

**International Consultancy Report –
Mission One**

**Town Water Supply and Sanitation Project
Ministry of Water Resources**

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ANNEXES

- **Outline of proposed training programme and material**
- **Programme and Presentations provided for Orientation Workshop**

The main purposes of this report are:

- *To provide a report of events during the first visit of Edward Glennie and Simon Gordon-Walker (international consultants)*
- *To provide a clarification and description of the activities to be undertaken by the international consultants and how they will work with the national consultant team*
- *To provide clarification on the outputs of the international consultants and how these outputs “fit” with the work being undertaken by the “global” consulting team contracted to the World Bank*

1. Introduction and Background to Consultancy Assignment

The Ministry of Water Resources (MWR) have contracted Edward Glennie and Simon Gordon-Walker from WRc to provide expert support to the development of the Town Water Supply and Sanitation programme. This programme is expected to fund planning and improvements to water supply and sanitation service in 50 to 100 towns by supporting capacity building of participating water boards/ committees and operators to effectively manage their water supply and sanitation facilities, and to ensure that well functioning and properly utilized urban water supply systems and improved sanitation are in place in participating towns and cities.

Once established the Town Water Boards or Committees will be responsible for planning and managing their water supply systems, ensuring that efficiency is improved through engaging local operators for routine O&M and securing professional support services. Regional Water Bureaus will appoint “focal points” and they will be responsible for overall regional programme planning and management and will also ensure that towns receive technical assistance and on-the-job capacity building support. MWR will be responsible for overall Project coordination.

A stepped approach to implementation of the programme will be followed for both rural and town water supply and sanitation:

- *Step 1* – Towns receive assistance to form Water Boards or Water Committees, conduct initial assessment, consult with stakeholders and prepare applications for further assistance.
- *Step 2* – Town Water Boards with approved applications receive further assistance for design, feasibility studies, integrated sanitation planning, preparation of business plans, operator performance agreements, capacity building for Water Board members and utility staff and implementation of immediate service improvements.
- *Step 3* – Town Water Boards with approved project proposals receive assistance with tender of works contractors, construction of facilities, construction supervision and further capacity building of the Board and operator.
- *Step 4* – Town Water Boards that have already received grants to improve their water supply systems and have established creditworthiness so that they can qualify to borrow for further expansion or development of their systems receive assistance with final design, tender of works contractors, construction of facilities and construction supervision.

The role of the international consultants is being integrated with a combined team of national consultants appointed by the MWR, and regional consultants being appointed by the Regional Governments. The main roles of the international consultants are:

- To update and enhance the business planning guidelines and toolkit to ensure greater compatibility with the “stepped approach”
- To develop the training material for use in business planning training courses for consultants, water utility staff and other stakeholders
- To provide specific Guidance documents on issues relevant to the implementation of the TWSS programme
- To support the development of a Practitioners Network
- To provide ongoing support to the work of the national and regional consultants

Details of the provision of these outputs are described in the subsequent sections.

The implementation of the programme requires the international consultants to work with a team of national and regional consultants. The national consultants have been appointed whilst the regional consultants are in the process of being appointed by the different regional governments.

The contract for the international consultants started in mid March 2005 and a first mission was undertaken between the 13th and 24th March. This report provides information about that mission and most crucially about the clarification of the implementation activities of the programme and the manner in which the international consultants will co-ordinate their activities with the wider TWSS programme being implemented under Phase 2 of the Bank of Netherlands Water Partnership.

2. Key project issues for Business Planning

The following paragraphs cover some issues that have been identified as important aspects of the reform process and TWSS programme implementation. These issues are raised here because they will form an important part of the work of the international consultants in the development of the enhance Guidelines and the training material.

Business Planning – “the central theme”. The work already undertaken to produce the Guidelines for Business Planning and the Business Planning Toolkit remain an important resource to be used by the consultants and the water utility managers. Most of the aspects covered by the terms of reference can be found within the pages of these Guidelines and they and the financial model (the Toolkit) will play a central role in the training activities. Business planning is central to the process because it is the document and process that bring together all the aspects of the programme. It embodies the move away from a short term decision based management culture for the water utilities to a management culture that is based on long term planning and a management culture that values operational management as a key resource in the performance of the water service. Please refer to the Guideline document already available and use this as the key instrument for preparing business plans. All other Guideline documents being prepared in this programme will act as enhancements to the main Guidelines on Business Planning and will provide specific help to key aspects of the Step Approach.

Autonomy of Water Boards. Autonomy is about lessening the rules and regulation from the centre of government and therefore should provide greater freedom and control of local water and sanitation providers to respond and work with local communities to provide the services to the standards expected at local level. But, it also includes an increase of responsibility and accountability for the Water Board and utility, to behave in a transparent way. In order to perform in an accountable and transparent manner it is important to implement information systems and community reporting systems - this includes information on the flow of money within the utility and how tariffs and other funding is being spent. Autonomous water will not only need to establish Water Boards, but they will also need to develop processes that will mean they function in accordance with the responsibilities they will have for taking on local management of operations, planning and accountability

Understanding demand. An important feature of the business planning approach is to ensure that there is a greater understanding of customer needs, both present needs and future requirements. This involves an understanding of customer’s willingness to connect and pay for future service improvements, such as connections. Service improvements, such as an extension in the supply of services to the wider population, need to be financially sustainable and this will only come about through customers connecting and using the service, thereby providing the water utility with income on a long term basis.

Planning for improvements and integrating cost effective design. Crucial to the development of a planning system for the water utility will be the development of a better understanding of the current system’s condition and performance – the provision of the baseline surveys that is an important aspect of Step One. The baseline survey needs to incorporate all aspects of the utility’s operation and future objectives, including:

- water resources
- existing network condition and attributes, and performance
- current levels of services to different customer groups
- about the staff - technical and managerial skills

The baseline survey provides a picture of the water utility of where it currently stands and from which it can prepare plans for improving performance in the future. It also provide the data from which performance monitoring indicators can be developed so that managers in the utility, the Water Boards and community stakeholders can assess and judge the effectiveness of measures and investments taken in the business plan.

The planning process has its cultural and political context. It has often been impossible for water utility managers to plan long term because the political controls on their activities have often been short term. Politicians frequently operate on short term considerations, for example they can be very reluctant to approve tariff increases because they fear short term unpopularity despite the objective to link a tariff increase to a real improvement in the water supply service.

Planning for performance improvement is not just about planning for appropriate capital investment (although this is crucial in terms of providing for the expansion in services), but it can also include improving current operations and maintenance – better leakage management, better management of the use of water at large organisations, better procurement policies, better customer relationships and more knowledge about the current assets and performance.

The business planning process becomes an important way for the water utility manager to work with political and community stakeholders to agree long term objectives, to develop plans to achieve these objectives and to agree the means by which the plans will be financed. This in essence becomes the key process of a planning culture.

Providing Professional support. A skills and expertise capacity is likely to be most wanting within the smaller water utilities and these form the bulk of the towns allocated by the Regions for this programme. Capacity will exist within the utility and within the local community therefore it is crucial that the water utility understand what skills and expertise does exist locally. Where there are shortages of necessary expertise then partnerships with consultants or with other water utilities can be a good way of gaining this expertise. But the consultant must be one that has local knowledge and sensitivity to the local issues. A credible consultant will offer a long term partnership and be interested to share the responsibility for outcomes. Support to town water utilities needs to be seen as an ongoing relationship, not a “once-off” activity. It may under certain circumstances be appropriate to “outsource” certain operational and investment activities of the water utility to third-party organisations – consultants with good expertise and a propensity to be entrepreneurial may be interested in becoming service providers on behalf of a single community water utility or a group of utilities.

Professional support may also be gained from other water utilities, likely to be larger ones, and partnerships or “twinning” between a larger utility and several smaller ones could be developed. It is one of the objectives of the “practitioners network” to provide cross-utility communication and to promote an environment in which water utilities can develop partnerships which transfer knowledge and skills between each other.

Contracts between Water Boards and service operators. When it is appropriate for Water Boards to decide to work with third party service providers then it is possible to develop contractual relationships that share the financial risk of new investments and cost of operations with organisation that could bring a level of expertise not currently available to the utility. Examples of contractual agreements are being developed based on experience in other African countries and these will be made available to the TWSS programme.

