Federal Democratic Republic of Ethiopia

IMPROVED SANITATION VALUE CHAIN IN ARBA MINCH

29 April 2015

African Water Facility | Facilité africaine de l'eau

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<table>
<thead>
<tr>
<th>Abbreviation</th>
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<tbody>
<tr>
<td>AWF</td>
<td>African Water Facility</td>
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<tr>
<td>AMTM</td>
<td>Arba Minch Town Municipality</td>
</tr>
<tr>
<td>CLARA</td>
<td>Project “Capacity-Linked water and sanitation for Africa's peri-urban and Rural Areas”</td>
</tr>
<tr>
<td>ETB</td>
<td>Ethiopian Birr</td>
</tr>
<tr>
<td>GTP</td>
<td>Growth and Transformation Plan, Ethiopia</td>
</tr>
<tr>
<td>MOFED</td>
<td>Ministry of Finance and Economic Development, Ethiopia</td>
</tr>
<tr>
<td>OWNP</td>
<td>One Water Sanitation and Hygiene National Program</td>
</tr>
<tr>
<td>PE</td>
<td>Person Equivalent</td>
</tr>
<tr>
<td>PMU</td>
<td>Project Management Unit</td>
</tr>
<tr>
<td>PSC</td>
<td>Project Steering Committee</td>
</tr>
<tr>
<td>QCBS</td>
<td>Quality-and-Cost-Base Selection Procurement</td>
</tr>
<tr>
<td>ROSA</td>
<td>Resources-Oriented Sanitation Concepts for Peri-Urban Areas in Africa</td>
</tr>
<tr>
<td>TOR</td>
<td>Terms of Reference</td>
</tr>
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</table>

### CURRENCY

Local Currency .................. Ethiopian Birr (ETB)  
1 Euro (€) ......................... 22,200.12 ETB (April 2015)
## RESULTS BASED LOGICAL FRAMEWORK ANALYSIS

**Country and project name:** Federal Democratic Republic of Ethiopia, Improved Sanitation Value Chain in Arba Minch  
**Purpose of the project:**

### IMPACT

- **Improved public health and livelihood conditions in Arba Minch.**
  - % of population below poverty line of US$1.25 per day  
  - Under-10 mortality rate (no/1000)
  - Baseline: 30.7% (2011), 6.8% (2012)  
  - Targets: 25% (2025), minus 10% (2025)  
  - Means of verification: Central statistical agency of Ethiopia  
  - Risks/mitigation measures: Project activities have a long term impact; so a statistical reduction might not be demonstrable within the project period.

### OUTCOMES

- **The Sanitation Service Chain in Arba Minch is improved**
  - % increase of population with access to improved toilet facilities
  - % of faecal sludge treated from Household and Institutional Facilities.
  - % of faecal sludge reused.
  - % of faecal sludge and bio-solids (organic solid waste) safely disposed.
  - Baseline survey and annual progress reports
  - Risks/Assumptions:
    - availability of sufficient financial resources accompanying the increased demand  
    - identification of viable business opportunities possible

- **The Sanitation Planning and Municipality Capacities are improved**
  - Strategic Sanitation Plan finalized and operationalized
  - Operation and Maintenance of critical sanitation service infrastructure achieved, and municipal budget resources allocated
  - No
  - Yes
  - - political support for strategic sanitation planning exists.
<table>
<thead>
<tr>
<th>OUTPUTS</th>
<th>PERFORMANCE INDICATORS</th>
<th>MEANS OF VERIFICATION</th>
<th>RISKS/MITIGATION MEASURES</th>
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<tbody>
<tr>
<td><strong>Component 1: Strengthening the Sanitation Service Chain</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demand for construction of improved toilets increased</td>
<td>% of persons with access to improved toilet facilities</td>
<td>50%</td>
<td>Increase by 20%</td>
</tr>
<tr>
<td>Effectiveness of transport services for human excreta increased</td>
<td>% of human excreta collected and transported to treatment site</td>
<td>0%</td>
<td>50%</td>
</tr>
<tr>
<td>Production of compost from biosolids (human excreta and solid waste) increased</td>
<td>Quantity of compost produced (t/a)</td>
<td>Baseline</td>
<td>100 (100% of collection)</td>
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<tr>
<td>Compost quality assured for reuse purposes</td>
<td>% of compost undergoing quality monitoring</td>
<td>0</td>
<td>50</td>
</tr>
<tr>
<td>Demand for compost for reuse increased</td>
<td>Quantity of compost reused (t/a)</td>
<td>baseline</td>
<td>50</td>
</tr>
<tr>
<td>RESULTS CHAIN</td>
<td>PERFORMANCE INDICATORS</td>
<td>MEANS OF VERIFICATION</td>
<td>RISKS/MITIGATION MEASURES</td>
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<tr>
<td></td>
<td>Indicator</td>
<td>Baseline</td>
<td>Targets</td>
</tr>
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<td></td>
<td><strong>Component 2: Sanitation Planning and Municipal Capacity Building</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Coverage of Strategic sanitation plan increased</td>
<td>Coverage area for strategic plan (% of town)</td>
<td>20% (and incomplete)</td>
</tr>
<tr>
<td></td>
<td>Operational sanitation planning institutionalised</td>
<td>Number of operational plans prepared</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Solid waste transfer stations in operation</td>
<td>Number of solid waste transfer stations in operation</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Sludge treatment facility for treatment of sludge in operation</td>
<td>Capacity of sludge treatment facility (PE)</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Technical studies for landfill available.</td>
<td>Design of landfill completed</td>
<td>0</td>
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<td></td>
<td><strong>Component 3: Project Management</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Project Steering Committee established and functional</td>
<td>Number of Project Steering Committee Meetings</td>
<td>0</td>
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<tr>
<td></td>
<td>Project outcomes and outputs delivered on time</td>
<td>Number of Annual Progress Reports submitted to AWF on time</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Completion Report submitted to AWF on time</td>
<td>0</td>
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<tr>
<td>COMPONENT COSTS BY FINANCING SOURCES AND MAJOR ACTIVITIES</td>
<td>Cost (€ )</td>
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<td>----------------------------------------------------------</td>
<td>-----------</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>AWF</td>
<td>AMTM</td>
<td>Total</td>
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<td><strong>Component 1: Strengthening the Sanitation Service Chain</strong></td>
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<td>Activity 1.1: Awareness creation and social marketing</td>
<td>360,000</td>
<td>23,584</td>
<td>383,584</td>
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<td>Activity 1.2: Capacity building for sanitation transport service providers</td>
<td>87,000</td>
<td>-</td>
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<td>Activity 1.3: Capacity building for compost producers</td>
<td>45,000</td>
<td>11,792</td>
<td>56,792</td>
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<td>Activity 1.4: Capacity building for sludge treatment plant operators</td>
<td>45,000</td>
<td>-</td>
<td>45,000</td>
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<tr>
<td>Activity 1.5: Establishment of a compost quality monitoring system</td>
<td>29,000</td>
<td>11,792</td>
<td>40,792</td>
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<td>Activity 1.6: Demand creation for compost / marketing</td>
<td>77,000</td>
<td>-</td>
<td>77,000</td>
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<tr>
<td></td>
<td>77,000</td>
<td>-</td>
<td>77,000</td>
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<td><strong>Component 2: Sanitation Planning and Municipal Capacity Building</strong></td>
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<td>Activity 2.1: Baseline survey</td>
<td>598,000</td>
<td>276,416</td>
<td>874,416</td>
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<tr>
<td>Activity 2.2: Develop and institutionalise strategic planning tools and procedures</td>
<td>11,000</td>
<td>-</td>
<td>11,000</td>
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<td>Activity 2.3: Develop and institutionalise operational planning methodologies and procedures</td>
<td>79,000</td>
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<td>Activity 2.4: Design, construction of solid waste transfer stations</td>
<td>81,000</td>
<td>-</td>
<td>81,000</td>
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<td>Activity 2.5: Design, construction of sludge treatment plant</td>
<td>89,000</td>
<td>29,502</td>
<td>118,502</td>
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<td>Activity 2.6: Sanitary landfill design</td>
<td>319,000</td>
<td>-</td>
<td>319,000</td>
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<td>Activity 2.7: Purchase of Solid Waste Truck</td>
<td>19,000</td>
<td>80,000</td>
<td>99,000</td>
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<tr>
<td></td>
<td>-</td>
<td>153,540</td>
<td>153,540</td>
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<td><strong>Component 3: Project Management</strong></td>
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<td></td>
<td>180,700</td>
<td>13,374</td>
<td>194,074</td>
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<td><strong>Base Cost</strong></td>
<td>1,138,700</td>
<td>300,000</td>
<td>1,438,700</td>
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<td>Contingencies</td>
<td>61,300</td>
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<td><strong>TOTAL AWF-FINANCED PROJECT COST</strong></td>
<td></td>
<td></td>
<td>1,200,000</td>
</tr>
<tr>
<td><strong>TOTAL PROJECT COST</strong></td>
<td></td>
<td></td>
<td>1,500,000</td>
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EXECUTIVE SUMMARY

Arba Minch is one of the major cities in Southern Nations Nationalities and Peoples Regional States and located app. 500 km south of the capital Addis Ababa. Sanitation is a major issue for the municipality - inappropriate waste collection, treatment and disposal techniques are some of the main reasons of this sanitation crisis, jointly with a lack of demand from households.

The proposed intervention directly builds on the municipality’s experience from a number of past and ongoing projects: The "Resource Oriented Sanitation Concepts for Periurban Areas in Africa (research) project (ROSA)” promoted resource-oriented sanitation concepts as a route to sustainable and ecologically sound sanitation in order to meet the MDGs, while the “Capacity-linked Water and Sanitation for Africa’s Peri-urban and Rural Areas (CLARA) project” aimed at strengthening local capacities in the water supply and sanitation sector. Furthermore, the “Sanitation in Peri-urban areas in Africa (SPA)” project together with OMO Micro Financing Institution, was a sanitation financing project directed towards providing sustainable sanitation in un-served peri-urban areas in developing countries on a loan/grant financing basis where loans work in a revolving fashion.

Activities to improve the sanitation situation – design, implementation, operation of facilities, infrastructure and processes – are based on strategic and operational plans. Currently still the capacity of Arba Minch Town is limited as far as strategic and operational planning is concerned and even more so with regard to monitoring and knowledge management. While earlier projects introduced certain aspects along the sanitation services chain which are at least partly functional, critical gaps limit the closure of the value chain.

The Project will deliver two key outcomes: (1) an Improved Sanitation Service Chain, and (2) Improved Sanitation Planning and Municipality Capacity, and comprise three components with a number of concrete outputs: (i) Component 1 targets the improvement of the sanitation service chain by increasing the demand for the construction of improved toilets, increasing the effectiveness of transport services for human excreta, increasing the production of compost from bio-solids and increasing the demand for compost for reuse; (ii) Component 2 focuses on the improvement of the Sanitation Planning and Municipal Capacity Building by increasing the coverage of the existing strategic sanitation plan and institutionalising operational sanitation planning; and (iii) Component 3 ensures efficient and effective utilization of AWF grant proceeds, and the timely delivery of project outcomes and outputs.

The Recipient of the AWF grant is the Ministry of Finance and Economic Development. The Executing Agency will be Arba Minch Town Municipality. The project will be implemented over a period of 48 months.

It is recommended that a grant of € 1,200,000 from the AWF be extended to the Government of Ethiopia for the implementation of this project. The total project costs amounts € 1,500,000, out of which Arba Minch Municipality will contribute € 300,000.
1 BACKGROUND

1.1 Project Rational and Origin

1.1.1 The population of Ethiopia, currently estimated at 91.7 million, is one of the fastest growing across Africa. Only 17 percent of the population lives in urban centres, of which 21 percent live in Addis Ababa, the capital city. However, the demographic of the country is expected to change significantly, with total population expected to reach 130 million by 2025\(^1\). While Ethiopia is one of the world’s poorest countries, significant progress on social and economic development could be achieved over the last decade, with an average GDP growth rate of 10.7 percent. The governance of Ethiopia is based on a federal, democratic system, comprising nine (9) autonomous regions and two chartered cities. Decentralization has been implemented since 2003, with powers being transferred from the centre to regional and district (woreda) levels.

1.1.2 In line with the countries more general decentralization policy, woredas, towns and communities are responsible for planning and managing their own water supply and sanitation services. However, the delivery of basic services through the highly decentralized system is not without its challenges. And while over recent years progress has been made towards increasing sanitation coverage and establishing the basic institutional arrangements, reforms remain ‘work-in-progress’\(^2\): both to ensure infrastructure coverage and sustainable management across the various components of the sanitation value chain.

1.1.3 Nationwide trends of economic and population growth are reflected across the regions of the country. Arba Minch – located in the Gamo-Gofa Zone of the Southern Nations, Nationalities and Peoples Region – is among the fastest growing towns of Ethiopia. The town occupies 5,566 hectare, its elevation varies from 1,200 to 1,320 m, and shows an average annual rainfall of 1,200 mm with an average annual temperature of 23 °C\(^3\). Recent economic growth, alongside rural-urban migration, resulted in significant population growth rates, and while the population in 2007 was 74,843 a recent study estimated a population of 105,000 by 2015, and just below 190,000 by 2030\(^4\). However, basic infrastructure and service levels are still largely inadequate, including Water Supply and Sanitation, which is characterized by low levels of service provision, fragmented interventions, capacity constraints from both public and private stakeholders, and critical infrastructure gaps. All of this leads to key bottlenecks


along the sanitation value chain, resulting in negative impacts on human health and the degradation of critical ecosystem and the services they provide.

1.1.4 The sanitation value chain comprises actions by both public and private sector actors and services providers, as well as by users and consumers, aimed to ensure capturing, storage, transport, treatment and disposal and/or re-use of urine and faeces in a sustainable matter. A conceptual schematic of a sanitation value chain is in Figure 1. However, and while considerable past focus was on increasing sanitation coverage (both at household and institutional levels), much less attention was generally attributed to more downstream, but at least equally important, components of the value chain.

1.1.5 In 2011, the African Water Facility (AWF) launched a call for proposal for Municipal-supported unsewered sanitation improvements for the Urban-poor in Sub-Saharan Africa. The Arba Minch Town Municipality responded to this call, and submitted a project proposal which was included into the AWF pipeline. AWF dispatched two missions to appraise the project. This Draft Project Appraisal Report is the result of the re-appraisal mission carried out from 23 September 2014 to 3 October 2014, and subsequent detailed discussions between AWF, the Ministry of Finance and Economic Development (MOFED) and the Arba Minch Town Municipality (AMTM).

