community and others including the private sector. Although there is no consolidated time series data on NGO WaSH financing, existing data indicates significant contributions of NGOs in the WaSH sector in Ethiopia. For instance, in 2015/16 (during massive drought), water spend by 26 NGOs was close to US\$46 million. In 2016/17, water spend by seven main NGOs in Ethiopia was US\$23.8 million.

B5.2 Expected resource costs of the intervention

89. The total cost estimate for the One WaSH National Programme is £5 billion (US\$6.5 billion, over five years,). Of this, the government share accounts for 49%, development partners 31%, utilities 11%, communities 5% and NGOs 4%.

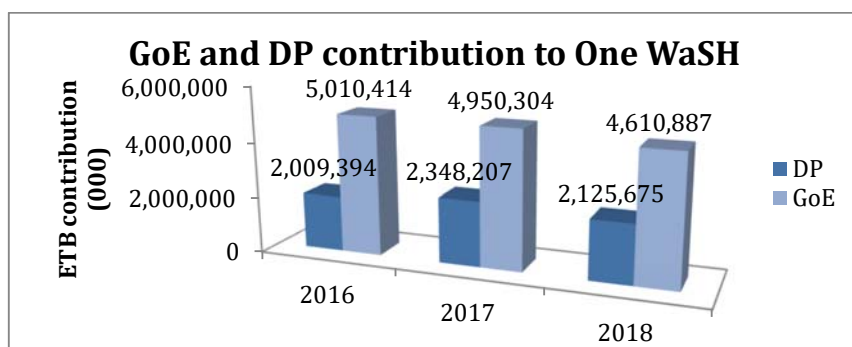
90. DFID envisages spending £95 million on Climate Resilient WaSH support. This DFID funding contributes 2% to the total funding need. Of this, £80million will be provided as non-budget support financial aid to the OWNPN, earmarked for investment in CR WaSH, institutional WaSH, Capacity building and system strengthening. The types of schemes in the CR WaSH are big, multi/village and multi/woreda schemes, which are resilient to droughts and which can serve much larger populations. The rationale for allocating more FA is that these types of schemes are more expensive than the conventional, non-CR small schemes, which also dry up quickly. See the below table for unit cost comparison.

Scheme Type	ETB	GBP (1ETB=0.02756)	Cost/beneficiary
Multi Village Scheme	17,000,000	468,485	60
Shallow wells	150,000	4,133.69	8
On Spot Spring	60,000	1,653.48	5.5
Hand Dug Wells	45,000	1,240.11	5.0

The other £15 million is allocated for targeted TA, which is expected to complement and enhance overall effectiveness of the Financial Assistance. For the cost benefit analysis, we assume a 5-year programme starting from 2019/20. The potential cost breakdown for each option is set out below.

The current BC has been strongly informed by previous DFID support which indicated a need to shift focus to reach the unserved in the most challenging climatic situations. The below tables indicates the trend in DFID funding versus GoE and other DPs.

Table: Trends in DFID support to the Ethiopian WaSH sector		
<i>Year</i>	<i>Total funding</i>	<i>Remark</i>
2008 - 2012	£76million	<i>The first DFID support</i>
2013 – 2018	£106million	<i>The ongoing programme</i>
2019 - 2024	£95million	<i>The new Business Case</i>



- Note: The deep in 2018 is due to the preparation for the phase two of the programme.

Table: Breakdown of DFID's Investment on Strengthening Climate Resilient Systems for Water, Sanitation and Hygiene Services programme in Ethiopia for each option (Million £)

	Option 1	Option 2	Option 3	Option 4
A. Investment in service delivery	79.20	72.00	68.00	64.0
B. TA programme delivery costs	13.50	13.50	13.50	13.50
C. Overhead	2.30	9.50	13.50	17.5
<i>Total Costs (A+B+C)</i>	95.00	95.00	95.00	95.00

B.5.3 Expected Benefits of WaSH Investment

91. The 2017 UN-Water's Global Analysis and Assessment of Sanitation and Drinking-Water (GLASS) report indicates that at global level government allocations and spending for WaSH are increasing, with an annual average rate of 4.9%. This is reported to have positive effects not only in the WaSH sector, but also in health, , education and economic development^{xxxv}. As mentioned evidence suggests that a wide range of economic, social and other benefits of investing in WaSH (poverty reduction, enhancing productivity & growth, time saving & increases in income, better health outcomes, improved school attendance, enhanced climate change adaptation, fostering peace, privacy and convenience). Economic studies showed that poor sanitation and hygiene cost African economies between 0.9% and 2.4% of annual Gross Domestic Product (GDP)^{xxxvi}.

Table: Benefits of Investment in WaSH

Monetised benefits	Non-monetised benefits
Direct health benefits: <ul style="list-style-type: none"> Reduction in deaths from Diarrhoeal diseases and acute respiratory infection (using WHO DALY estimation methodology) 	<ul style="list-style-type: none"> Reduction in stunting and wasting Employment impacts Privacy and convenience
Long-term benefit to the reduction of school days missed and enhanced resilience	Enhanced climate change adaptation
Economic benefits of: <ul style="list-style-type: none"> time saved productivity loss averted health care cost saved and diseases outbreak averted 	<ul style="list-style-type: none"> Fostering peace System strengthening

Health benefits

92. There has been increased recognition of the importance of safe drinking water, sanitation and hygiene to public health in general and the health of infants and young children in particular.

93. The key health benefit of WaSH interventions is a reduction in deaths from Diarrhoea. This is reported to be one of the top three causes of death and disability in Ethiopia^{xxxvii}. Globally, diarrhoea kills more children than any other disease apart for Acute Respiratory Infection (ARI) and there is strong evidence that most of these deaths are caused by inadequate water supply, sanitation and hygiene.

94. Improving WaSH is also considered to be critical in the effort to control and eliminate Neglected Tropical Diseases (NTDs) such as Trachoma. Reports indicated that 2.2 million people are affected by Trachoma. In addition, access to WaSH reduces infection by a third^{xxxviii}.

95. A report by Cannon Hygiene^{xxxix} shows that implementing improved hygiene through simple prevention methods such as soap and clean water can help to reduce the spread of pneumonia. It reported that where handwashing programmes have been implemented the number of pneumonia cases among children under the age of 5 has dropped by 50%.

Reduction in stunting & wasting

96. Nutrition specific interventions are making a direct contribution to reducing stunting and wasting. However such interventions alone cannot address the deficit in nutritional outcomes but require improved WaSH. Realising the potential of WaSH to reduce stunting and wasting requires a redoubling of efforts to achieve universal access to these services as envisaged under the Sustainable Development Goals^{xl}.

Non-Health Benefits

97. Time savings: In addition to their role in preventing disease transmission, improvements in water supply will lead to significant time savings for poor households as it helps to reduce the distance travelled to the water source. This will lead to the transformation of the lives of the women and children whose responsibility it largely is to collect water^{xli} (World Health Organization & UNICEF 2010). Researchers highlighted that these time saving benefits

alone provided sufficient economic justification for the investment costs of water supply without any consideration of the health benefits that may accrue^{xlii}.

