WATER RESOURCES DEVELOPMENT FUND
MINISTRY OF WATER, IRRIGATION AND ELECTRICITY
Federal Democratic Republic of Ethiopia

European Investment Bank

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Consulting Services:

Technical Assistance to the Water Resources Development Fund for the "Urban Water Supply Programme"

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Quarterly Progress Report No 2
for the Period Apr 2017 – Jun 2017
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Posch+Partners
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Author(s):	Mike O'Leary/Robel Waktola/Ortwin Maurer
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ABBREVIATIONS

AFD	Agence Française de Développement (French Development Agency)
AICS	Agenzia Italiana per la Cooperazione allo Sviluppo (Italian Agency for Development Cooperation)
DP	Development Partner
EIB	European Investment Bank
IBF	Investment basket fund
MC	Monitoring committee
MoFEC	Ministry of Finance and Economic Cooperation
MoWIE	Ministry of Water, Irrigation and Electricity
P&P	Posch and Partners Consulting Engineers
RfP	Request for proposal
RWB	Regional Water Bureau
SC	Steering committee
SEE	Social, environmental, economical
STE	Short term expert
SWOT	Strengths, weaknesses, opportunities and threats
TA	Technical assistance
TABF	Technical assistance basket fund
TAC	Technical Assistance Consultants
TWU	Town Water Utility
WRDF	Water Resources Development Fund
4YPP	4-year Programmatic Plan of the Basket Fund

TABLE OF CONTENTS

LIST OF TABLES

1 REPORT SUMMARY

1.1 INTRODUCTION AND STRATEGIC ISSUES FACING THE PROGRAMME

This **Interim Progress Report IPR2** covers the period from beginning of April 2017, until the end of June 2017, a period of three months. The reporting schedule has been aligned with the annual calendar, with the first quarterly report having covered the period until end November 2016. The first Interim Reports covered from the start of the programme until end March 2017. What now follows will be six-monthly Interim Reports, interspersed by Interim Progress Reports covering three months each.

At the request of the WRDF and supported by the Development Partners, it was decided to initially focus on the appraisals for the distribution networks of the eight towns that are carried over from the 15 Towns Programme. Regarding each of these eight towns, the infrastructure for water production and storage was contracted under the previous programme, leaving the distribution networks without financial resources to include and complete them. Accordingly, the completion of the distribution network in each of these eight towns, was considered under funding from the IBF. Site visits to each town confirmed that the basic infrastructure for water sources and storage was substantially completed. On the 3rd February 2017, loan agreements with each of the eight towns were signed with the WRDF (Refer **Table 5-4** IBF financial project information in BIRR)

In analysing the present status of the programme, reasonably positive progress has been made with regards to appraisals of projects and the signing of On-lending Agreements, which at the time of this report amount to 12 in number.

However, the following **two key issues** need to be highlighted for further action and attention by WRDF, so that the ongoing progress of the programme is not adversely affected:

Key Issue 1: Slow progress in procurement

While considerable progress has been made in setting up the institutional arrangements for the basket fund approach at the WRDF, nevertheless, actual implementation of the individual projects within the beneficiary regions and towns has been slow.

Once the appraisal stage for a project has been completed, and an On-lending Agreement signed with the beneficiary town, then the RWB takes over and commences the necessary procurement of both consulting services and works contractors. Delays relating to this procurement are the main reason for the overall delay in the implementation of projects, and have resulted in project progress falling behind expectations.

It has become necessary for the WRDF to consider ways in which the procurement processes within the RWBs can be facilitated to enable timeous procurement to take place. The following are the key issues concerning procurement which are causing delays in the RWBs, and for which practical solutions are also proposed below:

- Within RWBs, all procurement documentation is subject to approval by a statutory Endorsing Committee. Such Endorsing Committees comprise members from a range of departments and disciplines in the Regional Office, and it is difficult to convene them for rapid decision making. In the case of Oromia, the responsibility of approval for specifically water project procurement matters, has been vested in the Manager, and this can support timeous decision making and approvals. The same arrangement is recommended for the other RWBs.
- Some staff vacancies need to be filled to bring the Procurement Departments in each of the RWBs up to full strength.

- Familiarity with the required procurement procedures has been absent in some of the RWBs. As soon as the Draft Procurement Manual has been completed, it will be discussed with the Procurement Experts from each RWB. Additional supportive mechanisms for the Procurement Experts will be put in place to speed up the production of tender documentation, tender evaluation and contract awards.

Key Issue 2: Suitability of candidate towns

A list of candidate towns for funding under the programme was approved by the Board of the WRDF. The towns on the list were ranked in terms of population size, and since the commencement of the appraisals, the WRDF team has been appraising the candidate town projects in sequence, from larger to smaller towns (Refer **Table 5-1**).

It has now become apparent that subsequent smaller candidate towns are lacking in both organisational and institutional capacity. This means that they represent a much higher risk to the WRDF if loans were to be granted.

Specifically, many smaller towns do not have established Town Water Utility (TWU) offices, neither do they have Water Boards in place. Both are requirements for the granting of loans to candidate towns. In some cases, granting of a loan will lead to a high tariff which will be difficult for the community to afford, and this will require active management by the TWU.

RWBs are hesitant to replace such smaller towns on the list, because community expectations for water supply have been raised. However, the TAC does suggest that the programme should consider accepting some larger towns as candidates i.e. towns that might have a population greater than 100,000 persons, which is the current limit for funding under this programme.

For the smaller towns, which do not fulfil all the conditionalities of the programme, alternative sources of funding should be sought that could be more of a subsidised nature.

Both the slow progress on procurement, as well as the suitability of the candidate towns need to be thoroughly reconsidered and resolved at the forthcoming meeting of the **Programme Steering Committe**e. This meeting should be scheduled rather urgently to resolve these issues.

1.2 PROGRAMME MONITORING ACTIVITIES

At this early stage of the programme, because not many financial transactions have taken place, monitoring information such as financial performance etc. is rather limited and will be expanded in subsequent Interim and Quarterly Programme Reports.

The main monitoring activity that took place was the Multi-Stakeholder Workshop No 2 that is described more fully in paragraph 2.1 and in **ANNEX 1** of this report.

1.3 TECHNICAL ASSISTANCE PROGRESS TABF- AICS AND AFD

1.3.1 AICS

The six professional staff that have been hired under the TA of the AICS to support the efforts of the WRDF in implementing the programme are as follows:

Table 1-1: List of Professionals Hired Under the TA of the AICS

NAME	POSITION
Mersabet Efrem	Financial Management Specialist
Samuel Tolesa	Senior Environmental Specialist
Feki Sultan	Senior Procurement Management Specialist
Sintayehu Getachew	Senior Economist
Abebe Arega	Senior Water Supply Engineer
Birhanu Berga	Senior IT Expert

These Experts are currently in full-time employment in the WRDF and are contributing towards the efforts to implement the programme. The appraisal team of WRDF is mainly comprising of these experts.

The recruitment of a seventh proposed specialist for WRDF, namely electro-mechanical expert, is planned to be implemented after the advancement of construction activities in the project towns.

Further, the TA of AICS also foresees recruitment of procurement specialists, technical specialist and monitoring specialists at RWBs. So far two technical specialists and two monitoring and evaluation specialist (for Oromiya and SNNP Regional Water Bureaus) and one procurement specialists (for SNNP regional Water Bureau) have been recruited in the three RWBs. The Tigray RWB did not want to recruit as it believes that it has sufficient resources internally and through its own workforce. The Oromia RWB is expected to recruit a procurement specialist soon.

1.3.2 AFD

In parallel to the IBF projects taking place in small/medium towns, the ADF will provide a grant funding of up to EU 1.0 million, to provide capacity building and training to regional water bureaus and some 25 town water utilities. During the reporting period, the TAC has been providing support to the ADF and WRDF to recruit consultancy services to undertake these technical assistance tasks.

The result of the recruitment of a consultant is still pending, and will be based on the opening of the financial offers of the two final bidders which will take place during July.

1.4 PRIORITISED ACTIVITIES FOR NEXT QUARTER

The following activities will be carried out by the TAC, in collaboration with the WRDF, during the three-month period, July 2017 to September 2017:

- Desk review of the design reports of up to an additional six of the candidate towns.
- Working with WRDF to visit to visit up to three towns that will be appraised during 2017, and accompany WRDF staff on data collection visits to those towns.
- Completion of approximately three more appraisal reports in co-ordination with the WRDF (Buii, Kebado, Adaba towns)
- Discussion and revision, if required on draft Programme Procurement Manual submitted to WRDF for comments; carrying out of training of procurement experts/specialists at the WRDF and RWBs.
- Discussion and finalisation of adjusted On-Lending Agreement

- Discussion and revision, if required of the Programme Operational Manual submitted to WRDF for comments;
- Discussion of the TWU Financial Model and accompanying training;
- Further support of the development of a comprehensive financial management manual, in particular with respect to the Basket Fund.
- Finalising the Audit ToR for the annual external audit for the Basket Fund Programme and support during the selection of the auditor.
- Development of the internal auditing procedures
- Any other specific requests in support of WRDF.

2 ACTIVITIES CARRIED OUT DURING THE REPORTING PERIOD

2.1 MULTI-STAKEHOLDER WORKSHOP NO. 2

The WRDF hosted the 2nd Multi-Stakeholder Workshop at the Getfam Hotel in Addis Ababa, which was jointly organized by the TAC and the WRDF (Ato Mengesha), and funded through the contract of the TAC from the budget position "Provision for Incidental Expenditure".