1.2 Sector Status and Priorities

1.2.1 While there have been improvements in access to sanitation facilities in Ethiopia, overall numbers are still low and the sustainability of services along the value chain is generally considered inadequate. In view of the importance, the Government of Ethiopia has set itself ambitious targets in its Growth and Transformation Plan (GTP) for 2010 to 2015 in general, and for the water supply and sanitation sector in particular. This includes (i) providing 100% with basic sanitation; and (ii) achieving 84% percent coverage for improved hygiene and sanitation.

1.2.2 In 2012, and to achieve national targets, four ministries signed a Memorandum of Understanding to support an integrated One Water Sanitation and Hygiene National Program (OWNP). In 2013, the same ministries agreed on an implementation framework, establishing
the OWNP as the Government’s main instrument for achieving the GTP goals in an integrated manner. The OWNP’s development objective is to contribute to improving the health and well-being in rural and urban populations by increasing water supply and sanitation access and the adaptation of good hygiene behaviour and practices in an equitable and sustainable matter. Further, the OWNP more systematically aligns previously fragmented interventions, and aims to advocate for one plan, one budget, one reporting system and one consolidated wash account (CWA).

1.2.3 All major donors in the water and sanitation sector have aligned themselves with the OWNP, and by June 2014 committed resources for the CWA totalling USD 440.78 million from the African Development Bank (AfDB), the Department of International Development (DFID), UNICEF and the World Bank (WB). At the same time, the Government of Ethiopia has committed to financing about 52% of the estimated OWNP cost of about USD 2.4 billion.

1.3 The Arba Minch Town Municipality

1.3.1 Arba Minch, capital city and administrative centre of Gamo Gofa Zone, is one of the major cities in Southern Nations Nationalities and Peoples Regional States. The town is located app. 500 km from the capital Addis Ababa and 260 Km from the regional state capital Hawassa. Forty years ago, the city was divided and administered by two districts: Secha and Sikela, the former located at higher elevation. Currently Arba Minch town has an estimated population of 105,000 which is rapidly growing.

1.3.2 In addition to a shortage of potable water supply – currently addressed in another project – sanitation is a major issue for the municipality. Inappropriate waste collection, treatment and disposal techniques are some of the main reasons of this sanitation crisis, jointly with a lack of demand from households.

1.3.3 Arba Minch town has its own administrative council and is administrated by the Mayor. The town administration is responsible to manage selected sectors under its jurisdiction. It is involved in preparing and approving various developmental plans, programs or projects; implementation of the plans; and monitoring. The relevant stakeholders with respect to water and sanitation of the town include the municipality, water supply and sewerage enterprise, city health office, Omo micro finance institution and the trade and industry office.

![Institutional setup](Source: Clara Project Arba Minch baseline survey 2013)
1.3.4 Arba Minch town municipality is the main responsible body in the town for sanitation, particularly solid waste management, and formally in charge of waste collection and maintenance of the local waste disposal sites.

1.3.5 The water supply service of the town is provided by Arba Minch town water supply and sewerage enterprise. It is a governmental organization which was established by proclamation No. 40/2002 and Regulation No. 2/2003 of the Southern Nations, Nationalities and Peoples Regional (SNNPR) State.

1.3.6 The town health office is responsible for integrating city sanitation and hygiene promotion; planning and implementation arrangements for sanitation and hygiene promotion (including schools, prisons and other institutions); sanitation and hygiene promotion campaigns, budget and resource mobilization, the development of appropriate and sustainable methods to promote enduring individual and collective behaviour, and ultimately social change; enactment of bylaws for hygiene and sanitation, provisions of sanitarians, urban health extension workers and contact women for promoting sanitation and hygiene.

1.3.7 OMO Micro Financing Institution (OMFI), a government affiliated financing institution, which was established to address the finance problems of poor rural farming households and urban unemployed vices in southern Ethiopia through credit services, has been the main local financing partner of the Sanitation in Peri-Urban areas in Africa (SPA) project which piloted access to micro finance for household sanitation. OMFI is the funding institution of SPA, and manages credit disbursements and repayments from the households. The SPA consortium funded seed money to create a revolving sanitation financing vehicle for the municipality, for financing of various sanitation services at an interest of 6%.

1.4 Past and ongoing activities at municipality level

1.4.1 The proposed intervention directly builds on the municipality’s experience from a number of past and ongoing projects:

1.4.2 The Resource Oriented Sanitation Concepts for Periurban Areas in Africa (research) project (ROSA) promoted resource-oriented sanitation concepts as a route to sustainable and ecologically sound sanitation in order to meet the MDGs. For Arba Minch a strategic sanitation and waste plan (SSWP) was developed for the entire city area. Within the project a part of the SSWP was developed in peri-urban areas, where there is a lot of research need for resource-oriented sanitation. Research topics addressed within ROSA were targeting the gaps for the implementation of these concepts in peri-urban areas. They included e.g. an implementation study of the updated WHO-guidelines for use of waste and excreta, the improvement and adaptation of resource-oriented sanitation technologies and the development of community based operation and management strategies. Currently the University of Arba Minch has been contracted to prepare a strategic sanitation plan for Arba Minch. Work on this plan, starting with a baseline survey, will commence within the next months.

1.4.3 The overall objective of the Capacity-linked Water and Sanitation for Africa’s Peri-urban and Rural Areas (CLARA) project was to strengthen local capacities in the water supply and sanitation sector. From a technological point of view, existing low cost technologies for
decentralized water supply and sanitation systems were assessed and adapted for African conditions with a focus on reducing risks in use and reuse of water and sanitation products, and providing demand oriented water quality. Based on these technological improvements and the experiences from two FP6 projects ROSA and NETSSAF (Network for the development of sustainable approaches for large-scale implementation of sanitation in Africa), a simplified planning tool for integrated water supply and sanitation systems was developed that incorporates key factors for success, i.e. operation and maintenance issues and reuse potential, form the beginning of the planning process, and that could be tailored to available local capacities. This simplified integrated CLARA planning tool was tested and evaluated in a number of towns in Africa and also for a part of Arba Minch town.

1.4.4 The Sanitation in Peri-urban areas in Africa (SPA) project developed by WASTE, PLAN Netherlands and SNS Reaal Bank together with OMO Micro Financing Institution, is a sanitation financing project directed towards providing sustainable sanitation in un-served peri-urban areas in developing countries on a loan/grant financing basis where loans work in a revolving fashion. Further, the SPA project attempted to materialize one of the MDG goal- goal 7 which, among others call for halving the proportion of people without access to basic sanitation by 2015.

1.4.5 Furthermore Eawag/Sandec and ETHZ support a PhD project in Arba Minch which focuses on the improvement of sustainable sanitation planning. It is planned, that this project, which is currently in its starting phase, would closely align itself with the proposed AWF project.

1.5 Problem Definition

1.5.1 Activities to improve the sanitation situation – design, implementation, operation of facilities, infrastructure and processes – are based on strategic and operational plans. Currently the capacity of Arba Minch Town is limited as far as strategic and operational planning is concerned and even more so with regard to monitoring and knowledge management. First steps – in the form of the development and partial implementation of a sanitation planning tool (CLARA Project) and the contracting of the University of Arba Minch to develop a “Strategic sanitation plan” – have been and are being implemented. However the Municipality’s capacity to continuously monitor and revise the strategic plan, to build up organisational know-how, as well as developing and implementing sanitation operational plans remains limited.
1.5.2 While earlier projects introduced certain aspects along the sanitation services which are at least partly functional, critical gaps limit the closure of the value chain (Figure 4).

1.5.3 Financing mechanisms for toilet facilities exist through OMO Micro Financing Institution. However, and judging from recent figures of newly constructed toilets (by accessing loans provided by OMO Micro Financing Institution), the demand for access to the available financial mechanism remains limited.

1.5.4 Further, a number of NGO’s and private companies collecting and transporting faecal sludge, human excreta and solid wastes exist, including private companies operating vacuum
trucks. Yet, coverage remains low and these mostly small and emerging private sector operates face major problems related to cost recovery, technical know-how, as well as facilities to be able to provide these services in a sustainable way. Further, AMTM, in charge of transporting wastes from transfer stations to treatment sites, lacks transport capacities to provide adequate levels of service.

1.5.5 As far as treatment of human excreta and solid wastes are concerned, only one organisation - Engan New Mayet (composting of human excreta) exists. A pilot sludge treatment facility failed to operate due to lack of capacities and the existence of operational plans.

1.5.6 Farmers have shown interest in the application of compost (as a product of the sanitation service chain), the main challenges being uncertainty with regard to compost quality, rules for application and effect on product quality.

1.6 Beneficiaries and Stakeholders

1.6.1 The project will provide direct benefits for public and private sector actors along the Arba Minch sanitation value chain, by improving capacities and by providing technical and entrepreneurial support. Indirectly and ultimately the population of Arba Minch will benefit from the project by an improved sanitary situation and functional, effective and affordable sanitation services. By the end of the project, at least an additional 10,500 person (10%) will have access to improved toilet facilities.

1.7 Justification for AWF Intervention

1.7.1 The project concept of Arba Minch Town Municipality was submitted to AWF in response of a Call for Concept Notes on “Municipal-Supported Unsewered Sanitation Improvements for the Urban-poor in Sub-Saharan Africa, launched by AWF in 2011. The project is fully aligned with the objective of this call to strengthen the development and implementation of all components of the sanitation value chain.

1.7.2 Further, the ADB Ethiopia Country Strategy Paper 2011-2015 identifies quality and coverage of infrastructure as being low and defines infrastructure development as critical for sustaining the development in Ethiopia. Furthermore, weak institutional capacity, particularly at lower levels of government, is considered a challenge. The proposed project will address the capacities to plan and implement sanitation activities by the local government and also increase quality and coverage of sanitation infrastructure but even sanitation services.

2 THE PROJECT

2.1 Outcomes and Impact

2.1.2 The proposed project impact will improve public health and livelihood conditions in Arba Minch. This impact is fully in accordance with the Monitoring and Evaluation Framework of the One WASH National Program.
2.1.1 The Project will deliver two (2) key outcomes:

(i) **Outcome 1: Improved Sanitation Service Chain**, including (i) a 10% increase of population with access to improved toiled facilities; (ii) an increase in the faecal sludge treated from household and institutional facilities; (iii) an increase in the re-use of faecal sludge; (iv) an increased percentage of faecal sludge and bio-solids safely disposed; and (v) the design of a landfill for safe disposal.

(ii) **Outcome 2: Improved Sanitation Planning and Municipality Capacity**, including (i) strategic sanitation planning finalized and operationalized; and (ii) operation and maintenance of critical sanitation service infrastructure achieved, and municipal budget resources allocated.

2.1.4 Impact and outcome indicators, including baseline values, targets, and means of verification are detailed in the Results-Based Logical Framework. A baseline survey and a project completion survey were costed and included in the project to ascertain the achievement of project outcomes and outputs.

2.2 Project Components, Outputs and Activities

**Component 1: The Sanitation Service Chain in Arba Minch is improved**

2.2.1 This component of the project will address the main challenges which exist along the existing sanitation service chain: (i) lack of demand for improved household sanitation, (ii) insufficient technical capacities and business skills of existing collection and transport service providers (for human excreta and solid waste), (iii) inadequate facilities for safe, temporary storage of solid waste and human excreta, (iv) insufficient technical capacities and business skills of the existing compost producing company, (v) inadequate facilities for septic sludge treatment and no O&M capacities and skills and (vi) lack of demand for end product(s) of the sanitation service chain, together with lack of end product quality control and assurance.

2.2.2 Stakeholders for this project component are:

- Households – target for demand creation activities
- Municipality – oversight of the entire service chain, quality assurance, coordination of technical support
- Existing service providers – target for technical and business support
- Farmers - target for demand creation activities

**Output 1.1. Demand for construction of improved toilets increased**

2.2.3 Coverage in terms of access to improved toilet facilities is still low in Arba Minch (<50%). In order to improve the immediate sanitary situation of the population of Arba Minch on the one hand, but also to make services along the sanitation chain profitable, the low coverage will have to be increased. This shall be achieved by developing and implementing appropriate awareness creation and social marketing activities. All activities shall be accompanied by adequate impact monitoring procedures to allow immediate feedback to and
modification of the demand creation activities. Adequate financial mechanisms (access to loans) and procedures are in place.

Output 1.2. **Effectiveness of transport services for human excreta increased**

2.2.4 There is a number of emerging private sector actors (and NGOs) are providing services along the sanitation service chain as far as collection and transport of solid wastes, human excreta from urine diversion dry toilets (UDDT’s) and faecal sludge is concerned. Some have already received support from earlier projects, however all require support in business planning and appropriate methodologies and techniques to carry out their services more efficiently and effectively. The project will analyse the current performance of these service providers, highlight deficits and propose and implement mitigation measures to improve the efficiency and effectiveness of private sector service providers’, which will contribute to providing sustainable services.

Output 1.3. **Production of compost from bio-solids (human excreta and solid waste) increased**

2.2.5 A company (formerly association; “Engan New Mayet”) dealing with the collection of solid waste and human excreta from UDDT’s exists and is operational. The company has already received some support from earlier projects, but is still facing a number of problems, both in terms of collection, with regard to the composting process itself, as well as the sale of the produced compost. The current performance of these service providers will be analysed, deficits highlighted and mitigation measures to improve the service providers’ effectiveness and efficiency, aiming at being able to provide sustainable services, proposed and implemented.

Output 1.4. **Compost quality assured for reuse purposes**

2.2.6 Farmers have shown interest in the application of compost (as a product of the sanitation service chain). However, the main challenges being uncertainty with regard to compost quality, rules for application and effect on product quality. For this reason, the project will develop and institutionalise a compost quality monitoring and assurance system based on existing legal and commercial standards for compost quality, soil quality and final product quality. Currently valid ESIA requirements will be considered. It is expected that the quality monitoring and assurance system will be established in the first year of the project. Cost for the implementation of such a quality monitoring and assurance system for a period of two years within the project’s duration is included in the project costing, while the municipality will gradually shoulder these costs as part of its operational planning.