98. Direct economic and employment impacts: Investment in water infrastructure creates economic opportunities for businesses directly involved in the design, engineering, and construction of water infrastructure. Evidence indicates that for every \$1 million invested in water infrastructure, it is estimated that **upwards of fifteen jobs are generated** throughout the economy^{xliii}. We aim to add to the evidence base on this through monitoring, evaluation and learning arrangements

99. Improved school attendance: It was estimated that one in three school-aged children in the developing world suffer from intestinal worms. A report by UNICEF indicated that diarrhoea is resulting in 272 million school days lost each year. Interventions that improve access to safe water at school level contribute to a reduction in school absenteeism in these countries.

100. Privacy and convenience: The other non-health benefits of sanitation include privacy and convenience afforded by improved facilities. There is now a growing literature that documents that lack of 'privacy and convenience' can lead to an increased risk of violence, physical, sexual or psychological, that is borne primarily by women. It is because of these risks that shared and public sanitation facilities have been found to be less preferable to women as compared with men^{xliv}.

Monetised benefits

101. By enhancing access to water supply, improved sanitation facilities and better hygiene practices, the investment is expected to generate significant economic and social returns to society and the country at large. A Global Study showed that a dollar spent globally on basic water supply, sanitation and hygiene will provide in return US\$ 3.5, US\$ 2.6 and US\$ 4.2 for water supply, sanitation and hygiene, respectively^{xlv}. The cost-benefit analysis summarised below is based on the following monetised benefits: direct health benefits in terms of reduction in deaths from Diarrhoeal and acute respiratory infection (ARI) diseases (monetised using the WHO DALY estimation methodology); a long-term benefit to the reduction of school days missed; economic benefits of time saved; productivity loss averted; health care costs saved; and disease outbreaks averted.

102. For this cost benefit analysis, several benefits were excluded due to difficulty in monetising those benefits, such as environmental benefits, the greater privacy and dignity associated with improved sanitation, and indirect health impacts such as health externalities of communicable diseases.

103. Although the TA component will enhance capacity at the Ministry of Water and regional water bureaus, we have not monetised efficiency savings from this component given the lack of robust quantitative evidence. It is worth noting that if all benefits could be monetised, the benefit-cost ratios would be significantly higher than those presented.

104. Monetised benefits will differ across options based on a range of factors including: the investment in service delivery; transaction and management costs; the aid effectiveness agenda; and the existence of safeguards for programme monitoring. Accordingly compared to Delivery Channel 1, monetised benefits of Delivery Channel 2, 3 and 4 are assumed to be lower by 10%, 15% and 20% respectively.

105. Assumptions: The economic benefits were estimated based on a number of assumptions. We assumed an average of 1.5 hours saved per day per household on water collection and 2.5 days per year saved from not having an available latrine; we conservatively assumed a 38% reduction in diarrhoeal illness in those that receive water, hygiene and sanitation and a 23% reduction in morbidity from ARI applied to the overall beneficiaries from hygiene and sanitation (based on the evidence summarised in DFID

Evidence paper). We assumed 2 school days to be lost per case of diarrhoea (based on existing empirical studies elsewhere).

Balance of costs and benefits

106. As the investment in WaSH (the FA) is being complemented by targeted TA which is expected to enhance the effectiveness to deliver the intended results, we considered the total investment cost (FA plus TA) in the cost benefit analysis. We used a 12% discount rate to generate the cost benefit estimates. The analysis summarised below suggests that Delivery Channel 1 will generate a significantly higher return (Benefit-Cost-Ratio of 1.78) compared to Delivery Channel 2 (BCR of 1.64), Delivery Channel 3 (BCR of 1.57) and Delivery Channel 4 (BCR of 1.49). So Delivery Channel 1 (delivery through MoF complemented by targeted TA), is the preferred option as it generated £1.78 return for each £1 spend on WaSH in Ethiopia, which is close to the global average of £1.85. These estimates are conservative and lower than the Global average returns found in previous studies. This was mainly due to the higher investment cost estimates used in this study and the inclusion of operation and maintenance costs in the analysis. In addition, it was associated with the complexity of delivering WaSH in Ethiopia, especially in the low land peripheries associated with geography, insecurity, capacity limitations, contractor availability etc.

CBA Measures	Delivery Channel 1 through MoF	Delivery Channel 1 through the UN	Delivery Channel 1 through NGO	Delivery Channel 1 through private fund manager
Estimated number of beneficiaries	1.15 million	1.03 million	0.98 million	0.92 million
Discounted benefits (£m)	180.32	162.28	153.27	144.25
Discounted costs (£m)	101.46	99.04	97.83	96.63
NPV (£m)	78.85	63.24	55.43	47.63
IRR	14.2%	11.6%	10.3%	8.9%
Benefit-Cost Ratio (BCR)	1.78	1.64	1.57	1.49

107. Sensitivity: The two largest components of the benefits are sensitive to assumptions made on the value of time savings and the value of deaths avoided. Time savings were calculated using only half of GNI per capita, making the assumption that only half of the time savings would be productively used. If time savings are valued at GNI per capita then the benefit stream for time savings doubles and calculated returns will increase. If we reduce the assumption of 23% reduction in deaths from ARI to 15%, the preferred option also generate reasonable benefits (BCR of 1.72). We consider the estimated CBA estimates as reasonable, even accounting for sensitivities associated with the assumed parameters.

Overall conclusion – a blended approach

108. Having considered the technical, CBA, VFM and equity considerations, it is clear that the different delivery options are suited for different outcomes:

Outcome 1 (Access) – is more predictable, and delivery modes are 'known'. This is therefore better suited to financial assistance, with some technical assistance to ensure that it is better targeted and more impactful in the identified drought prone areas, which are largely in the lowland periphery.

109. Outcome 2 (Transformation) – requires more agility and flexibility to both challenge and support the OWNPs. This outcome is better suited to technical assistance and learning through either a single contractor or a service provider/managing agent model with a required skill set.

110. Therefore a blended model is proposed, where **Delivery Channel 1** (financial assistance) is used to deliver results and continue to deepen engagement and influence with the Government of Ethiopia, but is complemented by **Delivery Channel 2** (technical assistance) that aims to leverage the impact of the financial assistance provided and to use the influence built to drive transformational change. To minimise transaction costs, a 2 component approach is proposed:

Component 1 (Financial Aid) – support to the OOWNP, through the Consolidated WaSH Account. Delivers Outcome 1:

Component 2 (Technical Assistance and Learning) – support to provide technical assistance for transforming the OOWNP, as well as to develop innovative approaches that can leverage other development outcomes. This component will also aim to build organisational learning, capture ‘what works’ and conduct monitoring and evaluation - which requires a learning skillset distinct from WaSH service provision. Delivers Outcome 2:

B6. What measures can be used to assess Value for Money (VfM)?