The workshop facilitator was the STE, Dr Susanne Schmall. The workshop was divided into two parts:

1. On Wednesday 3rd of May the stakeholders of the national level WRDF, Ministry of Water, Irrigation and Electricity (MoWIE), MoFEC and the Development Partners (DPs) and the TAC met to discuss programmatic issues and programme planning tools
2. On Thursday 4th of May the same institutions from the first day met with representatives from Regional Water Bureaus (RWBs) and Town Water Utilities (TWUs) of the Regions Oromiya, Southern Regions and Tigray (Appendix 1b List of participants). At this date, also the signing ceremony of four on-lending agreements with the towns Jinka, Shinshicho, Arsi and Dodola took place.

The Report of the Multi-Stakeholder Workshop No. 2 is attached in **ANNEX 1**

2.2 PROGRAMME OPERATIONAL MANUAL (POM)

The TAC prepared the first draft of the POM and submitted the document to WRDF for review.

The POM is based on the Project Implementation Manual (PIM), which was prepared by an international consulting firm and forms an integral part of the finance and cooperation agreements signed between the DPs, MoFEC and WRDF:

POM summarizes all operational procedures, controls, decision points and supporting tools to be followed and applied by WRDF during various stages of the implementation of the basket fund programme (BF). The manual shall ensure that the BF is implemented in an efficient, effective and transparent way. It includes detailed procedures for i) appraising projects; ii) loan approval, disbursement and collection; iii) procurement supervision; iv) programme monitoring and reporting; and v) conducting trainings.

The POM is split into Part I "POM IBF" and Part II "POM TABF".

Part 1 consists of the following main steps:

- ➔ Project application, appraisal and approval
- ➔ Loan documentation and disbursements
- ➔ Supervision of procurements
- ➔ Monitoring and reporting under the IBF

Part 2 consists of the following main steps

- ➔ Recruitment of technical and environmental experts
- ➔ Conducting training
- ➔ Monitoring and reporting under the TABF

Each procedure described in the POM is structured as follows:

Chart: Provides a graphic description of each procedure detailing the responsibilities, the key steps as well as decision and approval points.

Responsibility: Defines the overall responsible department/ key staff within WRDF.

Description:	Explains shortly each step/ activity carried out during the process.
Input:	Provides a list of documents and activities supporting each activity and procedure
Output:	Describes the expected results of each procedure
Time period:	Sets the envisaged time period for carrying out each activity/ procedure.
Support tools:	Summarizes checklists, forms and other supporting tools available to WRDF in carrying out the procedures and which are attached in the annex to the POM.

The draft of the POM is attached in **ANNEX 2.**

POM is not understood as a final document rather it shall be continuously reviewed and updated to further improve internal procedures of WRDF and enhance the efficiency and effectiveness of the BF programme. The draft POM submitted already contains several procedures, standard forms, checklists and other tools, which could be already applied by WRDF experts in various stages of the programme implementation.

The TAC is ready to discuss the draft POM with WRDF experts.

2.3 PROJECT APPRAISAL

2.3.1 Overall Progress

WRDF together with the TAC continued with the project appraisal.

Towns will be selected based on **Table 3-1** Baseline List of Project Towns. This list shows the project towns as existing at the end Jun 2017, and some towns might still be added to, or deleted from this list. The timing and sequence of ongoing desk reviews and site visits will be decided upon by the WRDF and will be fully supported by the TAC. The table also summarizes the status of appraisal of each project and the amount of loan approved.

The locations of all towns thus far visited and appraised are shown in **ANNEX 3**.

Three main problematic issues relating to appraisal of candidate town projects are as follows:

- **Size of towns and populations**. Reliable data on the number of residents in the town is difficult to ascertain. Usually there is a discrepancy between what is contained in technical feasibility reports and what is available from the town officials. An inaccurate assessment of the number of prospective water customers can invalidate the assumptions used in the model used to appraise financial feasibility.
- **Lack of adequate institutional arrangements and capacity**. Smaller towns sometimes do not have developed TWUs and Water Boards. This makes them effectively ineligible for loans from the WRDF.
- **Old/outdated report information**. Technical study reports are sometimes more than five years old and since the time of writing significant changes have occurred in the town or related to the water sources.

2.3.2 Improvement of General Approach to Appraisal

During the last monthly monitoring meeting, it was pointed out that the current quality of project feasibility studies and design documentation submitted to WRDF for appraisal is poor. The documents contain irregularities and lack essential pieces of information, which are necessary for adequate appraisal. Hence, it was agreed to prepare a checklist that would form the basis for ToR of the consultants which prepare the studies and design for projects in various towns. The proposed checklists comprise two parts: The first part deals with technical and engineering aspects and the second part concerns mainly the business plan.

The purpose of the checklist is to serve as a guide for consultants to ensure all necessary information is included in the feasibility studies and design reports.

It was agreed that additional information on the content of each section of the checklist will be added. AICS will prepare an updated version of the checklist to WRDF and the TAC which will be jointly reviewed and finalised. It is intended to distribute the final checklist to the RWBs and to include it in the POM.

2.3.3 Summary of Towns Visited and/or Appraised during the Reporting Period

2.3.3.1 Dodola Town

Dodola Town is the first from the six towns visited in this quarter. It is located in West Arsi Zone in Oromia Region at a distance of 287 km from the national capital, Addis Ababa. This town has been supplied from Asasa Spring located about 17 Km; however, the quantity of water it is receiving from the spring and the water supply coverage has not been found adequate. Hence, it intends to extend its water supply facility including abstraction of more water from the spring.

An appraisal team of WRDF and the TAC carried out a site visit to Dodola town on 10.04.2017 after desk review of the design documents submitted by Dodola Town Water Supply Services together with its loan application. The purpose of the visit was to familiarize with the project, brief stakeholders about the programme, confirm information provided in the design documents are still there and right, and also to assess the project from technical, financial, social, environmental economic and institutional perspective.

The appraisal team and the TAC met and discuss about the existing water supply situation and proposed water supply project with the General Manager, the Finance Manager and the Technical staff of the TWU. The team had also the opportunity to discuss with water board members on the same issue. From the discussion, the appraisal team and the TAC learnt the seriousness of the water shortage the town is experiencing.

The technical and SE appraisal experts visited the project sites that includes the existing water facilities, proposed water source, reservoir locations, proposed pumping stations and pipe routes etc. Financial data and reports of the town water utility of the last three years were also collected.

Data collected were analysed to assess feasibility of the proposed project from technical, financial, institutional, economic, social and environmental perspective. The spring proposed as water source has sufficient capacity to supply the town and has already been developed in a previous project for Asasa town in 2004. The Dodola town water supply project does not need source development; all it needs is connecting a pipe to the outlet piped reserved for this purpose and construction of the remaining components of the water supply system. The proposed locations of the pumping stations, transmission pipe routes and reservoirs are adjacent to the existing structures. Hence, when it is assessed the proposed project from technical perspective it is feasible.

The town has a well-staffed TWU office and a water board. Similarly, when the project is assessed from an institutional point of view the TAC believes it is feasible; with regards to SEE it has no significant adverse impact on the community as well as on the environment has been noticed.

After assessing all aspects of the project WRDF has found the town eligible for a loan and has signed an on-lending agreement on May 4, 2017 with the TWU that amounts to ETB 86,458,801.31 (70% of the estimated project cost).

2.3.3.2 Awoday Town

Awoday Town is the second from the six towns visited in this quarter. It is located in West Harerge Zone in Oromia Region at a distance of 495 km from the national capital, Addis Ababa. This town has been supplied from the main pipe line that feeds Harar city from Dire Daw city and also feeds some small town between these two cities. However, for different reasons the town Awoday is not getting water from this main route.

Consequently, Awoday town through the RWB submitted a loan application to WRDF to extend its water supply facility including source development. Following this application, an appraisal team of WRDF and the TAC carried out a desk review of the documents submitted with the loan application and then visited the town on 25.04.2017. During the field mission, the team met different stakeholders that included the TWU Manager and Haromaya Town Administration.

From the visit, it was learnt that the town water supply system is managed under Haromaya Water Supply and Sewerage Enterprises. The Haromaya town Water Supply Enterprise is currently managing water systems of five small towns receiving water from the line for Harar City. Awoday town has no its own office and water board; however, all the financial records are recorded independently and all other issues of the town's water supply system is managed by a department under Haromaya Town Water Supply and Sewerage Enterprise.

The TAC acknowledges that Awoday town is experiencing a very serious shortage of clean water and requires quick intervention; however, Awoday town does not fulfil one of the basic requirement for eligibility, namely there is no legal entity to receive a loan from WRDF as there is no autonomous water board.

Further, the study and design document for Awoday town lacks the quality to use it for implementation purpose. The water source is from Haromaya town, particularly from the well field that was within the extinct Lake Haromaya. No information could be found in the report about the capacity of the well field. The social and environmental impacts of the project have not been handled appropriately and need proper investigation.

As a reason of these reasons, the appraisal team of WRDF did not provide the requested loan. The TAC agrees on the position of the appraisal team of WRDF and proposes at least the following actions in order for Awoday town to be considered for IBF loan from WRDF

- Revision of the study and design document of Awoday Town Water Supply Project by a competent and qualified consulting firm and
- Establish water supply office and water board for Awoday town as soon as possible.

2.3.3.3 Buii Town

Buii Town is located in Soddo Woreda in Gurage Zone in SNNPR at a distance of 104km from the national capital, Addis Ababa. The town intends to extend its water supply facility including source development. The Buii town water supply project appears in the most recent project list of WDRF for potential co-funding from the Investment Basket Fund (IFB).

On 16.05.2017 an appraisal team of WRDF and the TAC carried out a site visit to Buii after desk review of the design documents provided by the Buii Town Water Supply Services together with its loan application. The purpose of the visit was to familiarize with the project, brief stakeholders about the programme, confirm information provided in the design documents are still there and right, and also to assess the project from technical, financial, social, environmental economic and institutional perspective.

The appraisal team met and exchanged ideas with the manager of Buii town water supply and sewerage services enterprise, head of Woreda Administration and department heads of Buii Town Water Supply office regarding the existing water supply service and proposed project.

