

13 December 2024

Prepared by: AHVP/AHWS/AWF/PGCL

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**BOARD APPROVAL**  
Lapse-of-time Procedure

13 December 2024

**FOR INFORMATION**

## **MEMORANDUM**

**TO : THE BOARD OF DIRECTORS**

**FROM : Vincent O. NMEHIELLE**  
Secretary General

**SUBJECT : ETHIOPIA: CLIMATE RESILIENT URBAN AND RURAL WASH PROJECT\***  
**AFRICAN WATER FACILITY (AWF) GRANT OF EURO 5.725 MILLION**

The above-mentioned Grant Proposal and the related draft Resolution were submitted for your **consideration on a lapse-of-time basis** on 29 November 2024.

**Since no objection was recorded by 5 p.m. on 13 December 2024**, the said proposal is considered approved and the resolution adopted.

**Attach:**

**Cc: The President**

\* Questions on this document should be referred to:

|                         |                         |                  |                       |
|-------------------------|-------------------------|------------------|-----------------------|
| <b>Ms. B. DUNFORD</b>   | <b>Vice President</b>   | <b>AHVP</b>      | <b>Extension 4022</b> |
| <b>Mr. K. MBEKEANI</b>  | <b>Director General</b> | <b>RDGE</b>      | <b>Extension 6777</b> |
| <b>Mr. S. AMADOU</b>    | <b>General Counsel</b>  | <b>PGCL</b>      | <b>Extension 2418</b> |
| <b>Mr. L. BASSOLE</b>   | <b>Deputy Director</b>  | <b>RDGE/COET</b> | <b>Extension 7250</b> |
| <b>Mr. M. CHIRWA</b>    | <b>Ag. Director</b>     | <b>AHWS/AWF</b>  | <b>Extension 8412</b> |
| <b>Mr. C. D. NUNDWE</b> | <b>Team Leader</b>      | <b>AWF</b>       | <b>Extension 8468</b> |

**THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA**  
**ETHIOPIA CLIMATE RESILIENT URBAN AND RURAL WASH PROJECT**

**APPRAISAL REPORT**

**NOVEMBER 2024**

|                      |   |          |
|----------------------|---|----------|
| Team Leader:         | Cecil Nundwe, Principal Water Resources Engineer      | AWF      |
| Team Members:        | Elicad Elly Nyabeeya, Consultant                      | AWF      |
|                      | John Bosco Bukenya, Principal Country Project Officer | COET     |
|                      | Kingsley Ejim, Senior Social Safeguards Officer       | SNSC     |
|                      | Emmanuel Chisesa, Senior Procurement Specialist       | SNFI3    |
|                      | Berhanu Berihun Engida, Senior Disbursement Assistant | FIFC3    |
|                      | Dana Elhassan, Principal Gender Officer               | PECG.2   |
|                      | Teferi Menkir, Water and Sanitation Officer           | FIFC3    |
|                      | Chikanne Joannes Ezeigbo, Consultant                  | SNSC     |
|                      | Olakemi Salau, Principal legal                        | PGCL1/RD |
| Sector Manager:      | Mtchera Chirwa  | AWF      |
| DDG/Country Manager: | Leandre Bassole                                       | RDGE /CO |
| Sector Director:     | Mtchera Chirwa  | AHWS     |

**African Water Facility | Facilité africaine de l'eau**

**African Development Bank | Banque africaine de développement**

BP 1387 Abidjan 01, Côte d'Ivoire, Immeuble CCIA,

Avenue Jean Paul II | CCIA 10th Floor, 10 R

[africanwaterfacility@afdb.org](mailto:africanwaterfacility@afdb.org)

[www.africanwaterfacility.org](http://www.africanwaterfacility.org)

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## Currency Equivalents

(July 2024)

1 [UA] = 1.23699 [EUR]

1 [EUR] = 0.80841 [UA]

1 [UA] = 1.34523 [USD]

1 [USD] = 0.74337 [UA]

1 [UA] = 76.69376 ETB]

1 [ETB] = 0.01304 [UA]

## Fiscal Year

1 January to 31 December

| <b>Weights and Measures</b> |   |
|-----------------------------|---|
| km                          | kilometre = 1,000 meters                    |
| km <sup>2</sup>             | square kilometre = 1,000,000 m <sup>2</sup> |
| m <sup>3</sup>              | cubic meter                                 |
| m <sup>3</sup> /s           | cubic meters per second                     |
| km <sup>3</sup> /yr         | cubic kilometres per year                   |
| ha                          | hectare = 10,000 m <sup>2</sup>             |
| MW                          | megawatt (1,000,000 W or 1 000 kW)          |
| GWh                         | gigawatt hour (1,000,000 KWh)               |

## Acronyms and Abbreviations

|       |  |        |  |
|-------|--|--------|--|
| AFDB  | African Development Bank                   | MoF    | Ministry of Finance                    |
| AHWS  | Water and Sanitation Department            | MoWE   | Ministry of Water and Energy           |
| AWF   | African Water Facility                     | NDP    | National Development Plan              |
| BMP   | Bank's Procurement Methods                 | OCB    | Open Competitive Bidding               |
|       |  | OWNP   | One WASH National Project              |
| BPS   | Borrower Procurement System                | PSC    | Project Steering Committee             |
| CAPEX | Capital Expenditure                        | QCBS   | Quality and Cost Based Selection       |
| CRMP  | Climate Risk Management Plan               | RAP    | Resettlement Action Plan               |
| CRA   | Climate Risk Assessment                    | SDG    | Sustainable Development Goals          |
| CSP   | Country Strategy Paper                     | SPN    | Specific Procurement Notice            |
| NDF   | Nordic Development Fund                    | TOR    | Terms of Reference                     |
| DK    | Denmark                                    | TYS    | Ten Year Strategy                      |
| ESIA  | Environmental and Social Impact Assessment | UNDB   | United Nations Development Business    |
| ESMP  | Environmental and Social Management Plan   | UNICEF | United Nations Children's Fund         |
| EUR   | Euro                                       | USD    | United States Dollar                   |
| GHG   | Green House Gas                            | WASH   | Water Sanitation and Hygiene           |
| GoE   | The Federal Government of Ethiopia         | W2E    | Waste to Energy                        |
| GPN   | General Procurement Notice                 | WHO    | World Health Organisation              |
| JMP   | Joint Monitoring Program                   | WIF    | National WASH Implementation Framework |
| LCB   | Limited Competitive Bidding                |        |  |

## Grant Information

### Client's information

GRANT RECIPIENT Federal Democratic Republic of Ethiopia  
EXECUTING AGENCY: Ministry of Energy and Water

### Financing plan

| Source*                      | Amount (Euro)<br>Million | Instrument                    |
|------------------------------|--------------------------|-------------------------------|
| African Water Facility (AWF) | 5.725                    | Grant                         |
| Government of Ethiopia       | 1.928                    | Cash and in-kind <sup>1</sup> |
| <b>TOTAL COST</b>            | <b>7.653</b>             |                               |

### AWF's key financing information

|                |                |
|----------------|----------------|
| Grant Currency | Euro           |
| Commitment fee | Not Applicable |
| Other fees     | Not Applicable |

### Timeframe - Main Milestones (expected)

|                       |               |
|-----------------------|---------------|
| IWG                   | July 2024     |
| Regional Team Meeting | August 2024   |
| DG/DDG Clearance      | October 2024  |
| AHVP Approval         | November 2024 |
| Effectiveness Date    | November 2024 |
| Completion            | December 2027 |
| Last Disbursement     | January 2028  |

### Proposed Project Milestones

| Timeframe     | Milestone                           | By Whom          |
|---------------|-------------------------------------|------------------|
| April 2024    | Safeguards clearance by GoE         | Government       |
| April 2024    | Disclosure of Environmental Reports | Bank/ Government |
| June 2024     | Appraisal                           | Bank/Government  |
| October 2024  | Negotiations                        | Bank/ Government |
| November 2024 | approval                            | Bank             |
| November 2024 | Loan Effectiveness                  | Bank/Government  |
| January 2025  | Launching Mission                   | Bank/ Government |
| January 2025  | First disbursement                  | Bank/ Government |
| 2024 – 2027   | Implementation Support              | Bank/ Government |
| May 2026      | Mid-Term Review                     | Bank/ Government |
| December 2027 | Completion                          | Bank/ Government |

<sup>1</sup> Office space, recurrent staff costs, communication, utilities

## I. PROJECT SUMMARY

### 1.1 Background

1.1.1 The project is informed by the Ethiopia Government's new National WASH Implementation Framework (WIF), that aims to contribute to Government's effort to improve access to sustainable Climate Resilient WASH services and to support the achievement of the Sustainable Development Goals (SDGs) for Water and Sanitation in urban and rural areas for Ethiopia by 2030. This project is financed by AWF to support countries in the region stretching from the Sahel to the Horn of Africa, that have been impacted by COVID-19 and climate change.

### 1.2 Objectives

1.2.1 The project development objective is to increase access to sustainable potable water supply, sanitation, and hygiene services and prepare investment projects for water supply and sanitation in selected urban towns and rural settlements in Ethiopia. This will address the severe shortage of water supply and inadequate sanitation as well as contribute to climate-resilience and WASH services in the project areas.

### 1.3 Description

1.3.1 The project will focus on the preparation of project feasibility studies and immediate water supply, sanitation & hygiene interventions targeting vulnerable communities in selected urban and rural settlements. The project comprises three main components as follows:

- **Component 1: Feasibility studies.** This component consists of two sub-components. The first entails feasibility studies, detailed designs, ESIA, ESMP, and RAP studies for Urban WASH services. The second sub-component entails feasibility studies, detailed designs, ESIA, ESMP, and RAP studies for Rural WASH services. Climate considerations will be an integral part of the studies.
- **Component 2: Water Supply and Sanitation.** This component entails water supply provision, sanitation facilities and hygiene practice improvement addressing urgent needs in vulnerable urban and rural communities. This also consists of two sub-components which entail immediate needs, water supply, sanitation and hygiene management for **Urban WASH** and **Rural WASH**.
- **Component 3: Project management and supervision.** This component will support the project through the establishment of the Project Management Unit to provide project management support and coordination of implementation supervision, monitoring, reporting and knowledge management activities.

### 1.4 Cost and Financing

1.4.1 The total project cost is estimated at **Euro 7,500,868.00** net of taxes and duties. The AWF will co-finance the project along with the Government of the Federal Republic of Ethiopia. AWF will contribute a grant of **Euro 5,725,000** representing **76%** of the total project cost. The Ethiopian government will contribute the remaining **24%** amounting to Euro **1,775,868** (Euro 1,200,000 cash contribution for the Beshasha water source, Euro 575,868 cash contribution toward the project construction, and an in-kind contribution of Euro 153,000). The project is expected to commence in November 2024 and be implemented over a total duration of 3 years.