2.2.7 Locally (respectively regionally) existing (soil) quality monitoring capacities (incl. the capacity to carry out soil/compost/sludge sample analysis for reuse-relevant parameters) will be utilised, and the project will not support the establishment of new parallel structures.

Output 1.5. **Demand for compost for reuse increased**

2.2.8 The possibility to generate additional income from reuse of bio-solids is an opportunity to mitigate the financial constraints of the sanitation service chain. Currently the compost produced by Engan New Mayet is used by themselves for the production of trees and plants.
which are then sold. Sale of compost is very limited, partly due to the lack of the above mentioned quality control measures. While the proposed development and introduction of a quality monitoring and assurance system for compost will help to overcome this problem, further demand creation is considered to be necessary. This shall be achieved by developing and implementing appropriate awareness creation and social marketing activities, and close cooperation with local agricultural producers. All activities will be accompanied by adequate impact monitoring procedures, to allow immediate feedback to and modification of the demand creation activities.

**Component 2: Sanitation Planning and Municipal Capacity Building Improved**

2.2.9 This component aims at developing, improving and institutionalising the sanitation planning processes at the level of the AMTM, and supports the following activities: (i) strategic sanitation planning, (ii) sanitation operational planning and (iii) monitoring and knowledge management. Furthermore this component aims at improving the municipality’s capacity to design and implement sanitation and solid waste management facilities (faecal sludge treatment plant, transfer stations, and sanitary landfill), including implementation of selected critical civil works to strengthen the sanitation service chain.

2.2.10 Stakeholder for this project component is mainly Arba Minch Town Municipality, however as far as participatory planning processes are concerned also other relevant stakeholders (NGO’s, companies active in providing sanitation services, farmers, etc.) and with regard to design and implementation of sanitation facilities also current and future operators of these facilities.

Output 2.1. **Coverage of strategic sanitation plan increased**

2.2.11 Currently, strategic planning in sanitation does not take place; sanitation activities are based on project interventions and ad hoc decisions but not on a strategic plan, resulting in inadequate sanitation service provision and isolated activities with limited impact. This resulted in a disrupted sanitation service chain.

2.2.12 An initial strategic sanitation plan is currently being prepared by the University of Arba Minch (planned completion mid of 2015). This strategic sanitation plan shall be reviewed and, where required, extended with respect to:

- existing legal framework related to sanitation
- baseline data relevant for design, implementation and monitoring
- appropriate sanitation technologies and systems

2.2.13 In the CLARA project a sanitation planning tool was developed and applied for a small part of Arba Minch town. The performance of this tool will be evaluated and the tool adapted if and where required. The applicability of the planning tool in the planning process (both strategic and operational) shall be evaluated and the tool’s application integrated in the planning process accordingly. Further, the need for additional planning tools and methodologies will be evaluated and appropriate tools as well as their position and application in the planning process proposed.
2.2.14 Arba Minch Municipality’s capacities to permanently maintain and utilise a strategic planning process will be assessed and appropriate procedures to keep the strategic plan up to date and utilise the strategic plan for the development of operational plans proposed and implemented. A strategic plan in a highly variable environment has to be reviewed and revised regularly. It serves as the base for regular operational planning and receives feedback from the sanitation sector’s performance.

2.2.15 Appropriate monitoring and knowledge management strategies will be proposed and the Municipality supported in integrating them into their strategic sanitation planning process.

Output 2.2. Operational sanitation planning institutionalised

2.2.16 Appropriate procedures, methodologies and tools for annual operational planning will be proposed and institutionalized by the AMTM, including but not limited to:

- Priority ranking / evaluation of effectiveness / cost-benefit analyses
- Development of performance indicators
- Monitoring system (sector performance, finances)
- Knowledge management system
- Budgeting
- Consideration and streamlining of other stakeholders’ activities in the sector (NGO’s, etc.)

2.2.17 The Municipality will adopt appropriate procedures, methodologies and tools for annual operational planning.

2.2.18 Furthermore the Municipality will prepare annual operational plans.

Output 2.3. Solid waste transfer stations in operation

2.2.19 Currently solid waste is collected by private associations from the households and transported to a temporary collection point. However, more permanent collection points are required, and will serve the following purposes:

- Temporary storage of wastes (solid waste and human excreta) either separately (if separated at source) or
- Separation of wastes into fractions and separate storage of fractions;
- Decentralised composting (if found appropriate with regard to space, cost-benefit of reduced transport cost, potential health risk, etc.)

2.2.20 Solid waste transfer stations, serving app. 1,000 to 5,000 households, will be designed, the works procured and implemented.

2.2.21 Further, AMTM will purchase a solid waste truck to strengthen the capacity of waste collection within its jurisdiction. This truck will be procured from AMTM financial resources, and not be financed from AWF grant proceeds.

Output 2.4. Sludge treatment facility in operation
2.2.22 The number of septic tanks, and therefore the quantity of faecal sludge, is increasing steadily. The CLARA “Report on Optimisation of Sludge Treatment” mentions an increase from 103 septic tanks in 2009 to 480 in 2013, serving app. 10.000 persons. Two sludge-drying beds were constructed during an earlier project, however not utilised due to their accessibility and have since deteriorated beyond refurbishment. Furthermore, their size is insufficient for even the current demand.

2.2.23 Consequently, the lack of a functional faecal sludge treatment plant is a critical gap in the current sanitation chain. Such a faecal sludge treatment plant will be designed according to currently valid legal standards in Ethiopia and according to international standards, the works procured and implemented. The design will be based on load assumptions for a planning period equivalent to the lifespan of the investment (20 years).

2.2.24 An environmental and social impact assessment will be carried out by the Municipality according to national standards.

**Component 3: Project Management**

2.2.25 Component 3 ensures efficient and effective utilization of AWF grant proceeds, and the timely delivery of project outcomes and outputs. Towards this end, the Executing Agency, through the Project Management Unit, would executed key management functions including (i) administration of the project, (ii) ensuring the timely submission of deliverables from consultants, (iii) developing work plans and budgets, (iv) coordination, (v) procurement of goods, works and services, (vi) financial management, (vii) monitoring and evaluation, and (viii) reporting. The Project Manager, to be assigned by AMTM, will be in charge of managing the project. Under the overall supervision of a Project Manager assigned by the AMTM, day-to-day management of the project is the responsibility of a Project Coordinator, to be recruited from project grant proceeds.

### 2.3 Costs and Financing

2.3.1 The total project cost of the proposed intervention is € 1,500,000 out of which AWF would finance € 1,200,000 (80%) and AMTM would contribute € 300,000 (20%), both in cash and in-kind.

A detailed cost estimate is attached.

**Table 1: Project Cost Estimate by Component and Sources of Financing (Amounts in €)**

<table>
<thead>
<tr>
<th>Categories</th>
<th>AWF</th>
<th>Arba Minch (cash, in-kind)</th>
<th>Sub-Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component 1</td>
<td>360,000</td>
<td>23,584</td>
<td>383,584</td>
</tr>
<tr>
<td>Component 2</td>
<td>598,000</td>
<td>263,042</td>
<td>861,042</td>
</tr>
<tr>
<td>Component 3</td>
<td>180,700</td>
<td>13,374</td>
<td>194,074</td>
</tr>
<tr>
<td><strong>Base Cost</strong></td>
<td><strong>1,138,700</strong></td>
<td><strong>300,000</strong></td>
<td><strong>1,438,700</strong></td>
</tr>
<tr>
<td>Contingency</td>
<td>61,300</td>
<td>-</td>
<td>61,300</td>
</tr>
<tr>
<td><strong>TOTAL AWF FINANCED</strong></td>
<td></td>
<td></td>
<td>1,200,000</td>
</tr>
<tr>
<td><strong>TOTAL PROJECT COST</strong></td>
<td></td>
<td></td>
<td><strong>1,500,000</strong></td>
</tr>
</tbody>
</table>
Table 2: Project Cost by Category of Expenditure and Source of Financing

<table>
<thead>
<tr>
<th>Category of Expenditure</th>
<th>AWF</th>
<th>Arba Minch in-kind</th>
<th>Sub-Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Works</td>
<td>294,000</td>
<td>109,502</td>
<td>294,000</td>
</tr>
<tr>
<td>Goods</td>
<td>51,000</td>
<td>153,540</td>
<td>51,000</td>
</tr>
<tr>
<td>Services</td>
<td>664,000</td>
<td>23,584</td>
<td>664,000</td>
</tr>
<tr>
<td>Operating Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meetings and Events</td>
<td>35,500</td>
<td>-</td>
<td>35,500</td>
</tr>
<tr>
<td>Project Management</td>
<td>94,200</td>
<td>13,374</td>
<td>94,200</td>
</tr>
<tr>
<td>Base Cost</td>
<td>1,138,700</td>
<td>300,000</td>
<td>1,438,700</td>
</tr>
<tr>
<td>Contingency</td>
<td>61,300</td>
<td>-</td>
<td>61,300</td>
</tr>
<tr>
<td>Total Project Cost</td>
<td>1,200,000</td>
<td>300,000</td>
<td>1,500,000</td>
</tr>
</tbody>
</table>

2.3.2 As a result of the nature of the project and proposed investments in demonstrating closure of the Arba Minch Sanitation Value chain, no cost-benefit analysis has been carried out as part of project preparation. However, the project will carry out cost-benefit analysis and select the most efficient and effective technical solutions for infrastructure developed under the project. Further, costs and benefits of infrastructure and management options will be considered in the preparation of the Arba Minch Strategic Sanitation Plan, and its related operational plans.

2.3.3 It is expected that by 2020, project interventions will contribute to attracting and allocation an additional € 50 million in financing to strengthen the sanitation service chain. Further, by institutionalizing strategic sanitation planning, it is expected that upcoming interventions will be more closely aligned with key needs of AMTM, and thereby more efficient and effective.

3 PROJECT IMPLEMENTATION

3.1 Grant Recipient and Executing Agency

3.1.1 The proposed Grant Recipient is the Ministry of Finance and Economic Development. The proposed Executing Agency of the project is the Arba Minch Town Municipality (AMTM).

3.2 Implementing Arrangements

3.2.1 Project Management Unit. The AMTM will assign a Project Manager and establish a Project Management Unit (PMU), responsible for (i) day-to-day administration of the project, (ii) ensuring the timely submission of deliverables from consultants, (iii) developing work plans and budgets, (iv) coordination, (v) procurement of goods, works and services, (vi) financial management, (vii) monitoring and evaluation, and (viii) reporting. Under the overall supervision of a Project Manager assigned by the AMTM, day-to-day management of the project is the responsibility of a Project Coordinator, to be recruited from project grant...
proceeds. Further, AMTM will contract additional contractual staff including (i) a Sanitation Expert; (ii) a Procurement Expert; and (iii) an Accountant.

3.2.2 **Project Steering Committee.** A Project Steering Committee (PSC) will be established to provide guidance and strategic support to the PMU, comprising the Mayor of Arba Minch, and concerned municipal sector agencies. The PSC will meet twice a year, and more if required.

3.3 **Implementation Schedule**

3.3.1 The duration of the project will be 48 months (4 years) from the date of signature of the grant agreement. An indicative implementation scheduled, detailing component progress and milestones is in Figure X (below). Key project milestones include: (i) inception report;
(ii) launching/inception workshop; (iii) submission of quarterly and annual progress reports; (iv) annual supervision missions; and (v) the project completion report.

Table 3: Implementation Schedule

<table>
<thead>
<tr>
<th>Project Start Phase</th>
<th>Component 1</th>
<th>Component 2</th>
<th>Component 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Demand creation for toilet construction</td>
<td>Develop and institutionalise strategic planning methodologies and procedures</td>
<td>Design of sanitary landfill</td>
</tr>
<tr>
<td></td>
<td>Support to collection and transport service providers</td>
<td>Develop and institutionalise operational planning methodologies and procedures</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Support to compost producers</td>
<td>Implementation of solid waste transfer stations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Support to sludge treatment plant operators</td>
<td>Implementation of faecal sludge treatment facility</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Establishment of compost quality monitoring and assurance system</td>
<td>Demand creation for end-product - compost</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Procurement of Services, recruitment of staff</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Contracting and mobilisation of contractor</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Project Approval</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Signing of Grant Agreement</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Procurement of goods and services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3.4 Procurement Arrangements

3.4.1 The project will include the procurement of works, goods, and services. A summary of procurements financed from AWF grant proceeds is in Table 4. A detailed cost estimate is in Annex 3.

Table 4: Summary of Project Procurements from AWF Grant Proceeds (Amounts in €)

<table>
<thead>
<tr>
<th>Category</th>
<th>Estimated Value (€)</th>
<th>QCBS</th>
<th>Individual Consultant Selection</th>
<th>NCB (Country SBD)</th>
<th>Shopping and Other Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Works</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FS Drying Bed</td>
<td>240,000</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer Stations</td>
<td>54,000</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consultancy Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Main Consultancy Package</td>
<td>664,000</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goods</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Vehicle</td>
<td>40,000</td>
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<td>X</td>
<td></td>
<td></td>
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<tr>
<td>Project Motorcycles (2)</td>
<td>6,000</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office Equipment and Consumables</td>
<td>23,000</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Operational Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Additional AMTM Contract Staff</td>
<td>71,700</td>
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<td>X</td>
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<tr>
<td>Meetings and Events</td>
<td>35,500</td>
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<td>X</td>
<td></td>
<td></td>
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<tr>
<td>Publications</td>
<td>4,500</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base Cost</td>
<td>1,138,700</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Contingency</td>
<td>61,300</td>
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<tr>
<td>Total AWF</td>
<td>1,200,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3.4.2 A detailed first procurement plan will be submit to AWF as a condition precedent to first disbursement. This procurement plan may be updated as required by the Grant Recipient, but at least on an annual basis, attached to the Annual Report to be submitted to AWF. All procurements of goods, works and acquisition of consulting services financed from AWF grant proceeds will be in accordance with the AfDB Rules and Procedures: "Rules and Procedures for Procurement of Goods and Works", dated May 2008, revised in July 2012 and as revised from time to time; and "Rules and Procedures for the Use of Consultants", dated May 2008, revised in July 2012 and as revised from time to time, using the AfDB Standard Bidding Documents and the provisions stipulated in the Financing Agreement. Procurements of goods, works and non-consultancy services under National Competitive Bidding (NCB) and Shopping procedures would be carried out in accordance with the national procurement law, the Public Procurement and Property Administration Proclamation (September 2009), using the federal Standard Bidding Documents, and the provisions stipulated in the Financing Agreement. Other operational expenses will be (meetings, publications) will be procured using shopping procedures.