3. Description of Mission One activities

The first mission took place between 13th and 24th March 2005 and its primary objective was to undertake familiarisation and clarification of the “brief” required for the international consultants and to assess the practical aspects for implementing the activities in the Terms of Reference. Specific activities included:

- Meeting of introduction with members of the local national consulting team
- Meeting with Ministry of Water Resources to clarify and confirm project activities and outputs
- Undertake Business Planning and BP Toolkit training for national consultants
- Visits to three water utilities, including the Regional Bureaus and Water Boards, community committees in Gonder, Adama and Awassa.
- Prepare training material for “orientation” workshop – see Annex
- Undertake orientation workshop on 23rd March for regional “focal points” – National consultants to roll out “orientation” workshops to other groups and within the wider group of consultants in the region.
- Provision of regional information by local national consultants to WRc
- Confirm issues to be developed for case studies and improvement for the Guidelines
- Prepare the specification and programme for the training courses – see Annex
- Develop and agree programme of work for local national consultants

Orientation Workshop with Regional Bureaus

This took place on the 22nd March in Addis Ababa and was attended by the Regional Bureau “focal points”, national consultants and representatives from the MWR.

The programme and presentations are included in the Annex.

Two discussion sessions and group exercises were included and these dealt with, first what are the likely challenges and benefits of the TWSS programme implementation in the regions, and second what are the important issues that need to be accounted for in the training programme.

3.1 Concerning the challenges and benefits of the programme:

Challenges	Benefits
Problems of rapid staff turnover	Training programme seems to be a positive step
Lack of continuity of General Managers – frequently leave after a year or two	Focus on improving management expertise at the local level
Lack of incentives for staff within water utilities, regional bureaus and consultants.	Integration with sanitation planning an important step in the right direction
Management capacity problems – lack of strong management knowledge and training	Providing easy to use and understand guidance at a local level important – <i>Guidelines for Business Planning have been translated in to Amharic</i>

Need for further “orientation” and general awareness	Access to information from others and links through the practitioner network
Unclear legal definition of the status of the new Water Board and tax implications of their autonomous structure	Incentive to work with the process in order to access funds available through the WB and the Water Fund.
Local bureaucracy in procurement processes may hamper possibility for the long term local consultant relationships. Will service agreements be subject to local procurement rules. WB tendering rules sometimes seem over the top in local circumstances.	The emphasis on the central role of local consultants to provide the long term support and training is appropriate and likely to ensure that the programme can be sustainable. (However see issue of incentives)
Control on the tariff is still a political decision in the Town – need to bring decision makers in to the process	
Regional Bureaus, Regional consultants and water utility managers need to be provided with the basic resources to undertake their roles – computers and software and training.	

3.2 Concerning the issues to be considered for the training:

- Guidelines documents and training need to develop a regional orientation – this will come in time as local examples can be used in the document and in the training course material
- Participatory training essential
- Look to develop a range of training material – ½ day course for the Water Boards and decision makers at Town and Regional Government.
- Integrate experiences from other parts of Ethiopia and from other African countries
- Gender issues need to be covered by the training course – eg in their involvement in Water Boards and in the participatory/consultation processes

4. Clarification and Description of Future Activities

Project will be undertaken in context of 3 main themes

- **Improvement and development of the BP Toolkit and Guidelines** – this will be done to ensure that they are more compatible with the STEP process adopted for the TWSS and will include training and guideline modules for STEP 1 on
 - On the establishment of Water Boards and how consultants can support the establishment and functioning of Water Boards
 - On undertaking stakeholder consultations – this is a process that will take place throughout the STEP process
 - On undertaking baseline surveys, including asset condition, performance, on customers, about staff etc. This Guidance will be prepared in consultation with Kevin Taylor who has been contracted to develop cost effective design guidance on sanitation planning
 - On how to undertake a “rapid” assessment of willingness to pay and ability to make “up-front” contributions for ensuring connections

For the STEP 2 components training and guideline material will include

- An approach to using willingness to pay assessments for the purposes of planning for expansion that is financially sustainable (see above)
- An approach to the development of a flexible connections policy
- An approach to long term planning – including guidelines on acquiring information and undertaking initial assessments, prioritising of schemes based on BP objectives and based on financial sustainability of overall investment and expansion programme.
- On the application of the BP Toolkit in Ethiopia – A step by step Manual on the use of the Business Planning Toolkit
- On the approach water utilities can take to improve water use practices by large users of water
- Guidelines for undertaking Feasibility Studies for Town Water Supply and Sanitation
- Guidelines for Utility Operations

The project will further benefit from the series of Guideline documents being developed by the “global” consulting team working with utilities in India and Tanzania. Their work is largely concentrating on institutional issues including contracts between Water Boards and service providers.

- **Training of National and Regional Consultants**
 - WRc will undertake training of the national consultants and a selected group of regional consultants (max. number of 20-25 people). Further business planning training for regional consultants and for water utility managers will be done by the regional and national consultants, using the generic training programme created. The training course will take place in June 2005.

- Training material will be developed during April and May, particularly the worked examples, and then revised following the initial training work – a draft specification of the training programme is contained in the Annex
- **Development and establishment of the “Practitioners Network”** - the “practitioners network” is designed to be a forum of water utility managers and consultants whose interest is to maintain the momentum of the business planning expertise and process for the water utilities in Ethiopia. It is the forum through which the regional bureaus and water utilities can take ownership of the activities and use consultants to facilitate the network. In particular the network can provide the opportunity for sharing information about best practices and experience – benchmarking perhaps, and should meet 3 or 4 time a year to discuss and share knowledge on specific issues of common interest.

International consultants will:

- ToR for network to be developed
- First meeting to be organised in Oct 2005, following training and using the training programmes to development awareness and support
- This becomes part of the mechanism for the provision of “professional support” through peer relationships

The “practitioner network” could become a major vehicle for the development of a water utility association in Ethiopia, and thereby could benefit directly from the knowledge transfer activities from the International Water Association. The network would need to be managed by the national consultants from their office in the MWR. The network needs to develop its own identity and defined services and method of working – perhaps a membership basis, free for utilities and participating consultants.

Although it is recommended that the “network” has an office, this does not mean that it should develop a bureaucracy, rather the office is a point of contact and identity to provide specific facilities for utility managers and consultants visiting Addis Ababa. The office should have internet access and a library of water industry text books and journals. The international consultants have undertaken to source some of these in the first instance; but it is recommended that the MWR request donations from its other consultants.

5. Working with National and Regional Consultants

National Consultants

A team of five national consultants have been appointed under contract to the MWR. These have been split into a “northern” group to support the regions of Tigray, Amhara, Somali, Beneshangul-Gumuz and Harari, and a “southern” group to support the regions of Oromiya, Southern Region, Afar and Gambela

The names of the national consultants are:

Ato Ameha Addege	Town water board development
Ato Mekonnen Muleta	Cost effective design, utility operations and contract management
Ato Eyasu Mulugeta	Cost effective design, utility operations and contract management
Dr. Tegenu Zergaw	Business planning
Ato Adugna Tujuba	Town water board development

For the international consultants it has been important to establish a national consultant co-ordinator, and Ato Eyasu Mulugeta has agreed to undertake this role.

Regional Consultants

Regional consultants are to provide the ongoing training and support within each region. Each region has identified towns to be within the TWSS programme and the regional consultants will be allocated towns for the provision of this support. These have been or being appointed on the following basis for each region.

Region	Number of towns in programme	Expected number of Town Regional Consultants
AMHARA	42	14
TIGRAY	9	3
OROMIYA	42	14
SNNP	18	6
Beneshangul-Gumuz	6	2
Harari	Nil	Nil
Somali	2	1
Gambella	3	1
AFAR	6	2
Total	128	43

The regional consultants will need to be properly supported and resourced by the programme since in the long term their role could be of critical importance to ensure the sustainability of

the programme at the utility level. Regional consultants should be encouraged to be entrepreneurial in their approach to their assignments. Given that the bulk (over 80%) of the towns selected by the Regions for inclusion in the programme have populations of between 4,000 and 30,000, there must be scope for the experts in the region consulting firms to become service providers and managers of town water supply systems for the small towns that will lack the required skills and resources.