### 1.5 Recommendation

1.5.1 It is recommended that a Grant not exceeding **Euro 5,725,000**, from the African Water Facility Special Fund be awarded to the Federal Republic of Ethiopia for the implementation of the project as per the terms and conditions described in the appraisal report.

**Table 1: Results Based Logical Framework**

| RESULTS FRAMEWORK   |                    |                     |                 |   |   |
|---|--------------------|---------------------|-----------------|---|---|
| A   |                    | PROJECT INFORMATION |                 |   |   |
| <b>I PROJECT NAME AND SAP CODE:</b> Ethiopia Climate Resilient Urban and Rural WASH Project<br><b>SAP CODE :</b> P-ET-E00-021   |                    |                     |                 | <b>I COUNTRY/REGION:</b> Ethiopia/East Africa |   |
| <b>I PROJECT DEVELOPMENT OBJECTIVE:</b> To increase access to sustainable potable water supply, sanitation, and hygiene services and prepare investment projects for water supply and sanitation in Urban and Rural settlements of Ethiopia |                    |                     |                 |   |   |
| <b>I ALIGNMENT INDICATOR (S):</b> ((i) Access to safely managed drinking water services (% population) and (ii) Access to safely managed sanitation facilities (% population))”   |                    |                     |                 |   |   |
| B   |                    | RESULTS MATRIX      |                 |   |   |
| RESULTS CHAIN AND INDICATOR DESCRIPTION   | RMF/ADOA INDICATOR | UNIT OF MEASUREMENT | BASELINE (2024) | TARGET AT COMPLETION (2027)                   | MEANS OF VERIFICATION   |
| <b>I OUTCOME STATEMENT 1: Increased investment potential for water supply, sanitation and hygiene infrastructure in selected settlements</b>  |                    |                     |                 |   |   |
| <b>Outcome indicator 1.1:</b> Infrastructure investment projects ready for funding/ investment  | □                  | Number              | 0               | 7   | Project Reports; WOREDA Reports,  |
| <b>I OUTCOME STATEMENT 2: Increased access to potable water supply, sanitation and hygiene services in Beshasha rural town and Ebala-Adilo urban town and surrounding villages</b>  |                    |                     |                 |   |   |
| <b>Outcome indicator 2.1:</b> Increased access to safely managed drinking Water Supply services in Beshasha and Ebala-Adilo   | □                  | Number of People    | 2,000           | 51,600 (50% Women, ,60% youth)                | National reports, e.g. DHS, Sector reports  |
| <b>Outcome indicator 2.2:</b> Increased access to safely managed sanitation facilities and hygiene services in Beshasha rural town  | □                  | Number of People    | 1,400           | 19,200 (50% Women, 60% youth)                 | National reports, e.g. DHS, Sector reports  |
| <b>Outcome indicator 2.3a:</b> Temporary jobs created   | □                  | Number              | 0               | Temporary 60 (30% women, 50% youth)           | Project quarterly monitoring reports, implementation support missions, mid-term review and project completion report and post evaluations |

|  |                          |             |         |  |   |
|--|--------------------------|-------------|---------|--|---|
| <b>Outcome indicator 2.3b: Permanent jobs created</b>  | <input type="checkbox"/> | Number      | 0       | Permanent<br>10 (30% women,<br>50% youth)) | Project quarterly monitoring reports, implementation support missions, mid-term review and project completion report and post evaluations |
| <b>I OUTPUT STATEMENT 1: Feasibility studies for water supply and sanitation systems prepared</b>  |                          |             |         |  |   |
| <b>Output Indicator 1.1:</b> Water Supply and Sanitation Studies prepared including detailed designs, bid documents, Business Plans, and WSP documents for Urban and Rural WASH (3 Urban, 4 Rural) developed | <input type="checkbox"/> | Number      |         | 7  | Project Reports, WOREDA Reports   |
| <b>Output Indicator 1.2:</b> Environmental and Social Safeguards and climate risk assessment and vulnerability Studies (Reports) prepared for Urban and Rural WASH (3 Urban, 4 Rural) developed              | <input type="checkbox"/> | Number      | 0       | 7  | Project Reports, WOREDA Reports   |
| <b>I OUTPUT STATEMENT 2a: Water supply system and sanitation facilities (Rural town) constructed in new Beshasha</b>   |                          |             |         |  |   |
| <b>Output Indicator 2a.1:</b> Ground water source(s) with sufficient yield developed   | <input type="checkbox"/> | Yield (l/s) | 1.5 l/s | 29.6l/s                                    | project quarterly progress reports, certificate of acceptance, fields visit, supervision mission  |
| <b>Output Indicator 2a.2:</b> Water supply system established  | <input type="checkbox"/> | Number      | 0       | 1  | project quarterly progress reports, certificate of acceptance, fields visit, supervision mission  |
| <b>Output Indicator 2a.5:</b> Water supply system operator network re-established  | <input type="checkbox"/> | Number      | 0       | 1  | project quarterly progress reports, certificate of acceptance, fields visit, supervision mission  |
| <b>Output Indicator 2a.6:</b> Sanitation facilities Constructed /Upgraded  | <input type="checkbox"/> | Number      | 0       | 3  | project quarterly progress reports, certificate of acceptance, fields visit, supervision mission  |
| <b>Output Indicator 2a.7:</b> Hygiene awareness  |                          |             | 0       | 2  | project quarterly progress  |

|  |                          |        |   |   |  |
|--|--------------------------|--------|---|---|--|
| campaigns (including menstrual hygiene & watershed management) conducted   |                          | Number |   |   | reports, Minutes of stakeholders' workshops  |
| <b>I OUTPUT STATEMENT 2b: Water supply system (Urban) functionality restored in Ebala-Adilo</b>                          |                          |        |   |   |  |
| <b>Output Indicator 2b.1:</b> Water supply system) rehabilitated   | <input type="checkbox"/> | Number | 0 | 1 | project quarterly progress reports, certificate of acceptance, fields visit, supervision mission |
| <b>Output Indicator 2b.2:</b> Water supply, sanitation and hygiene committee (WASHCO) re-established.                    | <input type="checkbox"/> | Number | 0 | 1 | project quarterly progress reports, certificate of acceptance, fields visit, supervision mission |
| <b>Output Indicator 2b.3:</b> Hygiene awareness campaigns (including menstrual hygiene & watershed management) conducted |                          | Number | 0 | 2 | project quarterly progress reports, certificate of acceptance, fields visit, supervision mission |

## **II. STRATEGIC CONTEXT AND RATIONALE**

### **2.1 Origin of the Project**

2.1.1 The project is financed by the Africa Water Facility (AWF) with grant assistance from the Nordic Development Fund (NDF) and Denmark (DK), put in place to support countries in the region stretching from the Sahel to the Horn of Africa. These are countries that have been impacted by COVID-19 and climate change as evidenced by the devastating effects of changing rainfall patterns and extreme weather events in recent times. Subsequently, AWF received a project funding application from the Ministry of Water and Energy to support interventions in some urban and rural settlements in Ethiopia. The interventions are an integral part of the Government's sector-wide program which is, in part, a basis for resource mobilisation as informed by its resource mobilisation strategy. The Government of Ethiopia (GoE) does not have resources for the feasibility studies due to competing demands on the country's financial resources on the sector and have requested the African Water Facility to finance the project. The planned government intervention comprises two main themes: a) feasibility studies, detailed designs, ESIA's, ESMP's, RAP's, climatic studies; and b) water supply, sanitation, and hygiene management.

2.1.2 The GoE has developed a Ten-Year Development plan (2021-2030) which aims to eliminate poverty and elevate the country to middle income status by 2030. The key pillars of the plan include quality economic growth and shared prosperity, economic productivity and competitiveness, technological capability and digital economy, sustainable development financing, private sector-led growth, resilient green economy, institutional transformation, gender and social inclusion, access to justice, regional peace building and economic integration. The Ten-Year plan includes an embedded Water Resources Development Plan (2021-2030) which aims to ensure equitable provision and access to climate resilient WASH services and to enhance the use of Ethiopia's water resources. The focus areas include improving access to WASH services; expansion of irrigation systems; harnessing of renewable energy for potable water supply; strengthening of urban wastewater management systems; river basin development; and providing support to pastoral areas.

2.1.3 Notwithstanding government efforts to improve the sector, key challenges remain, including (i) financially unsustainable water utilities with high rates of unpaid bills, dilapidated infrastructure, high non-revenue water (48 %), and the advent of COVID-19, affecting the ability to deliver efficient services; (ii) inadequate and dilapidated infrastructure; (iii) limited human resource capacity in sector institutions to manage and implement projects; (iv) lack of basic services, pollution, overcrowding and poor waste management in unplanned settlements; (v) low levels of access to basic sanitation due to inadequate funds targeting sanitation especially for rural and peri urban areas; and (vi) weak management and monitoring of water resources and unregulated access to water sources. Current level of achievement for sector outcomes indicates that more resources need to be mobilized to attain national and global goals for water.

2.1.4 The project therefore seeks to contribute to the government's effort to improve access to sustainable, climate resilient WASH services and to support the achievement of the Sustainable Development Goals (SDGs) for water and sanitation in urban and rural areas of Ethiopia by 2030. The proposal is informed by the government's National WASH Implementation Framework (WIF) Project and two recently prepared existing studies including feasibility studies, and detailed designs that were subjected to environmental screening in line with the environmental laws of the GoE.