During the meeting, the appraisal team learned that the town is under sever water shortage and requires urgent intervention. It was also learnt that the population figure used in the design of the water supply system is by far lower than the town is believed to have by the municipality. Five localities are also supplied from Buii water supply system and these communities are planned to be part of the town expansion.

The appraisal team and the TAC carried out site visits that included the existing water facilities, proposed water source, reservoir locations and pipe routes etc. The team also collected financial data and reports of the town water utility of the last three years. Data collected were analysed to reach decision on the feasibility of the proposed project from technical, financial, institutional, economic, social and environmental perspective.

From a technical point of view, the proposed water supply system is feasible with some adjustments such as per capita demand for the population indicated in the report; however, the town administration is claiming that the population in the design document is unrealistic and underestimated. For this reason, it will not resolve the problem related to provision of clean water if implemented without revision. The town administration and the town water utility requested revision of the water demand projection. Technically the town administration's request is appropriate; therefore, it is advisable to reconcile the population figures. Any change in the population figure not only affects the quantity of water need to be produced but also the sizes of the components of the water system. Hence, a design review will be necessary.

The financial feasibility of the project is currently being checked by the TAC and will be discussed with WRDF. From the institutional point of view though Buii town has its own water supply service office, it has no water board which is a requirement according to WRDF procedure to be eligible for provision of loan. Therefore, the town administration shall establish a water board as soon as possible to be eligible for the loan application. Further, the TWU does not have the required resources to manage the proposed project; hence, the TAC proposed the TWU delegates to the RWB for implementation and in the meantime the capacity of TWU needs to be strengthened.

The TAC has received a copy of the appraisal report of WRDF that proposes a project loan in the amount of ETB 35,399,171.00 (70% of the estimated project cost). The financial model was not yet submitted to the TAC. The TAC recommends that priority be given to the establishment of the water board in addition to conditions stated in the on-lending agreement, which is a pre-condition to signing the on-lending agreement. After signing of the on-lending agreement, the design review shall be immediately carried out and the financial model shall be adjusted.

2.3.3.4 Kebado Town

Kebado Town is located in Sidama Zone in SNNPR at a distance of 360 km from the national capital, Addis Ababa. This town also intends to extend its water supply facility including source development. The Kebado town water supply project is in the list of WDRF for potential co-funding from the Investment Basket Fund (IFB).

An appraisal team from WRDF consisting technical, financial, economist and environmental experts together with the TAC carried out a site visit to Kebado on 18.05.2017.

The appraisal team met with the Manager and the Finance head of Kebado Water Supply Office, Head of Dara Woreda Water Office and an Engineer in the Woreda Water Office. The technical and SE appraisal experts visited the project sites and the existing structures. The financial appraisal experts stayed at the TWU office and had a detailed discussion with the Finance Manager and the Human Resource Manager during which the relevant financial and institutional data was collected. Similarly, during the discussions with officials of the town water utility and Woreda Water officers, the population figure used in designing the proposed facilities was discussed and found to be too low by the local officials.

The appraisal team and the TAC carried out site visits that includes the existing water facilities, proposed water source, reservoir locations and pipe routes etc. The team also collected financial data and reports of the town water utility of the last three years. Data collected were analysed to reach decision on the feasibility of the proposed project mainly from technical, financial, economic, social and environmental perspective.

From the visit and the meeting held the appraisal team learned that the town is under sever water shortage and requires urgent intervention.

From a technical perspective, the proposed project can be implemented after making some improvements in the design especially on areas related to assumed per capita water demand and population figures. Hence, the TAC proposes a design review before start of any physical implementation.

The financial feasibility of the project is currently being checked by the TAC. From institutional point of view Kebado town has water supply Service office and also water board that oversees the TWU work. However, the town water supply office does not have the required resources to manage the implementation of proposed project. Hence, the town water supply service is advised to delegate the implementation of the project to the RWB. In the meantime, the RWB and relevant stakeholders need to look for ways in which the town water supply service can be strengthened.

The TAC has received a copy of the appraisal report from WRDF that proposes a project loan in the amount of ETB 34,570,560.00 (60% of the total project cost) for the Kebado town water supply project. The financial model has not yet been submitted to the TAC. The TAC recommends that a design review is immediately carried out, following the signing of the on-lending agreement and adjustment of the financial model, if necessary.

2.3.3.5 Kombolcha Town

Kombolcha Town is the fifth town visited in this quarter and is located in West Wollega Zone in Oromia Region at a distance of 245 km from the national capital, Addis Ababa. This town also intends to extend its water supply facility including source development. The Kombolcha town water supply project is in the list of WDRF for potential co-funding from the Investment Basket Fund (IFB).

An appraisal team from WRDF together with the TAC carried out a site visit to Kombolcha on 14.06.2017. The team met with the Manager and staff of Kombolcha Town Water Supply Services and discussed about the towns water supply situation and proposed water supply project for the town. It also met the Head of Guduru Woreda Administration.

The technical and SE appraisal experts visited the project sites that includes the existing water source & water structures, proposed water source, reservoir locations and pipe routes etc. The financial appraisal experts stayed at the TWU office and had a detailed discussion with relevant staff of the TWU and collected the relevant financial and institutional data.

From the field visit, the appraisal team confirmed that the town is under sever water shortage and requires urgent intervention. Currently, the appraisal team of WRDF is preparing an appraisal report for Kombolcha Town Water Supply Project. The appraisal team of WRDF is currently assessing the town's application for a loan, from the technical, financial, institutional, social and environmental perspectives.

The TAC has provided WRDF it preliminary assessment report of the project after reviewing the design documents and the field visit. From a technical perspective, the design documents the TAC has been provided have some inconsistencies and also lack some key information; hence, it proposes a design review before start of any physical implementation. From an institutional point of view, Kombolcha town has water supply Service office but no water board. In addition to that, the town water supply office does not have the required resources to manage the implementation of the proposed project if the WRDF grants the requested loan. Hence, the TWU may need to delegate the implementation of the project to the RWB.

2.3.3.6 Ashi Town

Ashi Town is the six town visited in this quarter. It is located in Kelem-Wollega Zone in Oromia Region at a distance of 660 km from the national capital, Addis Ababa. This town also intends to extend its water supply facility, including source development. The Ashi town water supply project is in the list of WDRF for potential co-funding from the Investment Basket Fund (IFB).

An appraisal team from WRDF together with the TAC carried out a site visit to Ashi on 16.06.2017. The team met the Ashi Town Administration, water committee and Anfillo Woreda Water Office representative at Ashi Administration Office and provided a brief introduction on the purpose of the visit.

From the meeting, it was learnt that the town has no water office and water board. It is being operated by a water committee elected from the town community and the town and Woreda administration offices.

The technical and SE appraisal experts visited the project sites that included the existing water source & water structures, proposed water source, reservoir locations and pipe routes etc. The financial appraisal experts stayed at the TWU office and had a detailed discussion with relevant water committee members and has tried to collect available and relevant financial information.

From the field visit, the appraisal team confirmed that the town is under sever water shortage and requires urgent intervention. Currently, the appraisal team of WRDF is preparing an appraisal report for Ashi Town Water Supply Project. The appraisal team of WRDF is currently assessing the town's application for loan from technical, financial, institutional, social and environmental perspectives.

The TAC has provided WRDF with a preliminary assessment report after the desk review of the design documents and the field visit. From the technical perspective, the design documents the TAC has been provided have some inconsistencies and also lack some key information; hence, it proposes that a design review be carried out. From an institutional point of view, it is a prerequisite for a town to have a water supply office and a town water board for a town to obtain loan from WRDF; however, Ashi town has neither water supply Service Office nor a water board. In other words, it has no legal entity to apply for a loan according to WRDF requirements.

2.4 PROCUREMENT MANUAL

At the beginning of May 2017, the TAC international procurement expert started the preparation of the procurement manual for the basket fund programme. The Procurement Manual is an essential part of the Programme Operational Manual (POM) prepared by the TAC in accordance with its Terms of Reference.

The manual is intended to be a reference document to the Procurement Specialists of various implementing entities and should also be useful for the management, DPs, evaluators, and service providers, who will be involved in implementation of the urban water supply programme.

It has been prepared to complement other programme documents such as the PIM, the Public Procurement Manual (PPM), the Guide to Procurement for projects financed by the EIB, and the World Bank Procurement Guidelines (WB PG). It is not meant to replace these documents but rather it consolidates and summarizes the principles advocated by them.

The Procurement Manual contains detailed operating procedures that are to be followed when executing procurement functions. The manual provides guidance to procurement processes aiming to achieve consistency in procurement operations by all implementing authorities.

The draft of the procurement manual is attached in **ANNEX 4**.

Once comments have been received and consolidated the procurement manual will be finalised and issued for implementation.

2.5 PROCUREMENT OF WORKS AND SERVICES

The tender procedures for work and services for the eight towns – Adigrat, Matchew, Holeta, Fitche, Gebre Guracha, Dembidolo, Soddo and Bonga – for which On-lending Agreements were signed on the 03.02.2017 have commenced after the respective procurement plans were approved by WRDF.

Works are tendered as an open tender procedure applying national competitive bidding (NCB). Consultancy services for construction supervision and contract management are tendered based on quality and cost based selection following NCB.

Section 5.1.2 Table 5-2 summarizes the status of procurement as of 30.06.3017.

2.6 WRDF – RWB MEMORUNDUM OF UNDERSTANDING

The MOU is a necessary formality between the WRDF and RWBs, particularly those RWBs who will be supporting projects in towns within their regions. The draft of the MOU was shared with the RWBs who commented and the final version has been agreed after further discussions and clarifications between WRDF and RWBs. It remains for the MOUs to be signed by the respective regions.