Proposed work programme for National Consultant Team (NCT)

An important part of the Mission One was to work with the national consultants and to develop and agree a work programme with them for the next few months of the project

Month One (March 2005)

During this month the consultants undertook field visits to the Regional Government to support the Ministry's request for Regions to appoint Regional Consultants to the programme. These visits took place in Oromia, SNNP, Afar, Amahara, Tigrina and Somalia.

During this month the NCT provided support to the international consultants during their first mission. This support included:

- Initial project familiarisation meetings of both consulting teams
- Meetings with the Project Co-ordination Unit at the Ministry
- Undertaking a day long workshop on business planning
- Meetings with the water utility managers, regional boards, and some town committees and community representatives in Gonder, Adama and Awasa
- Discussions on the ToR implementation methods and work programme
- Preparation of Orientation workshop for Regional focal points
- Undertaking and participation in the Orientation workshop

Month Two-Three (April/May 2005)

Activities for the NCT during these months will be:

- NCT to undertake full familiarisation with the Business Planning Toolkit and Guidelines Documents (available from www.waterbusinessplanning.com)
- To provide "orientation training" in the Regions and the selected towns, using the material provided by the international consultants
- To prepare draft Guidelines on the following subjects using the format below. Deadline 30th April.
 - Guidelines for Establishing a Water Board and how it should function
 - Guidelines for Undertaking Stakeholder Consultation Process
 - Guidelines for Planning and Developing Cost Effective Design for Town Water Supply and Sanitation Projects
 - Guidelines for undertaking Feasibility Studies for Town Water Supply and Sanitation
 - Guidelines for Utility Operations

Format for Guidelines (maximum of 8 pages) are:

1. What is...(describe the subject)
 2. Why is...important and relevant
 3. Issues to be considered
 4. How to Implement (this is the main section)
 5. Examples of Good Practice in Ethiopia (with contact details)
- To prepare logistical arrangements for the 4 day (including 1 day for “training of trainers”) training course for up to 20 persons for the end of May/early June. Date and attendees to be confirmed
 - To undertake training in the Business Planning Training course – “training the trainers”. Following this training the NCT will be responsible for delivering the training course to the wider group of Regional Consultants

Month Four-Eight (June-September 2005)

The main activity during these months will be to deliver the 3 day training course to the Regional Consultants and to the Water Utility managers. ½ day presentations can also be made to the Water Boards. Activities to include:

- Undertake training courses for all Regional Consultants in their regions (one group to undertake training in the North group of region and another team for the South group of regions)
- Provide ongoing technical support to Regional Consultants and to work with the Regional Consultants to support the implementation of the UWSS programme and the implementation of business planning in the Water Utilities
- Use the experience of the training courses to provide further input to improve and add to the practical use of the Guidelines and the Toolkit in the water utilities
- Prepare the development of the Practitioners Network, based on the specification provided by the International Consultants and in partnership with the Regional Consultants.

6. Project Implementation Issues

Using past experience. There already exists a significant amount of information and methods of working that should be integrated into the Guideline documents. Some of this can be derived from the 25 Towns project, but also from other assignments undertaken by the national consultants. There are some good examples of service contracts for small towns from Tigray Region for instance, and some examples of stakeholder consultation process. In Gonder the community associations already play an important role in consultations on water issues and have been active in raising community contributions to the establishment of new connections and improvements in service. In addition a large number of Water Boards have been established, some working well, others still to get going.

Motivation and incentives. This issue has cropped up a number of times during the discussions with consultants, water utility managers and the regional bureau representatives. It is of course critical to the outcome of the programme and in determining the likelihood of the programme's success.

Role of Regional Bureaus. Regional Bureaus currently have "focal points" to support the implementation of the TWSS programme and the rural equivalent. The issues of staff motivation and incentives apply to these organisations as well. Key roles for the Regional Bureaus, in the context of this programme include:

- Overall co-ordination of the implementation of the programme – collation of performance monitoring and activity reporting from the water utilities.
- Management of water resources and bulk supply to towns
- Coordination of professional support to the smaller towns which lack in house expertise and skills. It is especially important for the Regional Bureaus to capture those in difficulty and making little progress and to organise support for them – either through the regional consultants network or through partnerships with other town water utilities. Regional Bureaus could become catalysts for working with the regional consultants to develop new service operators for these small towns.

This is by no means exhaustive of the wider role that the Regional Bureaus will have in water issues and it is recognised that they will continue to have a major role in resources management and as representatives on the Water Boards of many towns will continue to be an important stakeholder in the provision of water services.

Performance Monitoring and Evaluation Although the aspects of performance monitoring and evaluation are not part of this contract, it will become an important feature of the implementation of the wider programme. From the business planning perspective it would be helpful and bring consistency to the programme if the performance indicators used were those that coincided and were useful to the business objectives of the water utility managers. It is important that a process of reporting performance information has benefits for these managers – perhaps to support benchmarking by the managers and regional consultants.

It is also important that the system of reporting from water utilities to the Regions and MWR is straightforward and offers both paper based and computer based reporting. Many utilities do not have access or skills to computer based systems and will therefore rely on providing data in paper form. A separate brief on the development of the performance and activity monitoring system will be prepared.

7. Training Programme and material

A key aspect of the work of the international consultants will be the preparation of the training material. A draft description of the proposed training programme is included in the Annex.

It is proposed that the training will be undertaken for a combined group of national and regional consultants of between 20 –25 people. The bulk of the training will be conducted by Edward Glennie and Simon Gordon-Walker; however it is expected that some of the national consultants, already experienced trainers will be able to make a “training” contribution. In addition we propose to use the training budget at WRc to pay for the inclusion of up to two additional staff to attend the training course in order to provide sufficient cover for helping and supporting the individual groups on the course.

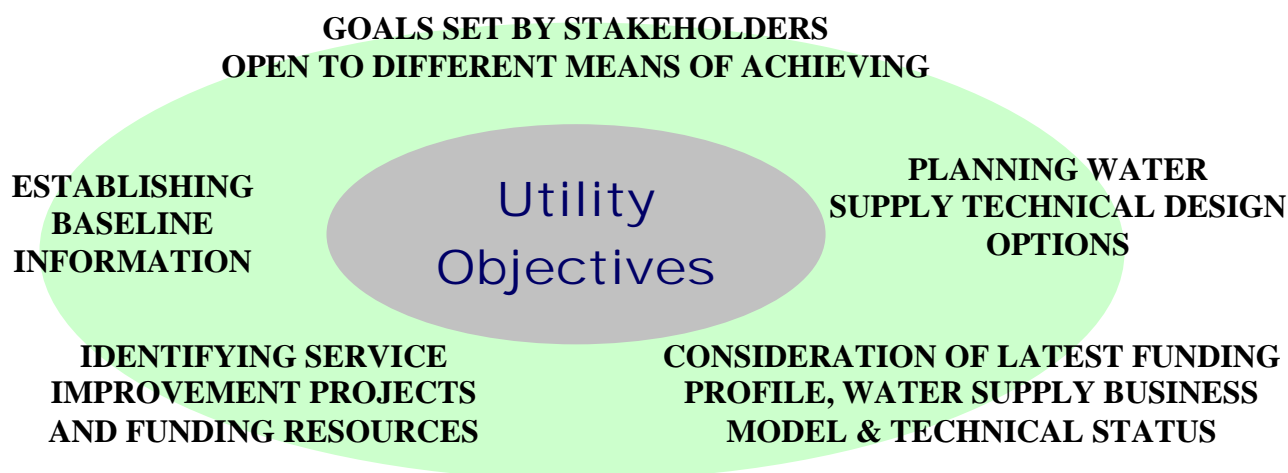
The training programme has been designed to be a practical one, using group exercises as the main learning tool. The training will be run as a “business game” using simulations of each part of the business planning process as an important part of the training programme.

***I hear, I forget
I see, I remember
I do, I understand***



- People are forced by the momentum of the game to think, act and participate
- Many facets of decision making may be practiced in a simulated environment – and mistakes made are safe!
- Learning areas are retained due to the intense, competitive and memorable nature of the event
- Participants get benefits from working together and sharing ideas
- It is fun!