### **2.2 Sector Context Strategies and Priorities**

2.2.1 Ethiopia's population is estimated at 120.8 million people (2022)<sup>2</sup>, making it Africa's second most populous country, with the third-largest economy in Eastern and Southern Africa. Ethiopia is recognised as one of the countries that have most severely been impacted by Covid 19 and climate change in the Sahel and Horn of Africa region. With respect to climate change, this is evidenced by devastating effects of changing rainfall patterns and extreme weather events in recent times. Its economy grew by 6.1% in 2020, as compared to 8.4% in 2019, largely

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<sup>2</sup> World Population Dashboard Ethiopia; <https://www.unfpa.org/data/world-population/ET>

because of the COVID–19 pandemic<sup>3</sup>. Post covid Ethiopia's economy grew 7.1% in 2022/23, up from 6.4% in 2021/22. This was led by 7.9% growth in the services sector, which accounts for 40% of GDP. Industry, at 28% of GDP, grew 6.9% and agriculture, at 32% of GDP, grew 6.3%, also supporting growth. Demand-side drivers of growth included private consumption and investment<sup>4</sup>

2.2.2 The depth and severity of poverty is highest in the drought-prone areas of Ethiopia. As an example, the lowlands of Oromia, where some of the project sites are located. With a national population share of 37.8%, the poverty share of the Oromia region is estimated at 38.3% and the poverty rate is estimated at 23.9%<sup>5</sup>. The population relies on subsistence agriculture and pastoralism, based on the seasonal movement of livestock and traditional rangeland management, as the most suitable way to use the scarce resources in these areas. While the proposed project sites in different regions have a good groundwater base, inadequate water infrastructure, dysfunctional water services, land use and overgrazing, and water quality issues constrain its use. Furthermore, most interventions have been piecemeal, emergency in nature and unsustainable. The lack of water management infrastructure has left the communities without a way to counterbalance water scarcity, which is getting worse with the frequently changing rainfall pattern.

Though endowed with abundant water resources (both ground- and surface-water), spatial and temporal distribution of this resource is exceptionally variable and unpredictable due mainly to the impacts of climate change, which is manifested in endemic devastating droughts and floods. This situation, together with the lack of access to infrastructure to provide reliable water for multi-purpose uses, and limited adaptability of agropastoral systems to climate shocks has resulted in the economic scarcity of water that stands as a constraint to resilient livelihoods.

2.2.3 The Government's flagship project is the One WASH National Project (OWNP). It is guided by the Government's established National WASH Implementation Framework (WIF)<sup>6</sup>. In conjunction with the OWP, the Government established the consolidated WASH account (CWA) to pool financing for the implementation of the OWP from the Government's own sources and donors. Phase I, which ran from 2014 to June 2019, was financed by Finland, the United Kingdom, the African Development Bank (AfDB), the United Nations Children's Fund (UNICEF), and the World Bank. It represented a transition from project-based engagements to a sector wide programmatic approach. The emphasis of this initial phase was on addressing gaps in access to WSS services. With the launch of OWP Phase II in 2018, the emphasis was on broadening beyond access and last mile connectivity.

2.2.4 Since the launch of the OWP, Ethiopia has made significant progress in the provision of water supply services and sanitation. According to the WHO/UNICEF JMP 2023 report, only 52% of people in Ethiopia had access to basic drinking water services (83% urban, 42% rural), and 9% had access to basic sanitation services (22% urban and 6% rural) in 2022. According to the latest WHO data published in 2020 diarrheal disease-related deaths in Ethiopia reached 44,361 or 7.87% of total deaths.

2.2.5 The proposed project is aligned with Ethiopia's updated Nationally Determined Contribution (NDC), National Adaptation Plan (NAP), National Adaptation Program of Action (NAPA), and Green Economy and Climate Resilience Strategy on Agriculture, Forestry and Water, which have all prioritized adaptation and resilience building measures such as protection and restoration of ecosystem functions, improving access to potable water, watershed management, promotion of grazing schemes, improved management and monitoring of groundwater resources and use of adaptation technologies.

2.2.6 The project fits within the priorities of the Country Strategy Paper (2023-2027), under "Priority Area 2, Quality and sustainable infrastructure development to support agro-industrialization. This project aligned to Strategic outcome 2 (Agriculture and agro-industry) – The associated interventions are intended to help accelerate rural

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3 AfDB Africa Economic Outlook, 2021.

4 AfDB Ethiopia Economic Outlook 2023

5 World Bank (2020). Ethiopia Poverty Assessment: Harnessing Continued Growth for Accelerated Poverty Reduction. Washington DC. © World Bank

6 The National WASH Implementation Framework (WIF) was developed by the GoE and signed on August 2011. This is the framework for implementing the Ethiopian National WASH Project, undertaken by rural and urban communities and supported by governmental agencies, civil society organizations, the private sector, and international donors

transformation and economic diversification. In addition, they will improve resilience and livelihoods by expanding productivity, value chains, job creation and household incomes. Ongoing operations in water management will enhance access to water for production and domestic use. The Bank will support the adoption of environmentally sustainable, drought-resistant crops and livestock breeds and water management technologies to build resilience to climatic shocks". The project is consistent with the Bank Group's Vision and Goal of the Bank's Ten-Year Strategy (TYS 2024-2033), with a strong commitment to building Africa's people and economies' resilience in the face of shocks. The intention is to improve the planning and implementation of interventions to address climate-related risks through a green, resilient and inclusive approach. The project contributes to the High 5 priority on "Improving the Quality of Life for the People of Africa" specifically improving the quality of lives of the population in Beshasha rural town and Ebala-Adilo urban town and surrounding villages. This is to be achieved by providing increased quantities of safe, clean water, and improved sanitation, thereby improving public health outcomes. The project is aligned to the Bank's focus is on the key priorities which include (i) improving access to clean water and access to sanitation and hygiene services; (ii) improving water sector governance to ensure sustainable access to water infrastructure; and (iii) strengthening and improving the performance of utilities.

2.2.7 The project is consistent with the Bank Group's Strategy for Addressing Fragility and Building Resilience in Africa (2022-2026), the Bank Group's Climate Change and Green Growth Action Plan (2021-2025), which seeks to prioritize investments that boost resilience and adaptation to climate change, and the Multi-Sectoral Nutrition Action Plan (2018-2025), given the role that access to clean water, hygienic sanitation facilities, and behaviour change contributes towards strengthening hygiene and sanitation related to feeding and care practices. The Green Growth Action Plan prioritises increased investments in sustainable integrated water resources management, water supply and security, climate friendly technologies and services and infrastructure among others.

2.2.8 The project is aligned with the Bank's Policy on Water (May 2021) and the Bank's Water Strategy (2021-2025), in particular to enhance Africa's water security and transform its water assets to foster sustainable, green, and inclusive socio-economic growth and development.

2.2.9 In line with Pillar 3 of the Bank Group's Gender Strategy (2021-2025) which is meant to increase women's access to social services through infrastructure, the project will contribute to economic opportunities for women and youth by reducing the time and effort to collect water and in turn create more time for other activities to improve livelihoods. This is also in line with the Jobs for Youth in Africa (2016-2025) strategy. The project will present opportunities for youth to take part in project activities and will also focus on reducing absenteeism from work and school (especially for girls).

2.2.10 The project is aligned to the AWF's revised Strategy, covering the period 2017-2025, which embraces a broader focus on water security. The long-term goal of the AWF's revised strategy is "improved quality of life for urban and rural communities in Africa", through the strategic priority of project preparation and promotion. The strategy puts emphasis on mainstreaming and integrating climate adaptation and resilience at the centre of its project interventions among other key cross cutting issues including gender, environmental, safety, employment creation and social safeguards.

## **2.3 Rationale for AWF Support**

2.3.1 While the Federal Republic of Ethiopia has abundant water resources, with total renewable water resources (RWR) estimated at 122 km<sup>3</sup> per year and at 1,117 m<sup>3</sup> per inhabitant per year, it is considered 'water stressed' due to a combination of rapid population growth and increasing urbanisation<sup>7</sup>. Total renewable groundwater was estimated at 20 km<sup>3</sup>/year of which only 2.6 km<sup>3</sup>/year is exploitable<sup>8</sup>. Groundwater accounts for 90% of domestic/municipal and industrial supply. Agro pastoralists depend on groundwater for livestock watering and agriculture to complement ephemeral surface water sources. Ethiopia's per capita RWR has shrunk by 44% over the past 21 years, largely due to population growth and the effects of climate change. Water withdrawals are still low in Ethiopia, at 9% of the RWR.

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<sup>7</sup> Borana Resilient Water Development For Improved Livelihoods Program (Phase 1),2022

<sup>8</sup> Borana Resilient Water Development For Improved Livelihoods Program (Phase 1),2022

2.3.2 Ethiopia has suffered 8 major climate-induced droughts in the past 15 years, with adverse consequences for the economy and livelihoods. The most recent effect of the drought is migration and displacement of both humans and livestock northwards due to reduced pasture and water scarcity. Climate variability has heightened challenges related to unsafe drinking water, inadequate sanitation, and limited hygienic practices, which remain critical health concerns in the whole of Ethiopia.

2.3.3 Ethiopia has made remarkable strides in ensuring access to safe drinking water over the past 20 years, but still faces challenges in overall WASH coverage. Up to 80% of communicable diseases are still attributed to limited access to safe water and inadequate sanitation and hygiene practices which negatively impact health and nutrition. In Ethiopia, diarrheal disease is the second cause of hospital admission and death among children under five years of age.

2.3.4 An estimated 80 % of the population in Ethiopia lives in rural areas with a high dependence on mixed and pastoral farming, often under harsh and variable climatic conditions. Many small towns provide market and rural support functions, as well as labour pools for agricultural activities.<sup>9</sup> The One WASH program in Ethiopia has made notable progress in recent years. Current data indicates that as of 2023, approximately 60% of the population has access to improved water sources, up from 47% in 2009. The program is now focused on integrating climate resilience and sustainability into its strategies, aiming for universal access by 2030. Recent evaluations have highlighted the importance of community participation and capacity building, which are essential for the long-term success of water supply initiatives. The new timeframe emphasizes a collaborative approach, ensuring alignment with Ethiopia's national development plans and international goals. Despite improvements, challenges remain, particularly in rural areas, where infrastructure and service delivery need further enhancement to meet the growing demand.

2.3.5 The existing water supply in the selected settlements are inadequate and the inhabitants use unsafe water from unprotected sources, exposing them to water borne and water related diseases.

2.3.6 The sanitation status in all selected settlements, schools, and health centres is very rudimentary and unsatisfactory as there is no system in place for liquid and solid waste disposal besides inadequate water supply and services. In addition, the problem hinders individual endeavours, micro-enterprises, construction of hotels, institutions, and investments and this has been noted in the expansion areas where there is no water supply. The support by the proposed project will contribute to other efforts to improve sector performance in line with the aspirations of the government of Ethiopia.

## **2.4 Stakeholders and Donor Harmonisation**

2.4.1 The following key stakeholder interests have been incorporated in the project design through a consultative process. Identified stakeholders include committees involved in the operation and management of the water supply and sanitation services, the Municipality, civil society organisations in towns and rural settlements the Ministry of Health, the Ministry of Education and the other government agencies responsible for implementing policies and legislation. Also included are regional and zonal administration units who provide support to ensure water supply development, the safety of the water supply and sanitation infrastructures Within the context of donor harmonisation, the project is part of the GoE's sector wide program is aligned with all development partner efforts who are a part of the program.