The final version of the MoU is attached as **ANNEX 5**

2.7 FINANCIAL ACTIVITIES

According to the ToR of the TAC and the detailed work plan presented and discussed during the stakeholder workshop on the 09.11.2016 the scope of the financial support comprises the following tasks in consolidated form:

Table 2-1 Summary of Financial Tasks

	Main activity/ sub activity	Tentative schedule
1	Programme Inception	
1.2	Collection and review of Programme and Project Documents	09/2016 – 10/2016
2	Project Appraisal	10/2016 – 07/2019
2.1	Rapid financial and economic appraisal of 8 towns	10/2016 – 12/2016
2.2	Improvement of financial and economic appraisal process	11/2016 – 12/2016
2.3	Financial and economic appraisal on standardized approach	01/2016 – 07/2019
3	Programme financing and fund management	
3.1	Advise and support disbursal, collection and monitoring	12/2016 – 09/2020
3.2	Organize and monitor fund flows to ensure no delays	10/2016 – 07/2019
3.3	Assist WRDF to obtain financial monitoring software	01/ 2016 – 03/2017
3.4	Assist the FPPAD with loan classification	01/2016 – 02/2017
3.5	Assist and support WRDF with reporting to MoFEC and DPs	04 – 06 annually
3.6	Assist preparation of Financial Management Guidelines	12/2016 – 02/2016
4	Programme and Project Monitoring and Evaluation	
4.2	Prepare annual disbursement plan for IBF ad TABF	04 – 06 annually
4.3	Project monitoring with respect to financial aspects	07/2017 – 08/ 2020
4.4	Programme Audits	01/ 2017 – 06/ 2020
5	Capacity building related to developed financial management tools	01/2016 -

During the reporting period, the following activities were carried out:

2.7.1 Project Appraisal

2.7.1.1 Rapid Financial and Economic Appraisal of 8 Towns

This task is completed.

2.7.1.2 Improvement of Financial & Economic Appraisal and Standardized Approach

i. Preparation of checklists for financial and economic appraisal

The TAC prepared detailed excel based checklists for the financial and economic project appraisal and also developed detailed procedures for the project appraisal based on the PIM, which form part of the operational procedures under preparation. The TAC is awaiting comments and suggestions from WRDF to the checklists. In order to ensure a standardized appraisal procedure, it is strongly recommended to jointly finalise and institutionalise the checklists for future project appraisals soonest.

ii. Preparation of financial model

As noted in the previous progress report an excel based financial model has been prepared by the TAC. As a result of discussions with the financial and economic experts of WRDF during the reporting period, the TAC has adjusted this model. Adjustments were made with respect to the input sheet, the depreciation schedule and the grace period calculation.

Further joint preparation and application of the adjusted model is foreseen in the coming month.

2.7.2 Programme Financing and Fund Management

2.7.2.1 Advise and Support Disbursal, Collection and Monitoring

i. DPs disbursement requests

During the reporting no request for disbursements from the DPs were due.

After completion of the tender procedure for the AFD TA for Capacity building described in **section 1.3** and signing the respective contract, WRDF is entitled to request the 2nd disbursement from AFD in the amount of EUR 2,000,000.

ii. RWBs disbursals, collections and monitoring

The first disbursement requests from the RWBs can be submitted upon fulfilment of the following conditions:

- Signed on-lending agreement
- Cover Letter including duly filled disbursement request form
- Submission of the RWB guarantee letter
- Submission of a copy of the no objection to contract award issued by WRDF
- Submission of signed procurement contract
- Submission of signed contract for construction supervision

As of the date of this report, 12 on-lending agreements have been signed. Procurements for works and consulting services for 8 towns have commenced and are expected to be completed in the 3rd quarter as described in section 2.5. Hence, no requests for disbursements have been submitted to WRDF so far.

In the meantime, the TAC has prepared a draft standard request form for the RWBs as part of the POM.

iii. On-lending Agreement

A review of the form of the on-lending agreement, which is currently signed between WRDF and the project towns/ TWUs revealed certain deficiencies and a need for adjustments.

TAC has proposed some changes on the wordings of the on-lending agreements to strengthen the document and asked the DPs and WRDF for comments during the monthly monitoring meeting held on the 23.05.2017. The purpose of the changes is to protect the interests of both parties to the agreement and to make their respective rights and obligations more clear.

The comments received will be consolidated by the TAC and discussed with the Director General of WRDF.

It is assumed that the revised on-lending agreement requires the no objection from the DPs.

It is also noted that towns need to be provided the draft on-lending agreement ahead of time, to make themselves aware of the commitments they are making by signing the agreements

2.7.3 Financial Management Guidelines

WRDF engaged a consultant for the preparation of a comprehensive financial management manual covering all its financial activities.

To ensure consistent and harmonized procedures among different funding programmes, it has been agreed, that key topics, which concern all activities of WRDF and not only the IBF programme, will be addressed in the comprehensive management manual. The key topics are the accounting standard & framework, accounting policies and procedures, accounting records chart of accounts. Also, computerization and auditing will be included in the manual. The TAC will cooperate with the consultant and WRDF and will actively involve in the preparation of the financial management manual to address any issues related to the IBF programme. Tasks 3.3, 3.4 and 4.4 of **Table 2-1** above will be discussed and agreed with the consultant carrying out the assignment.

The financial management consultant submitted the final inception report on the

Change of WRDF Accounting Standards

The Proclamation No 847/2014, Financial Reporting Proclamation states that the International Financial Reporting Standards (IFRS), International Financial Reporting Standards for Small and Medium Enterprises (IFRS-SME), or International Public Sector Accounting Standards (IPSAS) shall be used for financial reporting. WRDF requested advice from the Accounting and Auditing Board of Ethiopia (AABE) as to which type of accounting standard is appropriate for handling fund transactions. AABE suggested that WRDF shall apply IPSAS and consequently, WRDF decided to develop the financial management manual in compliance with Accrual Basis IPSAS.

The consultant submitted a draft for IPSAS consideration to WRDF providing information on the conceptual framework for General Purpose Financial Reporting by Public Sector Entities. This document was handed over to the TAC for review and comments and a joint meeting of the WRDF, the consultant and the TAC took place on the 05.07.2017.

In this meeting, it was agreed to move forward with the preparation of the financial management manual based on IPSAS.

2.7.4 External Financial Audit

The first draft of the ToR for the annual external audit was handed over to WRDF for review and comments on 30.04.2017.

The TAC received comments to the draft in June 2017. Finalization of the ToR is currently ongoing and is expected to be finalized by mid of Jul 2017. The Tor will be submitted to the DPs for no objection. Once the no objection has been received the tendering of the auditor will take place.

2.7.5 Internal Audit Best Practice Manual

In addition to the ToR for the external financial audit, the TAC is supposed to implement good internal audit practices for WRDF.

It is intended to set up an audit committee with WRDF whose functions with respect to internal audit are as follows:

- Review the adequacy of the internal audit function, including coverage and frequency of internal audits. Importantly, it shall monitor that the internal audit findings comply with loan policies;
- Review findings of any internal investigations by the internal auditors into matters where there is suspected fraud, irregularity, a failure of internal control systems of a material nature and reporting such matters to the Management Board;
- Oversee duties of the Management Board through regular meetings with the internal auditors

The Internal Audit Directorate is supposed to undertake the followings tasks and functions:

- Internal audit of quarterly and annual reports prepared by WRDF
- Evaluation of the internal monitoring/ controlling mechanism of WRDF
- Evaluation of adherence by WRDF to proclamation, lending procedures and other rules and regulations
- Preparing of the internal audit report and submitting it to the WRDF Board

According to the norm, the Internal Audit Directorate must be staffed with two fully fledged auditors.

WRDF proposed a new organizational structure and roles and responsibilities which is described in the PIM but no decisions have been made at managerial level and no audit committee has been established at the time of the report. Hence, the preparation of the audit manual at this point in time may face the risk becoming obsolete as soon as the new organisational structure is approved.

The Internal Audit Directorate currently has just one employee. WRDF intends to submit an official request to AICS for assignment of two qualified auditors for the Internal Audit Department during the project period from 2017 to 2021. Therefore, the Institutional Expert prepared a draft letter to AICS for the recruitment of an internal auditor under the AICS TABF, which also includes a job description. The draft letter is attached in **ANNEX 6.**

The expert also provided WRDF with an example of a training needs assessment form for the audit department and a tentative training schedule. The documents are attached to this report in **ANNEX 7 and ANNEX 8.**

The next steps with respect to the internal audit manual are the following:

- Meeting with internal auditor
- Obtain materials from internal auditor
- Content concerning next actions
- Preparation of training materials (basic materials)
- Enquiry to AICS concerning recruitment and employment of two internal auditors
- Training needs assessment of the Internal Audit Department and Water Supply & Sanitation Revolving Fund Administration
- Preparation of training plan and remaining materials
- Approval of training/ tutoring plan as a part of the current internal auditing (Audit committee?)
- Implementation of the Training/ Tutoring plan and simultaneous preparation of the manual
- Conclusions and reporting

2.8 CAPACITY BUILDING

2.8.1 Joint Field Visits

TAC participated in several field visits jointly with WRDF. Joint interviews and discussions were carried out with the management of TWUs and their members of the management board. During the field visits, financial data was collected jointly applying the checklists prepared for the financial appraisal.

2.8.2 Financial Model

Face to face introduction and explanation of the financial model took place on the 09.05.2017 and will continue in the next month.

2.8.3 Procurement Manual

Training on the procurement manual is envisaged after finalization of the procurement manual and is expected to take place during August 2017. The procurement staff of WRDF, as well as those of the RWBs will need to be mobilised to participate in the training.

3 PROGRAMME, PLANNING AND MONITORING

3.1 PROGRAMMING

The fully expanded Work Plan and Activity Schedule that was discussed at the Multi-Stakeholder workshop, is included in this report as **ANNEX 2**.