An illustration:



Training programme logistics

In order to undertake the training programme to following specification of resources will be required:

- A room able to comfortably accommodate 25 trainees
- Computer projector, white screen and extension leads
- Flip chart with paper and coloured markers
- 25 x pads of paper and pens for trainees
- 12 Computers – able to run Microsoft office, WORD and EXCEL

Training programme attendees

Rather than undertake separate training courses for national consultants and groups of regional consultants it is proposed that the training is undertaken with a group of the national and regional consultants up to a maximum of 25 persons. This will have the benefits of getting a greater degree of interactions within a larger group of participants; provide the trainers with better feedback from a wider range of regions; ensure the all regions are included (rather than just a selection of 4 regions); and allow the training work of the regional consultants to start earlier.

In addition to the 6 national consultants, Attendees proposed per region are:

Amhara – 4	Tigray – 2
Oromiya – 4	SNNP – 3
Somali – 1	Beneshangul-Gumuz - 2
Gambella – 1	Afar - 2

8. Next steps and timetable for project activities

The outline of the workplan for the national consultants has been provided in an earlier section. This section provides information on the activities to be pursued by the international consultants team. The core activities over the next two months will be the preparation of the training material and the preparation of the Guidance documents. Following this and the delivery of the training in June 2005, the main activities will be the establishment of the “Practitioners’ Network”; refining the training material and Guidance documents; and in providing ongoing support to the local consultant teams.

Task	Outputs
1. Inception meetings and first mission and “orientation workshop” (March 2005)	Decide what training to offer to whom, & when Define Guideline documents to be prepared Establish ToR for Practitioners Forum Prepare training material Discuss and agree programme for dealing with training material and Guidance requirements not covered by current contract with WRc. Undertake Orientation workshop Agree workplan with local consultants
2. Develop case studies and Guidance documents	Case studies & worked examples. These are required in order to enhance the current Guidelines and work in to the training material Produce Guideline documents and training material
3. Prepare training material and training course	Presentations and training material. This will be bespoke for the following groups: - National and regional consultants (training trainers) programme - for water board staff and decision makers
4. Review and feedback on training material	Provision of feedback information, critique and case study examples where appropriate
5. Undertake training session with national consultants and regional consultants – early June 2005 second mission	Final training materials to be available for local consultants
6. Detailed individual follow up working through the Practitioner’s Forum	Better planning by towns & progress through the Ministry’s Step Approach Ongoing support to be provided by national and regional consultant teams
7. Ongoing support to consultant teams– with third and forth mission during month 8 and month 10	First meeting of the Practitioners Network and establishment of the network’s office facilities Report on the progress of the implementation of training and effects/feedback from water utility managers
8. End of project report	Final Report to Ministry of Water Resources

Training course - Content and Structure

Day	Item - description	Materials needed	Trainee tasks
One			
AM	The context, format and key objectives for the training Introduction to Business Planning Describing the approach to Business Planning	Presentation, to explain the reasons for doing a business plan and what is in a business plan. Plus provide a step-by-step guide through the process	
PM	Introducing the concept of the business planning game		
	Exercise 1 – Setting Objectives Aim is to teach trainees how to: set utility objectives within the context of the prevailing business environment and stakeholder expectations; identify problems and prioritise issues; highlight the importance of planning as a participatory process	<i>At the start</i> Short history & description of the utility and its area of responsibility Summary of staff numbers, skills & issues Summary of the financial situation (not detailed) Tariffs, recent & current Summary of ‘customer contacts’ file with requests for connections, complaints etc Letter from soft drinks bottling plant MD Letter from the town council Ministry for Water’s policy paper Description of the resource situation	Write utility mission statement and objectives, in a form suitable for staff & external stakeholders

Day	Item - description	Materials needed	Trainee tasks
Two			
AM	<p>Exercise 2 – Understanding customers Aim is to: highlight to trainees the importance of affordability and willingness to pay, and in so doing to - teach how to understand customers by identifying who they are, what they want and what information gaps there are and how these can be overcome; assess the utility's resources and capabilities and identify strategies to match them with current and future customer demands; suggest ways of managing the customer relationship</p>	<p><i>From exercise 1</i> Summary of 'customer contacts' file with requests for connections, complaints etc Letter from soft drinks bottling plant MD <i>New for this exercise</i> Map of the town, showing mains system in outline, storage & public water points. Table of information showing, by area, approx. population, nr household or yard connections, nr public water points, short description of social/economic factors Water sales info Info on household incomes Summary of non domestic water users Info on economic prospects for the town Planned urban development & population growth</p>	<p>Summary of what the customers want Definition of what the utility can offer Projection of water sales Policy on new connections Proposal for managing relationships with customers</p>
PM	<p>Exercise 3 – Understanding utility performance Aim is to show trainees how to: identify strategic issues related to improving the water service, based on the utility's costs, revenues and asset stock</p>	<p><i>From exercise 2</i> Map of the town, showing mains system in outline, storage & public water points. <i>New for this exercise</i> Summary of revenue for last 3 years Summary of operating costs for last 3 years Billing & cash receipts Assets - facts & figures – lengths, materials, performance Key indicator values for 5 utilities (to show where efficiency savings might be possible)</p>	<p>Identify key issues for the utility: - to achieve increased sales... - to improve efficiency - staff training, recruitment... - asset replacement & extension - billing Set specific objectives.</p>

Day	Item - description	Materials needed	Trainee tasks
Three			
AM	<p>Exercise 4 – Planning improvements & expansion</p> <p>Aim is to: emphasise to trainees how affordability and willingness to pay are central to prioritising planning; show the importance of identifying sources and quantities of finance available for investment and understanding the costs involved; show how tariffs can be adjusted to achieve objectives; introduce the Toolkit as a tool in the business planning process</p>	<p>Work on the Toolkit <i>From previous exercises</i></p> <p><i>New for this exercise</i></p> <p>Results of feasibility study (after trainees have defined ToR)</p> <p>Information on sources of finance</p> <p>Inflation assumptions</p>	<p>Define ToR for feasibility study</p> <p>Define investment plan with estimated costs</p> <p>Identify source(s) of finance</p> <p>Define tariffs to achieve financial objectives</p>
PM	<p>Exercise 5 – Promoting the business plan</p> <p>Aim is to propose and discuss with trainees ways in which the utility can promote the business plan to different stakeholders</p>	<p><i>From previous exercises</i></p> <p><i>New for this exercise</i></p> <p>Example or pro-forma of a business plan</p> <p>Examples of marketing materials & approaches</p>	<p>Outline business plan</p> <p>Materials to encourage households to connect to water supply (or to take up the utility’s approach to this)</p>

Day	Item - description	Materials needed	Trainee tasks
Four			
<i>Option 1</i>			
AM	Reverse training so trainees can practice the delivery of some of the training content		
PM	Review of the last three days. Working to discuss and implement any changes appropriate for the local circumstances		
<i>Option 2</i>			
AM	Reverse training so trainees can practice the delivery of some of the training content		
PM	Review of the last three days. Working to discuss and implement any changes appropriate for the local circumstances		
Day Five AM&P M	Working through the Toolkit so that by the end of the day trainees will have a thorough working knowledge of the Toolkit		

Notes

- For water supply utilities only
- Model answers will be given at the end of each exercise The above format assumes that the Toolkit will not be used by trainees until exercise 4 on day

ORIENTATION WORKSHOP

To provide support in the implementation of the Town Water Supply & Sanitation Program

22nd March 2005 in Addis Ababa, Queen of Sheba Hotel

Time	Topic	Presenter
8.30	Registration of Participants	
9.00	Welcome and Opening Remarks	Ministry of Water Resources
9.05	Introduction to the Workshop	Simon Gordon-Walker
9.15	Background to the Urban Water Supply and Sanitation Programme – the STEP approach and local autonomy	Simon Gordon-Walker
9.45	The implementation of the project – its purpose and its benefits	Simon Gordon-Walker
10.15	Discussions	
10.30	TEA/COFFEE BREAK	
11.00	About business planning – an introduction and understanding of its role for autonomous water utilities	Simon Gordon-Walker
11.45	Discussions	
12.30	Lunch	
2.00	GROUP ACTIVITY With NORTH and SOUTH groups of national consultants and regions. <ul style="list-style-type: none">• What are the challenges, difficulties and potential benefits of the programme in your region? What important issues need to be taken account of when developing the training course? GROUP REPORTS (10 minutes each)	ALL PARTICIPANTS
3.45	Outline of the next steps and the project timetable	Simon Gordon-Walker
4.00	Final Discussions	
4.30	Close of Workshop	