111. Although evidence is strong on the returns for investment in WaSH, VfM assessment using the 4Es framework is quite complicated as the cost of constructing WaSH facilities varies across regions and localities mainly associated with geography, contractor availability and programme management capabilities. The hydrogeological nature of Ethiopia is non-homogeneous and the unit cost/person varies as much as tenfold by region and scheme type for a drilled well in a remote hard-to-reach area. Due to the arid nature and scarcity of convenient water sources, remoteness and security issues as well as the limited pool of drilling contractors, the unit cost per beneficiary in arid and semi-arid regions can be very high compared to highland and small schemes.

112. As highlighted above, DFID funds in WaSH phase II will fund investment in the construction/rehabilitation of resilient water and sanitation facilities, training of WaSH staff at national, regional and local level, the cost of Information and Communication Technology infrastructure, fees for TA providers, travel costs etc.

113. Key VfM indicators to monitor include the following and the detail vfm indicators are shown in Annex.

- **Economy:** Proposed Indicators include: *cost of drilling a CR water facility; cost of hardware; staffing; procurement process; consultancy fees; training cost/ workshop costs; proportion of management costs from total programme cost etc.*
- **Efficiency:** Proposed indicators include: *number of water supply schemes delivered compared against the plan; proportion of schools and health facilities with water supply and sanitation facilities; utilisation rates against the planned expenditure; cost per water point constructed; cost per sanitation infrastructure built etc.*
- **Effectiveness/Cost effectiveness:** Proposed indicators include: *number of people with sustainable access to improved water supply through DFID support; number of people with sustainable access to an improved sanitation facility through DFID support; Benefit-Cost Ratio; cost per beneficiary reached, etc.*
- **Equity:** Proposed indicators include; *number of women beneficiaries; Number of schools and health facilities with separate latrines for girls and women with MHM facilities, Number of WaSHCOs with women leadership and 50% representation, Number of women groups supported by DFID funding for WaSH service maintenance, access to WaSH facilities by the disabled etc.*

B7. Summary Value for Money Statement for the preferred option

114. The qualitative and quantitative appraisal revealed that option 1 is the preferred option among the four delivery modalities. WaSH investment through a blend of earmarked FA and targeted TA offers value for money as more returns can be gained from the investments. In line with global evidence, there will be significant social and economic benefits of investing in WaSH: avoided deaths, time savings, averted productivity loss, improved school attendance etc. The CBA revealed that the investment will generate £1.78 return for each £1 invested in WaSH in Ethiopia. The preferred delivery modality will contribute to DFID's resilience and inclusive growth agenda, to DFID Business Plan and SDP results commitments, and to UK SDG commitments.

C. Commercial Case

C1. What are the preferred delivery options?

115. The preferred option is **Delivery through the GoE (MoF)** (supporting the next phase of One WASH National Programme through Targeted Financial Aid to the Government of Ethiopia) and Technical Assistance blend of directly and indirectly procured supplier. This will require two funding modalities;

Component	Implementing Partner	Instrument	Value
Financial Aid to the Government	Government of Ethiopia	MoU	£80m
Technical Assistance	Blend of direct procurement through contract and indirect procurement through UN agency	Contract and MoU	£15m

C2. Why is the proposed funding mechanism the right one for this intervention, and with this development partner?

Component 1: Financial Aid to the Government of Ethiopia

116. Financial assistance will be the largest amount of funding (84%) amounting £80m to be channelled through the GoE as earmarked non-budget support financial aid through the existing pooled fund Consolidated WaSH Account (CWA).

117. The largest share (77%) of the financial assistance investment will be earmarked for the Climate Resilient WaSH component of the OOWNP, with a smaller proportion allocated for Institutional WaSH (13%) aiming at improving the WaSH service provision at schools and health facilities and for capacity building (10%) across the various levels/government structure and system strengthening.

118. Government Capability: The government of Ethiopia has demonstrated its ability to manage funds responsibly and deliver results through the One WaSH National Programme and its pooled fund (Consolidated WaSH Account). The principle of One Plan, One Budget and One Report has improved value for money. A clear Programme Operational Manual (POM) sets out the processes, which are summarised below.

119. Reduced transaction costs: The OOWNP has lowered transaction costs for development partners by avoiding parallel separate planning implementation, and monitoring arrangements and using aligned and harmonised instruments. By directly financing the programme, DFID can have a high degree of confidence that results can be delivered and can do so with reduced setup and transaction costs. This modality also allows DFID to remain engaged with the OOWNP and to continue refine systems and processes drawing on the learnings gathered from the ongoing programme.

120. Robust fiduciary oversight: The pooled fund is managed by the Ministry of Finance and Economic Cooperation (MoF), which is an effective and proven partner in Ethiopia with its substantial improvement in procurement, internal controls/better safeguarding, a reduced transaction cost, low fiduciary risks, and public financial management systems. Clear financial management processes have been put in place to deliver the current programme. The World Bank leads on oversight of the fiduciary aspects which include procurement, financial management and audit. Accordingly the WB reviews for eligibility and other relevant aspects and provide clearance to GoE to proceed on procurements.

121. Transparent monitoring: There is also a well-established joint monitoring process, which includes both GoE and contributing DPs. Four joint missions are conducted each year, with detailed checklist including procurement, financial management and audit. The findings of the mission with a clear action plan are presented to the National WaSH Steering Committee (which DFID is a member of). The Financial Management Committee (chaired by MoF and with members from the contributing DPs and Implementing Ministries) follows up and provides guidance on all fiduciary aspects on a quarterly basis.

122. Performance-based release of finances: Disbursements are made to MoF on the basis of quarterly performance reports (financial and physical). All the prerequisites and the disbursement triggering elements are captured in the Programme Operational Manual (POM), the governing document for the overall programme implementation including fiduciary aspects.

C3. Procurement in the OWNP

123. The government will follow the well-established existing procurement plan used in the first phase of this programme, which has been proven to be effective. Following the completion of draft procurement plan by GoE, the World Bank, on behalf of the contributing DPs, will review the plans against the provisions in the programme operation manual previously agreed with DPs and GoE. Once the procurement plan is approved, MOWIE can proceed with the procurement processes. This practice will continue in this second phase with continued capacity building and systems strengthening at all levels.

124. The approved procurement plan also acts as a management and monitoring tool. All DP's and government will review implementation as per the approved work and procurement plans.

125. MoF, as a managing body of the pooled resource, will develop a clear audit follow up action plan for any irregularities, non-compliance and weaknesses captured in the Audit reports. The implementation of the action plan will be monitored through the Financial Management team chaired by MoF and composed of members from the GoE implementing Ministries and CWA contributing partners on a quarterly basis.

Partnership Principles Assessment

126. The 2018 Partnership Principles Assessment noted the political change underway in Ethiopia and the increased recognition of the importance of civil and political rights. It highlighted the Government's continued commitment to reducing poverty. We therefore judge that it remains appropriate to use targeted financial aid to improve the life chances of poor people in Ethiopia. This is also the most effective way to provide value for money for the UK taxpayer.

For all basic services including WaSH, the GoE demonstrates good commitment across all four principles. There are some areas of concern including ethnic conflict, violence in the different regions and forced return of IDPs, but we judge that appropriate plans and safeguards are being considered by the GoE.