The various activities have been expanded to cover the full 60-month duration of the programme.

3.2 PLANNING AND MONITORING

3.2.1 Monitoring Committee

The TAC endeavours to organise and hold a Monitoring Committee Meeting approximately once per month. The meetings are minuted and the Minutes circulated to the various internal stakeholders. The dates on which the TAC has organised and chaired Monitoring Meetings are as per the table below.

Table 3-1 Dates of Monitoring Committee Meetings

No.	Dates of Monitoring Committee Meetings
1	17th October 2016
2	29th November 2016
3	17th January 2017
4	7th February 2017
5	21st March 2017
6	23rd May 2017

3.2.2 Purpose and Responsibilities of Monitoring Committee

- The Monitoring Committee (MC) is a working group subordinate to the Programme Steering Committee, and is subject to the relevant instructions and decisions taken by the Board of Directors and Director General of the WRDF
- The role of the MC is twofold:
  - The MC must monitor projects financed under this programme during the preparation, construction and operational phases
  - The MC must monitor overall programme progress and performance
- The MC must propose to WRDF solutions to the day to day problems and issues that arise during programme and project implementation

Specific Tasks to be undertaken by the Committee

The following are the specific tasks of the MC:

- **Programmatic Planning**

- To prepare Annual Programme Monitoring Reports which are a crucial input to the annual Steering Committee Meetings.
- To prepare disbursement plans for the IBF and TABF and to monitor the progress against the plans, updating when necessary
- Check the performance of the programme against the TAC Objective Indicators that have been set

- **Project Monitoring** of individual projects to ensure that individual projects comply with good industry practices, that all selection and procurement processes are done transparently and with high ethical standards and that all disbursements are justified, traceable and well recorded. Project monitoring commences with the appraisal phase and runs continuously through implementation and through to the operational phase of the project.

3.2.3 Steering Committee

The purpose of the Steering Committee (SC) is to provide strategic direction to the WRDF pertaining to the management of the IBF and TABF for the Urban Water Supply Programme.

The DG of the WRDF has decided that, for the time being, a separate SC to the board of the WRDF will not be set up. Instead the SC responsibilities will be assumed by the board and will form part of the board meeting agendas.

During the next quarter, it is expected that the board will convene a meeting at which the DPs will be in attendance, and matters pertaining to the business of steering the funding programme will be addressed.

3.2.4 Monitoring and Evaluation Guideline and Monitoring Workshops

A document "Programme Monitoring and Evaluation Guideline", has been drafted and will be discussed shortly with the WRDF and other internal stakeholders.

The purpose of this document is as follows:

- To define SMART indicators for the programme
- To define the roles of various Committees and stakeholders in the monitoring of the Programme
- To define the various reports through which the monitoring process will be manifested

In addition, it has been decided to convene a Multi-Stakeholder Workshop from time to time, usually semi-annually, in order to have open discussions about various aspects of programme implementation and to obtain the input of a broad range of stakeholders.

The first Multi-Stakeholder Monitoring Workshop was conducted on 10th -11th November 2016.

The next Multi-Stakeholder Monitoring Workshop is planned to be held on 3rd-4th May 2017.

4 RESOURCES DEPLOYED

The following table shows the total numbers of days used by each Expert against what is in the overall budget to date. The full number of planned input over the five-year programme duration is also shown.

Table 4-1: Programme Working Days Deployed (TAC)

Number of full working days	Days used up to March 2017	April 2017		May 2017		June 2017		Budget to end June 2017 (11 months)	Total used to end June 2017	Total Programme Input (Over 60 months)
Key experts		**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**			
Team Leader (KE1) M O'Leary	151	20	**17**	20	**21**	15	**22**	**200**	**211**	**600**
Senior expert (KE2) O Maurer	104	20	**10**	20	**18**	20	**11**	**190**	**143**	**600**
Junior expert (KE3) R Waktola	164	20	**21**	20	**23**	20	**24**	**210**	**232**	**900**
Non-key experts		Budget	**Actual**	Budget	**Actual**	Budget	**Actual**			
- ***Senior experts - international***		30		0		0		**90**		**210**
Planning & Monitoring Expert – S. Schmall	16		**4**		**8**		**?**		**28**	**33**
Institutional Expert – Gorm Rasmussen	20	**10**	**9**			**30**	**30**	**30**	**29**	**30**
Procurement Expert- V. Neelov			**5**		**15**	0	**0**	**20**	**20**	**30**
- ***Senior experts - national***								**56**	**31**	**200**
Hydrological Expert - S Lulu		15	**21**	2	**7**	15	**7**	**56**	**35**	**100**
- Junior experts - national								**50**	**31**	**240**
Engineer- Worku Shumneka		10	**8**	5	**12**	10	**11**	**50**	**31**	**150**

Staffing planned to be mobilised for the next quarter is shown in Table 4-2 below. The list includes the engagement of an Engineer (Worku Shumneka), as well as an Hydrological Expert (Shiferaw Lulu) and a Procurement Expert (Seva Neelov). Gorm Rasmussen will complete this phase of his assignment during April 2017.

Engineer Worku will at this stage, focus on the desk studies of the various design documents received from Candidate towns and will also participate in some of the field visits. The Hydrological Expert will provide expertise during the assessment of the water sources for the candidate towns. The Procurement Expert has been engaged to draft a Programme procurement manual and then also carry out some training of procurement personnel in the RWBs and at WRDF.

Table 4-2: Staffing Planned for Coming Quarter

Number of full working days	Days used up to end June 2017	July 2017		August 2017		September 2017		Budget for quarter	Total days planned for quarter	Total Programme Input (60 months)
Key experts		**Budget**	**Planned**	**Budget**	**Planned**	**Budget**	**Planned**			
Team Leader (KE1) M O'Leary	211	20	**20**	20	**10**	20	**20**	**60**	**50**	**600**
Senior expert (KE2) O Maurer	143	20	**10**	10	**20**	20	**15**	**50**	**45**	**600**
Junior expert (KE3) R Waktola	232	20	**20**	20	**20**	20	**20**	**60**	**60**	**900**
Non-key experts		Budget	**Planned**	Budget	**Planned**	Budget	**Planned**			
- Senior experts - international										**210**
Planning and Monitoring Expert – S. Schmall	?	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**45**
Institutional Expert – Gorm Rasmussen	29					**11**	**11**			**40**
Procurement Expert – V. Neelov	20			**10**	**10**			**10**	**10**	**30**
- Senior experts - national										**200**
Hydrological Expert - S Lulu	35	8	**8**	8	**8**	8	**8**	**24**	**24**	**100**
- ***Junior experts - national***										**240**
Engineer- Worku Shumneka	31	8	**8**	8	8	8	**8**	**24**	**24**	**150**

5 STATUS OF BASKET FUND PROGRAMME

5.1 IBF PROGRAMME

5.1.1 Status of Project Appraisal

The following table summarizes the towns, which were approved for funding and the towns currently under various stages of appraisal.

Table 5-1: Baseline List of Project Towns

No	Region	Town	Project/ loan no.	Population	Total costs (BIRR)	Status of appraisal	Estimated loan (BIRR)	% of total costs
1	SNNPR	Soddo	IBF-SDO-01	138,000	65,564,543.86	approved	50,672,198.00	77%
2	Tigray	Adigrat	IBF-ADG-01	86,000	44,097,088.53	approved	20,612,128.00	47%
3	Oromia	Fitche	IBF-FCH-01	70,000	39,971,823.21	approved	23,983,094.00	60%
4	Oromia	Dembidolo	IBF-DMD-01	60,000		approved	26,636,775.00	
5	Oromia	Holeta	IBF-HLT-01	60,000	53,171,533.71	approved	27,795,494.00	52%
6	Oromia	Metehara	IBF-MET-01	47,000		delayed		
7	SNNPR	Jinka	IBF-JIN-01	42,000	167,163,007.10	approved	125,372,255.33	75%
8	Oromia	Gebre Guracha	IBF-GBG-01	40,000	41,883,338.53	approved	18,241,020.00	44%
9	Oromia	Awoday		37,637		delayed		
10	Tigray	Matchew	IBF-MCW-01	37,000	18,858,946.89	approved	10,672,821.00	57%
11	SNNPR	Shinshicho	IBF-SHI-01	36,086	65,715,320.00	approved	46,000,724.00	70%
12	Oromia	Moyale		35,724		DR		
13	SNNPR	Kelle		33,102				
14	SNNPR	Bonga	IBF-BNG-01	30,000	27,680,000.00	approved	9,747,508.00	35%
15	Oromia	Dodola	IBF-DOD-01	29,797	123,512,573.30	approved	86,458,801.31	70%
16	SNNPR	Gedeb		27,376		DR		
17	Oromia	Kombolcha	IBF-KOM-01	21,886		AR in preparation		
18	SNNPR	Kombel		17,029		DR		
19	Oromia	Arjo	IBF-ARJ-01	21,732	70,121,269.67	approved	42,072,761.80	60%
20	SNNPR	Wacha		19,573		DR		
21	SNNPR	Kebado	IBF-KEW-01	17,719		AR prepared		
22	Oromia	Ashi		16,082		delayed		
23	SNNPR	Shanto		15,159		DR		
24	SNNPR	Danema		13,410				
25	Oromia	Seka		12,769				
26	Oromia	Awash Melka Kunturie		12,530		DR		
27	Oromia	Sheki		12,239				
28	Oromia	Arboye		11,678				
29	Oromia	Tulu Milki		11,420				
30	SNNPR	Dalocha		10,329				
31	SNNPR	Buii	IBF-BUI-01	17,500	50,570,244.00	AR prepared	35,399,171.00	70%
32	Oromia	Genji		10,045				
33	Oromia	Nunnu		9,919				
34	SNNPR	Zefine		8,523				
35	Oromia	Melka-Soda		8,274				
36	Oromia	Haraqalo		8,093				
37	Oromia	Bila		7,217				
38	SNNPR	Yallolala		5,778				
39	Oromia	Hojadure		5,734				
40	SNNPR	Tum		4,514				
41	SNNPR	Gecha		4,327				
42	SNNPR	Keyafer		3,999				
43	SNNPR	Sike						
	TOTAL				**768,309,688.80**		**523,664,751.44**	**68%**

AR... Appraisal report
DR... Desk review
FV... Field visit
FM... Financial model

5.1.2 Status of Procurement

Procurement for individual projects once On-lending agreements have been signed, is carried out by the respective RWBs. For most projects, both the recruitment of consultants as well as works contractors is required. The exception is projects in the Tigray Region, where the RWB has undertaken the consulting activities within its own office.