3.4.3 **Consultancy Services.** The project will procure the services of a consultancy firm (€664,000) to carry out (i) technical studies, including detailed designs; (ii) a marketing campaign; (iii) capacity building activities to selected stakeholders along the sanitation value chain: (iv) construction supervision; and (v) support the Project Management Unit (PMU) in carrying out day-to-day implementation of the project. To ensure high quality of works, the consultant will also act as the Engineer on behalf of the Arba Minch Town Municipality. This package will be procured using Quality-and-Cost-Based Selection (QCBS) as stipulated in the rules and procedures of the African Water Facility and the African Development Bank. Detailed Terms of Reference (TORs) are in Annex 7.4.

3.4.4 To support the Project Management Unit (PMU) in carrying out day-to-day implementation of the project, the project will further engage four (4) individual contract staff, comprising (i) a Project Coordinator; (ii) a Sanitation Advisor; (iii) a Procurement expert; and (iv) an Accountant. These experts will be recruited in accordance with the government system. All experts will work under the guidance of, and report to, the Project Manager appointed by the Arba Minch Town Municipality. Detailed Terms of References (TORs) are in Annex 5.

3.4.5 **Civil Works.** The project will procure small-scale civil works, including (i) a semi-technical faecal sludge drying bed (€240,000); and (ii) three (3) transfer stations for solid and liquid waste (€54,000). Works will be procured under National Competitive Bidding (NCB) procedures using the National Procurement Procedures and the Country’s Standard Bidding Documents (SBDs).

<table>
<thead>
<tr>
<th>Works</th>
<th>Lots</th>
<th>Amount per Package</th>
<th>Procurement Method</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Transfer Stations</td>
<td>1</td>
<td>54.000, -</td>
<td>NCB</td>
<td>54.000, -</td>
</tr>
<tr>
<td>Faecal Sludge Drying Bad</td>
<td>1</td>
<td>240.000, -</td>
<td>NCB</td>
<td>240.000, -</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>294.000, -</strong></td>
</tr>
</tbody>
</table>

Table 5: Estimated Costs and Procurement Procedures for Procurement of Small-Scale Works (Amounts in €)
3.4.6 **Goods** procured by the project will include: (i) a pick-up (€ 40,000), (ii) two (2) motorcycles (€ 6,000) and (iii) office equipment and consumables (€ 23,000). While the pick-up and the motorcycles will be procured under the National Competitive Bidding (NCB) procedures, using the National Procurement Procedures and the Country’s Standard Bidding Documents (SBDs). Office equipment and consumables will be procured using shopping procedures and the National Procurement Procedure. Further, AMTM will purchase a Solid Waste Collection truck from its own resources (€ 153,540). Procurement of this truck will follow applicable Ethiopian rules and regulations.

3.4.7 **Review by AWF/AfDB.** Procurement of goods and works under NCB procedure and acquisition of all consultancy services (firm or individual consultants) will be prior reviewed and relevant decisions taken by the Recipient at various stages of the procurement process would have to obtain AWF’s concurrence. On the other hand, procurement of goods under the shopping procedure will be post reviewed and decisions of the Recipient will be examined ex-posteriorly, once contracts have been put in place.

3.5 **Financial Management**

3.5.1 The Executing Agency will be responsible for all required aspects of financial management, including (i) budgeting, (ii) financial reporting, and (iii) financial auditing and internal control. The financial management assessment concluded that the overall risk is Substantial. However, the assessment also found that if the proposed mitigation measures as per the risk table (Annex 1 of the Financial Assessment Report) are implemented, that the Project will be able to (i) use the funds for the intended purposes in an efficient and economical way; (ii) prepare accurate, reliable and timely periodic financial reports; and (iii) safeguard the entities’ assets. The Financial Management Assessment Report is in Annex 2.

3.5.2 **Budgeting.** The annual budget of the Executing Agency will include the resources of the project. The executing agency will prepare work plans, accompanied with related budgets for each fiscal year and send it to the next higher-level for review, approval and consideration. Fund transfers by AWF to the Executing Agency will be based on the disbursement schedule.

3.5.3 **Accounting System.** The financial transactions of the project will be initiated, processed, recorded and reported in accordance with the Country’s Financial Administration Proclamation no. 649/209, and the Financial Administration Regulation of 2010. Original supporting documents will be kept at the Executing Agency (AMTM Finance Office) which has originated the financial transactions for external audit and reviews by the AWF/AFDB. Monthly, quarterly and annual reports will be produced directly from the financial management system of the AMTM Finance Office.

3.5.4 **Financial Report.** The Bank requires submission of quarterly progress reports within 45 days after the end of each quarter, detailing cash receipts by sources and expenditures by main expenditure classifications together with physical progress reports. Project financial statements will include: (i) statements of funds received from AWF grant proceeds and expenditures incurred for both the current year and accumulated to-date; (ii) statement of the special account; (iii) statements of expenditures; and (iv) notes to the financial statement.
describing the applicable accounting principles in place and detailed analysis of the main accounts. The AMTM Finance Office will be responsible for preparing consolidated quarterly and annual Project financial statements.

3.5.5 **Internal Control and Internal Audit.** The Executing Agency is using the control procedures prescribed by the government. These procedures are adequate to ensure authorization, recording and reporting of transactions. The Project’s internal controls (including processes for recording and safeguarding of assets, segregation of duties, procedures for periodic accountability, fund flow arrangement, auditing, ...) are documented in the municipality’s existing Financial Management Manual.

3.5.6 **External Audit.** According to the Ethiopian Constitution, the Office of Federal Auditor General (OFAG) is responsible to audit the financial transactions of the Federal Government, subsidies to the regions and loan & grant funds. However, according to the rules and regulations of AWF, the Fund will select the external auditor. AWF requires two audit reports: one at the midterm of the project (approximately 18 months into the project) and second at the end of the project. The external audit reports will include all project related activities (including post-review of procurement), and will be audited in accordance with internationally accepted auditing standards.

3.6 **Disbursement Arrangements**

3.6.1 Arba Minch Town Municipality (AMTM) will open a special EURO account in the National Bank of Ethiopia and a local currency account in the Commercial Bank of Ethiopia, Arba Minch Branch acceptable to the Bank. Both special accounts will be operated by two authorized signatories. MoFED will designate officials in AMTM to sign withdrawal applications and other correspondences with the AWF/AFDB. The AWF/AFDB will provide the relevant formats for withdrawal applications and financial reporting.

3.6.2 Precedent to the first disbursement of AWF grant proceeds to the Special Account, the Executing Agency will submit the following documents to AWF:

- a detailed procurement plan for the first 18 months;
- Evidence of the opening of a Special Account, denominated in Euro (€), at a reputable bank acceptable to AWF;
- Evidence of the appointment of a Project Manager.

3.6.3 Grant proceeds will be disbursed in three (3) tranches, following the schedule detailed in Table 6. Disbursement of Tranche 2 proceeds will be subject to the utilization of at least 50% of Tranche 1 proceeds. Disbursement of Tranche 3 proceeds will be subject to the utilization of 100% utilization of Tranche 1 proceeds and 50% utilization of Tranche 2 proceeds. In requesting for replenishment of the Special Account, the Executing Agency shall submit the following evidence to AWF: (i) financial and narrative reports of the utilization of
grant proceeds, and (ii) anticipated expenditures and disbursement schedule for the requested Tranche 2 or Tranche 3 grant proceeds.

Table 6: Disbursement Schedule to Special Account (Amounts in €)

<table>
<thead>
<tr>
<th></th>
<th>Tranche 1</th>
<th>Tranche 2</th>
<th>Tranche 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount (EUR)</td>
<td>160,800</td>
<td>214,400</td>
<td>160,800</td>
<td>536,000</td>
</tr>
<tr>
<td>Month of disbursement</td>
<td>A+03</td>
<td>A+15</td>
<td>A+30</td>
<td>-</td>
</tr>
<tr>
<td>Percentage of grant proceeds</td>
<td>30%</td>
<td>40%</td>
<td>30%</td>
<td>100%</td>
</tr>
</tbody>
</table>

3.6.4 Payments to consultants and other service providers will be in accordance with the payment schedules detailed in the respective contracts. Payments for the main consultancy package (€ 664,000) will be disbursed through direct payments. Payments will be approved by the Executing Agency based on the successful completion of key deliverables.

3.7 Monitoring and Reporting Arrangements

3.7.1 The Executing Agency will be responsible for monitoring and reporting on all aspects relevant to successful project implementation. It will develop a monitoring and evaluation system of sufficient detail to ascertain progress towards achieving project outputs, outcomes and impact throughout the duration of the project, and collect relevant information from available sources. Based on the detailed monitoring and evaluation framework, the Executing Agency will further commission (i) a baseline survey and (ii) a completion survey. The Executing Agency will furnish AWF with the reports detailed in Table 7, which also details the required periodicity. The Executing Agency will further furnish AWF electronic copies of all research products, briefing documents and reports financed from AWF grant proceeds.

Table 7: Key project reports

<table>
<thead>
<tr>
<th>Report</th>
<th>Number of Reports</th>
<th>Periodicity</th>
<th>Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inception Report</td>
<td>1</td>
<td>-</td>
<td>A+6</td>
</tr>
<tr>
<td>Quarterly Progress Reports</td>
<td></td>
<td>3 months</td>
<td></td>
</tr>
<tr>
<td>Annual Report</td>
<td>3</td>
<td>Annually</td>
<td></td>
</tr>
<tr>
<td>Project Completion Report</td>
<td>1</td>
<td>-</td>
<td>A+48</td>
</tr>
</tbody>
</table>

3.8 Visibility Guidelines

3.8.1 To ensure visibility of the African Water Facility and its financial contributors, the Executing Agency will ensure compliance with the AWF Visibility Guidelines for all activities financed by the project (Annex 7). Further, the Executing Agency will furnish digital copies of press releases, articles and other media content to AWF for its information.

3.9 Risks and Mitigation Measures

3.9.1 Several potential risks associated with the successful implementation of the project have been identified during appraisal and re-appraisal. Mitigation measures were discussed in
detail and incorporated into the project design. A summary of project risks, mitigation measures and assumed risk levels is detailed in Table 8.

**Table 8: Project risks and mitigation measures**

<table>
<thead>
<tr>
<th>Risk</th>
<th>Mitigation Measures</th>
<th>Risk Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low capacity of Executing Agency</td>
<td>Support to Project Implementation Team by external individual consultants with appropriate experience.</td>
<td>High</td>
</tr>
<tr>
<td>Insufficient performance of sanitation service providers</td>
<td>Continuous training and backstopping on demand.</td>
<td>High</td>
</tr>
<tr>
<td>Quality of final product not suitable for reuse</td>
<td>Introduction of quality monitoring and assurance system, which includes measures to improve product quality</td>
<td>High</td>
</tr>
<tr>
<td>Insufficient resources of local government to institutionalize sanitation planning process</td>
<td>Adapt the planning process as much as possible to realistically available resources.</td>
<td>Medium</td>
</tr>
</tbody>
</table>

**4 EFFECTIVENESS, SUSTAINABILITY**

4.1 Effectiveness and Efficiency

4.1.1 Investments in sanitation infrastructure are a necessity in Arba Minch, however not effective if not accompanied by appropriate capacities and resources to provide all related services to form a sanitation service chain from the households to treatment, disposal and/or reuse. This project is directly aiming at improving the partly existing sanitation service chain in Arba Minch and therefore the precondition for making investments in sanitation infrastructure effective.

4.1.2 Effectiveness but even more so efficiency are increased by embedding sanitation activities in strategic and operational planning processes. Only an adequate and comprehensive planning process will guarantee that very much limited available resources are utilised with the highest possible impact. The project therefore also aims at developing and institutionalising planning methodologies and procedures within the relevant bodies.

4.2 Sustainability and Safeguards

4.2.1 Sustainability will be ensured by institutionalising knowledge and capacities, addressing sanitation problems in their entirety, i.e. by looking at sanitation systems and not isolated technologies, involving all relevant stakeholders, from households to service providers (transport and treatment) and potential customers for reuse and by the use of marketing tools
to create behaviour changes. Land acquisition is not foreseen under the project, and the AMTM will provide land for construction of the proposed infrastructure.

4.3 Climate Change and Gender

4.3.1 The project will particularly target to address the needs of women households. Gender sensitive approaches have been incorporated into the project design, and no negative impacts are expected. The project will particularly target to address the needs of women households. Gender sensitive approaches have been incorporated into the project design, and no negative impacts are expected.

4.3.2 Improved sanitation in Arba Minch, and the closure of the sanitation service chain, will have positive impact on climate change: both by improving livelihoods and related adaptive capacity and by reducing methane emissions through improved waste and sanitary management.

5 LEGAL INSTRUMENT AND AUTHORITY

5.1 Legal Instrument

5.1.1 The Project will be financed pursuant to the signing of a Protocol of Agreement between the Ministry of Finance and Economic Development (MOFED) as the “Recipient” and the African Development Bank (the “Bank”) as Trustee for the African Water Facility Special Fund.

5.2 Conditions for Bank’s Intervention

5.2.1 Entry into force of the Protocol of Agreement: The Protocol of Agreement will enter into force on the date of its signature by the Recipient and the African Development Bank.

5.2.2 Conditions precedent to first disbursement of the grant: The obligation of the Bank to make the first disbursement of the grant shall be conditional upon the entry into force of the Protocol of Agreement, and upon submission of (i) a detailed procurement plan for the first 18 months; (ii) evidence of the opening of a Special Account, denominated in Euro (€), at a reputable bank acceptable to AWF; and (iii) evidence of the appointment of a Project Manager.

5.3 Conditions for Bank’s Intervention

5.3.1 This project complies with all applicable Bank policies and AWF strategy and operational procedures.

6 CONCLUSIONS AND RECOMMENDATIONS

6.1.1 It is recommended that a grant not exceeding € 1,200,000 from AWF resources be extended to the Ministry of Finance and Economic Development for the implementation of the project described in this appraisal report.
7 ANNEXES

7.1 Annex 1: Map of Ethiopia

Executive Summary

The FM assessment concluded that the overall risk is “Substantial”. However, if the Proposed mitigation measures as per the risk table, Annex 1, and the agreed FM action plans are implemented the Project will be able to (1) use the funds for the intended purposes in an efficient and economical way, (2) prepare accurate, reliable and timely periodic financial reports, and (3) safeguard the entities’ assets.