Fiduciary Risk Appraisal

127. The fiduciary risk of making payments through GoE systems is judged to be moderate. The most recent Public Expenditure and Financial Accountability assessment (2014/15) ranked Ethiopia's PFM systems among the top 10 in Africa. DFID Ethiopia's 2015 FRA rated the overall fiduciary risk as moderate. The Annual Statement of Progress (ASP) completed in October 2018 confirmed that there is no major change to the fiduciary risk level. The next PEFA assessment will be completed in early 2019. This will provide the basis for in-depth fiduciary risk assessment in 2019. All UK financial support in Ethiopia is earmarked for specific programmes and aligned to clear, approved annual work plans, budgets, and results, each with strong controls and rigorous monitoring and oversight mechanisms. In addition to the Office level FRA, programme specific FRA is being done led by the WB. Following the findings of the assessment Fiduciary Mitigation Plan will be prepared to address the finding. The realisation of this plan will be monitored through the established biannual and intermittent joint monitoring missions. Key triggers for payment will also include financial performance and audit reports and follow up action plans reviewed and agreed by partners.

C4: How will CWA performance be managed?

128. The GoE and development partners have a well-established robust joint monitoring and performance management system in addition to the periodic reports for the first phase of the One WaSH National Programme. This new business case will be based on a similar arrangement. This includes, interim mission visiting sample districts/woredas and towns followed by a biannual regular Joint Supportive Supervision mission to all the regions where all DP's and the respective sector ministers including regional bureaus will join.

129. The joint review mission will assess programme performance management, assessing physical implementation, budget utilisation, and procurement in each region. Based on the assessment, the team will provide a consolidated Aid Memo clearly stating a follow up action plan at different levels. The joint mission is also expected to continue for this new programme. Using this well established capacity and system is a fundamental element to ensure sustainability and provides good value for money. MoF will also continue managing the CWA with a fiduciary, social and environmental safeguards oversight by World Bank on behalf of contributing partners including DFID.

C5. Procurement of the Technical Service Provider:

Component 2: Technical Assistance

130. A value up to £15m (up to 16% of total) will be used to procure a Technical Assistance supplier some flexible funding to support capacity gap assessment for DRS TA secondment and managing the adaptive learning evaluation results. The TA targets 5 outcomes:

- Increased resilience of WaSH services and government systems in Ethiopia
- Better delivery performance in the developing regional states
- Stronger management and more viable utility (rural and urban) business models for the delivery of sustainable WaSH services
- Sustainable financing strategy for the sector, including a more vibrant, effective and accountable private sector
- Increased knowledge of what works in Ethiopia for sustainable, inclusive WaSH services that deliver development outcomes.

131. It is not expected that a single organisation will have the full range of expertise, capacities and capabilities required to deliver these outcomes. Therefore DFID anticipates

procuring several suppliers to ensure impact through direct and indirect procurements to reduce transaction costs.

132. UNICEF has an established record of good performance through the management of the previous programme, the One WaSH plus programme where UNICEF has demonstrated good capacity and capability in delivering a complex programme. For the direct procurement route, we will gauge the level of interest, capacity and responsiveness for the required tasks from the private sector through an Early Market Engagement (EME) both in the UK and in-country which we will carry out as soon as this business case is approved.

C6. Options for the Delivery of TA component

133. Three options for delivering the TA component have been examined: **Route 1:** Direct procurement through a consortium of TA contracted supplier; **Route 2:** Indirect procurement through UNICEF; **Route 3:** Hybrid Model through UNICEF and a consortium.

134. Route 1: Direct procurement through a consortium of TA contracted supplier

Under this route DFID will directly procure a consortium of service providers through a competitive bidding procedure to mobilise the key expertise required to the TA provision.

Strengths:

- A new service provider with the right mix of expertise to deliver the various components of the new BC could be engaged.
- A market approach will allow value for money to be tested and encourage incumbent suppliers to improve their performance.
- This mechanism may offer good value for money by deploying a combination of local and international experts/ agencies with the relevant expertise for the TA area prioritised.
- More flexibility to hire a consortium of institutions than a single supplier, which gives opportunities for involvement of various institutions with unique strengthen specializations.
- New service provider offer opportunities to introduce new approaches and innovations.

Weaknesses:

- There is high risk of getting sufficient suppliers that can respond to all the TA deliverables.
- Establishment of a new TA arrangement with competitive procurement may take up to 12 months which in turn will significantly affect the achievement of desired results.
- This route may bring in a new provider that may require at least six months adapting to the Ethiopian settings.
- This option has relatively high transaction and administrative cost.

135. Route 2: Indirect procurement through UNICEF

Under this route DFID will sign MoU with UNICEF for the delivery of the overall TA.

Strengths:

- UNICEF has a strategic partnership with the GoE, strong track record in the WaSH sector and field presence from federal to woreda levels with an invaluable technical expertise.
- With this route, a MoU with UNICEF could be signed within three months to hire appropriate experts for providing some of the TA.
- UNICEF has demonstrated high staff capacity while implementing the current DFID funded One WaSH Plus programme.
- This route will help embed best practices from the One WASH plus component.
- UNICEF has engaged substantially as a lead implementing agency with other DFID programmes: Nutrition, Health, Refugee programme, and the existing complimentary support for the National WaSH programme. Thus, this route will reduce the learning curve since UNICEF is very familiar with the DFID rules and requirements.

Weaknesses:

- UNICEF may not have the right mix of expertise to provide the required tasks in the TA for the BC. Mobilisation of additional expertise by UNICEF for providing effective TA may take 9 to 12 months; direct sourcing might limit the skills and expertise available in the market and compromise meaningful competition.
- Our ability to influence a multilateral agency through a MOU is vastly reduced compared to a contractual agreement with either a Private Sector Organisation or NGO.

136. Route 3: Hybrid Model

The hybrid model would 1) Use UNICEF for a specified area of the TA (such as Urban utility system strengthening and directly managing secondment to DRS) and 2) Contract part of the TA to the private sector through a competitive tendering exercise. The specified area of TA for the consortium includes; rural utilities system strengthening for multi –village schemes, analytical skills developments for key sector experts, financing strategy development, deep dive learning evaluations and managing innovative supplies for Menstrual Hygiene management. A ToR would be drafted to identify and outline the parts of the TA that would be contracted to the supplier. And UNICEF will be required to prepare and submit a proposal for the TA activities that they will handle. UNICEF will design its proposal as per the clear criteria and guidelines that will be given from DFID E.

Strengths:

- This model will ensure both competitive and transparent procurement processes which will enable better value for money and will give the opportunity for scaling up from DFID's existing complementary programme and learn from best practice.
- Better able to control/govern the programme performance through the use of a mixed model of MoU and contract and a greater ability to hold delivery partners to account.
- A good opportunity to mobilise the required skillsets and capacity to effectively deliver the TA tasks by bringing in new bidders to form a consortium of suppliers.
- UNICEF has a strategic partnership with the GoE, strong track record in the WaSH sector and field presence from federal to woreda levels with an invaluable technical expertise.
- With this route, a MoU with UNICEF could be signed within three months to hire appropriate experts for providing TA.
- UNICEF has strong proven capacity.
- This route will help embed the best practices of the One WASH plus component and provides an opportunity for continuity.
- UNICEF has long established experience of DFID rules and requirements.