The present status of procurements is as per the table below:

Table 5-2: Summary of Procurements

S/No.	Town's name	Region	Project/ Loan No	Status of procurement of Construction Supervision and Contract Administration Consultants	Status of procurement of Works Contractors
1	**Machiew**	Tigray	IBF-MCH-01	RWB undertakes by its own force the construction supervision and contract administration services	Tenders notice announced
2	**Adigrat**	Tigray	IBF-ADG-01	RWB undertakes by its own force the construction supervision and contract administration services	Tenders notice announced
3	**Holeta**	Oromia	IBF-HLT-01	RFP issued to shortlisted consultants	Tenders notice announced
4	**Fitche**	Oromia	IBF-FCH-01	RFP issued to shortlisted consultants	Tenders notice announced
5	**Gebre Guracha**	Oromia	IBF-GBG-01	RFP issued to shortlisted consultants	Tenders notice announced
6	**Dembidollo**	Oromia	IBF-DMD-01	RFP issued to shortlisted consultants	Tenders notice announced
7	**Arjo**	Oromia	IBF-ARJ-01	Not started yet	Not started yet
8	**Dodola**	Oromia	IBF-DOD-01	Not started yet	Not started yet
9	**Bonga**	SNNP	IBF-BNG-01	RFP issued to shortlisted consultants	Tender documents have not been sent yet to WRDF for No-objection
10	**Soddo**	SNNP	IBF-SDO-01	RFP issued to shortlisted consultants	Tender documents have not been sent yet to WRDF for No-objection
11	**Shinshicho**	SNNP	IBF-SHI-01	Not started yet	Not started yet
12	**Jinka**	SNNP	IBF-JIN-01	Not started yet	Not started yet

5.1.3 Status Financial Programme

➢ IBF Programme overview as of 30.06.2017

The following table provides an overview of the IBF programme. In total, 43 towns were selected for the IBF programme. Out of the 43 towns, 14 towns were approved and 12 loan agreements worth BIRR 488,265,305 (EUR 18,526,617 at the exchange rate published on 30.06.2017 by the National Bank of Ethiopia) were signed.

The DPs disbursed a total of EUR 12,999,925 to WRDF. No disbursements were made to the RWBs until 31.03.2017.

Table 5-3 IBF portfolio overview

IBF programme overview as of		30.06.2017
Number of projects selected for IBF programme	No	43
Number of projects appraised	No	14
Number of projects approved for funding	No	12
Number of projects under appraisal	No	11
Number of projects under construction	No	-
Number of projects completed and in operation	No	-
Total amount of disbursment received from DPs	EUR	12,999,925.00
Total amount of loans approved	EUR	18,526,617.73
% of disbursment	%	143%
	BIRR	488,265,305.00
Total amount of loans disbursed	BIRR	-
Total amount of loans utilized	BIRR	-
Numer of project loans fully utilized	No	-

➢ Status of DP IBF disbursements

As mentioned in section 5.2.1, WRDF received the first disbursements from the DPs during the reporting period. The following table summarizes the disbursements received at the IBF account.

Table 5-4 Overview of DP disbursements

DPs	Total contribution	Disbursement no. 1		Total disbursed	% of total contribution	Total utilized
	EUR	Date of receipt	EUR	EUR	%	EUR
AISC*	15,000,000	09.12.2016	4,999,925	4,999,925.00	33%	-
EIB	40,000,000	06.03.2017	5,000,000	5,000,000.00	13%	-
AFD	20,000,000	16.08.2016	3,000,000	3,000,000.00	15%	-
Total	**75,000,000**		**12,999,925**	**12,999,925.00**	**17%**	**-**
Note: The Italian Bank charged a fee of EUR 75 for the first disbursment						

➢ Status of financing projects under the IBF programme

In total, WRDF signed 12 on-lending agreements until the 30.06.2017 for a total amount of BIRR 488,265,305. The following tables summarize the project loans and matching funds approved in BIRR and EUR. The project/ loan number is a provisional number is currently discussed with WRDF.

Table 5-5 IBF On-lending Agreements signed in BIRR

No	Region	Town	Project/ loan no.	Total costs	Loan approved		Matching fund agreed Total		Date of agreement
1	Tigray	Adigrat	IBF-ADG-01	44,097,088.53	20,612,128.00	46.7%	23,484,960.53	53.3%	03.02.2017
2	Tigray	Matchew	IBF-MCW-01	18,858,946.89	10,672,821.00	56.6%	8,186,125.89	43.4%	03.02.2017
3	Oromia	Fitche	IBF-FCH-01	39,971,823.21	23,983,094.00	60.0%	15,988,729.21	40.0%	03.02.2017
4	Oromia	Holeta	IBF-HLT-01	53,171,533.71	27,795,494.00	52.3%	25,376,039.71	47.7%	03.02.2017
5	Oromia	Dembidolo	IBF-DMD-01	43,531,620.11	26,636,775.00	61.2%	16,894,845.11	38.8%	03.02.2017
6	Oromia	Gebre Guracha	IBF-GBG-01	41,883,338.53	18,241,020.00	43.6%	23,642,318.53	56.4%	03.02.2017
7	SNNPR	Soddo	IBF-SDO-01	65,564,543.86	50,672,198.00	77.3%	14,892,345.86	22.7%	03.02.2017
8	SNNPR	Bonga	IBF-BNG-01	27,680,000.00	9,747,508.00	35.2%	17,932,492.00	64.8%	03.02.2017
9	SNNPR	Jinka	IBF-JIN-01	167,163,007.10	125,372,255.00	75.0%	41,790,752.10	25.0%	04.05.2017
10	SNNPR	Shinshicho	IBF-SHI-01	65,715,320.00	46,000,450.00	70.0%	19,714,870.00	30.0%	04.05.2017
11	Oromia	Arjo	IBF-ARJ-01	70,121,269.67	42,072,761.00	60.0%	28,048,508.67	40.0%	04.05.2017
12	Oromia	Dodola	IBF-DOD-01	123,512,573.30	86,458,801.00	70.0%	37,053,772.30	30.0%	04.05.2017
	Total	**as of 30.06.2017**		**761,271,064.91**	**488,265,305.00**	**64.1%**	**273,005,759.91**	**35.9%**	

Table 5-6 IBF On-lending Agreements signed in EUR

No	Region	Town	Project/ loan no.	Total costs	Loan approved		Matching fund agreed Total		Date of agreement
1	Tigray	Adigrat	IBF-ADG-01	1,673,209.00	782,101.48	46.7%	891,107.52	53.3%	03.02.2017
2	Tigray	Matchew	IBF-MCW-01	715,579.21	404,966.88	56.6%	310,612.33	43.4%	03.02.2017
3	Oromia	Fitche	IBF-FCH-01	1,516,680.95	910,008.58	60.0%	606,672.38	40.0%	03.02.2017
4	Oromia	Holeta	IBF-HLT-01	2,017,527.50	1,054,665.34	52.3%	962,862.16	47.7%	03.02.2017
5	Oromia	Dembidolo	IBF-DMD-01	1,651,753.01	1,010,699.19	61.2%	641,053.82	38.8%	03.02.2017
6	Oromia	Gebre Guracha	IBF-GBG-01	1,589,211.02	692,132.74	43.6%	897,078.28	56.4%	03.02.2017
7	SNNPR	Soddo	IBF-SDO-01	2,487,764.80	1,922,693.32	77.3%	565,071.48	22.7%	03.02.2017
8	SNNPR	Bonga	IBF-BNG-01	1,050,283.06	369,857.03	35.2%	680,426.03	64.8%	03.02.2017
9	SNNPR	Jinka	IBF-JIN-01	6,342,791.72	4,757,093.77	75.0%	1,585,697.94	25.0%	04.05.2017
10	SNNPR	Shinshicho	IBF-SHI-01	2,493,485.82	1,745,429.68	70.0%	748,056.14	30.0%	04.05.2017
11	Oromia	Arjo	IBF-ARJ-01	2,660,664.08	1,596,398.42	60.0%	1,064,265.66	40.0%	04.05.2017
12	Oromia	Dodola	IBF-DOD-01	4,686,530.47	3,280,571.32	70.0%	1,405,959.15	30.0%	04.05.2017
	Total	**as of 30.06.2017**		**28,885,480.63**	**18,526,617.73**	**64.1%**	**10,358,862.90**	**35.9%**	
	1 ETB =	26.3548							
	Exchange rate published by the NBE on the 30.06.2017								

➢ **Status of IBF matching funds from regional governments**

WRDF received BIRR 15, 988,729 (EUR 606,672 at the exchange rate published on 30.06.2017 by the National Bank of Ethiopia) or 5.9% of the total agreed matching funds from the RWBs until the 30.06.2017. Matching funds for the first eight towns are expected to be provided in the third quarter 2017.