Arba Minch Town Municipality (AMTM) will implement the Project. The overall financial management responsibility for the Project rests with AMTM Administration and Finance Office. All Sectors’ finance payments and procurements (except the Town Administration Office, Health Centre Finances) are managed by the Town’s Administration and Finance Office. The Finance Office is staffed with 15 staff (finance and procurement) with different education backgrounds (6 staff with 10+2 TVET, 4 Diplomas and 5 BA degrees). The Office has managed huge project funds, allocated from World Bank, EU, etc., successfully. This was attested by the Audit reports of Municipality for the Fiscal year 2012-2013. The Office uses IBEX system to report receipt and expenditure reports automatically to Regional Bureau of Finance and Economic Development (BoFED) which will be forwarded to MoFED quarterly.

To facilitate Project implementation, AMTM will designate a Project Coordination Unit (PCU) and the PCU will be staffed with a Project Manager, a Procurement Specialist, and an Accountant (with a better experience in Project Financial Management). The financial transactions of the Project will be initiated, processed, recorded and reported in accordance with the country’s Financial Administration Proclamation no. 649/2009, the financial administration Regulation 2010 and the financial manuals of the AMTM.

The Project will use the Government IBEX accounting system and the Project FM manual (with slight modification to suit the Fund requirements) currently being used by the World Bank funded Project which can accommodate the Project requirements. The revision of the FM manual will be indicated as an undertaking in the Grant Agreement. The PCU will be required to produce quarterly interim financial reports for the project, which will be submitted to the Fund no later than forty-five days after the end of each quarter.

The Project will use the four disbursement methods prescribed in the disbursement handbook. However, due to the project nature, the Special account method is to be used dominantly while the direct payment method and the reimbursement guarantee method will be used when found necessary depending on the nature of the project transactions.

A special account in EURO will be opened at the National Bank of the Ethiopia in the name of the project and to be administered by the Arba Minch Town Municipality with two authorized signatories designated by the Ministry of Finance and Economic Development (MoFED). This account will be where the AWF transfers will be deposited. Another special account in local currency (ETB) will be opened in the Commercial Bank of Ethiopia, Arba Minch Branch, to
transfer money from the EURO Special account. This account will also be operated by the two authorized signatories.

**Introduction**

This Annex is a record of the results of the assessment of the proposed financial management arrangements for proposed Project. The financial management assessment was done in accordance with the Bank’s FM Guidelines-2014.

**Country PFM System**

There has been CIFA (April 2013) diagnostic work covering the Ethiopian Fiscal Years 1999-2003 or 2006-2011 in Gregorian calendar since the PEFA 2010 report covering fiscal years 2005-2007 which concluded that Ethiopia has a relatively well developed system of legislation and financial regulations governing PFM. Presently PEFA 2014 is being compiled and is on final draft status. The CIFA and the draft PEFA 2014 indicated that there is a significant improvement from the 2010 PEFA results. The existing PFM legal and regulatory framework is fairly comprehensive in identifying roles and responsibilities of the various institutions and Regions, prescribing provisions for internal control and the internal audit function and supporting External audit. OFAG has submitted the Ethiopian Fiscal 2006(2013/2014) audit report to the Parliament.

The country has gone through various PFM reforms (Tax, revenue, expenditure management, etc...) since 2009; supported by AfDB, World Bank, DFID, EU and other Development Partners through PBS programs.

**Summary Project Description**

The Project’s total estimated cost is EURO 1.2 million (does not include in kind contribution of the municipality) which will be provided by the Fund as a grant. The proposed project impact is to improve public health and livelihood conditions in Arba Minch. The project impact will include (i) reduced degradation of vulnerable ecosystems in Arba Minch and (ii) increased investment in improved infrastructure and services in the Arba Minch sanitation service chain.

**Executing Entities**

The Arba Minch Town Municipality (AMTM), with professional support from the Arba Minch University will be the executing agency through the Project Coordination Unit (PCU). The PCMU will comprise a Project Coordinator assisted by other professionals including an Accountant with a wide experience in Project Financial Management and Procurement Specialist.

**Summary of Assessed Financial Management Arrangements**

The FM assessment concluded that the overall risk is "Substantial". However, if the proposed mitigation measures as per the risk table, Annex 1, and the agreed FM action plans are implemented the Project will be able to (1) use the funds for the intended purposes in an efficient and economical way, (2) prepare accurate, reliable and timely periodic financial reports, and (3) safeguard the entities’ assets.

**Budgeting**
The annual budget of the executing agency will include the resources of the Project. The executing agency is required to prepare work plan accompanied with related budget for each fiscal year and send it to the next higher-level for review, approval and consolidation. PCU at the municipality will prepare a budget and submit the same to concerned body for approval. Fund transfers by AWF to the Executing Agency will be based on approved work plan and budget.

**Accounting System**

In August 2009, the Parliament passed a new proclamation on the financial administration of the federal government (648/2009). The new law focuses more on effective procedures for budget preparations, tax collection, maintenance of accounts, internal audit and management of public resources and debt. Following the enactment of the new proclamation, MoFED elaborated a financial administration regulation and directive to guide the implementation of the new proclamation from federal to the lowest levels including municipalities.

Financial statements for the Federal Government are presented in consistent format over time. For the preparation of financial statements based on a modified cash basis of accounting, using a double entry accounting system is used to recognize revenues and expenditures. The accounting standards used are consistent with the financial reporting guidelines of the country. International Public Sector Accounting Standards (IPSAS) are not yet used. And hence, the Municipality will use modified cash basis of accounting according to government systems.

The financial transactions of the Project will be initiated, processed, recorded and reported in accordance with the country’s Financial Administration Proclamation no. 649/2009, the Financial Administration Regulation 2010. Original supporting documents will be kept at the executing agency (AMTM-Finance Office) which has originated the financial transactions for external audit and bank reviews. Monthly, quarterly, and annual reports will be produced directly from the financial management system of the Municipality’s finance office.

**Financial Reporting**

The Bank requires submission of quarterly progress reports within 45 days after the end of each quarter showing cash receipts by sources and expenditures by main expenditure classifications together with physical progress reports linking financial information with physical progress and highlighting issues that require attention. The Project financial statements will include:

- Statement of Receipts-funds received from the Bank (counterpart funding and co-financiers’ funding where applicable, ) and Expenditures (expenditures incurred for both the current year and accumulated to-date);
- Statement of Special Account;
- Statements of Expenditures ; and
- Notes to the Financial Statements describing the applicable accounting principles in place and a detailed analysis of the main accounts.

AMTM-Finance Office will be responsible for preparing consolidated quarterly and annual Project financial statements. The formats of the quarterly and annual Project financial statements will be agreed during negotiation.
Internal Control and Internal Auditing

Internal control comprises the entire system of control, financial or otherwise, established by management in order to (a) carry out the project activities in an orderly and efficient manner, (b) ensure adherence to policies and procedures; and (c) safeguard the assets of the Project and secure as far as possible the completeness and accuracy of the financial and other records. The main focus of the internal control of the Project is placed on the following:

- Segregation of duties;
- Physical control of assets;
- Authorization and approval;
- Clear channels of command;
- Arithmetic and accounting accuracy;
- Integrity and performance of staff at all levels;
- Supervision.

The executing agency is using the control procedures prescribed by the government. These procedures are adequate to ensure authorization, recording and reporting of transactions. The Project’s internal controls—including processes for recording and safeguarding of assets, segregation of duties, procedures for periodic accountability, fund flow arrangement, auditing, and so on—is documented in the municipality’s existing Financial Management Manual.

The Executing Agency has an Internal Audit Unit, which performs post audits on financial transactions of the entity. The internal audit unit of the executing agency will include the Project financial transactions in their work plan and review the financial transactions of the Project. MoFED has recently issued an internal audit manual and provided training to internal auditors in ministries, agencies and departments. The reports of the auditors on Project specific findings will be reported to the head of the executing agency and copied to MoFED/BoFED. The Inspection Department in MoFED/BoFED has a regulatory role and also conducts special investigations when required.

Treasury Management (including funds flow and disbursement)

As indicated in the budget section above, the cash forecast will be done through the Project work plan/budget and procurement plan. The financial resources will be managed centrally by the Municipality’s Finance Office with the PCU’s direct involvement. The PCU is directly responsible to justify the replenishments to the special account and request the next tranches.

Disbursement Arrangements

The Project will use the four disbursement methods prescribed in the Disbursement Handbook.

The Bank’s Disbursement Handbook could be accessed from the Bank’s website. In addition, the Bank will issue a Disbursement Letter informing the recipient the conditions precedent to first disbursement.

Arba Minch Town Municipality (AMTM) will open a special EURO account in the National Bank of Ethiopia and a local currency account in the Commercial Bank of Ethiopia, Arba Minch Branch acceptable to the Bank. Both the Bank Special accounts will be operated by two authorized signatories of the AMTM. MoFED will designate officials in AMTM to sign withdrawal
applications and other correspondences with the AWF/Bank. The AWF/Bank will provide the relevant formats for withdrawal applications and financial reporting.

**Fund Flow Diagram**

![Fund Flow Diagram](image)

**External Audit**

According to the Ethiopian Constitution, the Office of Federal Auditor General (OFAG) is responsible to audit the financial transactions of the Federal Government, subsidies to the regions and loan & grant funds. However, according to the rules and regulations of AWF fund Audits; the Fund will select the external Auditor in collaboration with the OFAG and the Municipality to align with the country’s regulations. AWF requires only two audit reports: one at the midterm of the project (in 18 months’ time) and second at the end of the project.

The external audit reports will include all Project related activities including those performed at the Arba Minch University (AMU) levels; and will be audited in accordance with internationally accepted auditing standards e.g., International Standards on Auditing (ISA). The annual audit reports of the Project accounts along with the management letter will be submitted to the Bank within six months after the end of each audit period.

**Annex 2: Action Plan**

<table>
<thead>
<tr>
<th>No.</th>
<th>Action</th>
<th>Completion date</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Recruitment or assignment of qualified and experienced Project Coordinator, Procurement officer, Sanitation Adviser and an accountant and for the municipality's finance</td>
<td>Immediately after the signature of the grant agreement</td>
<td>AMTM</td>
</tr>
<tr>
<td>No.</td>
<td>Action</td>
<td>Completion date</td>
<td>Responsibility</td>
</tr>
<tr>
<td>-----</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>------------------------------</td>
<td>----------------</td>
</tr>
</tbody>
</table>
| 1   | office to support the project implementation activities  
     | Revision of the FM manual (to be added)                                                                                                                                                          |                              |                |
| 2   | Organize a launch workshop to familiarize staff of the executing agency on the Bank’s FM requirements, Procurement rules and regulations and the overall implementation of the Project  
     | Immediately after the first disbursement                                                                                                                                                       | AWF/Bank                     |
| 3   | Increased engagement of internal auditors to identify control weaknesses early.                                                                                                                                 | Regularly                    | AMTM           |
| 4   | Supervision mission twice a year (for the first 2 project years) which includes FM Specialist                                                                                                                                 | Twice a year                 | AWF/Bank       |

**Conditions**

(i) Opening Special accounts in EURO and ETB and communicating this to the Bank  
(ii) Sending the names and authorized Signatories of two Municipality Officials authorized by MoFED. The two conditions shall be communicated to the Bank through MoFED.  
(iii) Preparing Procurement Plan

**Supervision Plan**

Given the implementation of the project at a remote town and the substantial fiduciary risk for the Project, it is necessary to supervise the Project at least twice a year for the first two project years. The supervision mission shall include a Financial Management Specialist, who will look into the overall internal control systems of the Project and the overall functioning of the Project financial management as assessed during appraisal.
<table>
<thead>
<tr>
<th>Risk Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risk</strong></td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td><strong>Inherent Risks</strong></td>
</tr>
<tr>
<td><strong>Country level</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Entity level</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
AWF/Bank; and 
the content of the 
quarterly annual 
financial reports 
will be agreed 
during 
negotiations. The 
Municipality and 
the Bank to follow 
the regular 
submission of 
Interim financial 
reports.

<table>
<thead>
<tr>
<th>Project level</th>
<th>H</th>
<th>Immediately after grant effectiveness</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Municipality has more vacant positions in the finance and procurement units which will keep them with low implementation capacity of the PCU.</td>
<td>Qualified accountant and procurement Officer will be recruited to strengthen Municipality Project management and training and workshops will be provided to the Project accountant, procurement officer and relevant staff as well as for the internal auditors.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<p>| Control Risk | H | | |
| Budgeting | S | The PCU shall set up a timetable for budget preparation for the entity to align the process with the government’s | As per government budget preparation procedures | No |</p>
<table>
<thead>
<tr>
<th>Accounting</th>
<th>H</th>
<th>budget preparation timetable</th>
<th>.</th>
<th>Continuous follow up of staff turnover to replace them timely</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>High staff turnover and delays in recording and reporting financial transactions.</td>
<td>A qualified accountant will be in place to support the project finance activities and training will be organized for the Project Team, including launching workshops. The Municipality Financial Manual in place will be used to provide guidance to accountants.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Internal control</th>
<th>H</th>
<th>Internal auditors at the Municipality level will include the Project financial transactions in their annual work plan.</th>
<th>Starting in the fiscal year the project is signed</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal audit function is weak and internal audit unit of the executing agency (AMTM) is understaffed; and may not cover the Project financial transactions in their annual work plan.</td>
<td>Internal auditors at the Municipality level will include the Project financial transactions in their annual work plan. To this effect, municipality will inform its respective internal audit unit about the operations of the Project to include it in their annual audit work plan and add new auditors in the internal audit Unit.</td>
<td>Starting in the fiscal year the project is signed</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Treasury Management/Fund Flows</td>
<td>M</td>
<td>Close follow up by the PCU</td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------------------------</td>
<td>---</td>
<td>-----------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial reporting</td>
<td>S</td>
<td>Planned training on the preparation of quarterly and annual financial reports will be conducted by the AWF/Bank; and the content of the quarterly annual financial reports will be agreed during negotiations. The Municipality and the Bank to follow the regular submission of financial reports.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund flows</td>
<td>M</td>
<td>Funds will be directly released to the implementing entity based on the annual work plan and budget; and there will be close follow up by the Fund. Opening accounts immediately after the Grant is approved.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Opening the special accounts timely and communicating to the Fund.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Yes**

**No**
required for justifications as there is only one Executing Agency for the project.

<table>
<thead>
<tr>
<th>Auditing</th>
<th>S</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delays may not be a problem in submission of biannual external audit reports of financial statements to the Bank</td>
<td></td>
</tr>
<tr>
<td>Preparation of financial statements will be done annually and in the midterm and at the end of the project to ensure an early start of the audit of the Project financial statements. Appointment of external auditors will be conducted by AWF in cooperation with the OFAG and the AMTM before the end of the first fiscal year. The Bank’s External Audit terms of reference will be used.</td>
<td></td>
</tr>
<tr>
<td>Audit firm will be recruited by the Fund in coordination with the OFAG/Regional OFAG</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Overall risk</th>
<th>S</th>
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</thead>
</table>

H = High S-Substantial M = Modest L = Low

The overall risk for the Project after the mitigation measures is **Substantial.**
7.3 Annex 3: Communication and Visibility Guidelines

Communication and brand visibility greatly matter to the AWF. The AWF views communication as a strategic function firmly tied to its strategies and business objectives. Steady communication with AWF stakeholders helps build credibility and secure their trust and esteem, which in turn, helps AWF build and protect its reputation. Communications is also about disclosure. The AWF is a multi-donor fund, and is accountable to a Governing Council that expects the AWF to hold itself to the highest level of accountability and transparency. The AWF is committed to making every effort to disclose, share and report information useful and relevant to its stakeholders and the greater public. This entails effectively communicating its achievements, progress, and results by using all means available, in a timely manner. All these elements are important for business and essential to attract and retain donors, and for AWF to maintaining its social license to operate.