International Consultancy Report – Mission Two

**Town Water Supply and Sanitation Project
Ministry of Water Resources**

**By
Simon Gordon-Walker
And
Edward Glennie**

WRc (Water Research Centre)

August 2005

The main purposes of this report are:

- *To provide a report of events during the visit (Mission Two) of Edward Glennie, accompanied by Kevin Taylor*
- *To provide a description of the activities of Simon Gordon-Walker and Edward Glennie following Mission One and before Mission Two*
- *To provide a clarification of the next steps in the programme for the international consultants*
- *To provide a description of the outputs produce so far*

Introduction to Mission Two Report and activities between Mission One and Mission Two

This mission report will be much shorter than the Mission One report. The outputs prepared for this report are contained in Annexes and are all available on the CD submitted with this report. In addition a number of documents, particularly Guidance Documents that are relevant to the TWSS programme have been prepared by National Consultants, with international consultant support, and by international consultants that are contracted directly by the World Bank in Washington, not the Ministry of Water Resources. This report will include documents and other material prepared by Simon Gordon-Walker and Edward Glennie. Input made to the documents prepared by the National Consultants are not included here, but are available from the National Consultant team.

Since Mission One and the submission of the first report the main activities of Simon Gordon-Walker and Edward Glennie have been:

- To prepare training material required for the business planning training
- To draft material to be used in the Guideline documents for the STEP 1 activities of the local regional and national consultants
- To developed a simplified version of the Business Planning Toolkit for initial use by smaller towns
- To develop the detailed guideline “how to use the business planning toolkit”
- To undertake finalisation of the STEP 1 Guidelines in consultation with national consultants, other international consultants working for the World Bank
- To undertake training and dissemination of material to the regional consultants with the national consultants
- To undertake continuous liaison with the range of consultants working on the Guideline documents

Mission activities – August 2005

The second mission to Ethiopia undertaken by Edward Glennie, with Kevin Taylor, who is contracted separately by World Bank. All activities during the mission relate to Step 1 of the Town Water Supply and Sanitation programme. Simon Gordon-Walker was not able to attend this mission.

The international consultants' roles were:

- To provide copies of the Guidance documentation developed over preceding weeks
- To observe the national consultants' orientation and training activities, and to suggest improvements to their presentations,
- To comment on, and propose changes to, the guidance documents drafted by the national consultants,
- To create presentations and write guidance documents, to cover topics not covered by the national consultants.

The programme of the mission was:

Date	Activities (all relating to Step 1)
Tuesday 2 August	Initial meetings with MoWR and national consultants Reading and preparation for orientation workshop
Wednesday 3 August	Regional focal persons' orientation workshop, day 1 Presentation and group discussion of Water Board and Baseline Assessment guidelines
Thursday 4 August	Regional focal persons' orientation workshop, day 2 Presentation and group discussion of Utility Operation ¹ and Immediate Service Improvement ² guidelines
Friday 5 August	Regional focal persons' orientation workshop, day 3 Presentation and group discussion of the Stakeholder Consultation guideline, and general discussion.
Saturday 6 August	Meeting with national consultants, Robel Waktola (MoWR) and Yitbarek Tessema, to review the RFPs' workshop and plan the Town Support Groups' workshop Creating short presentations for beginning and end of the workshop
Sunday 7 August	Meeting with national consultants, to finalise presentations for the Town Support Groups' workshop
Monday 8 August	Town Support Groups' workshop, day 1 Presentation and group discussion of Creating / Strengthening a Water Board and Stakeholder Consultation
Tuesday 9 August	Town Support Groups' workshop, day 2 Presentation and group discussion of Baseline Survey and Immediate Service Improvement ² guidelines Presentation of the End of Step 1 Report pro-forma
Wednesday 10 August	Meeting with national consultants, Eyob Defere, Robel Waktola (MoWR) and Yitbarek Tessema, to review the TSGs' workshop and plan the next steps
Generally	Read and comment on draft Step 1 guidance documents

Note 1. Guidance on assessing a utility's operations will be developed for step 2. In addition, parts of the Operations guideline will be used to create guidance for utility management and water boards on how to monitor utility performance.

Note 2. This will become 'Creating an Action Plan'

Guidance document(s)

It was decided during the mission that a single guidance document will be created, which will combine elements of several existing documents:

<i>Existing document</i>	<i>Lead Author</i>
Overview of step 1	International consultants (KT, EG)
Raising awareness with town leaders	International consultants (Simon GW)
Creating or strengthening a water board	National consultants
Stakeholder consultation	National consultants
Baseline survey	National consultants
Creating an action plan	National consultants
End of step 1 report pro-forma	International consultants (EG)

According to the plan agreed on 10 August, the national consultants will create a draft of this single document, and send it to the international consultants on/by 25 August for comment.

The national consultants (led by Ato Eyasu Mulugeta) will also write guidance on how utility managers / water boards can monitor a utility's performance.

International consultant working directly for the World Bank have also prepared a number of document highly relevant to the TWSS programme. These have been made available by the World Bank and will provide an additional source of material to be used by the National Consultants in the creation of the STEP Guideline document.

Plans & Notes of meeting on 11 August 2005

This section was compiled by Edward Glennie as a summary of the plans agreed at a meeting on 10 August at the MoWR, Addis Ababa.

Present: National Consultants, Ato Yitbarek, Tessema MoWR representatives, Eyob Defere, Kevin Tayler, Edward Glennie

Step 1 Guidance related to the water board and initial assessment

There will be one main document, containing a number of sections that cover the activities:

1. Step 1 overview
2. Creating and strengthening a water board
3. Baseline data
4. Developing the action plan
5. Stakeholder consultation

Some step 1 activities will cross section boundaries, and careful editing will be needed to avoid unnecessary repetition and ensure consistency.

There will also be reference documents, that will include:

- Raising awareness (with town leaders) – Guideline document and presentation
- How to monitor a water utility's performance (for Water Boards and Utility managers)
- End of step 1 report pro-forma

There will probably be others; in particular one is needed on sanitation.

Step 2 Guidance related to business planning

Still to be defined in detail, but will likely include:

- Assessing and improving operational efficiency
- *Creating a business plan*
- *Assessing demand for water services (area by area within a town, how to... questionnaire surveys, focus groups)*

Structure for guideline documents

Each section of the main step 1 guideline will be divided into short sub-sections. The general structure for these was agreed. This will be actioned by the National Consultants.

- Introduction (where it fits into step 1),
- Outputs needed,
- What to do,
- How to do it,
- Good practice examples,
- Annexes & reference documents as needed

Issues to consider by MoWR

These include:

- *Document control through the process of continuous updating and iteration*
- *Management of the detailed editing & document production*
- Making the documents available through a web site. There are many documents, and many people will need access to them! Simply read only access is needed for most, with a few nominees being able to modify. (Edward Glennie will follow up possibility of using Ethiopian web site ENRAEMED, but a decision on further funding will need to be made by the MoWR)

Work of International Consultants for TWSS Initiative – World Bank

There has been liaison between the consultants, the World Bank and the team of consultants working on Guidance documents for **Phase Two – Development of Guidance Document and Field Testing in Tanzania and Maharashtra, India.**

The interchange of ideas, drafts and comments has been important to improve the quality of the documentation available to the National Consultants. The documents

and Guidance material from these consultants has been available from the World Bank.

It is uncertain at this stage how the documents and work in Ethiopia will translate across into the Guidance documents being prepared by the World Bank’s international consultants.

For information the Modules being prepared by the WB’s international consultants are being structured in the following way.