Table 5-7 IBF RWB matching funds received in BIRR

No	Region	Town	Project/ loan no.	Matching fund agreed Total		Matching funds received	
1	Tigray	Adigrat	IBF-ADG-01	23,484,960.53	53.3%	-	0.0%
2	Tigray	Matchew	IBF-MCW-01	8,186,125.89	43.4%	-	0.0%
3	Oromia	Fitche	IBF-FCH-01	15,988,729.21	40.0%	15,988,729.21	100.0%
4	Oromia	Holeta	IBF-HLT-01	25,376,039.71	47.7%	-	0.0%
5	Oromia	Dembidolo	IBF-DMD-01	16,894,845.11	38.8%	-	0.0%
6	Oromia	Gebre Guracha	IBF-GBG-01	23,642,318.53	56.4%	-	0.0%
7	SNNPR	Soddo	IBF-SDO-01	14,892,345.86	22.7%	-	0.0%
8	SNNPR	Bonga	IBF-BNG-01	17,932,492.00	64.8%	-	0.0%
9	SNNPR	Jinka	IBF-JIN-01	41,790,752.10	25.0%	-	0.0%
10	SNNPR	Shinshicho	IBF-SHI-01	19,714,870.00	30.0%	-	0.0%
11	Oromia	Arjo	IBF-ARJ-01	28,048,508.67	40.0%	-	0.0%
12	Oromia	Dodola	IBF-DOD-01	37,053,772.30	30.0%	-	0.0%
	Total	**as of 30.06.2017**		**273,005,759.91**	**35.9%**	**15,988,729.21**	5.9%

➢ **Status of IBF project loans disbursed to RWBs**

No loan disbursements to the RWBs have been made so far. First loan disbursements are expected to be made in the third quarter of 2017 after completion of the respective procurement processes and contract awards.

5.2 TABF PROGRAMME

The following table summarizes the matching fund amounts to be received by WRDF.

Table 5-8 Overview of TABF funds received and payments made

DPs	Total contribution	Total disbursed		% of total contribution	Total converted	Amount utilized	% of total disbursed
	EUR	Date of receipt	EUR		EUR	EUR	
AISC	3,500,000	25.11.2015	3,500,000	100%	106,103	92,580.43	3%
AFD	1,000,000		-	0%			0%
EIB	1,900,000		-	0%			0%
Total	**6,400,000**		**3,500,000**	**55%**	**106,103**	**92,580.43**	**3%**

Note to AICS: WRDF converted EUR 106,103 on the 23.08.2016 at an exchange rate of 1 EUR = BIRR 24.7812; this rate has been applied to report BIRR expenses in EUR; 87% of the converted amount has been used until the 30.06.2017.

Table 5-9 Overview of TABF funds received and payments made

					01.07.2016 - 30.06.2017		
DPs	Total Contribution EUR	Disbursed EUR	Amount utilized EUR	% of total contributio	Planned EUR	Utilized EUR	Difference EUR
AISC	**3,500,000**	**3,500,000**	**92,580**	3%	**460,078**	**92,580**	**367,498**
Human Resource	**1,295,696**		**61,801**	5%	**65,552**	**61,801**	**3,751**
WRDF staff	453,296		47,822	11%	65,552	47,822	17,730
RWB staff	540,000		13,980	3%	-	13,980	(13,980)
TWU	302,400		-	0%	-	-	-
Equipment & supplies	**889,894**		**25,890**	3%	**102,324**	**25,890**	**76,434**
WRDF	124,724		16,648	13%	102,324	16,648	85,676
RWB	266,420		9,242	3%	-	9,242	(9,242)
TWU	498,750		-	0%	-	-	-
Local office	**75,000**		**3,500**	5%	**7,800**	**3,500**	**4,300**
WRDF	39,000		2,670	7%	7,800	2,670	5,130
RWB	36,000		830	2%	-	830	(830)
Operational costs	**217,400**		**1,388**	1%	**40,000**	**1,388**	38,612
Workshop	**650,000**		**-**	0%	**170,000**	**-**	170,000
Contingencies	**372,010**		-	0%	**74,402**	**-**	74,402
EIB TA 2015039 ET IF3	**1,900,000**	**150,000**	**150,000**	8%	**380,000**	**150,000**	**230,000**
AFD	**1,000,000**		**-**	0%	**-**	**-**	**-**
TOTAL TABF	**6,400,000**	**3,650,000**	**242,580**	**4%**	**840,078**	**242,580**	**597,498**

6 ANNEXES

6.1 ANNEX 1: STATUS REVIEW/ MONITORING MULTI-STAKEHOLDER WORKSHOP

Please refer to separate file: 2700 Status Review Monitoring Workshop TAC 3-4 May 2007 Final.pdf

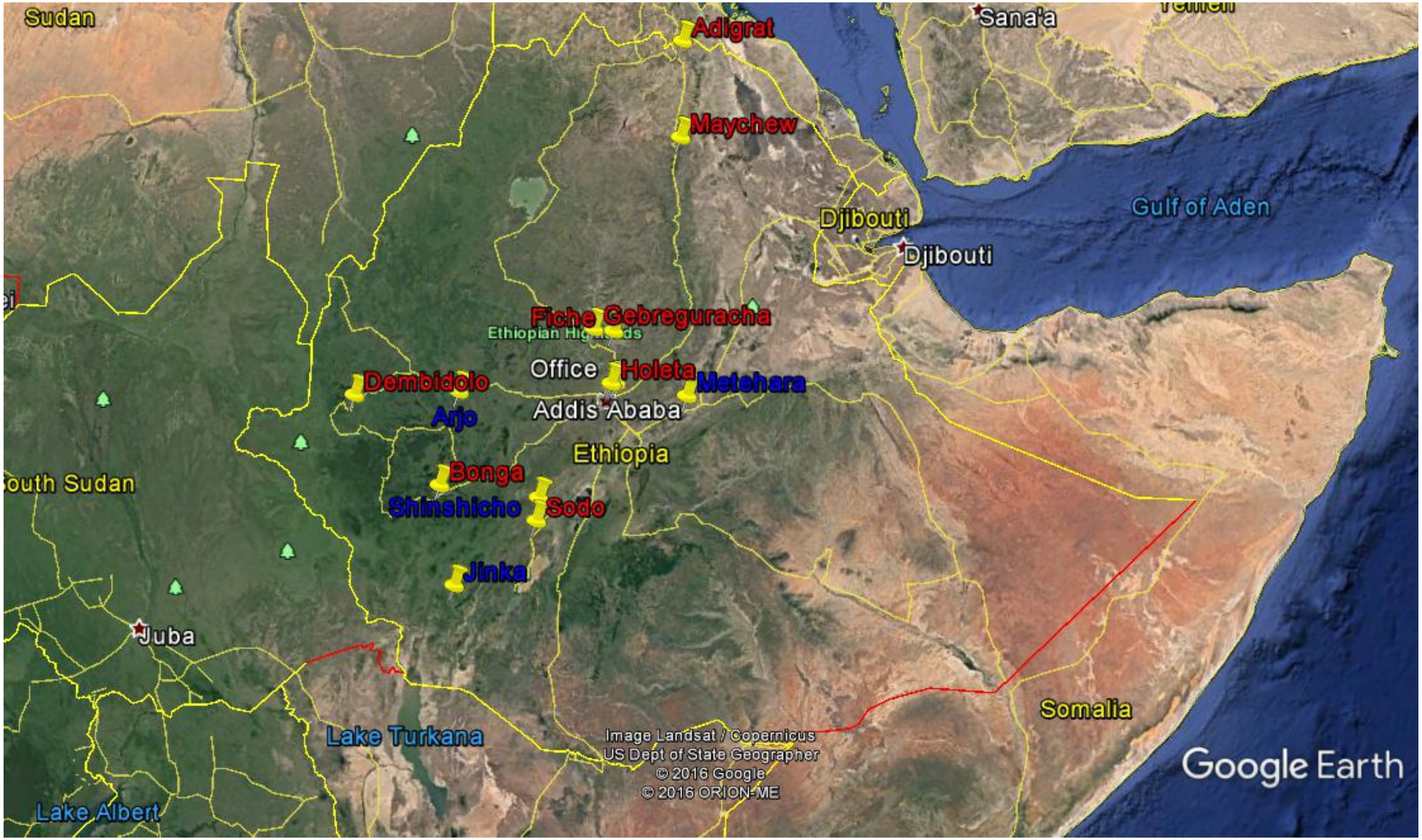
6.2 ANNEX 2: DRAFT PROGRAMME OPERATIONAL MANUAL

Please refer to separate file: 2700 POM draft 20170614.pdf

6.3 ANNEX 3: LOCATION OF TWELVE CURRENT PROJECT TOWNS

Blue: New project towns

Red: 8 towns carried over from 15 Towns Programme



6.4 ANNEX 4: PROCUREMENT MANUAL (DRAFT)

Please refer to separate file: 2700 Draft Procurement Manual 30.06.2017 v4

6.5 ANNEX 5: WRDF – RWB MEMORANDUM OF UNDERSTANDING

6.6 ANNEX 6: DRAFT FOR AN INQUIRY TO AICS

Dear Sirs,

Re: Technical Agreement Between the Ministry of Foreign Affairs and International Cooperation of the Republic of Italy and the Ministry of Finance and Economic Development of the Federal Democratic Republic of Ethiopia of 15 July 2015.

With reference to the implementation of the above-mentioned agreement, an urgent need for reinforcement of the internal audit function has been realised due to the facts that the present internal audit function is understaffed and that the major risk factors are situated beyond the legal boundaries of the Water Resources Development Fund.

These risk factors are embedded in the organisational set-up of the programme where procurement and project management are undertaken by the Regional Water Bureaus and Town Water Utilities thus beyond the legal jurisdiction of the Water Resources Development Fund.

The issue of access of the borrower to exercise financial control will be resolved by means of on-lending agreements allowing the lender to undertake all sorts of investigations with the lenders which are found necessary as conditions for the loans.