Brand awareness is about making sure the public knows AWF exists and can tell the AWF apart from other water funds or organizations. The brand is a visual, memorable trigger, or a logo, that embodies the AWF and captures its core identity. Brand awareness is achieved over time, through activities meant to increase brand visibility, by repeated use and exposure of the logo at strategic places and times. The AWF logo is used as a seal or a signature used to signal AWF financial support or special collaboration.

The AWF has established Communication and Visibility Guidelines to the attention of partners, AfDB regional offices and grant recipients to help AWF more effectively achieve its brand and communications objectives, as laid out in the AWF Long Term Communications Strategy 2006 approved by the AWF Governing Council in 2006.

**General Requirements**

At an early stage, when preparing communication activities related to an AWF supported event of project, contact the Communication Officer at AWF Secretariat, copying the AWF Project Manager.

At a minimum, and wherever possible, the AWF logo should be applied to outreach materials that pertain to AWF supported projects or events. The proper use of the logo should be discussed with the AWF Communication Officer.

The AWF should be verbally mentioned as donor of the project it is funding at public speaking events where the project is discussed, and also be mentioned as donor in any Power Point presentations relevant to the project funded by the AWF, using the name and the logo of the AWF appropriately.

The logo is to be obtained upon request from the AWF Communication Officer. Documents and publications related to an AWF supported project or sponsored publication should contain the AWF logo, as well as this phrase on the cover page: “This project/program/study is funded by the African Water Facility”.

Implementing and executing agencies should always have a link to the AWF website on the page of their website relevant to an AWF-funded project/activity. The website is: [www.africanwaterfacility.org](http://www.africanwaterfacility.org)
The AWF asks that grant recipients report back to the AWF Secretariat, any special mention, award nominations or recognition that the project may have received.

**Validation Process**

The AWF management is responsible for the final clearance of AWF communications products/outputs.

**Press Releases & Media Advisories**

The AWF will issue an AWF-branded press release every time a project is approved and/or signed, and when completed (handover).

AWF press releases must always include a quote from the Coordinator of the AWF, which must be cleared by the Coordinator.

The AWF encourages and appreciates initiatives to issue joint press releases with its grant recipients. A standard joint press release can be issued at any time agreed with the AWF (between launch and completion).

When the grant recipient wishes to produce a press release, liaising with the AWF Communication Officer is required, as well as receiving a quote from the AWF Coordinator, as appropriate, and getting approval and clearance.

The AWF should be included in the title and/or first paragraph of the press release, as appropriate.

The press release should incorporate the AWF logo, mention that funding was provided by the AWF, and mention the amount of the AWF funding.

If a press conference is planned, the press release should include the name of an AWF senior representative who will be present at the press conference, when relevant.

All press releases must bear the name and contact information of the AWF Communication Officer, and if possible that of the communication/media representative from the grant recipient.

The AWF boilerplate text (“About the AWF”) must be added to the text, including the AWF web site address. Please contact the AWF Communication Officer for the latest version.

The AWF has final validation of all its press releases, following a review process involving reviewers.

The rules above also apply to media advisories.

**Press Conferences**

Press conferences to launch projects funded by the AWF should be organized in cooperation with the AWF, as much as possible.

The invitations should bear an AWF logo.

The AWF logo of a visible size should appear on any banner or poster to be displayed at the site of the conference.
Press kits need to include a press release with the AWF logo. Whenever possible, an AWF banner should be on hand and set up to serve as a backdrop for TV and photo purposes.

**Press Visits**

When appropriate, journalists should be invited to visit the project funded by AWF, accompanied by representatives of the AWF or the AWF Focal Point in the respective authority / government of the grant recipient.

**Visits by Government Officials, AWF Donors**

Visits to projects by government officials and AWF donors are encouraged. Those should be prepared in coordination with the AWF and the AWF Focal Points of the host government. This can include meetings with local beneficiaries.

These visits may also include government officials and AWF donors’ participation to roundtables and other events, as relevant.

**Leaflets, Brochures and Newsletters**

All leaflets and brochures relevant to the project/program financed by AWF should incorporate the basic elements of the AWF visual identity, i.e. the AWF logo -with or without tagline.

Leaflets and brochures produced by a grant recipient must also incorporate a definition of the AWF (boilerplate text).

The cover page of all documents pertaining to the project financed by the AWF must clearly identify the activity as being part of an AWF-funded activity.

Copies, including electronic copies of the publications, should be made available to the AWF.

**Electronic Communication**

Electronic communication disseminating information on AWF-funded projects including websites, newsletter, and social media platforms, should link to the AWF website.

**Signage**

The grant recipient should produce display panels, posters or banners to promote their AWF-funded or AWF-related activities at exhibitions and other events, placed in strategic locations for all to see.

**Vehicles, Supplies and Equipment**

AWF generally requests that vehicles, supplies and equipment funded by AWF be clearly identified, and visibly carry the AWF logo and the phrase “Provided with the support of the African Water Facility” in English, French or Portuguese, as relevant.

This requirement is subject to negotiation between AWF and the grant recipient as some supplies and equipment may be exempt.

The grant recipient must provide evidence of compliance with this rule (digital photos sent by email are recommended.)
Photographs and Audiovisual Productions

Professional high resolutions (300 Dpi) digital photographs of the project funded by AWF should be supplied to the AWF throughout the different phases of the project, to document the progress of actions and events related to these, and to be used in print and online publications.

All photos should be submitted with full caption and credit information.

The AWF will be entitled to use or reproduce photos submitted to it without payment of royalties.

Whenever relevant, audio-visual materials should acknowledge AWF support, by featuring the AWF logo at the beginning and/or end of the movie/documentary.

Copies of the movie(s) / documentary (ies) should be supplied to the AWF.

Commemorative Plaques or Signage

Whenever relevant, the grant recipient should place a permanent plaque, or some other type of large, commemorative signage on the most visible part of the building, infrastructure or nearby the project site, which received funding by AWF, beside the name of the implementing agency and/or name of the project, for visitors to see.

When appropriate, the plaque or signage could contain the following sentence: “This [name of the infrastructure] was funded by the African Water Facility” alongside the AWF logo.

Promotional Items

Before taking any decision on the production of such items, the Communication Officer at the AWF should be consulted.

Promotional items bearing the AWF logo can be distributed to support communications activities related to the project funded by AWF. This may include T-shirts, caps, pens, notebooks, USB keys etc.
7.4 Annex 4: Terms of Reference Consultancy Services

1. Definition
Sanitation generally refers to the provision of facilities and services for the safe disposal of human urine and faeces. Inadequate sanitation is a major cause of disease worldwide and improving sanitation is known to have a significant beneficial impact on health both in households and across communities. The word 'sanitation' also refers to the maintenance of hygienic conditions, through services such as garbage collection and wastewater disposal.

2. Background
Despite dealing with low technology solutions the successful and sustainable implementation of sanitation for the urban poor is a complex issue on social, technical, organizational and financial levels. To achieve large scale implementation covering a whole city and its boundaries (peri-urban to rural characteristics) the initiative has to consider all these aspects and to provide tailored support for the local stakeholders. Arba Minch is such a target community where sanitation needs for the urban poor is apparent – more than 50 % of the inhabitants living in the poor areas are not provided with improved sanitation.

Arba Minch Town Municipality (AMTM) and the utility in charge of water supply and sanitation, Arba Minch Water Supply and Sewerage Enterprise (AWSSE) are aware of the needs as well as the state of knowledge on the strategies of sustainable sanitation through their involvement in various international research projects in the field.

Arba Minch was a pilot-city within the EU-FP6 funded research project ROSA during which resources oriented sanitation concepts were piloted. Arba Minch was also partner town in the follow-up EU-FP7 funded project CLARA. Within CLARA several aspects of the sanitation chain were investigated. One main focus was on operation and maintenance of the sanitation system and its financial aspects.

Based on these experiences a new project, Sani-Poor, was developed to upscale the promising approaches beyond piloting in the research projects ROSA and CLARA.

The Sani-Poor project aims at improving Arba Minch Town Municipality’s sanitation planning and implementation capacities as well as the performance of existing sanitation service chains.

3. Objective of the Assignment
The objective of these consultancy services is to capacitate relevant stakeholders in sanitation strategic and operational planning as well as provision of sanitation services along the sanitation service chain, aiming at effective and efficient utilization of available human and financial resources and the provision of sustainable sanitation services.

4. Expected Outcomes
The expected outcomes of these consultancy services include that:

http://www.who.int/topics/sanitation/en/
• The Sanitation Service Chain in Arba Minch is improved and
• The Sanitation Planning and Municipality Capacities are improved.

5. **Scope of Service**

5.1 **Municipality Capacity Building**

All activities do not only aim at improving the performance of the existing sanitation service chains and the municipality’s strategic and operational planning capacities but also the municipality’s capacity to

• Support sanitation service providers;
• Utilise different business models for providing sanitation services (public–private partnership (PPP));
• Design sanitation infrastructure;
• Procure supplies and works related to sanitation infrastructure;
• Monitor the implementation of works;
• Monitor the development of the sanitation sector as feedback to sanitation planning; and
• Develop an appropriate knowledge management strategy and implement knowledge management practices.

For this reason all activities mentioned below shall be carried out in close cooperation with the municipality’s staff, who is supposed to gradually take the lead in all activities. At the end of the project period the municipality’s sanitation staff shall be able to carry out such activities by themselves.

Adequate resources have to be considered in this contract to carry out training and capacity building activities for municipality staff to achieve this result. E.g., all design activities, the preparation of business plans, tender documents, etc., shall be carried out jointly with Municipality staff.

Furthermore these specific training and capacity building activities shall target not only municipality staff but also a number of selected University Students (5-10).

5.2 **Improvement of performance of sanitation service chains**

5.2.1 **Targeted sanitation service chains**

Out of the various possible sanitation service chains the ones shown in Error! Reference source not found. are currently, at least partially, in place in Arba Minch. This component of the project proposes to address the main challenges which exist along these service chains, which can be summarized as:

• lack of demand for improved household sanitation;
• insufficient technical capacities and business skills of existing collection and transport service providers (for human excreta and solid waste);
• inadequate facilities for safe, temporary storage of solid waste and human excreta;
• insufficient technical capacities and business skills of existing compost producing company;
• inadequate facilities for septic sludge treatment and no O&M capacities and skills; and
• lack of demand for end product(s) of sanitation service chain, together with lack of end product quality control and assurance.

5.2.2 Stakeholders
Stakeholders for this project component are:
• Households – target for demand creation activities;
• Municipality – oversight of the entire service chain, quality assurance, coordination of technical support;
• Existing service providers – target for technical and business support; and
• Farmers - target for demand creation activities.

5.2.3 Tasks
(a) Demand creation for toilet construction
Coverage in terms of access to improved toilet facilities is still low in Arba Minch (<50%). In order to improve the immediate sanitary situation of the population of Arba Minch on the one hand but also to make services along the sanitation chain profitable the low coverage will have to be increased. This shall be achieved by developing and implementing appropriate (awareness creation) and social marketing activities. All activities shall be accompanied by adequate impact monitoring procedures to allow immediate feedback to and modification of the demand creation activities.

(b) Support to collection and transport service providers

There is a number of companies and NGO’s providing services along the sanitation service chain as far as collection and transport of solid wastes, human excreta from urine diversion dry toilets (UDDT’s) and faecal sludge is concerned. Some have already received support from earlier projects, however all require support in business planning and appropriate methodologies and techniques to carry out their services more efficiently and effectively. The consultant will analyze the current performance of these service providers, highlight deficits and propose and implement mitigation measures to improve the service providers’ effectiveness and efficiency, aiming at being able to provide sustainable services.

- Analyse current services with regard to:
  - Performance
  - Cost structure
  - Efficiency
  - Effectiveness
  - Pricing
- Propose improvements and support their implementation, e.g.:
  - Improve/prepare strategic and annual operational plans
  - Install performance monitoring system

(c) Support to Compost Producers

A company (formerly association; “Engan New Mayet”) dealing in collection of solid waste and human excreta from UDDT’s exists and is operational. The company has already received some support from earlier projects, is however still facing a number of problems, both on the collection side as well as with regard to the composting process itself as well as the sale of the produced compost.

The consultant will analyze the current performance of these service providers, highlight deficits and propose and implement mitigation measures to improve the service providers’ effectiveness and efficiency, aiming at being able to provide sustainable services.