Weaknesses:

- High internal resource capacity to manage the various components of the programme (incl. three agreements, various reporting, missions and payment schedules).
- Higher transaction costs of having two distinct procurement processes.

- Risks lack of cohesion between UNICEF and the technical service provider

C7. Conclusion on TA modalities

137. On the basis of the above considerations, DFID Ethiopia has concluded that Route 3: **Hybrid Model through an arrangement with UNICEF for a given element of the TA and contracting a consortium of service provider would deliver the best value for money.**

138. *The rationale for choosing the hybrid approach is outlined below:*

- The required range of skillsets and expertise will not be obtained from a single supplier. Exercising a competitive tendering process will ensure that a business as usual approach is not taken.
- DFID may not receive enough bids to deliver the TA if distinction is not made between the various strands of work. A hybrid approach will enable us to better control, govern and manage the implementers' performances according to their arrangements: the MoU through the deliverables would enable us to control UNICEF's performance and the binding nature of the contract would allow us to control the supplier's performance.
- As the TA is designed to facilitate best delivery of the FA for CR WaSH, DFID will ensure that there is synergy and coordination between the two TA activities to be implemented both by UNICEF and the Consortium supplier through a three-way (DFID - TA teams - GoE) regular engagement.
- There is an opportunity to partner with the centrally managed CR WaSH Technical Assistance as both TAs are oriented towards better delivery of CR WaSH pillar of the programme.
- This TA will also have the opportunity to collaborate and benefit from the partnership with the GEQIP E TA as well as from the centrally managed Girls' Education Challenge Programme in promoting safe space for girls at schools.

139. *Monetised VFM considerations for UNICEF selection:*

The UNICEF intervention was cost effective and efficient because the administrative cost that DFID incurred was 7% of the total grant amount (£22 million over 5 years i.e. £1,5million from the One WaSH Plus. This amounts to a yearly admin cost of £308,000 and a monthly cost of £25,667.

- In contrast, the expected costs for the Programme Management Unit of the new service provider are expected to be higher than the UNICEF monthly administrative cost. The estimated costs for main cost drivers for the PMU are as follows:
 - We used the Enhanced Integrated Advisory Facility (EIAF) as an example for private sector provider costs. EIAF is a large Technical Assistance programme, providing support in Business Climate fields (such as investment and energy), and is therefore not directly comparable to a WASH programme, but given the size and TA focus it can provide a rough indicator. EIAF spent £13.4m on deliverables in 2017, and £1m on the Project Management Unit (operated by the same private sector provider as the TA). This means the PMU cost was equal to 7.8% of deliverables spend. However, if 'deliverables' are disaggregated into 'technical project resources', 'project expenses' and 'administrative project resources', and the latter two are bundled together with the PMU as admin spending, then the overall admin ratio is higher: 26% of programme spending went on admin, support and expenses as of June 2018.
 - Start-up costs are also expected to incur such as; office set-up costs, office equipment, facilities, travels etc which are the main cost drivers.

140. GoE will be engaged in the process for both direct and indirect approach. This will provide confidence that UNICEF and the successful bidder for the direct approach can work effectively with GoE where required. Coordination between the two TA implementers will be

ensured through a three-way (DFID-GoE- TA team) monitoring and follow-up mechanism that will be put in place. A well written proposal and Terms of Reference will be critical to a successful procurement.

C8. What assurance do you have about the organisation's capability and capacity to deliver?

141. In the preferred model, the bidding process will allow DFID to evaluate providers against the required capacity and capability specified in the ToRs which will be identified both by GoE and DFID. GoE jointly with DFID will participate in the technical evaluation panel. The Early Market Engagement will provide the forum for potential suppliers to reflect their understanding and responsiveness to the ToR which will be the testing ground for their capacities and an opportunity to assess whether the market is sufficiently strong to deliver. Moreover, it will give an opportunity for the suppliers to identify capable consortium members through the demonstrated skillset.

142. Currently, UNICEF has a strategic partnership, strong track record and field presence from federal to woreda levels with an invaluable technical expertise and strong buy in by the Ethiopian Government. UNICEF has demonstrated their capacity from coordination to implementation levels through their well-equipped staff and senior programme management while delivering the current One WaSH programme. This capacity in the sector is expected to enhance the smooth programme implementation.

143. In addition, the tender procedure will be used to increase cost transparency, potentially through the use of open book contracting and the use of maximum profit clauses. The evaluation criteria will be split between technical and commercial criteria designed to provide real insight into how the provider will actually deliver the service and add value to the contract, together with detailed focus on cost, profit margin, transparency and performance - based payment mechanisms.

144. The main TA costs will be fee rates for consultants and their accommodation and travel; training, workshops, materials and digital equipment, data collection, field monitoring visits, and reporting; and embedding the programme in local systems and structures. There will also be product procurement costs for menstrual hygiene product procurement.

C 9. How will the Technical Service Provider performance be managed?

145. The Technical Service Provider will have a four-year milestone based contract with a break at the two years, the remaining two outer years to be adjusted based on performance. The milestones will be outlined during the procurement phase. The milestones will be adapted to the different types of deliverables expected at various stages of the programme implementation.

146. DFID will sign a MoU with UNICEF as well as a contract for the provision of the TA. Management of the contract and MoU will be the responsibility of the DFID Senior Responsible Owner (SRO), with support from the Programme Officer. Support on management of the MoU will also be provided within the DFID Ethiopia Human Development team with input from the Deputy Programme Manager and other Cross-cutting Advisers as well as DFID central Procurement and Commercial Department. The SRO with the support of the Programme Officer will review and approve work plans and deliverables. The payments for the technical service provider will be made quarterly linked to milestones validated through quarterly performance reports including finance. Payment for UNICEF will be made annually based on a performance report.

D. Financial Case

D1. Programme investment & funding allocation

Sources of Funding: Who are the recipients of all proposed payments?

147. 84% of funding goes to GoE to support the implementation of resilient WASH facilities. 16% of the funding will be allocated for Technical Assistance to be delivered by UNICEF and a consortium of technical service providers.

148. The programme will cost £95 million over five years from 2019/20 to 23/24. The programme will be funded from the DFID Ethiopia Programme resource allocation and will be in line with the current and future DFID Ethiopia Business Plan. £20m is expected to be spent by the end of the current spending review period. HMT's approval will be requested as per DFID guidance for £75m which will fall beyond the current spending review period ending in March 2020.