## **III. PROJECT DESCRIPTION**

### **3.1 Project development objective**

3.1.1 The project development objective is to increase access to sustainable potable water supply, sanitation, and hygiene services and prepare investment projects for water supply and sanitation facilities in selected urban

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<sup>9</sup> WASH Technical Paper TP/11/20/Https/www.unicef.org/WASH

towns and rural settlements in Ethiopia. This will address the severe shortage of water supply and inadequate sanitation and contribute to climate-resilience, and sustainable WASH services in the project areas.

3.1.2 The proposed action will address the severe shortage of potable water supply and sanitation by setting the stage for the enhancement of the water supply and sanitation systems and addressing immediate needs where possible to alleviate current deficits. This will contribute to improved health, productivity, living conditions and wellbeing of the people. The project design is informed by a theory of change presented in Annex 2.

## 3.2 Outcomes and Impacts

3.2.1 The project will contribute in the **long term** improvement in people's health and well-being for residents in urban towns and rural settlements through increased access to sustainable potable water supply, sanitation, and hygiene services.

3.2.2 The project will contribute in the **medium term** to safely managed water resources, resilient water supply networks, sanitation facilities and improved hygienic practices in the targeted urban and rural settlements

3.2.3 The project will contribute to the following **outcomes**:

- Increased access to potable water supply, sanitation and hygiene services in Beshasha rural town and Ebala-Adilo urban town and surrounding villages, serving a total of 51,600 people through Water and Sanitation service provision interventions by 2026
- Delivered project investment documents for improvement of water supply and sanitation in selected urban and rural settlements, that will facilitate and enable improved sustainable access to safe potable water supply for 271,600 persons and 96,000 heads of livestock by 2030.
- Improved sanitation facilities in schools, markets, health centres and public places for 51,600 people and 10,000 heads of livestock by 2026
- Reduced incidents of water and sanitation related diseases by 50% by 2026.
- Improved knowledge attitudes and practices associated with sanitation services provision for 51,600 people by 2026
- New organisational arrangements (utilities and service providers) for the delivery of water and sanitation services by 2026 under water and sanitation service provision measures

## 3.3 Output

3.3.1 In the short term, it is expected that the project will deliver the following outputs:

- i. Seven (7) climate proofed, bankable feasibility study reports, detailed designs, bidding documents, ESIA reports with climate risk and vulnerability assessments, ESMP and RAP documents for the selected urban and rural settlements. The documents will include climate adaptation and mitigation plans, and gender action plans informed by the climate risk, vulnerability, environmental, social impact assessments, and gender analyses in the seven urban and rural settlements.
- ii. Water and sanitation interventions completed which shall result in (i) new Beshasha water supply system and sanitation facilities (rural town), and (ii) a restored Ebala-Adilo (urban) water supply system.
- iii. Established operation and maintenance structures with business plans, performance agreements and contracts templates for select service delivery modalities as part of the feasibility studies and for the water and sanitation intervention.
- iv. Improved hygienic knowledge attitudes and practices created in schools, health centres and at the community level. It also includes improved watershed conservation practices for more climate resilient outcomes.

### 3.4 Project Components and Activities

3.4.1 The project will comprise three (3) components: Component 1: Feasibility studies, detailed designs, ESIA, ESMP, climate risk and vulnerability assessment, and RAP studies; Component 2: Water and sanitation services; and Component 3: Project management.

3.4.2 **Component 1 (Feasibility studies).** Climate risk assessments and planning will be part and parcel of this activity. The activity shall entail among others: techno-economic studies (including water source assessment and investigations, test well drilling of boreholes based on the detail study and design) to ensure technical and financial sustainability and return on investment, institutional and management assessment, policy assessment, legal assessment, water security, climate change and GHG emissions assessments, gender analysis, detailed design, environmental studies and preparation of tender documents, engineering surveys and designs, identification and development of optimal institutional and financing models for improvement in the operations, assessments of the environmental and social risks associated with the proposed development activities and mitigation measures including livelihoods restoration.

3.4.3 **Component 2 (Water and Sanitation).** This component shall consist of 2 sub-components namely: i) water supply, sanitation service, and hygiene management (urban WASH), and ii) water supply and sanitation, and hygiene management (Rural WASH). With respect to urban WASH, the Ebalá-Adilo water supply system, its functionality shall be restored through rehabilitation of the spring source, water collection chamber, pumps, electric supply line, guard house, pipe fitting and electro-mechanical equipment. With respect to rural WASH, new Beshasha water supply and sanitation facilities will be constructed and shall, among others, entail: a) supply and installation of pumps & generators, together generator housing, b) provision of sanitation facilities based on appropriate practical low cost technologies, c) implementation of an approved environmental and social management framework if so required, d) provision of hygiene promotion and awareness creation activities targeting select schools and health centres and school health and hygiene clubs, involving teachers, children and parents (community).

3.4.4 **Component 3- Project management and supervision:** The Project Implementation Unit (PIU) with its associated project support teams will be established and staffed by experts at the national and regional levels. Activities to be financed under this component will include (i) operating and staff costs of the PIU and support to line departments responsible for project implementation; (ii) knowledge management and outreach; (iii) supervision quality control, contract management and safeguards compliance; (iv) project audits; and (v) the strengthening of monitoring and evaluation systems.

3.4.5 This project approach was informed by alternatives considered and lessons learned from other project experiences. These aspects are presented in Annex 12.

### 3.5 Beneficiaries Target Areas and Population

3.5.1 **Beneficiaries:** The project will benefit a total of 51,600 people residing in the Beshasha rural town and Ebalá-Adilo urban settlements. The project will directly benefit, in future, the people residing in the seven urban and rural settlements where feasibility studies will be conducted. The WASH services shall target public institutions such as primary and secondary schools, hospitals, health centres, universities, colleges, kindergarten, clinics, and government offices in the selected towns and urban settlements outlined in table 1. The current human and livestock population of the three urban towns is estimated to be 160,600 and 5,000, respectively, and the current human and livestock population of the four rural settlements is estimated to be 111,000 and 91,000, respectively, based on the Central Statistics Agency (CSA) projection.

3.5.2 The project will focus on the preparation of feasibility studies and WASH services targeted at vulnerable communities in selected urban and rural settlements in the following locations. The sites were selected based on their specific needs, urgency and potential for impact. The Ebalá site was chosen for rehabilitation due to existing infrastructure challenges and the opportunity to intervention to address a distressful situation against a growing demand as well as to enhance water supply capacity. This strategic selection ensures that both immediate and long-term water needs are effectively met in the respective communities. Geographic distribution was also consideration for the studies.

| No | Components          | Urban towns  | Rural settlements  |
|----|---------------------|--|--|
| 1  | Feasibility studies | 1) Megado Town (Oromia region)<br>2) Chagni Town (Amhara region)<br>3) Dolo Ado (Somali) | 1) Dugdadewa ((Oromia region)<br>2) Koreb werada (Amhara region)<br>3) Beruda (Benshangu region)<br>4) Chume (Sidama region) |
| 2  | WASH Services       | 1) Ebala-Adilo urban (Kambata Tamibar zone)  | 1) Beshasha rural town (Jimma zone)  |

### 3.6 Project Costing and Financing Arrangements

3.6.1 The total project cost is estimated at Euro **7,653,868** net of taxes and duties. The project duration is estimated at 36 months from the date of grant effectiveness. It is anticipated that the project preparation consultancy services for the feasibility studies and detailed designs will last 18 months. The estimated time for the water and sanitation works contract will take 12 months. The tables below provide a summary of the project costs by component and by category of expenditure.

**Table 2: Project cost estimates by component and Sources of Funding (Euro)**

| Component   | AWF                 | GoE                 | Total Cost          |
|---|---------------------|---------------------|---------------------|
| Feasibility study & Detailed designs, ESIA, Climate risk assessment, ESMP, RAP, Gender analysis | 1,769,000.00        |                     | <b>1,769,000.00</b> |
| water and sanitation interventions  | 3,233,357.42        | 1,691,300.00        | <b>4,924,657.42</b> |
| Project management  | 450,021.81          |                     | <b>450,021.81</b>   |
| <b>Total Base Cost</b>  | <b>5,452,379.23</b> | <b>1,691,300.00</b> | <b>7,143,679.23</b> |
| Contingency (5%)  | 272,618.96          | 84,565.00           | 357,183.96          |
| <b>Total project cost</b>   | <b>5,724,998.19</b> | <b>1,775,865.00</b> | <b>7,500,863.19</b> |
| Percentages   | 76%                 | 24%                 |                     |

**Table 3: Project cost by Category of expenditure and Sources of Funding (Euro)**

| Component                 | AWF                 | GoE                 | Total Cost          |
|---------------------------|---------------------|---------------------|---------------------|
| A- Goods                  | 3,050,000.00        | 1,691,300.00        | <b>4,741,300.00</b> |
| B- Services               | 1,962,357.42        |                     | <b>1,962,357.42</b> |
| C- Operating cost         | 440,021.81          |                     | <b>440,021.81</b>   |
| <b>Total Base Cost</b>    | <b>5,452,379.23</b> | <b>1,691,300.00</b> | <b>7,143,679.23</b> |
| Contingency (5%)          | 272,618.96          | 84,565.00           | 357,183.96          |
| <b>Total project cost</b> | <b>5,724,998.19</b> | <b>1,775,865.00</b> | <b>7,500,863.19</b> |
| Percentages               | 76%                 | 24%                 |                     |

### 3.7 Technical Economic and Financial Viability

3.7.1 The need for concerted effort to address WASH in Ethiopia is well established. To carry out detailed feasibility studies in line with government policy as a precursor to actual development is a rational approach to address alternatives to project design and to implement more sustainable projects. With respect to the Water and Sanitation service component, options such as business as usual/do nothing scenario and redevelopment of existing sources of water were considered. These are further discussed in Annex 12.

3.7.2 Feasibility assessment shows that the project will have positive impacts on the local and national economy. Given the nature of the investments, which are rehabilitation of water supply systems and extension of services, the Project shows a lower financial internal rate of return (FIRR) than the discount rate. The economic internal rate of return (EIRR) is projected to be much higher than the discounted rate, due to the anticipated benefits and positive outcomes on the beneficiary communities and the wider economy. Based on the evidence collected during the preparation mission, the project revenues will cover operation and maintenance (O&M) costs and replacement of electromechanical equipment, essential for sustaining the running of the systems during the time horizon.

