

# Financing Theme

**Research-inspired Policy and Practice Learning in Ethiopia and the Nile Region (RiPPLE)** is a DFID-funded Research Programme Consortium hosted by WaterAid Ethiopia

*RiPPLE Information sheets introduce an aspect of RiPPLE, related issues and references to further resources.*

*Readers are encouraged to quote or reproduce material from them for their own publications, but as copyright holder, RiPPLE requests due acknowledgement and a copy of the publication.*

**RiPPLE Office**  
c/o WaterAid Ethiopia,  
Kirkos Sub-city,  
Kebele 04, House no 620,  
Debrezeit Road,  
PO Box 4812,  
Addis Ababa, Ethiopia

## Contact

**Simret Yasabu,**  
RiPPLE Media and  
Communication Officer  
t: +251 11 416 0075  
f: +251 (0) 11 416 0081  
e: [info@rippleethiopia.org](mailto:info@rippleethiopia.org)  
w: [www.rippleethiopia.org](http://www.rippleethiopia.org)

## Background

Ethiopia is the most aid-dependent country in the world, receiving around \$1.9 billion in official assistance in 2005. It is one of the largest per capita recipients of emergency aid (second to Sudan) and yet one of the lowest per capita recipients of development aid in Africa.

Ethiopia's many external sources of assistance include loans and grants from development banks, and grants from bilateral agencies, the UN system, and international and local NGOs. These multiple funding sources are often governed by different, uncoordinated processes, meaning that financing mechanisms for WASH services are not organised systematically.

Operating in this complex funding environment the role of Federal, regional and *woreda* administrations is made more difficult by a limited banking system, an almost non-existent private sector and bureaucracy.



NGO financing paid for this pipeline supplying rural communities

## Aims and Research Questions

Understanding and improving the ways in which these streams of finance are integrated, and how they respond to local needs and demands, is central to the problem of achieving sustainable and equitable WSS service delivery in Ethiopia. A working hypothesis for the theme is that the effectiveness of financing mechanisms is as important as to what the amount of financing, in the provision of sustainable WSS services. In other words, **more does not necessarily mean better**.

The key questions the financing theme is going to explore are:

- How successfully do different aid arrangements deliver WSS?
- How can sector coordination and performance monitoring be improved?
- What financing mechanisms are most effective at promoting poverty alleviation, pro-poor growth and equity in different socio-economic contexts?

## Activities

The finance theme is initially focusing on Benishangul-Gumuz region. Two key issues emerged there which relate to the region not being able to spend its existing resources. Two action research studies are ongoing to tackle this:

- **Counterpart funding for the EWSSP:** An action research case study to resolve the sourcing of counterpart funding for the World Bank-funded Ethiopia Water Supply and Sanitation Project
- **Improving utilisation rates of channel one funding to the water sector in Benishangul-Gumuz:** A long-term action research study addressing the low utilisation rates of funding received from the Federal budget