The indicative financial disbursement in this BC is summarised as follows;

Annual disbursement breakdown (in £ million)						Total
	2019/20	2020/21	2021/22	2022/23	2023/24	
C1: FA through MoF MoU	20	15	20	15	10	80
C2: Technical assistance (TA)		3	5	3.5	3.5	15
Total disbursement	20	18	25	18.5	13.5	95
C1: RDEL apportionment (20%)	4	3.6	5	3.7	2.7	19
CDL apportionment (80%)	16	14.4	20	14.8	10.8	76

D2. Financial Aid

149. DFID will provide up to £80m Earmarked Non-Budget Support FA to the GoE through the well-established One WaSH pooled fund the Consolidated WaSH Account (OWNP CWA) managed by MoF.

150. Disbursement to the FA will be performance based. It will be linked to the comprehensive and approved annual work plan and approved Interim Financial Report (IFR). These documents will be primarily reviewed by the World Bank (WB) as lead agency for fiduciary oversight and also by pooled fund DP's including DFID. This will then be approved by the National WaSH Steering Committee composed of Ministers from the four WaSH sector Ministries (Ministers of Water, Health, Education and Finance). The Programme Operational Manual (POM) and the Financial Management Manual (FMM) will contain detailed information on the procedures to be followed and the triggering points for the disbursements.

D2a. How will it be funded: capital/programme/admin?

151. The majority of the spending (80%) will be categorised as capital and 20% as resource. The capital spend will largely focus on construction of CR WASH facilities at community, in schools and Health facilities. The assumption for the allocated percentage takes into account the experience from the existing One WASH programme.

D2b. How will funds be paid out and expenditure monitored?

152. The World Bank, on behalf of other contributing partners will play the leading role in reviewing and approving the financial management and procurement processes.

153. Funds will be disbursed to the One WaSH Consolidated WaSH Account managed by Ministry of Finance and Economic Cooperation. While the fund is channelled through the CWA the funds/resources will be ring fenced for the CR WaSH component of the programme. MoF will then disburse funding to the implementing ministries and their respective regional bodies based on the requirements and triggering elements outlined in the Programme Operational Manual (POM) which includes submission of consolidated quarterly Interim Financial Report (IFR) from MoF. The IFR shows the utilisation and the required cash flow need for the next two quarters. WB on behalf of DP's will review the financial report and the call of funds to ensure there is no advance of need disbursement and the appropriateness of the requested amount. All fiduciary aspects are monitored through the quarterly joint missions being supported with quarterly financial and physical reports. In addition a composition of financial and technical team from MoF and Pooling partners will have regular meetings to discuss and resolve any disbursement and Financial Management related issues basing the quarterly IFR. This has been the well proven and established fund management and monitoring system over the last five years of implementation of the current One WaSH Programme. It is expected that the new business case will benefit from this established system and will continue to use the same practice and arrangement. A diagram showing the fund flow is attached as annex 4.

154. The CWA POM is the main guiding document for both the government and DP's. The document outlines all the planning, implementation, monitoring and financial management arrangements including triggering elements of subsequent disbursement. In addition, the FMM exclusively prepared for the programme, clearly guides how the financial management, planning, procurement, monitoring, review, audit and reporting will be carried out. Furthermore, the programme monitoring mechanisms are explained in detail in the management case. The POM will specify the total amount that contributing partners will make available for the CWA.

155. DFID's annual/biannual CWA disbursement will be in line with the POM and the MoU signed with MoF. The MoU will set out the disbursement schedule as well as the terms and conditions under which DFID's contribution will be made available and used. Following the periodic IFR review which is quality assured by the WB on behalf of contributing DPs, MoF will submit a Payment Request to DFID before any payments are made.

156. DFID will continue to take account of the country and programme level assessments of the GoE's commitment to the Partnership Principles Assessment (PPA) before disbursing funds.

157. GoE Internal Audit Departments will audit their financial transactions of the CWA and assess whether budget utilisation is in line with the intended purposes. Findings of the internal audit will be inspected by their internal inspection department who will follow up on the audit recommendations noted by the audit reports, provide training, and take corrective measures. The requirement regarding regular internal audit and development and implementation of a plan to address audit findings is specified in the existing CWA-POM.

158. In addition the Federal Auditor General (OFAG) of Ethiopia mandated to conduct external audit of government entities will audit the CWA annually and produce audit reports.

D2c. What is the assessment of financial risk and fraud?

159. The country's public financial management system, which has been evolving over the years, is judged to be good. Fiduciary risk in general and corruption risk in particular is considered to be 'medium' in Ethiopia compared with other countries at a similar stage of development. The DFID Ethiopia's 2015 FRA rated the overall fiduciary risk as moderate. The Annual Statement of Progress (ASP) completed in October 2018 confirmed that there

is no major change to the fiduciary risk level. As indicated above, DFID has already initiated PEFA assessment in collaboration with GoE and other Development Partners which will provide the basis for in-depth fiduciary risk assessment in 2019.

160. The most recent Annual Statement of Progress (ASP, 2018) rated corruption risk as substantial. However, the corruption risk in the basic service sectors (education, health, and WaSH) is judged to remain moderate as indicated in the same report. The leakage in the basic service delivery is believed to remain minimal. We have built strong monitoring systems to help identify risks and mitigate them. DFID Ethiopia's refreshed Anti-Corruption Strategy has included some action plans on how to engage with different actors and how to check corruption risk in the sectors. This includes working closely with the Anti-Corruption Commission and also broadening our engagement with GoE including at top political level.

161. In addition, as part of the POM revision the FRA is being prepared. Following the completion of the FRA, the government will develop a fiduciary risk mitigation plan based on the recommendation of the assessment.

D3. Technical Assistance

D3a. What are the costs, how are they profiled and how will you ensure accurate forecasting?

162. The largest cost of the technical assistance budget will be fee rates for consultants and associated travel, accommodation, workshops, secondment costs, report production, hardware procurement (which includes menstrual hygiene products) as part of system strengthening, skill development trainings and other related expenses to TA activities (including administrative costs). The TA budget also includes the WB oversight cost.

163. The UN Agency will submit proposal on the implementation modalities and DFID expectation will be clearly set out at that stage. DFID will sign a MoU with payment schedules outlined at the beginning of the programme.

164. For the technical service provider DFID will sign a contract based on milestones broken down by quarterly deliverables with expected payments to ensure accurate forecasting. The regular supplier and contract management discussion with the supplier will be used to monitor expenditure trends against forecasts. This will enable accurate budget profiling and forecasting throughout the implementation.

165. Rigorous forecasting, monitoring and accounting of expenditure will be ensured using DFID financial management systems, ARIES & AMP.

166. The TA amount also includes about £1m for oversight costs for the WB which will be shared among contributing DPs. The cost-sharing agreement will be formalised with the Externally Financed Output (EFO). Payment will be made annually based on annual performance reports from the WB.

D3b. How will the Technical Assistance (TA) Provider's performance be managed?

167. The MoU to be signed with UN Agency will have a 5 years agreement with a breakpoint after 2.5 years and the outer years will be adjusted based on the availability of funds. Management of the MoU and work plan and deliverables will be the responsibility of the DFID SRO supported by the Programme Officer and Deputy Programme Manager.