3.7.3 Indicatively, the EIRR is 20.92% and NPV Euro 11.8 million.

3.7.4 Sensitivity analysis was undertaken to assess the impact on the EIRR of increases in the capital costs and benefits reductions by 20% respectively. The EIRR showed very minimal sensitivity to the variables tested above, indicating the significant impacts on the wider community of building capacity and investing in water supply and sanitation.

**Table 4: Project economic and cost benefit analysis**

| <b>Sensitivity analysis</b>                           | <b>Base</b> | <b>20% increase in capital costs</b> | <b>20% decline in economic benefits</b> |
|---|-------------|--------------------------------------|---|
| Economic Net Present Value (ENPV) @ 7% (Euro Million) | 11.78       | 10.63                                | 9.27                                    |
| Economic Internal Rate of Return (EIRR)               | 20.92%      | 18.13%                               | 18.49%                                  |

3.7.5 The capital investments in hard infrastructure along with the accompanying measures, will provide reliable water supply services to more than 51,600 people in 2028 at the start of the operation. Anticipated outcomes encompass a surge in revenue through heightened water sales. The project is strategically aligned to amplify private connections and livestock troughs from the outset, effectively acting as a catalyst to propel unit water sales to human and livestock’s<sup>10</sup> to elevated levels. Improved water supply will improve educational levels due to higher school enrolment and attendance rates. The project will have a positive impact on childhood malnutrition (and subsequently on education). Also, as water supply system will be safe, less household time and costs will be spent treating drinking-water. A detailed financial and economic analysis is presented in Annex 6.

### **3.8 Environmental and Social Requirements for the Project**

3.8.1 Environmental and Social Risk Categorization: The project category is confirmed as Moderate Risk Category 2 on ISTS on September 25th, 2023.

3.8.2 Environmental and Social safeguards Applicable Instruments: All the safeguards’ documents [Environmental and Social Impact Assessment ESIA for Beshasha Town Water Supply and Sanitation Project and Eبالا-Adilo Water Supply Rehabilitation Project] were prepared by the borrower/client, reviewed, and cleared by the Bank, and disclosed by the Borrower/client in [March 27th, 2024] and by the Bank on [March 28th, 2024] in accordance with the ISS requirements.

3.8.3 Stakeholder Engagement/ Public Consultation: The Bank verified/ensured that public consultation was adequately completed by the borrower/client.

3.8.4 Environmental and Social Risk and Impacts: The major risks and significant impacts that may be triggered by the project activities include depletion of aquifers given that the two boreholes in the Beshasha project will be 350m deep, the excavation works during rehabilitation works in Eبالا-Adilo project may cause loss and displacement of topsoil which may be worsened by the prone soil erosion, and deep gullies in the area. Three (3) PAPs will be economically displaced, among which there are no vulnerable people.

3.8.5 E&S Risk Mitigation Measures as provided for in the ESMP: The aforementioned risks and impacts will be mitigated through periodic monitoring of groundwater characteristics such as the static water level, the dynamic water level, the drawdown, and the safe yield. The three PAPs have already been allocated alternative land for farming. Fertilizers, seeds and oxen for livelihood restoration have been purchased and given to the PAPS in readiness for the next planting season in July 2024.

3.8.6 ESMP Implementation cost: The estimated budget required for ESMP implementation at new Beshasha water supply and sanitation system is about ETB 1,682,000.00 while for the Eبالا - Adilo rehabilitation works, this is estimated to be ETB 1,946,300.00.

<sup>10</sup> We assume 1 livestock per rural household. Animal husbandry ranks as the third most significant agricultural endeavor within the district, trailing only behind crop cultivation and trade. The practice of raising livestock plays a pivotal role in bolstering the local farmers' economic development.

3.8.7 Project Level capacity in E&S risk management and GRM: The capacity for E&S risk management at the MoWE, as the implementation Agency, is confirmed adequate. A proper grievance redress mechanism, with its implementing mechanism committee structures, is well established at Beshasha and Adilo areas.

3.8.8 The E&S compliance: The client is required to prepare quarterly E&S implementation reports. An annual E&S performance/compliance audit, conducted by an independent E&S safeguards expert, will be submitted on an annual basis on or before the end of the first quarter of the preceding year. These reports will be shared with the Bank and made accessible to the stakeholders. The client is required to establish a project level Grievance Redress Mechanism (GRM) from the onset, before the commence of works implementation. The GRM and its GRC shall be made known to all the stakeholders and shall be functional throughout the project life cycle. Additionally, in the event of an EHS incident on a project site, the borrower is required to notify the Bank, not later than 48 hours after the occurrence, share the national authority investigation report, and, when deemed necessary by the Bank, to prepare an independent root-cause analysis (RCA) report to be cleared by the Bank for implementation. These obligations are reflected in the E&S conditions of the financing agreement. On that basis, the project is compliant and ready to be submitted for Board consideration, as evidenced by the ESCON in Annex 4.

### **3.9 Climate Change Requirements for the Project**

3.9.1 *Climate safeguards classification:* The project is classified as Category 2 under the Bank’s Climate Safeguards System (CSS) since it has water and sanitation service interventions in combination with project feasibility studies, meaning that, it is moderately vulnerable to the impacts of climate change. A detailed description of climate change requirements is presented in Annex 14.

### **3.10 Gender And Social Inclusion Requirements for the Project**

3.10.1 The project is Categorised as 2 on the Bank’s Gender Marker system and aligns with Pillar 2 and Pillar 3 of the AfDB Gender Strategy 2021-2025 (access to skills and jobs and access to social infrastructure, respectively). The “Ten-year perspective plan – the pathway to prosperity”, a continuation of the Growth Transformation Plan (GTP) I & II, highlights key reform areas for women’s equal participation in education, social sectors, leadership and decision-making power and overall development of the country.

3.10.2 Women and girls in the project target areas are spending hours daily and walking several kilometres to fetch water for domestic use. The time spent by females in collecting water reduces their chance to invest in other income generating activities and thus increases their vulnerability to poverty. It also impacts girls and boys at school with the high rate of dropouts for both girls and boys every year, with more girls dropping out. This situation deepens the gender inequalities and disrupts the livelihoods. The lack of water also increases early marriage for girls and gender-based violence especially along the distant route from their home to water source. Consultations with communities indicate that they identify water and sanitation as an urgent need to ensure sustainable solutions which will relieve women’s tasks and ensure girls and boys stay in schools.

3.10.3 It is critical that WASH facilities are built considering the diversity of the people living in the community and their different needs. To provide sustainable WASH services in communities and institutions, the full participation of women and persons with disabilities, at every stage of the process (planning, design, implementation, management) will be critical in Component 1 (feasibility studies are expected to consider gender assessment in both the RAP and the ESIA) as well as in Component 2. Through Component 2, improving quantity and quality of drinking water of the area will improve health and sanitation services thereby promoting productive time for women and girls who devote a significant share of their time fetching water. Specifically, the program will promote gender equality by i) organizing capacity building initiatives for women in water management -this will increase their number in management positions of the water committees, ii) organize Awareness Raising Campaigns (on WASH, GBV, SRH, social roles and power relations, climatic change and mitigation/adaptation) iii)organize trainings for women and girls in operation and maintenance of water infrastructure; v) organize capacity building in WASH services vi) organise the workshops for empowerment and protection of women and girls and vii) provide employment opportunities to at least 30% of women and girls during the construction phase.

3.10.4 The project has clear outcomes on access to social infrastructure (WASH) for women and youth (>50% and >60%) reflected in the results matrix; and on access to access to safely managed WASH facilities. The detailed Gender Action Plan of this project is included in the Technical Annexes following a Gender Analysis.

### **3.11 Civil Society Engagement**

3.11.1 Civil Society Organizations (CSOs) play a critical role in WASH. One of their key functions is advocating for the prioritization of WASH for vulnerable populations and those often left behind, while also raising awareness about sanitation and hygiene. CSOs act as representatives for underserved populations, helping communities voice their concerns about projects funded by development organizations. Furthermore, civil society is essential in raising awareness, building capacity, and mobilizing citizens. They actively participate in policy dialogues and influence policies that benefit the public. In Ethiopia, CSOs are particularly active in the WASH sector. They support the implementation of WASH projects, especially in hard-to-reach areas. For this project, CSOs, including faith-based organizations and community-based organizations (CBOs), have participated in consultations held with communities. From these consultations, the project's potential benefits for these communities were affirmed.

3.11.2 Within the project communities, there are established WASH committees responsible for supervising, managing WASH campaign services, and maintaining WASH projects. These committees comprise of CBOs and have been put together by the government. Additionally, a project committee, including CBOs, will be established to ensure community awareness and information dissemination throughout different phases of the project. The government will allocate resources for training both the communities and the project facilitators.

### **3.12 Fragility and Resilience**

3.12.1 Significant challenges persist despite the Ethiopian government's efforts to improve the water and sanitation sector. The sector faces a complex array of fragility drivers, including weak governance, insecurity, social tensions, economic vulnerability, regional instability, and environmental degradation, all of which intersect and amplify each other. Addressing these underlying factors is paramount in fostering resilience and achieving sustainable development outcomes in the face of these challenges. Additional resources need to be mobilized to achieve national and global goals for water based on the current level of achievement for sector outcomes.

3.12.2 The proposed project aims to tackle fragility drivers by bolstering institutional capacity, enhancing access to essential services, fostering economic opportunities, promoting social cohesion, and improving environmental management. These measures will not only contribute to increased resilience and sustainable development in the project area. Still, they will also have a considerable impact on Ethiopia's overall water and sanitation sector, underscoring the urgency and significance of the proposed initiative.

3.12.3 Observations during project preparation confirm that social unrest has prompted the need for durable WASH solutions that will effectively serve the growing communities. Beyond the short-term demands, improvements to WASH infrastructure and services are needed to reduce regional inequalities and improve the health status of the communities. WASH services remain a formidable challenge in both the urban and rural areas, therefore exacerbating fragility. This intervention will ensure that proposed infrastructure interventions are conflict-sensitive and targeted to serve the vulnerable and marginalized part of the society and avoid inadvertently reinforcing patterns of exclusion or other fragility drivers.