Step 0	Consultant Preparation
0.1	The Town Water Supply Challenge
0.2	Linking aid financing to performance
0.3	Analysing national policies and legal framework on town water supply
0.4	Understanding regulatory functions
0.5	Understanding corporate oversight functions
Step 1	Initial Assessment / Baseline survey
Step 1.1	Consult local stakeholders and evaluate existing information
	Consult local stakeholders and evaluate information
Step 1.2	Develop initial MOU Central / Regional Government and Town
	Developing a Memorandum of Understanding
Step 1.3	Understand the Market
1.3.1	Socio-economic characteristics
1.3.2	Current water service and tariffs
1.3.3	Utility income and cash collected
	Supply and Demand Balance (current and future estimates)
Step 1.4	Understand the Utility
	Institutional assessment
	Skills assessment
	Organisational performance
	Financial performance
	Physical performance
Step 1.5	Scope Improvements Required
Step 2	Develop Town Water Supply Strategy
Step 2.1	Examine Institutional Options to Bring About Improvements
	Professional Support Options: Aggregation, Market consolidation, contracting out
	Professional Support Networks and Support Mechanisms
	Establishing the basic decision parameters
Step 2.2	Explore Terms of Engagement with External Parties
	Conducting an aggregation process
	Steps for contracting
Step 2.3	Draw up Investment, Operations and Financing Plan
	Cost-effective Design
	Sanitation planning
	Operational efficiency

The decision making process
Narrowing the options
Business case for improvements
Prioritization of investments
Estimating the budget constraints
Financial viability of the enterprise

Step 2.4 Draft Institutional and Contractual Arrangements

Developing regulatory arrangements (model arrangements)

Developing corporate oversight arrangements (model arrangements)

Step 3 Formalize relationships and implement arrangements

Creating the Business Plan

Business plan overview
Resources for writing the business plan

Customising each of the business plan components
Assembling the complete document and performing a final review

Current status and plans for completing the documents

	Current status	Plan	By whom	By when
Main step 1 guidance	Overview: final draft has been written by KT & EG	Minor modifications	KT/EG	15/8, <i>done</i>
	Sections 2-5: early drafts and presentation materials including charts have been written by the NCs	Comment & advise Re-write (co-ordinated by Eyasu) Comment and amend	KT/EG NCs KT/EG	15/8, <i>done</i> 25/8 6/9
	Whole document	This will result in a 'final draft' version, which will be tested by the NCs in a small number of towns where TSGs are working		September / October
Monitoring utility performance	Sections are in the Operations guidance document	Take these sections as the starting point to create material (principles, forms for monthly etc reports, how to interpret the information)	Eyasu	25/8
Raising awareness with town leaders	Draft document exists (Simon GW)	To confirm	MoWR	Sept 05
End of step 1 report pro-forma	Draft document exists (EG)	To confirm	MoWR	Sept 05
Assessing and improving operational efficiency	Draft document exists (Eyasu)	To confirm	MoWR	Sept 05
<i>Creating a business plan</i>	<i>not discussed</i>	To be based on Guidelines for Business Planning and simplified version created by Eyob Defere	SGW	Oct/Nov 05
<i>Assessing demand for water services</i>	<i>Draft document on focus groups (Simon GW)</i>	Gather directly relevant experience to include in draft document	National Consultants	
<i>All documents</i>		Recommend materials from the TWSS manual and modules, for use / incorporation	KT/EG	

Further training programme

Linked to development of the guidance materials

Action	Who	When
Train TSGs for inception report	NCs	1/9 onwards
Train TSGs in Step 1 process & activities	NCs INCs observe	October
Give training on business planning ¹ to NCs and others (e.g. some Regional Consultants)	INCs (SGW, EG)	December
Workshop to share experience of Step 1 in towns	TSGs, RFP, MoWR, INCs	January

TSG = town support group (of 5 consultants), NCs = national consultants, INCs = international consultants

Note 1. Ato Eyob Defere indicated that about two thirds of towns will not have use of a computer. Business planning using a calculator should be part of training.

ANNEX DOCUMENTS

Reports provided with this Mission Report are included in the CD provided to the Ministry of Water Resources. There will be other documents provided by the other international consultant team and documents prepared by National Consultants.

It is of concern that given there is significant exchange and reiteration of the Guideline documents for this programme, that there is little or no formal process for document control:

The documents included as outputs from the Mission 2 and preceding weeks are:

- Business Planning Toolkit – simplified version
- Manual for using the Business Planning Toolkit

Documents for STEP 1 are:

- Overview of TWSS programme (Raising awareness of decision makers)
- Presentation of TWSS for decision makers
- Guide to Step 1 – Initial Assessment (This document will be amalgamated with the documents prepared by the National Consultants. These were on “Baseline Assessment”, “Service Improvement”; “Water Board Development” and “Stakeholder Consultation”)
- Draft Proforma for STEP1 Report

Other associated documents prepared by the international consultants:

- Guidance document - Baseline Data
- About Focus Groups
- Understanding Capacity and planning for strengthen skills and expertise

- Guidelines for the establishment of a Connections Policy and achieving an understanding of willingness to pay
- Using Water Wisely
- Draft proposal for Indicators for TWS

Business Planning Training Course Material

Also during the period between Mission 1 and Mission 2 the consultants have prepared material for the business planning training. The content of the programme was described in the Mission 1 report. The information prepared has been included in the CD of this report, but not “hard-copy”, since this would make the report too large.

The material describes the situation of a representative but “imaginary” water utility in Ethiopia. The scenarios and exercises are based on the information provided about this “water utility” which has been named “Rohan Water Utility”. Below is the background description of the utility and the starting point for the additional handouts to be provided to participants. The material has been prepared under 5 exercise headings.

Exercise 1 – Setting Objectives

Exercise 2 – Understanding customers

Exercise 3 – Understanding utility performance

Exercise 4 – Planning Improvements and expansion

Exercise 5 – Promoting the Business Plan

The material prepared for these exercises is included in the CD Rom of this report.

Rohan background information

Location and history

The Rohan water supply scheme is located in the southern area of Zinariya. It serves the small town of Rohan and part of 4 neighbouring villages.

The water supply system was developed through a grant that was made available by the Lorien Development Bank, in collaboration with the community and the Zinariya Region Water Resources Development Bureau. Physical implementation of the project was fully completed 10 years ago in 1986 (local calendar / E.C.).

Water source

The water source is a spring fed gravity system, with a yield of 4 litres/second. At source its quality is good, and no treatment is needed.

However the source is not adequately protected, and during the dry season it has been contaminated by animals. It is believed that farmers have taken water for their crops too. Up to now no complaints have been made about the quality of the water.

Management

The present management system of Rohan water supply scheme was created during the implementation of the project.

Day to day operation is controlled by a director.

The scheme is managed by a board, which is the highest executive authority in the water service. The board is formed from the 5 members of Rohan town council, 3 representatives of community associations, and the director of the water utility.

The town council has to approve tariff increases.

Customers and water demand

The town of Rohan has a population between 5000 and 5500. Supplies are through 13 public water points, 11 of which are currently working. There are also 20 private household connections. All supplies are metered.

There are four groups of households:

Households in the town within easy walking distance of a water point (and presumed to be supplied with water) (~70% of the town, 8 public water points, 6 working, 20 private household connections),

Households in the town, not within easy walking distance of a water point (~30% of the town),

Households in neighbouring communities within easy walking distance of a water point (5 public water points, all working, estimated to be ~1750 people),

Households in neighbouring communities, not within easy walking distance of a water point (number of people unknown).

The town council has set a target to supply the whole town with at least public water points, by 2002 M.E.C. The neighbouring communities are not strictly within the utility's area of responsibility, and there is no obligation to supply all households there.

Households in and near the town and not supplied by the town utility generally get water from the river Isen, which suffers from contamination problems normally associated with unprotected surface water.

There are currently no non-household users. However:

- A soft drinks company is proposing to develop a bottling plant near Rohan. A letter from the company has been received by the mayor. The mayor has asked the water board to take this into account in its business planning.
- Four local organisations have asked for connections.

In 1996 M.E.C. 5970 m³ of water were supplied through the public water points, and 2535 m³ through the private house connections.

Financial situation

Last year (1995 M.E.C.) the utility made a small operating profit, and it expects to break even this year too. However it was not able to invest in any of several projects the board would like to see carried out:

Staff training

Leak detection

Purchase of tools

Improve staff pay and conditions

Put water meters in locked boxes

Construct shades for water points

Extend the supply system

Increase the number of private household connections

The utility receives 1 Birr for each cubic meter of water taken from a public water point. Households with private connections pay 1.50 Birr per cubic meter and a meter rental of 2 Birr per month.

Tariffs were last increased in 1992 M.E.C.

Staff

There are 4 members of staff, including the director. The total salary budget for 1996 is 6184 Birr. Salaries are regarded as low by the staff, and this has been recognised by the board.