- Analyse current services with regard to:

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6 Clara Project; Report on baseline data collection in Arba Minch, 2013
- Performance
- Cost structure
- Efficiency
- Effectiveness
- Pricing

- Propose improvements and support their implementation, e.g.:
  - Improve/prepare strategic and annual operational plans
  - Install performance monitoring system

(d) Support to sludge treatment plant operators

A sludge treatment facility will be designed, procured and constructed. On the basis of strategic and operational plans prepared operation and maintenance arrangements will be defined and the operator trained and supported to be able to run the sludge treatment plant in a sustainable way (technically and financially):

- Theoretical and on the job training
- Backstopping throughout the project duration

(e) Establishment of compost quality monitoring and assurance system

Farmers have shown interest in the application of compost (as a product of the sanitation service chain), the main challenges being uncertainty with regard to compost quality, rules for application and effect on product quality. For this reason it is proposed to develop and institutionalize a compost quality monitoring and assurance system based on existing legal and commercial standards for compost quality, soil quality and final product quality. Currently valid ESIA requirements shall be considered. It is expected that the quality monitoring and assurance system will be established in the first year of the project. Cost for the implementation of such a quality monitoring and assurance system for a period of two years within the project’s duration shall be included.

Locally, respectively regionally existing (soil) quality monitoring capacities incl. the capacity to carry out soil/compost/sludge sample analysis for reuse-relevant parameters shall be utilized as much as possible. No new parallel structures shall be proposed or implemented.

5.3 Strengthening the Sanitation Implementation Process

5.3.1 General

The sanitation implementation process comprises all steps starting with strategic planning via implementation of facilities and processes down to operation and maintenance of sanitation systems. To ensure effective and efficient utilization of limited resources strategic planning as well as operational planning on the municipal level are vital. Currently the capacities of Arba Minch Town Municipality to develop and implement strategic and operational plans are limited. First steps – in the form of the development and partial implementation of a sanitation planning tool (CLARA project) and the contracting of the University of Arba Minch to develop a “Strategic sanitation plan” – have been and are being implemented. However the Municipality’s capacity
to continuously monitor and revise the strategic plan, to build up organizational know-how, as well as developing and implementing sanitation operational plans is very much limited.

5.3.2 Targeted sanitation implementation process

Activities to improve the sanitation situation – design, implementation, operation of facilities, infrastructure and processes – are based on strategic and operational plans as shown in Figure 3. While the first project component aims at supporting stakeholders and budget on the activity level (improvement of the performance of the sanitation service chain), this project component aims at developing, improving and institutionalizing the sanitation planning processes on the level of the Municipality. In this sense this project component will support the areas highlighted in red in Figure 3 – strategic sanitation planning, sanitation operational planning, monitoring and knowledge management. Furthermore this component aims also at improving the Municipalities capacities to design and implement sanitation facilities.

5.3.3 Stakeholders

Stakeholder for this project component is mainly Arba Minch Town Municipality, however as far as participatory planning processes are concerned also other relevant stakeholders (NGO’s, companies active in providing sanitation services, farmers, etc.); and with regard to design and implementation of sanitation facilities also current and future operators of these facilities.

5.3.4 Tasks

(a) Baseline Survey
A number of earlier projects (ROSA\(^7\), CLARA\(^8\), SPA\(^9\)) have developed baseline information on sanitation in Arba Minch, as will the planned and already contracted development of a "Strategic Sanitation Plan". However this baseline data shall be review, updated and extended if required, to be able to properly implement and monitor all tasks described in this document as well as the overall project’s indicators. The focus shall be on:

- Demographic data incl. geographical distribution of population
- Sanitation – type and distribution
- Mass flows (water, waste) - current and expected development, from generation/production to end use and/or disposal
- Finances – economic development, household and private sector income levels and their distribution and expected development, capacity and willingness to pay for (different types of) sanitation hardware and infrastructure and (different types of) sanitation services.

(b) Develop and institutionalize strategic planning methodologies and procedures

Currently strategic planning in sanitation does not take place; sanitation activities are based on project interventions and ad hoc decisions but not on a strategic plan, resulting in inadequate sanitation service provision and isolated activities with limited impact.

A strategic sanitation plan is currently being prepared by the University of Arba Minch (planned completion mid of 2015).

- The consultant shall review this strategic sanitation plan and extend it if required with respect to:
  - existing legal framework related to sanitation
  - baseline data relevant for design, implementation and monitoring
  - appropriate sanitation technologies and systems
- Review, adapt (if required) and implement existing sanitation planning tools and methodologies
  - In the CLARA project a sanitation planning tool was developed and applied for a small part of Arba Minch town. The performance of this tool shall be evaluated and the tool adapted if and where required. The applicability of the planning

\(^7\) http://rosa.boku.ac.at/
\(^8\) http://clara.boku.ac.at/
tool in the planning process (both strategic and operational) shall be evaluated and the tool’s application integrated in the planning process accordingly.

- Introduce required additional/new sanitation planning tools and methodologies. The need for additional planning tools and methodologies shall be evaluated and appropriate tools as well as their position and application in the planning process proposed.

- Analyse Municipality’s capacities to permanently maintain and utilise a strategic planning process and propose and implement appropriate procedures to keep the strategic plan up to date and utilise the strategic plan for the development of operational plans. A strategic plan in a highly variable environment has to be reviewed and revised regularly. It serves as the base for regular operational planning and receives feedback from the sanitation sector’s performance.

- Propose appropriate monitoring and knowledge management strategies and support the Municipality in integrating them into their strategic sanitation planning process.

(c) Develop and institutionalize operational planning methodologies and procedures

- Propose appropriate procedures, methodologies and tools for annual operational planning, including but not limited to:
  - Priority ranking / evaluation of effectiveness / cost-benefit analyses
  - Development of performance indicators
  - Monitoring system (sector performance, finances)
  - Knowledge management system
  - Budgeting
  - Consideration and streamlining of other stakeholders’ activities in the sector (NGO’s, etc.)

- Support the Municipality in adopting appropriate procedures, methodologies and tools for annual operational planning,

- Support the Municipality in preparing annual operational plans,

- Support the Municipality to develop a monitoring and evaluation framework, baseline and completion survey.

(d) Implementation of solid waste transfer stations

Currently solid wastes are collected by private associations from the households and transported to an intermediate collection point. This intermediate collection points shall serve the following purposes:

- Temporary storage of wastes (solid waste and human excreta) either separately (if separated at source) or
• Separation of wastes into fractions and separate storage of fractions
• Decentralised composting (if found appropriate with regard to space, cost-benefit of reduced transport cost, potential health risk, etc.)

• Design solid waste transfer stations based on the following design criteria:
  - Each transfer station shall serve app. 1000 to 5000 households (number subject to the sanitation planning process results; the locations and the actual coverage area will be defined in the sanitation plans)
  - The waste storage period, again subject to the results of the sanitation planning process (optimisation of transport cost, minimising health risks and nuisance, etc.), shall be in the range of 1 to 2 weeks.
  - If waste will be separated at the source, the separate storage and simple collection of each fraction shall be possible.
  - If waste is collected in a mixed form, sufficient room for short term storage, separation into fractions and separate storage of these fractions shall be foreseen.
  - Waste shall be stored in a way to prevent the creation of excessive gaseous or liquid emissions.
  - The design shall comprise at least a technical description of the transfer stations incl. relevant design calculations, site plans (>1:1000), technical drawings (>1:100), structural analyses and drawings if and where required. Adhering to Ethiopian standards for the preparation of design documentations is mandatory. The design documentation shall be suitable to obtain relevant permits for construction and the consultant shall support Arba Minch Town Municipality to obtain such permits. An environmental and social impact assessment shall be carried out by the Municipality according to National standards.

• Procurement support: the consultant shall support Arba Minch Town Municipality in the procurement of the works contractor for the construction of the transfer stations. The consultant will, on the basis of the design documentation, prepare bills of quantity for all parts of the works including detailed technical specifications regarding quality of supplies and workmanship. Furthermore the consultant will prepare tender documents suitable for use under ADB regulations and support Arba Minch Town Municipality in the implementation of the procurement process incl. at least but not limited to: publication, reply to potential tenderers questions, site visits, receiving of offers, tender opening, tender evaluation, required communication to ADB and other stakeholders, contract signature.
• **Implementation support:** The position of the engineer will be provided by Arba Minch Town Municipality. The consultant will support the engineer in all tasks relevant to the implementation of the works, e.g. issue instructions, approve contractor’s documents, approve materials, carry out day to day construction supervision, instruct variations, give consent to proposed subcontractors, prepare construction site reports, prepare provisional and final certificates of completion. Wherever necessary on the job training for the engineer will be included.

(e) **Implementation of faecal sludge treatment facility**

The number of septic tanks and therefore also the quantity of faecal sludge is increasing steadily. The CLARA “Report on optimization of sludge treatment” mentions an increase from 103 septic tanks in 2009 to 480 in 2013, serving app. 10.000 persons.

Two sludge drying beds were constructed during an earlier project, however not utilized due to their accessibility. Furthermore their size is insufficient for even the current demand.

• **Design:** Design a faecal sludge treatment plant according to currently valid legal standards in Ethiopia and according to international state of the art. The design shall be based on load assumptions for a planning period equivalent to the lifespan of the investment (20 years). The design shall comprise at least a technical description of the treatment plant incl. relevant design calculations, site plans (>1:1000), technical drawings (>1:100), structural analyses and drawings if and where required. Adhering to Ethiopian standards for the preparation of design documentations is mandatory. The design documentation shall be suitable to obtain relevant permits for construction and the consultant shall support Arba Minch Town Municipality to obtain such permits. An environmental and social impact assessment shall be carried out by the Municipality according to National standards.

• **Procurement support:** The consultant shall support Arba Minch Town Municipality in the procurement of the works contractor for the construction of the faecal sludge treatment facility. The consultant will, on the basis of the design documentation, prepare bills of quantity for all parts of the works including detailed technical specifications regarding quality of supplies and workmanship. Furthermore the consultant will prepare tender documents suitable for use under ADB regulations and support Arba Minch Town Municipality in the implementation of the procurement process incl. at least but not limited to: publication, reply to potential tenderers questions, site visits, receiving of offers, tender opening, tender evaluation, required communication to ADB and other stakeholders, contract signature.
• Implementation support: The position of the engineer will be provided by Arba Minch Town Municipality. The consultant will support the engineer in all tasks relevant to the implementation of the works, e.g. issue instructions, approve contractor's documents, approve materials, carry out day to day construction supervision, instruct variations, give consent to proposed subcontractors, prepare construction site reports, prepare provisional and final certificates of completion. Wherever necessary on the job training for the engineer will be included.

(f) Design of sanitary landfill

A sanitary landfill design is planned to be carried out by the Municipality. Depending on progress and output of this activity of the Municipality the consultant will support this process to result in a sanitary landfill detailed technical design documentation (suitable for procurement of construction works and fulfilling Ethiopian legal requirements) within the overall strategic sanitation plan of Arba Minch Town Municipality.

(g) ESIA (if required)

The consultant shall prepare for all works in question an ESIA where required and in the form required by relevant authorities. It shall be noted that according to EPA Environmental impact assessment guideline document (draft 2000) the EIA Consultant acts on behalf of the proponent in complying to the EIA process and is responsible for showing that he/she has:

• expertise in environmental assessment and management;
• the ability to manage the required participation process;
• the ability to produce reports that are readable, thorough and informative;
• a good working knowledge of environmental impact assessment and management policies, legislation, guidelines and standards.

6. Deliverables

6.1 Sanitation service chain improvements

• Social marketing strategy and campaign – households, farmers (potential reuse product customers)
  • Social marketing strategy (market analyses, consumer analyses, product improvement, pricing, etc.)
  • Semi-annual social marketing campaigns, describing planned marketing activities including budget, proposed impact monitoring indicators and procedures. To be approved before implementation of social marketing campaigns.
• Business plans for service providers (collection, transport, treatment), annually updated.
• Operational manuals for service providers
• Manual compost quality monitoring

6.2 Sanitation planning process improvement

• Baseline Report
• Manual – Strategic sanitation planning
Describe procedures and methods for Arba Minch Town Municipality with regard to maintaining the strategic sanitation planning process.

• Manual – Operation sanitation planning for Arba Minch Town Municipality
Describe procedures and methods for Arba Minch Town Municipality with regard to annual operational sanitation planning, including budgeting, involvement of other stakeholders, performance monitoring and feedback.

• Implementation of transfer stations and sludge treatment facility
  • Design documentation
  • Tender documents
  • Construction supervision reports
  • As built documentation
  • Provisional acceptance certificates
  • Defects monitoring report
  • Final acceptance certificates

• Implementation of sanitary landfill
  • Design documentation
7. **Anticipated Key Personnel**

The following key positions are expected to be required to perform the requested services. The consultant may include additional personnel / qualification as deemed necessary. All key positions except the team leader may be filled by more than one expert to cover the required qualifications.

7.1 **Team Leader**

Experience: Minimum of 10 years of working experience in sanitation in developing countries, minimum of 5 years as project manager of projects of comparable size and complexity, prior working experience in Ethiopia advantageous.

Education: At least MSc degree or equivalent in civil engineering, sanitary engineering

Proven working experience in the following fields:

- Project Management
- Training and capacity building
- Monitoring and evaluation
- Sanitation planning
- Sanitation service chains
- Strategic planning and sanitation operational planning including appropriate planning tools (e.g. cash value, participatory planning, SWOT analysis, resource planning, etc.)

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**Table 9: Deliverable Schedule**

<table>
<thead>
<tr>
<th>Deliverables</th>
<th>Project Month</th>
<th>Consultancy Month</th>
</tr>
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<tbody>
<tr>
<td>Sanitation service chain improvements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>· Social marketing strategy</td>
<td>24</td>
<td>12</td>
</tr>
<tr>
<td>· Business plans for service providers</td>
<td>24/36/48</td>
<td>12/24/36</td>
</tr>
<tr>
<td>· Operational manuals for service providers</td>
<td>24</td>
<td>12</td>
</tr>
<tr>
<td>· Manual compost quality monitoring</td>
<td>21</td>
<td>9</td>
</tr>
<tr>
<td>Sanitation planning process improvement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>· Baseline Report</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>· Manual – Strategic sanitation planning</td>
<td>24</td>
<td>12</td>
</tr>
<tr>
<td>· Manual – Operation sanitation planning</td>
<td>24</td>
<td>12</td>
</tr>
<tr>
<td>· waste transfer stations and sludge treatment facility</td>
<td></td>
<td></td>
</tr>
<tr>
<td>× Design documentation</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>× Tender documents</td>
<td>16</td>
<td>4</td>
</tr>
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<td>× Construction supervision reports</td>
<td>18-24</td>
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<td>× As built documentation</td>
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<td>× Provisional acceptance certificates</td>
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<td>× Defects monitoring reports</td>
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<td>48</td>
<td>36</td>
</tr>
<tr>
<td>× Implementation of sanitary landfill</td>
<td></td>
<td></td>
</tr>
<tr>
<td>× Design documentation</td>
<td>18</td>
<td>6</td>
</tr>
</tbody>
</table>
7.2 **Sanitation Expert**

Experience: Minimum of 10 years of working experience in sanitation in developing countries, minimum of 10 years in design and construction supervision of infrastructure projects, prior working experience in Ethiopia advantageous.