The Water Resources Development Fund will take the responsibility for the current financial control of the projects however the audit function is understaffed as only one auditor is employed and he is already overloaded with the usual audit tasks such as payroll, ledger, cashier function, quarterly and annual reports etc.

This means, that for the current control of the evaluation and approval of loan applications, keeping track of the loans, procurement and construction works, two highly qualified internal auditors are needed in order to monitor the implementation properly.

We therefore kindly ask you to allow us to recruit and employ two candidates funded by the Technical Assistance Basket Fund as their expected salary expectations will be outside the norms for governmental institutions. Moreover, a budget to cover travel and accommodation will be needed as the bulk of their efforts will take place with the Regional Water Bureaus in the provinces.

We envisage that one of the candidates has financial/ accounting background, the other one has an education as civil engineer or mechanical engineer.

The qualifications of the candidates are as follows:

Requirements for candidate with Financial/ Accounting Background:

- An excellent command of English, particularly with respect to report writing
- At least a bachelor degree in economics, accounting, financial management, legal matters or a similar field.
- Preferably an internationally recognised degree in internal auditing
- At least 10 years of experience in auditing
- Experience with international donors and lenders are an asset

Requirements for candidate with Background as an Engineer:

- An excellent command of English, particularly with respect to report writing
- At least a bachelor degree in civil engineering or mechanical engineering
- Experience from the utility sector
- At least 10 years of practical experience in the field of engineering
- At least 2 years of experience with international donors and lenders
- Knowledge of financial matters and accounting are an asset

As soon as we have received your content, we will ignite the recruitment process in order to be ready for the tasks when the first contracts of the Urban Water Supply Programme materialise.

We thank you in anticipation and we are looking forward to your reply

Yours faithfully

6.7 ANNEX 7: EXAMPLE TRAINING NEEDS ASSESSMENT FORM FOR THE AUDIT DEPARTMENT

1. **General**

<table>
<tr><td colspan="2">Item</td><td colspan="4">Answer</td></tr>
<tr><td colspan="2">Age:</td><td colspan="4"></td></tr>
<tr><td colspan="2">Female/ Male:</td><td colspan="4"></td></tr>
<tr><td colspan="6"></td></tr>
<tr><td colspan="6">Your Education:</td></tr>
<tr><td>PhD</td><td>Masters</td><td>University</td><td>High School</td><td>Secondary School</td><td>Primary School</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="6"></td></tr>
<tr><td colspan="2">Your profession according to your diploma</td><td colspan="4"></td></tr>
<tr><td colspan="2"></td><td colspan="4"></td></tr>
<tr><td colspan="2">Your total length of service (years):</td><td colspan="4"></td></tr>
<tr><td colspan="2">Your length of service with WRDF plus public service (years):</td><td colspan="4"></td></tr>
<tr><td colspan="6"></td></tr>
</table>

<table>
<tr><td rowspan="2">Your employment status</td><td>Civil Servant</td><td>Contracted Personnel</td><td>Permanent Worker</td><td>Temporary Worker</td><td>Hired Personnel</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="6">Your Place of Work</td></tr>
</table>

1. **Did you attend any training course that was prepared either by WRDF or any other agency / authority during the last six years?**

Yes ☐

No ☐

2. **If your answer is "yes", please provide the following information about these training courses:**

Subject or Title of the Course	**Duration of the Course (days)**	**Location of the Course**	**Date (year)**
No courses were attended			

3. What part of your daily efforts are directly connected to the Project ?

0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%

4. To which extent the following statements are correct for your situation?

Statement	5 – Totally true	4 – Mostly true	3 – Equally true and not true	2 - Mostly not true	1 – Absolutely not true
5.1 We already had sufficient training in internal control and procedures					
5.2 Trainings will be useful for improving our experience in the field of internal control and procedures in general					
5.3 We have a serious training deficit on internal control and procedures					

5. IAS/ IFRS

Statement	**4**	**3**	**2**	**1**	**0**	**-1**	**-2**	**-3**	**-4**	**Opposing Statement**
6.1a- I'm very familiar the IAS/ IFRS requirements										6.1b- I don't know what it is
6.2a- I know only the national legislation for public entities and I think, that it's enough for my job										6.2b- I'm not familiar with the national legislation for public entities
6.3a-IAS/IFRS are absolutely necessary if we want to absorb funds from abroad										6.3b- IAS/IFRS are useless

<u>Test question, only for answer with "4" or "3 to the question "6.1"</u>

(Please write your answer to the below question in the space provided below):

- <u>Question:</u> In which connection and where did you use the IAS/ IFRS ?

  <u>Answer:</u> ……………………………………………………………………..

- Question: What was your role in the above-mentioned activity?

  Answer: ……………………………………………………………………………………..

6. Financial Project Management

Statement	4	3	2	1	0	-1	-2	-3	-4	Opposing Statement
7.1a- I am absolutely familiar with financial project management										7.1b- I do not know what it is
7.2a- I am familiar only with the general book keeping and accounting. I think that it's enough for my job										7.2b- I am not familiar with general book keeping and accountant
7.3a- Financial project management is absolutely necessary for preparation of proper and comprehensive financial statements										7.3b- Financial project management is waste of time

Test question, only for answer with "4" or "3"to the question "7.1a"

(Please write your answer to the below question in the space provided below):

- Question: In which connection and where did you apply financial project management?

Answer: …………………………………………………………………

- Question: What was your role in the above mentioned activity?

Answer: …………………………………………………………………

7. Financial project management

Statement	4	3	2	1	0	-1	-2	-3	-4	Opposing Statement
8.1a- We have a financial project management system and I work with all the modules										8.1b- We do not have any financial project management system and I have never worked with such a system.
8.2a- I know everything about financial project management										8.2b- I know nothing about financial project management
8.3a- Financial project management is absolutely necessary in order to produce reliable financial statements										8.3b- financial project management is waste of time and money

8. The legal regulation of the water industry

Statement	**4**	**3**	**2**	**1**	**0**	**-1**	**-2**	**-3**	**-4**	**Opposing Statement**
9.1a- We are familiar with the legal regulation of the water industry										9.1b- We are not familiar with the legal regulation of the water industry
9.2a- We are familiar with the the legal regulation of the water industry with a special view to rate setting										9.2b- We do not know the legal regulation of the water industry
9.3a- We are familiar with the Environmental sector legislation of Ethiopia										9.3b- We are not familiar with the environmental sector legislation of Ethiopia
9.4a- We are familiar with Ethiopia´s financial requirements in the Environmental sector with a special view to rate setting									100%	9.4b- We do not know what are Ethiopia's financial requirements in the Environmental sector

Test question, only for answer with "4" or "3" to the question 9.1a

(Please write your answer to the below question in the space provided below):

- Question: What is "Polluters pay principle"?

Answer: …………………………………………………………………………………..

- Question: What does " collection rate" mean?

Answer: …………………………………………………………….

Test question, only for answer with (4) or "3" to the questions 9.2a or 9.4a

(Please write your answer to the below question in the space provided below):

- Question: What is "full cost recovery principle"?

Answer: …………………………………………………………………………………

How will you set the rate for water in general ?………………………………………………………

…………………………………………………………………………………………

6.8 ANNEX 8: TENTATIVE TRAINING SCHEDULE

TENTATIVE CONTENTS OF TRAINING IN PROCEDURES AND INTERNAL CONTROL

- MIS, ACCOUNTING AND REPORTING SYSTEMS
- THE SEVEN OBJECTIVES OF INTERNAL CONTROL
- DEFINITION OF AUDIT TRAIL
- FLOW CHARTS FOR INTERNAL CONTROL PURPOSES
- EXERCISES
- REQUIREMENTS FOR PAYMENT AND RECEIPT TRANSACTIONS
- INTERNAL CONTROL AND BACK-UP PROCEDURES IN A COMPUTERISED ENVIRONMENT
- ETHIOPEAN REGULATIONS
- EVALUATION OF THE INTERNAL CONTROL AT EPEEF BY MEANS OF FLOW-CHARTS
- PROGRAMMES FOR CURRENT INTERNAL AUDIT AT EPEEF
- RISK ANALYSIS INCLUDING ON-THE-SPOT-CHECKS
- ATTACHMENTS

TENTATIVE CONTENTS OF TRAINING SEMINAR ON FINANCIAL PROJECT MANAGEMENT

- CHARACTERISTICS OF PROJECTS AND DEFINITION OF PROJECT MANAGEMENT AND FINANCIAL PROJECT MANAGEMENT
- ACCOUNTING SYSTEM REQUIREMENTS
- RECORDING AND REPORTING – CONTRACTOR
- RECORDING AND REPORTING - CLIENT
- IFRS – IAS 11 CONSTRUCTION CONTRACTS
- IFRS 15 REVENUE FROM CONTRACTS
- ETHIOPEAN ACCOUNTING REGULATIONS
- EXERCISES
- EU REQUIREMENTS - IPA REGULATIONS EXCEL MODELS AND FLOW-CHARTS FOR PROJECT MANAGEMENT BASED ON DONOR FUNDING
- EXERCISES

TENTATIVE CONTENTS OF TRAINING SEMINAR ON ELEMENTS OF FEASIBILITY STUDIES

- DEFINITIONS
- ELEMENTS OF FEASIBILITY STUDIES- FORMULATION OF PROBLEMS
- DEMOGRAPHY
- TECHNIQUE (SOLUTION(S))
- BUDGETS BASED ON ACCOUNTING RULES–CASH-FLOWS
- FINANCIAL (AND INVESTMENT) CALCULATIONS
- ECONOMIC ANALYSIS (COST-BENEFIT ANALYSIS AND RATIOS)
- CASE STUDIES AND EXERCISES
- DISCUSSION CONCERNING THE COST–BENEFIT CALCULATIONS OF SELECTED PROJECTS