168. Both narrative and financial reports will be submitted by the consortium service provider prior to effecting quarterly milestone payment. In addition, there will be quarterly joint (DFID, TA team and government) monitoring meetings to follow-up implementation. Annual narrative and financial reports will be received from UNICEF which will be the basis to

monitor performance. In addition, joint field monitoring missions will be used to monitor the performance of both the TA team including UNICEF.

D3c. How will The TA be funded: capital/programme/admin?

169. The TA will be funded largely through programme resources budget but will also have some capital spend element.

D4. How will DFID manage the fiduciary risks associated with Non Budget Support Financial Assistance through the CWA and through the UN Agency?

DFID will manage the fiduciary risks associated with funding through FA and the TA;

D4a. For the FA:

- As delegated by all contributing partners, WB will review the annual work plan and budget that will be submitted by the National WASH Coordination office;
- Four supervision missions led by the World Bank- will be carried out to assess fiduciary performance (procurement, financial, audit) every year besides the social and environmental assessment;
- MoF will submit IFR to be reviewed and scrutinised primarily by the WB with participation from contributing partners;
- The FM technical team from the respective DP's will set and discuss on the budget apportionment;
- Internal and external audit will be carried out by the recipient agency and pooling partners will review and provide inputs on the audit recommendations, which will be followed up with a clear plan of action.

D4b. For the TA component:

- The MoU will clearly identify, mitigate, and report fiduciary risks ;
- By following DFID's rules and regulations, UN Agency's due diligence assessment will be conducted ;
- Payment invoices and expense reimbursement requests for the contract will be scrutinised by DFID team before payment approval;
- Robust monitoring of performance will be made through periodic progress and financial reports and monthly meeting at initial stage of the programme implementation for the TA team including UNICEF.

E. Management Case

E1. Management Arrangements;

170. The new programme (both TA and FA) will be managed in-house rather than by a management agent. This is justified because:

- It will be easier for DFID to establish and maintain strong collaborative relationships with the relevant Ministries (in particular the Ministry of Water, Irrigation and Electricity) and other key stakeholders, ensuring that DFID requirements are clearly adhered to, and that any potential course corrections of off-track programmes are made quickly;
- There is an established system for the overall programme governance drawn from GoE and DPs;
- It will ensure that lessons learnt are used to inform the continued implementation of both this and other DFID WaSH programmes, higher level WaSH policy

decisions, and practice in other key sectors (including health, nutrition and education) with minimum delay;

- It will save DFID management agent costs, enabling a larger proportion of the funding to be channelled directly into programme delivery.

171. DFID Ethiopia's Human Development Team will ensure that adequate staff resources are in place to provide the following level of management oversight and technical support.

172. On top of the full time input of the SRO and the programme officer, the following members of the Human Development Team will have an input in managing the programme:

- A B1 Deputy Programme Manager to oversee the overall program management aspect with 20% input. The A1 Team Leader will also support delivery, taking strategic decisions and providing a senior platform for negotiation with programme partners (10%);
- An A2 Results & Evaluation advisor will quality assure M&E processes and the validity of results with a 5% commitment; and,
- An A2 Governance Advisor/and or Conflict advisor will provide support on political economy issues with regard to the programme with a 10% commitment.

173. As indicated in the Appraisal and Commercial sections, the programme will have two complementary components. **Component 1, Non-budget support Financial Assistance to GoE and Component 2:** Technical Assistance.

The programme has well-established governance and management arrangements:

- i. **The National WaSH Steering Committee (NWSC)**, chaired by the Minister of MoWIE, with membership from key state ministers and contributing DPs including DFID. This provides overall oversight and strategic guidance and approves annual budgets and plans.
- ii. **The National WaSH Coordination Office (NWCO)** is housed in MoWIE and coordinates plans, reports and monitoring missions from the four sector Ministries. A sister body exists in all programme regions to coordinate regional programme planning and monitoring.
- iii. **The Programme Management Units (PMUs):** These units are established at each of the sector Ministries and Regional bodies responsible for the monitoring of the implementation of the respective sectoral plans (Finance, Water, Health and Education).

E2. Risks

174. The overall risk of the programme is rated as Moderate. Key risks and the corresponding mitigation measures are attached in Annex 3. The World Bank as lead agency for oversight of the fiduciary, social and environment aspects of the programme will be responsible for monitoring associated risks. In addition, DFID will use the risk matrix to regularly monitor all risk elements at the programme level and will continuously engage with World Bank and other CWA DPs. The well-established joint monitoring missions will be used as another mechanism to follow-up and monitor all risk elements mentioned in the risk matrix in Annex 3.

175. The SRO, the Programme Officer and the Deputy Programme Manager for the WaSH programme will work jointly with Development Partners as well as implementing partners to closely monitor and manage the identified risks. Whenever required, unexpected risks will be escalated both to DFID and Government management.

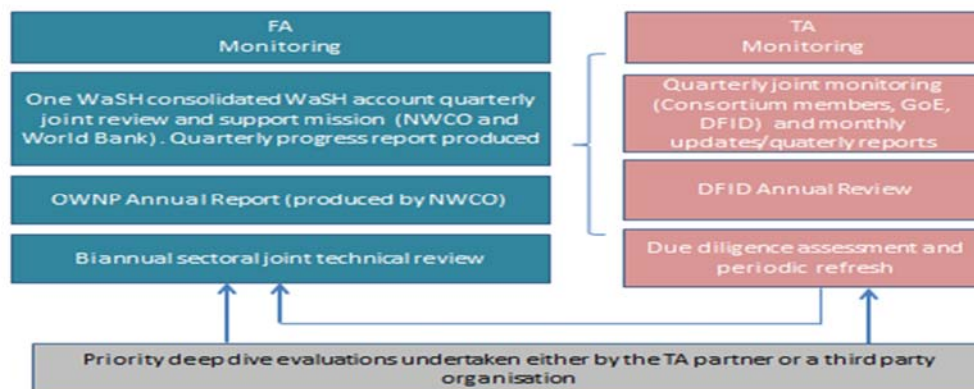
176. The SRO and programme management staff will internally review and manage the identified risks on a quarterly basis. The risk register will also be formally reviewed during annual review periods annually and changes recorded.

E3. Monitoring and Verification

177. Comprehensive monitoring and verification of WASH results at output and outcome level is critical to ensure that DFID, GoE, and other implementing partners know if:

- individual sub- components are on track to meet their milestones and targets, in terms of outputs and outcomes, with due emphasis placed on equity, sustainability and climate resilience;
- aggregated results meet expectations, maximising the contribution towards a sustained impact;
- the results reported are verified, credible and properly disaggregated in line with the agreed results framework; and,
- VFM is being used to assess and strengthen performance.