Specific training needs have been identified:

Accounts and financial planning,

Water meter installation and maintenance.

Water losses

The amount of water lost is not known, because the rate at which water is taken from the source is not measured. Currently this is not an important issue because the source capacity is many times the demand for water.

Losses may be quite high because the utility is not equipped to make reliably watertight connections.

Purchasing and use of consultants

Equipment has to be purchased from suppliers in the nearest large town, Minas Tirath, which is 40 km distant. This is expensive because:

The utility buys small quantities,

Utility staff spend time travelling to Minas Tirath to collect equipment.

The board is considering asking the Zinariya Regional Water Resources Development Bureau to act as a buyer for all the water utilities in Zinariya.

Consultants are reluctant to undertake work for the Rohan water utility, partly because of its distance from large population centres and partly because it cannot afford to pay the same rate as e.g. the Minas Tirath water utility.

In summary the related training material includes:

<i>Description</i>	Exercise
Short history & description of area of responsibility Summary of resource situation Summary of staff numbers, skills & issues Summary of financial situation (not detailed) Recent & current tariffs	1
Summary of customer contacts file (requests for connections, complaints...)	1
Letter from MD of soft drinks bottling plant	1
Letter from town council to water board	1
MfWR policy statement / water board regulations	1
Proforma answer sheet for exercise 1	1
Answer to exercise 1	1
Map of the town (area of responsibility) with system in outline & areas identified	2
Water sales info (by area!) by public water point, household yard, in house, commercial / institutions / industrial	2
Future water use assumptions	2
Proforma answer sheet(s) for exercise 2	
Answer to exercise 2	
Summary of revenue & OpEx for last 3 years	3
Assets facts & figures including a view of their performance & condition	3
Proforma answer sheet(s) for exercise 3 – proposed initiatives with some info	
Answer to exercise 3 – proposed initiatives with some info	
Unit costs information Inflation assumptions	4
Exercise on pay back for mains extensions	4
Proforma for investment plan	
Answer - investment plan with costs, sources of finance & tariffs	
Examples of marketing materials & approaches	5
Key indicator values for 5 utilities	5
Proforma business plan	
Answer – business plan	

**International Consultancy Report –
Mission Three**

**Town Water Supply and Sanitation Project
Ministry of Water Resources**

Ref Contract No. WSSP/32

**By
Simon Gordon-Walker**

WRc (Water Research Centre)

December 2005

The main purposes of this report are:

- *To provide a report of events during the visit to Addis Ababa of Edward Glennie (Mission Three) and Simon Gordon-Walker (Mission Two). These events are the undertaking of training in business planning, supporting the national consultants develop their capacity to undertake the training of the consultants of the Town Support Group, and consultation with the Project Co-ordinating Unit.*
- *To provide a description of the activities of Simon Gordon-Walker and Edward Glennie between this and the previous missions.*
- *To provide a clarification of the next steps in the programme for the international consultants.*
- *To provide a description of the outputs produced – these are contained in the Annexes*

Introduction to Mission Report and activities described

This mission report has been prepared by Simon Gordon-Walker to cover activities on his second mission, and by Edward Glennie to cover his activities on his third mission. The work to prepare and to deliver the business planning training was undertaken on a **joint** basis and hence the activities have been a shared responsibility, and this report is jointly reflective of both Edward Glennie and Simon Gordon-Walker activities. This same report is provided under separate cover for each.

Since the second mission of Edward Glennie, the STEP One Guidelines have been finalised and are available and the international consultants have been in contact with the National Consultants and the TWSS consultants employed by the World Bank. The objectives of the current activities have been to prepare training material for Business Planning, and this training material will then be used by the National Consultants for them to undertake training to the Town Consultants, contracted by the Regional Bureaus.

This training course has been designed to support the implementation of STEP Two activities of the Town Water Supply and Sanitation Programme. The course was presented to those who will undertake business planning training in Ethiopia and was designed to provide the trainers with opportunities to develop the material to make more bespoke to their audiences. Those attending the course may benefit from the training itself, but would also have learning with a view to delivering the training course in the future.

Others attending the training course would have used this as an opportunity to familiarise themselves with the business planning process in order to provide support to those consultants and water utility managers required to prepare the business plans.

Once the town support consultants have been appointed they will be trained by the National Consultants. This training will include – training in general programme orientation and the STEP One requirements, followed by the business planning training that will allow access to expertise to deliver STEP Two requirements.

For most of the training the trainees were working in groups. The size of each group was approximately 4 or 5 persons, with each group having separate access to a computer able to run the Toolkit (from Day Two onwards).

The training course had a number of exercises for each group to work together. The exercises were based upon a notional example of a small town that needs to prepare a business plan in

order to secure a loan to expand services to more people. In further uses of the training material it may be perfectly possible to use data from towns in the regions in which the training is taking place.

Further details of the training course are described below.

Mission activities – December 2005

The international consultants timetable of activities during this mission was as follows:

Pre-mission: final preparation of training material to be used for the training courses

4th Dec – travel to Addis Ababa from London, England

5th Dec – meetings with Ato Teferi, PIU at Ministry of Water Resources, and meeting with the National Consultants to confirm agenda for mission. Also included a meeting at the PC Club, which was the venue for the training workshop.

6th to 9th Dec – Conducted the Business Planning Training workshop for 21 persons at PC Club

10th Dec – meeting with PIU and with National Consultants to develop programme for training with Town Consultants during the second week. Preparation of material for this course

12th Dec – continued preparation of training material and visit to PC Club, Addis Ababa

13th to 16th Dec – Supervision of training workshop conducted by National Consultants and continued support to the National Consultants

17th Dec – final discussions with National Consultants on the next steps required

During the mission it was agreed with the Ministry of Water Resources that the contract with WRc for Simon Gordon-Walker will be extended to the end of April 2006, so that he will be able to undertake his third mission. This extension has been caused by other delays in the contracting of the Town Consultants.

All the activities of the mission took place in Addis Ababa.

Training Programme Details

The training programme during the first week of the mission was as follows:

<i>Tuesday 6th</i>		
<i>Time</i>	<i>Topic/Exercise</i>	<i>Presenter(s)/Facilitator</i>
9.30	Opening Remarks	Ministry of Water Resources
9.40	Introductions	Simon Gordon-Walker
10.00	TWSS Programme – Providing the context for the training and understanding its objectives	Simon Gordon-Walker
10.30	Why Business Planning?	Simon Gordon-Walker

10.45	<i>Coffee break</i>	
11.00	Example of Preparing a Business Plan - Welkite	Eyob Defere
11.30	Introduction to Business Planning Groups to be established and 4 short group exercises to be undertaken	Simon Gordon-Walker
1.00	<i>Lunch</i>	
2.00	Introduction to Business Planning (Group exercises to continue)	Simon Gordon-Walker
3.00	About the Main Group Exercises and introduction of scenario to be used	Simon Gordon-Walker
3.15	Group Exercise One: Developing objectives and understanding you external pressures	Simon Gordon-Walker
Wednesday 7th		
9.00	Review of Day One: <ul style="list-style-type: none"> • Lessons learnt, for trainers • Issues to be considered for amending training course 	Simon Gordon-Walker
9.15	Introduction to the Business Planning Toolkit (all further Group Exercises involve using the Toolkit)	Simon Gordon-Walker / Edward Glennie
10.00	Group Exercise Two: Understanding Customers.	Simon Gordon-Walker / Edward Glennie
12.30	<i>Lunch</i>	
1.30	Group Exercise Three: Understanding the Utility's performance. (includes a short re-cap on the STEP One process and Guidance Document)	Edward Glennie / Simon Gordon- Walker
4.15	Introduction to Group Exercise Four: Planning for Improvements and Expansion	Simon Gordon-Walker / Edward Glennie
5.00	<i>Close</i>	
Thursday 9th		
Time	Topic/Exercise	Presenter(s)/Facilitator
9.00	Review of Day Two	Simon Gordon-Walker
9.15	Group Exercise Four: Planning for Improvements and Expansion	Edward Glennie / Simon Gordon-Walker

12.30	Lunch	
2.00	Group Exercise Four - continuation	Edward Glennie/ Simon Gordon-Walker
3.30	Group Presentations and discussions	
5.00	Close	Simon Gordon-Walker
Friday 10th		
Time	Topic/Exercise	Presenter(s)/Facilitator
9.00	Business Planning TOOLKIT training and demonstration of scenarios ➤ Tariffs ➤ Depreciation	Edward Glennie
1.30	Group Exercise Five: Promoting and communicating the business plan Group presentations	Simon Gordon-Walker
4.00	Close	

The attendees at the training course included the National Consultants, Regional Focal Points, Water Utility Managers, Water Fund and Ministry. In all 23 persons attended and the list of names is available from the National Consultants and in the attached annex.