## **IV. IMPLEMENTATION**

### **4.1 Project Implementation arrangements**

4.1.1 The Federal Republic of Ethiopia will be the grant recipient, while the MoWE will be the executing agency of the project. For smooth implementation of the project, a project implementation structure with representation at the MoWE level will be established. The implementation of the project will follow existing implementation arrangements in the country. The MoWE has experience in collaborating with local and international partners and in the implementation of water and sanitation projects. It has built capacity over the past decades and is staffed with multi-disciplinary teams

4.1.2 The Federal Ministry of Water and Energy will establish a PIU at the national level. The PIU will be staffed with a team of three national experts a) the Project Coordinator, b) a Procurement Specialist, and c) a Financial Management expert. These national level consultants shall be appointed, through a competitive procurement process, to deliver the project. The PIU team will manage, coordinate and provide oversight on project implementation, covering fiduciary, project management, monitoring and evaluation and overall reporting to the GoE and the Bank.

4.1.3 The supervision of actual interventions on a day-to-day basis will be managed at the federal (regional), zonal and ward levels. Supervision of works may also be effectuated through consulting services or a multi-disciplinary team of government experts, who may undertake the supervision function in line with an agreed TOR prepared to international standards. The CVs of the selected experts will be subject to the Bank's prior review process. The former approach (multi-disciplinary government supervision team approach) will be subject to a decision and a letter of confirmation by the GoE. The confirmation letter shall include a list of the selected team of experts charged with the responsibility. In addition, the letter shall stand as confirmation of the GoE's responsibility for the efficacy and technical correctness of the project design (for the water and sanitation service component).

4.1.4 The regional teams shall comprise Zonal and Woreda level focal point government officials to support project implementation and coordination. Detailed roles and responsibilities for project implementation arrangement are set out in Technical Annex 4.

## **4.2 Procurement Arrangements**

4.2.1 Procurement of goods and works, and acquisition of consulting services financed by the AWF will be carried out in accordance with the "Procurement Policy for Bank Group Funded Operations", dated October 2015 and following the provisions stated in the Financing Agreement. Procurement of project activities financed by the AWF will be carried out following the Bank's Procurement Methods and Procedures (BPMPs), using the relevant Bank Standard or Model Solicitation Documents (SDs) and review procedures. All procurement undertaken through the Bank's PMPs, under this project, shall be subject to Bank prior review of procurement documents and decisions.

4.2.2 Small value contracts involving procurement of items such as IT equipment, office equipment, office supplies, etc. will be carried out using the Recipient Procurement System (BPS). Procurement of contracts relating to workshops intended to facilitate the validation of feasibility studies of schemes conducted by consultants shall be carried out following the internal procedures of the Ministry of Water and Energy (MoWE) utilizing the applicable Recipient Procurement Procedures (BPS). All procurement undertaken using the BPS shall be subject to Independent Procurement Audit (IPA).

4.2.3 The implementation of the project will involve procurement of goods and works, and acquisition of consultancy services. Procurement packages informed by a procurement strategy were determined at appraisal considering findings of market assessments. Processing of procurement transactions relating to the project will be carried out by the dedicated PIU established within the Executing Agency. The PIU will include a competent Procurement Officer who will either be assigned or competitively recruited by the EA. The Bank will provide capacity building and support to the PIU team to enhance their capacity in handling procurement under the project and to mitigate any fiduciary risk in implementation of project activities.

4.2.4 An assessment of procurement risks at the country, sector, and project levels and of procurement capacity of the Executing Agency was undertaken for the project and the outputs have informed the decisions on the procurement regimes applicable for specific transactions. The procurement arrangement for the various contracts under different expenditure categories to be financed by the grant, together with the respective procurement methods or consultant selection methods, estimated costs, review requirements, and timeframe, as agreed between the Recipient and the Fund, are as detailed in Annex 10 of this Project Appraisal Report.

4.2.5 To expedite the implementation of the project and mitigate the probable risks that might arise due to start-up delays, the following measures will be implemented: (i) Early preparation for the setup of the PIU, (ii) Preparation of

the TORs for consultancy assignments, and (iii) Application of Advance Contracting for the recruitment of PIU Staff and acquisition of contracts for consulting services to undertake feasibility studies and designs.

### **4.3 Disbursement Arrangements**

4.3.1 The disbursement of project resources from the Bank shall utilize, mainly two disbursement methods, namely the Direct Payment and Revolving Fund (or Special Account). The project shall open one Special Account in foreign currency and one in local currency for the AWF source of funding with the National Bank of Ethiopia or a commercial bank acceptable to the Bank at the federal level. The other two methods prescribed in the Disbursement Handbook, namely, Reimbursement and the Reimbursement Guarantee will also be available for use should the need arise after consultation with the Bank and obtaining its prior approval. A disbursement letter, which will be issued during negotiations will provide more details on the mode of disbursement of project funds

### **4.4 Financial Management and Auditing**

4.4.1 The Executing Agency of the AWF Grant will be the MoWE. The financial management (FM) responsibilities of the project will be managed by the PIU at the federal (MoWE) level. The Bank has conducted a financial management (FM) assessment on the adequacy of the FM system of the MoWE, based on the Bank's FM Implementation Guidelines 2014. The FM arrangements put in place meet the Bank's minimum requirements and is adequate to provide (1) the use of the funds for the intended purposes efficiently and economically, (2) prepare accurate, reliable, and timely periodic financial reports, and (3) safeguard the entities' assets. The assessment concluded that the overall risk is "Moderate" after mitigation measures are taken and implemented as agreed.

4.4.2 The financial arrangements in terms of staffing will be through a PIU that will be established at the federal level which will constitute a project accountant (FM specialist) who will be competitively recruited based on qualifications and experience acceptable to the Bank. The Executing agency has prior experience in implementing Bank-financed projects and training will also be provided to the project's staff on the Bank's systems during project launching and supervision missions. MoWE shall ensure that interim financial reports are prepared every quarter and transmitted to the Bank, not later than forty-five (45) days after the end of each quarter. The financial reports shall include a statement of sources and uses of funds, with the uses of funds further detailed by activities/components, funding source, and categories, comparison with the quarter and cumulative budgets from the beginning to the reporting quarter throughout the project life, and explanatory notes for significant variances as may be needed. In addition, the annual Project Financial Statements (PFS) will be prepared and subjected to independent audits. The financial reports will be prepared in accordance with the relevant Accounting Standards and shall include a Statement of Financial Position, a Statement of receipts and Expenditures, a Cash Flow Statement, and notes to the accounts. The Internal Audit Department of the ministry will include the project in its annual work plan. The internal audit reports will be shared with the Bank during supervision missions, or at any time as required by the Bank. The Project will follow the country's financial year of 8 July to 7 July of the following year.

4.4.3 **Audit:** As per the statutory requirement of the country, the Office of Federal Auditor General (OFAG) its appointee, or an independent firm selected competitively will audit the project's financial statements. If OFAG is to audit the project, the cost of the audit (other than out-of-pocket costs) will be covered by government resources. The audit will be in accordance with the audit terms of reference approved by the Bank or agreed with the government during the negotiation. If an independent external private audit firm is to be used, the auditors shall be competitively recruited based on the Bank's Standard Audit Terms of Reference (TOR) and the costs of the audits will be borne by the Project. The annual Audit Report, complete with a Management Letter and management responses, shall be submitted to the Bank no later than six (6) months after the end of the fiscal year.

### **4.5 Project implementation Schedule**

4.5.1 The project implementation schedule is presented in Annex 9. The key focus of the plan as reflected by the schedule is to at advance the procurement activities early in the life of the project to ensure that that the planned works and studies under the project are carried out in good time.

## 4.6 Monitoring and Reporting

4.6.1 A results-based measurement plan that forms the basis for tracking the performance of the project and managing results has been developed. AWF, in collaboration with the Executing Agency, shall be responsible for tracking key indicators and targets from the Results Framework. The table below indicates the expected deliverables of the project within the allocated timeframes. A detailed monitoring plan derived from the project activities and the results framework is presented in Annex 8.

*Table 5: Performance Management Plan*

| <b>Deliverables</b>   | <b>Time</b> |
|---|-------------|
| Grant approval  | Mo          |
| Establishment of the project team   | Mo + 1      |
| Grant signature   | Mo + 1      |
| Grant effectiveness   | Mo + 2      |
| Launching of the Project  | Mo + 2      |
| Recruitment of the consultant(s)  | Mo + 5      |
| Feasibility & detailed design ESIA/ESMP/RAP+ water and sanitation works and soft intervention | Mo + 36     |

## V. SUSTAINABILITY

### 5.1 Benefits

5.1.1 The proposed activities and implementation arrangements are aligned to the GoE's policies and strategies for the sector. These entail a focus on strengthening national systems and processes as part of a movement towards self-reliance and greater levels of self-determination. As such, project activities and implementation arrangements are anchored within the Government's bureaucratic system. Therefore, the project will be predominantly managed and delivered by government operatives. Benefits will accrue in terms of contributing to the strengthening of government systems. In line with the GoE's WASH approach under its sector wide program, this project adopts an integrated framework comprising soft and hard measures that promote the flow of benefits to operatives, communities and the natural environment, during and post, the life of the project.

### 5.2 Sustainability

5.2.1 This project predominantly constitutes preparatory studies. Sustainability considerations with respect to downstream investments will be addressed during the studies and do form part of the ToRs. In addition, sustainability considerations are already a part of the GoE's policies and strategies for the sector. These are in part reflected in Annex 11. This project sits within the framework of the sector wide program and is expected to contribute to sustainability in line with the WASH approach. Sustainability is in part addressed by ensuring that government structures (in form of WASH service providers) are created to manage operation and maintenance functions for the new investments. This is currently not the case. As part of their creation, an operation and maintenance regime will be put in place to establish the following: a) Standard Operating Procedures for the schemes with an estimate of the cost of operations and maintenance, b) proposed Tariffs based on the National Guideline for Urban Water Utilities Tariff Setting to meet the cost of operations and maintenance to the extent possible taking into account the coverage and circumstances of the community; c) Government subsidies or national budgetary allocations to cover the operation and maintenance deficit and to provide for additional capital investments to expand service provision to scale. Affordability to ensure access for all community members will be considered. This will also be informed by stakeholder consultations to ensure the ability and willingness to pay by beneficiaries and cross subsidization based on the national guidelines will be implemented to ensure the needs of the vulnerable are taken into account during implementation of recommended tariffs. This is one of the results expected from the project.

## **VI. LEGAL INSTRUMENTS AND CONDITIONS**

### **6.1 Legal Instrument**

6.1.1 The legal instrument to be used for this operation is a Grant Agreement between the Bank (as Administrator of the AWF) and the Federal Democratic Republic of Ethiopia (the "Recipient").

### **6.2 Conditions Associated with Bank's Intervention**

6.2.1 Conditions Precedent to Entry into Force of the Agreement: The Agreement shall enter into force on the date of signature by the parties.