Qualification: At least MSc degree or equivalent in civil engineering, sanitary engineering

Certification as an engineer according to Ethiopian requirements

Proven working experience in the following fields:

- Training and capacity building
- Sanitation service chains
- Design of sludge treatment plants, sanitary landfills or similar
- Preparation of design documentation, tender documents according to international standards
- Construction monitoring
- (Soil) quality monitoring
- Composting of organic wastes, co-composting of human excreta
- Environmental and social impact assessment

7.3 **Marketing Expert**

Experience: Minimum of 10 years of working experience in marketing, preferably social marketing in developing countries, prior working experience in Ethiopia advantageous.

Proven working experience in the following fields:

- Awareness creation
- Social marketing

7.4 **Financial Expert**

Experience: Minimum of 10 years of working experience as financial specialist (expertise in preparing, auditing, analyzing or evaluating financial statements), prior working experience in Ethiopia advantageous.

Proven working experience in the following fields:

- Preparing, auditing, analysing or evaluating financial statements
- Internal controls and procedures
- Business planning

7.5 **Organizational Development Expert**

Experience: Minimum of 5 years of experience in capacity building or organizational development

Qualification: MSc qualification in any of the following: HR, OD, or equivalent.
Proven working experience in the following fields:

- Organisational development
- Capacity building
- Experience working in the public sector in developing countries

8. Duration

The duration of the assignment is 36 months.
7.5 Annex 5: Terms of Reference Individual Consultants

7.5.1 Project Coordinator

7.5.1.1 Objectives of Assignment

The main objective is to ensure effective and flexible coordination and implementation of the project “Improved Sanitation Value Chain in Arba Minch”.

7.5.1.2 Duties and Responsibilities

The Project Coordinator would:

- Ensure the effective and flexible coordination and implementation of the project;
- Ensure that all stakeholders are well involved in all project activities;
- In cooperation with Arba Minch Municipality ensure effective administration and accountability of the project.

More specifically, the Project Coordinator would:

- Ensure coordination between beneficiaries, stakeholders, consultants, Arba Minch Municipality and AWG in implementing the project;
- Ensure optimal cooperation of stakeholders with regard to implementation of all components of the project;
- Act as the Secretary of the Steering Committee;
- Supervise procurement processes, in particular the selection of the main consultant;
- Conduct contract negotiations;
- Supervise the financial management and administration of the project.
- Perform other duties as may be required by Arba Minch Municipality.

7.5.1.3 Required Outputs

Together with Arba Minch Municipality, prepare and submit the required project progress reports.

7.5.1.4 Liaison and Reporting Requirements

The Project Coordinator will report directly to Arba Minch Municipality and will work closely with Arba Minch Municipality, who will be his/her main counterparts. The Project Coordinator will also report to the Steering Committee. At the end of the contract he/she will submit a final report as required by the project.

7.5.1.5 Monitorable Indicators of Performance

The success of the Project Coordinator will be judged by the delivery of the Required Outputs. In addition, the achievement of the logframe indicators will be of importance.
7.5.1.6 Qualifications

The Project Coordinator should have at least 10 years of relevant experience of managing projects of comparable nature and size.

Other important qualifications include:

- An advanced degree in economics, business or management;
- Prior working experience in Ethiopia would be an asset;
- Strong leadership capabilities and a demonstrated record of successful leadership of multi-disciplinary teams;
- Diplomatic skills and ease with working in an international environment;
- Good knowledge and skills in standard office applications (spreadsheets, word processors etc.);
- Good knowledge of spoken and written English.

7.5.1.7 Contract Arrangements

The assignment will be for 36 months.

Arba Minch Municipality will provide office space, general office supplies and office equipment including personal computers, laser printer, telephone and photocopier. The Project Coordinator will be assisted by a Sanitation Advisor, a procurement expert and an accountant.

7.5.2 Sanitation Advisor

7.5.2.1 Objectives of Assignment

The main objective is to support Arba Minch Municipality in achieving the outcomes of the project “Improved Sanitation Value Chain in Arba Minch”.

7.5.2.2 Duties and Responsibilities

- Supervise and support the main consultant’s activities to improve the sanitation service chain in Arba Minch as well as strategic and operational sanitation planning;
- Review and comment on all deliverables of the consultant, in particular technical designs of works to be implemented within the project as well as training and marketing activities;
- Support Arba Minch Municipality in the process of integration of strategic and operational sanitation planning processes;
- Provide technical backstopping and support to sanitation service providers;
- Support the project coordinator in preparing relevant reports to Arba Minch Municipality and AWF;
- Approve tender documents for works under the project;
- Support the project coordinator in procuring works for the project;
Partake in construction supervision and provisional and final certification of the works, in general assume the role of the engineer on behalf of Arba Minch Municipality and with the support of the Contractor.

Perform other duties as may be required by the Project Coordinator.

7.5.2.3 Required Outputs

- Weekly construction site reports;
- Provisional and final acceptance reports.

7.5.2.4 Liaison and Reporting Requirements

The Sanitation Advisor will report directly to the Project Coordinator.

7.5.2.5 Monitorable Indicators of Performance

The success of the Sanitation Advisor will be judged by the achievement of logframe monitoring indicators.

7.5.2.6 Qualifications

The Sanitation Advisor should have at least 10 years of relevant experience with sanitation projects in Ethiopia.

Other important qualifications include:

- An advanced degree in civil engineering or sanitary engineering;
- Prior working experience in Ethiopia would be an asset;
- Experience with procurement and supervision of construction works;
- Experience with operation and maintenance of sanitation systems;
- Good knowledge and skills in standard office applications (spreadsheets, word processors etc.);
- Experience with reuse of bio-solids in agriculture;
- Good knowledge of spoken and written English.

7.5.2.7 Contract Arrangements

The assignment will be for 36 months.

Arba Minch Municipality will provide office space, general office supplies and office equipment including personal computers, laser printer, telephone and photocopier.

7.5.3 Procurement expert

7.5.3.1 Objectives of Assignment

Objective of the assignment is the successful, effective and efficient procurement of services, supplies and works for the project “Improved Sanitation Value Chain in Arba Minch”.

7.5.3.2 Duties and Responsibilities

Procure Services, Works and Supplies for the project:
· Full compliance of procurement activities with relevant regulations and guidelines;
· Prepare Terms of Reference and/or detailed (technical) specifications with the support of the Sanitation Advisor and the Consultant;
· Prepare Tender Documents according to Arba Minch and AWF/ADB rules and regulations;
· Implement procurement processes according to Arba Minch and AWF/ADB rules and regulations (notifications, communication, formal tender evaluation, reporting, etc.);
· Advise Arba Minch Municipality / the Project Coordinator on formal requirements of the tender processes;
· Obtain required approvals (AWF, Arba Minch Municipality, etc.);
· Prepare contracts for signature.
· Perform other duties as may be required by the Project Coordinator.

7.5.3.3 Required Outputs
Signed contracts with all providers of services, works and supplies for the project.

7.5.3.4 Liaison and Reporting Requirements
The Procurement Expert will report directly to the Project Coordinator.

7.5.3.5 Monitorable Indicators of Performance
The success of the procurement expert will be judged by
· approval of procurement process by Arba Minch Municipality and AWF;
· signed contracts for all services, works and supplies required for the project within the project budget;

7.5.3.6 Qualifications
The Procurement Expert should have at least 10 years of relevant experience with procurement of services, supplies and works.
Other important qualifications include:
· An advanced degree in finance/engineering/ procurement field;
· Knowledge of ADB/AWF procurement rules;
· Good knowledge and skills in standard office applications (spreadsheets, word processors etc.);
· prior working experience in Ethiopia would be an asset;
· Good knowledge of spoken and written English.

7.5.3.7 Contract Arrangements
The assignment will be for 12 months.
Arba Minch Municipality will provide office space, general office supplies and office equipment including personal computers, laser printer, telephone and photocopier.

7.5.4 Accountant

7.5.4.1 Objectives of Assignment

The main objective of this assignment is to plan and execute all necessary financial and accounting functions for the project “Improved Sanitation Value Chain in Arba Minch”.

7.5.4.2 Duties and Responsibilities

a) Accounting

- Maintain the project accounts, following relevant Arba Minch, AWF/ADB regulations, in coordination with Arba Minch Municipality;
- Ensure proper management of data files and the appropriate filing of the electronic and hard copies of the financial documents and reports;
- Prepare monthly financial reports, with all necessary justifying documentation (invoices, receipts, bank statements, exchange rate receipts, etc.);
- Ensure regular monitoring of the bank account(s);
- Carry out the calculation of the payroll, for all staff on the basis of valid contracts;
- Maintain payment record of all invoices received;
- Maintain payee statement records for all suppliers;
- Carries out payments of all regular office expenses;
- Carry out other duties as required by the project agreement.

b) Finance / budget

- Prepare the planning of the financial needs for forthcoming periods.
- Ensure sufficient availability of funds in the project bank accounts and cashs
- Maintain the petty cash box, with all due accounting and security precautions.
- Prepare the elements for the budget analysis.
- Maintain the budget forecast.
- Monitor the development of expenditure, ensuring that budget overruns do not occur and prepare requests for possible amendments

7.5.4.3 Required Outputs

Financial reports as required according to the project agreement.

7.5.4.4 Liaison and Reporting Requirements

The Accountant will report directly to the Project Coordinator.
7.5.4.5 **Monitorable Indicators of Performance**

The success of the Accountant will be judged by a project implementation not interrupted by lack of financial resources (e.g. due to insufficient quality of financial reports), without budget overrun.

7.5.4.6 **Qualifications**

The Accountant should have at least 10 years of relevant experience with project accounting, preferably with ADB/AWF projects.

Other important qualifications include:

- An advanced degree in accounting, finance or related fields;
- prior working experience in Ethiopia would be an asset;
- experience of budgeting, planning and reporting on foreign funded projects;
- Good knowledge and skills in standard office applications (spreadsheets, word processors etc.);
- Knowledge of Government administrative and accounting procedures;
- Knowledge of specific AWF/ADB accounting and reporting requirements;
- Good secretarial skills and good organizational capacity;
- Good knowledge of spoken and written English.

7.5.4.7 **Contract Arrangements**

The assignment will be for 36 months.

Arba Minch Municipality will provide office space, general office supplies and office equipment including personal computers, laser printer, telephone and photocopier.
## 7.6 Annex 6: Detailed Cost Estimate (AWF Grant Proceeds)

### Services; EUR 664000

<table>
<thead>
<tr>
<th>Staff</th>
<th>Unit</th>
<th>2</th>
<th>Unit Rate</th>
<th>Sub-Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teamleader / Sanitation Expert</td>
<td>[m]</td>
<td>18</td>
<td>12,000.00 €</td>
<td>216,000.00 €</td>
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<td>48,000.00</td>
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<tr>
<td>Financial Expert</td>
<td>[m]</td>
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<td>16,000.00</td>
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<tr>
<td>Sanitation Expert (Design and Construction Supervision Int.)</td>
<td>[m]</td>
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<td>48,000.00</td>
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<tr>
<td>Sanitation Expert / Design and Construction Supervision Local</td>
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<tr>
<td>Sanitation Expert / Technical Support International</td>
<td>[m]</td>
<td>4</td>
<td>12,000.00 €</td>
<td>48,000.00</td>
</tr>
<tr>
<td>Sanitation Expert / Technical Support Local</td>
<td>[m]</td>
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<td>28,000.00</td>
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<tr>
<td>Organizational Development Exp.</td>
<td>[m]</td>
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<td><strong>Subcontracts</strong></td>
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<td>Soil/Sludge quality testing</td>
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<td>Travel cost</td>
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<td>60,000.00 €</td>
<td>60,000.00</td>
</tr>
</tbody>
</table>

### Works; EUR 294000

| Transfer stations                                                     | [ls]| 3 | 18,000.00 € | 54,000.00   |
| Sludge Management treatment                                           | [ls]| 1 | 240,000.00  | 240,000.00  |

### Project Management; EUR 180700

| Project Coordinator                                                  | [m] | 36| 1,125.00 €  | 40,500.00   |
| Sanitation Expert                                                    | [m] | 36| 500.00 €    | 18,000.00   |
| Procurement Expert                                                   | [m] | 12| 500.00 €    | 6,000.00    |
| Accountant                                                           | [m] | 36| 200.00 €    | 7,200.00    |
| Project launch                                                       | [Nr]| 1 | 2,500.00 €  | 2,500.00    |
| Establishment of a project steering Committee                        | [Nr]| 2 | 500.00 €    | 1,000.00    |
| Steering committee meetings                                          | [Nr]| 6 | 500.00 €    | 3,000.00    |
| Project stakeholders meetings                                        | [Nr]| 12| 1,000.00 €  | 12,000.00   |

<p>| Documentation of experiences and Lessons learnt                       | LS   | 1 | 3,000.00 €  | 3,000.00    |
| Regional sanitation conference                                       | [Nr]| 1 | 6,000.00 €  | 6,000.00    |
| Website development                                                  | LS   | 1 | 1,500.00 €  | 1,500.00    |
| Learning and dissemination events                                    | LS   | 1 | 11,000.00 € | 11,000.00   |
| Vehicle (Pick-up)                                                    | [ls]| 1 | 40,000.00 € | 40,000.00   |
| Motorcycle                                                            | [ls]| 2 | 3,000.00 €  | 6,000.00    |
| Office Equipment                                                     | [ls]| 1 | 5,000.00 €  | 5,000.00    |
| Utilities (internet, fuel, etc.)                                     | [m] | 36| 500.00 €    | 18,000.00   |</p>
<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Base Cost</td>
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<tr>
<td>Contingency</td>
<td>61,300.00   €</td>
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<tr>
<td>Total Cost</td>
<td>1,200,000.00 €</td>
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