178. The programme log frame will be the primary tool to monitor overall programme performance. In addition the following well- established monitoring systems will be used for continuous monitoring of the programme progress (see diagram):



179. Monitoring Systems;

- For the Financial Assistance:
 - **One WaSH Consolidated WaSH Account quarterly Joint Review and Support Mission:** This is led by GoE through the National WaSH Coordination Office and co-lead by World Bank as a lead agency for the oversight on behalf of DPs. We envisage maintaining this system of oversight and reporting.
 - **One WaSH Consolidated WaSH Account quarterly Progress Report:** The National WaSH Coordination Office produces quarterly progress reports consolidating the performance report from Water, Health and Education sectors, including financial performance from MoF.
 - **Overall OWP Annual Report.** The National WaSH Coordination Office with the support of DFID funded TA (Coffey international) produces the Annual Performance Report, including the performance of OWP CWA as one of the main instruments supporting the overall programme.
 - **Biannual Sectoral Joint Technical Reviews:** A monitoring mission where all programme performance including the part supported by the pooled fund is monitored and reviewed.
 - **Annual WaSH Multi-Stakeholders Forum:** An annual platform which reviews annual sectoral performance and discusses key sectoral issues.

- Technical Assistance:
 - **Quarterly Joint Monitoring:** Building on the current practice, quarterly joint progress monitoring meetings will be used to monitor the performance of the agreed milestones under the TA.
 - **Flexible and adaptive:** It will be essential that the DFID-E programme team allocates sufficient programme team time to ensure a truly adaptive and flexible approach is taken on the TA component.
 - **Due Diligence Assessment:** Will be carried out including periodic monitoring of the recommendations of the DDA.
 - **DFID Annual Review:** Will review the performance of the support against the milestones that will be set in the One WaSH II logframe. A beneficiary feedback approach will be included.

Evaluation Strategy

180. Several important opportunities for lesson learning and evidence generation are presented by this programme as well as an opportunity to guide live implementation and policy making for the programme through flexible and adaptive M&E arrangements. Priority evaluations, using a range of evaluation methods, will be undertaken by the TA consortium. Evaluation and flex/adapt monitoring skills will be key requirements of the TA consortium. DFID will retain a critical role in setting evaluation questions; ensuring rigour; and undertaking quality assurance as well as facilitating sharing of the evidence which is generated.

181. Research priorities for this programme include:

- To what extent is this programme successful in taking an iterative approach to delivery?
- What are the key drivers of inefficiencies in the system? Are the blockages institutional, technical, related to financial sustainability, the supply chain, capacity at a local level to repair water programmes, or other issues?
- Evaluating the effectiveness and impact of WaSH committees. Is membership representative of the community? Are communities really included in WaSH decision making at a kebele and woreda level?
- Evaluating the effectiveness of service delivery. Is it tailored appropriately to the community in question (in particular to lowland areas that have specific needs)? Is regulation of the WaSH construction industry satisfactory (in particular is there evidence of malpractice like price inflation or nepotism)?
- What evidence is there that monitoring data is systematically collected and used to improve services?
- What evidence is there that the programme is making WaSH more gender equitable?
- What evidence is there that programmes are creating risks for local communities? (E.g. contamination, groundwater depletion, conflict between upstream and downstream users, land acquisition).
- What systems are in place to adequately document and respond to, and in the future, prevent such issues?
- What health benefits accrue from WaSH interventions? Can these be monetised

F. END NOTES

ⁱ WHO (2016) Global Burden of Disease, Ethiopia country data. IHME

ⁱⁱ The evidence base for this is currently thin, however a large study in South Africa, Ghana and Vietnam (published in the Journal of Global Health, doi: 10.7189/jogh.08.010406) concluded that participants that carried water more frequently reported pain in location associated with sustained spinal axial compression in the cervical region

ⁱⁱⁱ Aduugna A, Dery M, Gomme J, Kalimuthu A, Kasilillah H, Kebede M, Owusu E, Radha N, Maganga S, Saywell D (2001) Looking back: participatory impact assessment of older projects. London: Water Aid.

^{iv} Ethiopian Education Management Information System (EEMIS), 2017

^{vv} DFID (2013) WaSH Evidence Paper

^{vi} Freeman, M. C., Greene, L. E., Dreibelbis, R., Saboori, S., Muga, R., Brumback, B., & Rheingans, R. (2012). Assessing the impact of a school- based water treatment, hygiene and sanitation programme on pupil absence in Nyanza Province, Kenya: a cluster-randomized trial. Tropical Medicine & International Health, 17(3), 380-391.

^{viii} WHO (2010) Vision 2030: The resilience of water supply and sanitation in the face of climate change

^{ix} Atlas of Economic Complexity. Accessed 5 July 2018.

<http://atlas.cid.harvard.edu/explore/?country=73&partner=undefined&product=undefined&productClass=HS&startYear=undefined&target=Product&tradeDirection=import&year=2016>

^x Climate Planning Assumptions as set out in Ministry of Water, Irrigation and Energy (2015) Climate Resilience Strategy for Water and Energy

^{xi} WHO (2010) Vision 2030: The resilience of water supply and sanitation in the face of climate change

^{xii} UNICEF WaSH Climate Resilient Development: Strategic Framework

https://www.unicef.org/WaSH/files/Strategic_Framework_WEB.PDF

^{xvi} World Bank Group (forthcoming) WaSH Poverty Diagnostic, Ethiopia.

<http://www.worldbank.org/en/topic/water/publication/WaSH-poverty-diagnostic>

^{xvii} WHO/UNICEF (2015) Progress on Sanitation and Drinking Water, 2015 Update and MDG Assessment.

<https://WaSHdata.org/sites/default/files/documents/reports/2017-06/JMP-2015-Report.pdf>.

^{xviii} OWNPN Annual Report EFY2009

^{xix} World Bank, Ethiopia Urbanisation Review

^{xx} <https://icai.independent.gov.uk/report/WaSH/>

^{xxi} Note that the centrally-managed programme will channel Financial Aid through the Climate Resilient Green Economy Facility in MOF, with implementation undertaken by line ministries (predominantly MOWIE and MoH). Although activities will be closely aligned with OWNPN, the financing channel is different to the CWA. This is because the centrally-managed programme also aims to support CRGEF's capacity in managing and accessing climate funds (for example, to enable Ethiopia to access increased future financing from the Green Climate Fund).

^{xxii} Markets for the Poor Operational Guide <https://beamexchange.org/resources/167/>. Approaches in Ethiopia before have been to import material customs free through the UN system and then use livelihoods approaches for hand-sewn sanitary pads. This is not a sustainable approach - mass-market production will be of higher quality, wider availability and probably lower cost.

^{xxiii} See Effectiveness, scale and sustainability in WASH programmes: a review 2013 by Ben Taylor, Springfield Working Paper.

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- xxiv See the Cairncross and Shordt Valdmanis (2006) A study of hygiene interventions in 8 countries for 9 years – these found that behavioural change can be sustained and Wilson and Chandler (1993) noted that soap given free was still used after the free distribution stopped with behavioural change work a key driver
- xxv Department for International Development, Ethiopia: Somali Region Peace and Development Programme: Business Case, 2011
- xxvi World Bank, Project Appraisal Document on a Proposed Credit for the Second Ethiopia Urban water Supply and Sanitation Project, March 2017.
- xxvii One WaSH National Program – Consolidated WaSH Account (CWA) Annual Report August 2018
- xxviii Department for International Development, Water, Sanitation and Hygiene Evidence Paper, May 2013.
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