### **6.3 Conditions Precedent to Disbursement**

6.3.1 In addition to the provisions of entry into force stated above, the obligation of the Bank to make the first disbursement of the grant shall be subject to the satisfaction of the following conditions by the Recipient:

- Submission of evidence of the designation of staff for the project implementation unit with qualifications and terms of reference acceptable to the Bank comprising a Project Coordinator, a Financial Management Expert and a Procurement Expert.

## **VII. CONCLUSION AND RECOMMENDATION**

### **7.1 Conclusion**

7.1.1 The project is aligned with the vision of the Federal Republic of Ethiopia which has prioritised water among the key growth sectors of the economy and looks to have a country where all users have access to improved water and sanitation services and water resources are utilised in an efficient and sustainable manner for wealth creation and improved livelihood by 2030. The proposed project will increase accessibility to reliable WASH services and will support the GoE's water sector development by providing more sustainable climate resilient solutions for the unreliable and unsafe water supply which has had grave negative impacts on public health and has limited economic development in many parts of selected areas in Ethiopia.

7.1.2 The provision of the AWF grant will facilitate the design of a sustainable, technically feasible, economically and financially sound, gender sensitive and climate resilient project for the selected settlements in Ethiopia. The proposed studies, Water Supply and Sanitation and follow-on downstream investment projects are consistent with the government's new WIF. The project aims to contribute to the government's effort to improve access to sustainable climate resilient WASH services and to support the achievement of the SDGs for water and sanitation in urban and rural areas of Ethiopia by 2030. The project's outcomes will contribute towards improved health and productivity of the population through use of safe water and sanitation services.

7.1.3 The total project cost is estimated at **Euro 7,500,868** net of taxes and duties. The AWF will co-finance the project along with the Federal Republic of Ethiopia. AWF will contribute a grant of **Euro 5,725,000** representing **76%** of the total project cost. The Recipient will contribute the remaining **24%** amounting to Euro **1,775,868**. The Project is expected to commence in November 2024 and be implemented over a total duration of 3 years.

### **7.2 Compliance with Bank Policies**

7.2.1 This project complies with all applicable Bank policies

### **7.3 Recommendation**

7.3.1 Management recommends that the Board of Directors of the Bank approve a grant, of **Euro 5,725,000**, from the African Water Facility Special Fund to the Federal Democratic Republic of Ethiopia for the purposes presented in this report and subject to the terms and conditions stipulated herein.

## APPENDIX 1: COMPARATIVE SOCIO AND ECONOMIC INDICATORS

Ethiopia's economy grew 7.1% in 2022/23, up from 6.4% in 2021/22, led by 7.9% growth in the services sector, which accounts for 40% of GDP. Industry, at 28% of GDP, grew 6.9% and agriculture, at 32% of GDP, grew 6.3%, also supporting growth. Demand-side drivers of growth included private consumption and investment. Although inflation remained high, due to money supply growth and imported inflation, it dropped from 34% in 2021/22 to 29.2% in 2022/23 due to a tightening of monetary policy. The exchange rate depreciated by 5.3% on the official market and 15% on the parallel market, due to slow export growth. The fiscal deficit, including grants, narrowed from 4.2% of GDP in 2021/22 to 3.3% in 2022/23 owing to fiscal consolidation, the peace dividend, and improved tax revenues, which grew by 35.8% in 2022/23 compared with 12.3% in 2021/22. The current account deficit narrowed from 3.9% of GDP in 2021/22 to 3.0% in 2022/23, due to a 60.3% increase in net services and a 5.3% reduction in imports. The financial sector is stable, with nonperforming loans at 3.5% of gross loans and a liquidity ratio of 24.2%, against thresholds of 5% and 15%, respectively. Ongoing reforms to allow foreign investment in the sector will increase competition and innovation.

Poverty declined from 31.1% in 2016 to 27% in 2019. Unemployment is estimated at 8% (youth unemployment at 23.1%) in 2020/21, with about 2.5 million new jobs needed annually to absorb new entrants. About 31.4 million people require humanitarian support due to conflict and climate-related shocks.



Source: Data are as of April 2024 and are from domestic authorities; figures for 2023 are estimates and figures for 2024 and 2025 are projections by the African Economic Outlook team.

Source: African Economic Outlook (AEO) 2024

**APPENDIX 2: SIMILAR PROJECTS FINANCED BY THE BANK AND OTHER PARTNERS IN COUNTRY**

| <b>SECTOR</b>                 | <b>PROJECT (SAP CODE AND NAME)</b>  | <b>PROJECT DEVELOPMENT OBJECTIVE</b>   | <b>PROJECT AMOUNT (CURRENCY, MILLIONS)</b>   | <b>PROJECT REGIONS/ DISTRICT</b>                                   | <b>NUMBER OF BENEFICIARIES</b>     |
|-------------------------------|---|--|--|--|------------------------------------|
| <b>Water &amp; Sanitation</b> | P-ET-E00-016<br>BORANA RESILIENT WATER DEVELOPMENT FOR IMPROVED LIVELIHOODS PROGRAM (PHASE 1) | To improve access to climate resilient and gender sensitive integrated and sustainable water and sanitation services to pastoralist communities in dryland areas of the Borana area of Oromia region,  | ADF Grant – UA 10.72 million   | Oromia   | 24,115 people and 83,000 livestock |
| <b>Water &amp; Sanitation</b> | P-ET-E00-011<br>Four towns WSS improvement Program  | The Four Towns Water Supply and Sanitation Improvement Program (4TWSSIP) aims to improve the health and socio-economic development of the residents of four beneficiary towns through increased access to sustainable water supply and sanitation services and improvement in service delivery.                                    | ADB Loan – USD 76 million  | Oromia Amhara Somali Tig raye                                      | 1.04 million                       |
| <b>Water &amp; Sanitation</b> | Medium and small towns Basket Fund water supply and sanitation program.                       | To provide clean water supply and sanitation service for 48 medium and small towns in five regions.  | Euro 103 million<br>European Investment Bank, France Development Cooperation and Italian Development Cooperation | Amhara, Oromia, Tigray, SNNPR, South-west Ethiopia, Sidama Regions | 1.15 million                       |
| <b>Water &amp; Sanitation</b> | Mekelle (Gereb Giba) water supply and Sanitation Projec                                       | The project main objective is to provide water supply and Sanitation facility for Mekelle town and for the villages around Mekelle areas   | USD 270 million<br>China Exim Bank   | Tigray   | 0.7 million                        |
| <b>Water &amp; Sanitation</b> | Water supply and sanitation service in Borana Pastoral areas                                  | Hydrogeological mapping and investigation will be conducted for sustainable water supply provision. Geo-membrane for the rainwater harvesting system for 3,000 people and also provision of water purification chemical for 5,000 population will be conducted. Health education material for 5,000 population will be distributed | USD 4.5 million<br>UNICEF  | Borana Zone  | 0.013 million                      |

|                                    |   |  |   |   |              |
|------------------------------------|---|--|---|---|--------------|
| <b>Water Supply and Sanitation</b> | Water supply and Sanitation project in Pastoral woredas                                   | Provision of Water supply and Sanitation services in 59 draughts affected Pastoral woredas   | USD 16.27 million<br>World Bank, DFID, UNICEF, KOIKA, Governments of Finland, Netherland and the Saudi Fund | in selected 59 woredas                                | 1.2 million  |
| <b>Water &amp; Sanitation</b>      | Tercha Medium town Water Supply and Sanitation Project                                    | To provide clean water supply and sanitation service for the Dawero zone   | USD 4 million<br>World Bank   | SNNP Region<br>Gdeo zone                              | 0.07 million |
| <b>Water &amp; Sanitation</b>      | Sawula medium town Water supply and Sanitation project                                    | To provide clean water supply and sanitation service for the town of Sawla   | USD 4 million<br>World Bank   | SNNP Region<br>Goffa zone                             | 0.11 million |
| <b>Water &amp; Sanitation</b>      | Worabe town Water supply and Sanitation Project   | To provide clean water supply and sanitation service for the town of Worabe  | USD 7 million<br>World Bank   | SNNP Region<br>Silte zone                             | 0.14 million |
| <b>Water &amp; Sanitation</b>      | Woliso Medium town water supply and sanitation Project                                    | To provide clean water supply and sanitation service for the town of Woliso  | USD 4.7 million<br>World Bank   | Oromia Region   | 0.16 million |
| <b>Water &amp; Sanitation</b>      | Finchena Medium town water supply and sanitation Project                                  | To provide clean water supply and sanitation service for the town of Finchena  | USD 4 million<br>World Bank   | Oromia Region   | 0.04 million |
| <b>Agriculture</b>                 | P-Z1-AAZ-013<br>Ethiopia Drought Resilience & Sustainable Livelihoods Program - (DRSLP I) | To contribute to poverty reduction, food security and sustainable economic growth through enhanced rural incomes.  | ADF Loan - UA 30 million  | 15 districts in Afar and Somali regions               | 7 million    |
| <b>Agriculture</b>                 | P-Z1-AAZ-033<br>DRSLP II  | To improve livelihoods and resilience of the pastoral production systems and the communities in view of recurrent climatic crises.   | ADF Loan - UA 28.5 million  | 15 districts in Oromia and SNNP regions               | 1 million    |
| <b>Agriculture</b>                 | The Regional Fund for Strengthening Drought Resilience (RFSDR)                            | Strengthening the drought resilience of the pastoral and agro-pastoral population living in the border area in northeast Ethiopia.   | Euro 13.5 million<br>KfW  | 4 districts in Afar and Somali Region                 | DNA          |
| <b>Agriculture</b>                 | Regional Pastoral Livelihoods Resilience Project (RPLRP)                                  | Enhancing livelihood resilience of pastoral and agro-pastoral communities in cross border drought prone areas and improve the capacity of the selected countries' governments to respond promptly and effectively to an eligible crisis or emergency | USD 75.0 million<br>World Bank  | 21 districts in Afar, Oromia, Somali and SNNP regions | DNA          |

|                    |  |   |  |   |     |
|--------------------|--|---|--|---|-----|
| <b>Agriculture</b> | DRSLP/AICS                                   | To enhance livelihood resilience of pastoral and agro-pastoral communities in drought prone areas and improve the capacity to respond to natural crisis   | Euro 12.0 million<br>Italian Agency for Development Cooperation (AICS) | 6 districts in Afar region  | DNA |
| <b>Agriculture</b> | Lowland Livelihood Resilience Project (LLRP) | To enhance livelihood of pastoral & agro-pastoralists to external shocks with particular focus on the Arid and Semiarid land (ASAL) communities by implementing capital investment and rural livelihood subprojects | USD 350.0 million<br>World Bank  | 100 Pastoral districts in Afar, Somali, Oromia, SNNP, BSG & Gambela regions | DNA |
| <b>Agriculture</b> | Resilience in Pastoral Areas Project (FtF)   | To help Ethiopians in targeted pastoral areas better adapt to and recover from drought, conflict, and health-related shocks to build pathways out of poverty  | USD 56.0 million<br>USAID  | 7 districts in Oromia and Somali region                                     | DNA |

## ENVIRONMENTAL AND SOCIAL COMPLIANCE NOTE (ESCON)

| A. Basic Information <sup>11</sup>  |  |  |
|---|--|--|
| Project Title: Ethiopia Climate Resilient Urban and Rural WASH Project  |  | Project SAP or TFMS code : P-ET-E00-021        |
| Country: Ethiopia   | Region: RDGE                               | Lending Instrument: Project Finance Loan/Grant |
| Project Sector Unit: Water and Sanitation   |  | Task Team Leader(s): NUNDWE CECIL DULU         |
| Appraisal dates: 10 <sup>th</sup> -14 <sup>th</sup> June 2024   |  | Estimated Approval Date: December 17, 2024     |
| Environmental Safeguards Officer: xx  |  |  |
| Social Safeguards Officer: Linda WERE/Kingsley EJIM   |  |  |
| Environmental and Social Category: Category 2   | Operation type: Public Sector Operation    | Financial Intermediary: No                     |
| Categorization date: September 25, 2023   | Categorization in ISTS: September 25, 2023 | Categorization in SAP: September 25, 2023      |
| Is this project processed under rapid responses to crises and emergencies?  |  | No   |
| Is this project processed under a waiver to Integrated Safeguards System (ISS) requirement(s)?                              |  | No   |
| B. Disclosure and Compliance Monitoring   |  |  |
| B.1 Mandatory disclosure  |  |  |
| Environmental Assessment/Audit/System/Others: [2 Environmental and Social Impact Assessments Bashasha Town and Ebalá-Adilo] |  |  |
| Was/Were the document (s) disclosed <i>prior to appraisal</i> ?   | Yes  |  |
| Date of "in-country" disclosure by the borrower/client  | March 27, 2024                             |  |
| Date of receipt, by the Bank, of the authorization to disclose  | March 28, 2024                             |  |
| Date of disclosure by the Bank  | March 28, 2024                             |  |
| Resettlement Action Plan (RAP) <sup>12</sup> : [N/A]  |  |  |
| Was/Were the document (s) disclosed <i>prior to appraisal</i> ?   | NA.  |  |
| Date of "in-country" disclosure by the borrower/client  | Click to Set the date                      |  |
| Date of receipt, by the Bank, of the authorization to disclose  | Click to Set the date                      |  |
| Date of disclosure by the Bank  | Click to Set the date                      |  |
| Stakeholder Engagement Plan (SEP): [N/A]  |  |  |
| Was/Were the document (s) disclosed <i>prior to appraisal</i> ?   | NA.  |  |
| Date of "in-country" disclosure by the borrower/client  | Click to Set the date                      |  |
| Date of receipt, by the Bank, of the authorization to disclose  | Click to Set the date                      |  |
| Date of disclosure by the Bank  | Click to Set the date                      |  |
| Pest or Vector Management Plan (PMP/VMP): [N/A]   |  |  |
| Was/Were the document (s) disclosed <i>prior to appraisal</i> ?   | NA.  |  |
| Date of "in-country" disclosure by the borrower/client  | Click to Set the date                      |  |
| Date of receipt, by the Bank, of the authorization to disclose  | Click to Set the date                      |  |
| Date of disclosure by the Bank  | Click to Set the date                      |  |
| Vulnerable Peoples Plan (VPP): [N/A]  |  |  |
| Was the document disclosed <i>prior to appraisal</i> ?  | NA.  |  |
| Date of "in-country" disclosure by the borrower/client  | Click to Set the date                      |  |
| Date of receipt, by the Bank, of the authorization to disclose  | Click to Set the date                      |  |
| Date of disclosure by the Bank  | Click to Set the date                      |  |

<sup>11</sup> Note: This ESCON shall be appended to project appraisal reports/documents before Senior Management and/or Board approvals.

<sup>12</sup> Including Livelihood Restoration Plan



|  |                                       |
|--|---------------------------------------|
| <b>Riparian Communities Participation Plan (RCP):</b> [N/A]  |                                       |
| Was the document disclosed <i>prior to appraisal</i> ?   | NA.                                   |
| Date of "in-country" disclosure by the borrower/client   | <a href="#">Click to Set the date</a> |
| Date of receipt, by the Bank, of the authorization to disclose   | <a href="#">Click to Set the date</a> |
| Date of disclosure by the Bank   | <a href="#">Click to Set the date</a> |
| <b>Emergency Preparedness &amp; Response Plan (EPRP):</b> [N/A]  |                                       |
| Was the document disclosed <i>prior to appraisal</i> ?   | NA.                                   |
| Date of "in-country" disclosure by the borrower/client   | <a href="#">Click to Set the date</a> |
| Date of receipt, by the Bank, of the authorization to disclose   | <a href="#">Click to Set the date</a> |
| Date of disclosure by the Bank   | <a href="#">Click to Set the date</a> |
| <b>Hazardous/Medical Waste Management Plan (HWMP):</b> [N/A]   |                                       |
| Was the document disclosed <i>prior to appraisal</i> ?   | NA.                                   |
| Date of "in-country" disclosure by the borrower/client   | <a href="#">Click to Set the date</a> |
| Date of receipt, by the Bank, of the authorization to disclose   | <a href="#">Click to Set the date</a> |
| Date of disclosure by the Bank   | <a href="#">Click to Set the date</a> |
| <b>Riparian notification:</b> N/A  |                                       |
| Was the document disclosed <i>prior to appraisal</i> ?   | NA.                                   |
| Date of "in-country" disclosure by the borrower/client   | <a href="#">Click to Set the date</a> |
| Date of receipt, by the Bank, of the authorization to disclose   | <a href="#">Click to Set the date</a> |
| Date of disclosure by the Bank   | <a href="#">Click to Set the date</a> |
| <b>Environmental and Social Management Plan (ESMP) of the financing agreement<sup>13</sup></b>   |                                       |
| Was the document disclosed <i>prior to appraisal</i> ?   | Yes                                   |
| Date of "in-country" disclosure by the borrower/client   | November 19, 2024                     |
| Date of receipt, by the Bank, of the authorization to disclose   | November 19, 2024                     |
| Date of disclosure by the Bank   | November 19, 2024                     |
| <b>If in-country disclosure of any of the above documents is not expected, as per the country's legislation, please explain why:</b> N/A                                       |                                       |
| <b>B.2. Compliance monitoring indicators</b>   |                                       |
| Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?                    | Yes                                   |
| Have costs related to environmental and social measures, including for the running of the grievance redress mechanism, been included in the project cost?                      | Yes                                   |
| Is the total amount for the full implementation for the Resettlement of affected people, as integrated in the project costs, effectively mobilized, and secured? <sup>14</sup> | NA.                                   |
| Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?                               | Yes                                   |
| Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?                             | Yes                                   |

<sup>13</sup> As referred to in section III.2.3 of the Bank's Environmental and Social Policy (ESP)

<sup>14</sup> *In case a resettlement action plan (RAP) are not required although ESIA is/are disclosed, attached the image/picture/photo of the area/site/landscape to evidence that it is free of any encumbrance (simple statement or letter from the borrower does not suffice), in addition to the statement by the borrower that it is a public-owned land.*

**C. Clearance**

Is the project compliant with the Bank’s environmental and social safeguards requirements, and can be submitted to Approval? **Yes**

| <i>Prepared by</i>                | <i>Name</i>              | <i>Signature</i>  | <i>Date</i>              |
|-----------------------------------|--------------------------|---|--------------------------|
| Environmental Safeguards Officer: | xx                       |   |                          |
| Social Safeguards Officer:        | LINDA WERE/EJIM KINGSLEY |   | <b>November 19, 2024</b> |
| Task Team Leader:                 | NUNDWE CECIL DULU        |   | November 19, 2024        |
| <i>Submitted by</i>               |                          |   |                          |
| Sector Director:                  | <b>Mtchera CHIRWA</b>    |  | <b>November 22, 2024</b> |
| <i>Cleared by</i>                 |                          |   |                          |
| Director SNSC:                    | <b>ISSA MAMAN-SANI</b>   |  | November 23, 2024        |

**Pictures of the selected sites for rehabilitation of water systems infrastructure and drilling of boreholes in Bashasha and Adilo**



**AFRICAN DEVELOPMENT BANK**

**BOARD OF DIRECTORS**

**Resolution N° B/ET/2024/146**

Adopted by the Board of Directors on a lapse of time basis on 13/12/2024

**Grant to the Federal Democratic Republic of Ethiopia from the African Water Facility Special Fund to finance part of the costs of the Climate Resilient Urban and Rural WASH Project**

**THE BOARD OF DIRECTORS,**

**HAVING REGARD** to (i) Articles 1, 2, 10, 12, 13, 17, 32 of the Agreement Establishing the African Development Bank (the “Bank”); (ii) Resolution B/BG/2004/05 adopted by the Board of Governors on 25 May 2004 approving the Instrument (the “Instrument”) for the Establishment of the African Water Facility Special Fund (the “AWF Special Fund”); (iii) the Revised Operational Procedures of the Water Fund (the “Procedures”); and (iv) the Appraisal Report contained in document ADB/BD/WP/2024/272/Approval (the “Appraisal Report”);

**DECIDES** as follows:

1. To award to the Federal Democratic Republic of Ethiopia (the “Recipient”) from the resources of the AWF Special Fund, a grant of an amount not exceeding Five Million, Seven Hundred and Twenty-Five Thousand Euros (EUR 5,725,000) (the “Grant”) to finance part of the costs of the Climate Resilient Urban and Rural WASH Project;
2. To authorize the President to conclude a grant agreement between the Bank and the Recipient (the “Grant Agreement”) under the terms and conditions specified in the Standard Conditions Applicable to Grants Made by the African Development Bank and the African Development Fund from the Resources of Various Funds, the Instrument, the Procedures, and in the Appraisal Report;
3. The President may cancel the Grant if the Grant Agreement is not signed within ninety (90) days from the date of the approval of the Grant; and
4. This Resolution will become effective on the date above-mentioned.