Business Planning Training Course Material

The consultants have prepared material for the business planning training and they provided this as the main element of the training programme. The content of the programme was described in the Mission 1 and further explained in the Mission 2 report (Edward Glennie's).

The material describes the situation of a representative but notional water utility in Ethiopia. The scenarios and exercises are based on the information provided about this "water utility" which has been named "Rohan Water Utility". The background description of the utility and the starting point for the additional handouts to be provided to participants is contained in the first document under Exercise One. The material has been prepared under 5 exercise headings.

- Exercise 1 – Setting Objectives
- Exercise 2 – Understanding customers
- Exercise 3 – Understanding utility performance
- Exercise 4 – Planning Improvements and expansion
- Exercise 5 – Promoting the Business Plan

All the material prepared for these exercises is included as an Annex to this report. The excel and software tools provided, along with the Business Planning Toolkit has been included in the CD of this report.

Everyone attending the training courses during the first and the second week received a copy of the Toolkit and the excel spreadsheet that supported the calculations for use in the Toolkit.

Training material produced and provided:

The materials provided as part of the Business Planning training were - presentations, group exercise hand-outs and software tools. All paper copies are included in the annexes.

Presentations: the presentation materials used during the training included:

- Introduction to training workshop
- Introduction to TWSS programme – the context for business planning
- Introduction to Business Planning – what is it and why is it important for water utilities
- Business Planning and Introductory Group Exercises
- Introducing the main group exercises – introducing Rohan Water Utility
- Group Exercise One – developing objectives and understanding external pressures
- The Business Planning Toolkit – description and “walk through”
- Group Exercise Two – Understanding customers and how they use water
- Group Exercise Three – Understanding the water utility’s performance and assets
- Group Exercise Four – Planning for improvement and expansion
- Group Exercise Five – Communicating the Business Plan

Hand-outs for Group Exercises: used during the group exercises.

Introductory Group Exercise –

- Problems facing municipality owned water utilities
- Business planning – who should be interested?
- When is business planning used?
- What are the expected benefits?
- About the business planning framework
- Analysing the existing situation
- Features of the business plan

Exercise One –

- Background information about Rohan water utility
- Summary of customer contacts
- Letter from drinks factory to Mayor of Rohan
- Letter from Mayor to drinks factory investor
- Letter from mayor to water utility manager
- Letter from Town Council to Rohan Water Board
- Letter from South Rohan Community Association to Rohan Water Utility
- Letter from Ministry of Water Resources to Rohan Water Board
- Map of Rohan Water Utility distribution operations
- Map of Rohan surrounding settlements and trunk mains
- Pro-forma for Exercise
- Pro-forma suggested answers

Exercise Two –

- Description of future water use in Rohan and surrounding settlements
- Water sales data for current year
- Rohan water users data
- Water use pro-forma and suggested answers for Toolkit
- Exercises – understanding customer base and connections

Exercise Three –

- Briefing notes for Exercise Three and Four
- Description of Utility assets
- Inventory of raw water sources
- Inventory of water distribution system
- Inventory of public water points and meters
- Schedule of problems and issues – blank
- Schedule of problems and issues – filled
- Schedule of initiatives – blank
- Schedule of initiatives - filled

Exercise Four –

- Recent revenues and costs
- Schedule of unit costs
- Information on payback

Exercise Five –

- Exercise 5 briefing notes
- Proposed structure for presentation to Town Water Board
- Stakeholders and how to approach them
- Draft letter to Ministry of Water Resources
- Exercise – communicating through the business planning process
- Exercise – what to say?
- Draft performance indicators for Rohan Water Utility
- Variety of specimen customer information to be used for “poster” publicity exercise

Excel Tools: the excel software tools provided support the Toolkit and include,

- Simplified Toolkit without Rohan data
- Simplified Toolkit with Rohan data
- Assets and depreciation
- Connections policy
- Tariff design
- Cash working sheet
- Inflation
- Rate of Return and Payback

Provision of the Business Planning Toolkit

A number of versions of the Business Planning Toolkit exist; these are described below and are available on the website www.waterbusinessplanning.com .

	<i>Version 1</i>	<i>Version 2.1</i>	<i>Simplified 05/2005</i>	<i>For calculator</i>
Cash flow output	Yes	Yes	Yes	Yes
P&L output	Yes	Yes	Yes	Yes
Balance sheet output	Optional	Yes	No	No

Inflation allowed for	Yes	Yes	No	No
Depreciation	Optional	Optional	Calculate outside toolkit	Calculate outside toolkit
Unpaid bills	Yes	Yes	No	No
NPV or payback period for an initiative	Yes	Yes	No	No
Investment Planning	Yes	Yes	Yes	Yes
Progressive tariff	No	No	No	No
Connections policy	Yes	Yes	No	No

Where there are gaps in the some of the features then additional spreadsheet tools have been created. These are mentioned in the previous section

It has been recommended that the National Consultants and subsequently the Town Consultants, use the simplified Toolkit and this was provided as the basis of the training.

Review of Training undertaken by National Consultants (second week)

During the second week of the mission the National Consultants were expected to work together to deliver the business planning training. It must be said that this was a “tall order” and challenging prospect – they had just a weekend and one day to prepare. Under these circumstances the National Consultants did extremely well and should be commended. We therefore regard their delivery of the training as an experience to support them in their learning of the business planning toolkit and in their early development of being able to deliver the training with confidence.

The objective of this week of training by the National Consultants with a selection of consultants from the Town Support Group was to provide:

- The National Consultants with experience in the training material and its delivery
- The local consultants of the Town Support Group with information about the business planning process so that they would be able to discuss what it is and what it means for the town planning work.

Before making the review it is important to say that the National Consultants will need to develop their understanding of the Toolkit and the business planning process by going out in the field and working with town water utilities. They should start to do this as soon as possible. This could be done whilst they are undertaking STEP One training. Thus would build up their confidence and capacity to deliver the training and support town in the development of their business plans for STEP Two. The main bulk of Business Planning Training is likely to be undertaken in 3 to 4 months, following completion of some STEP One activities.

Key issues resulting from the review:

- We hope that the training material can be translated and presented in Amharic
- Consultants need to have more time to review the training material and think about what rationalisation and changes could be made to suit their style and to mould the content to suit the audience for the training.
- Main issue is to ensure the consultants get more practice and usage of the Toolkit and material – this should be done by encouraging them to visit towns for 2 to 3 days to discuss the issues with towns and develop experience in inputting data in to the Toolkit –

this is not about preparing business plans and the Ministry should permit the National Consultants to get this direct practical experience as part of their remit of employment.

- The training groups need to be smaller to ensure a more personal learning approach can take place to those attending; the 14 that attended this week's training was even too many – should aim for 10 or 12, no more than this.
- Training needs to be provided with more discussions – this will come as the consultants increase confidence and knowledge – **THEY MUST BE GIVEN TIME TO DO THIS.**

About the training course itself. It has been useful observing the training material as a member of the audience and we will suggest a few alterations to the format of the training. These changes include:

- Move presentation on “what is business planning” to the beginning so that the training can start on the main subject, and then move on to the TWSS context. As more STEP One work takes place so this presentation will change to include more on the progress of STEP One activities.
- Combine current Exercises 3 and 4 in to one exercise; and then create new Exercise 4 to concentrate on the business planning scenarios and the financial plan
- Increase the link between the new factory investment with the investment needs for the Rohan Water Utility and be more explicit about an investment programme that will require a loan, rather than a grant.
- When trainees are in their groups it may be worth each member of the group adopting a role of one of the management team for Rohan Water Utility – for example, one could be the Technical Manager, one the Finance Manager and another the Customer Relations Manager. This would help the group to analyse the needs of the utility from different perspectives, rather than initiatives suggested being dominated by engineering solutions only.

Looking to the future and next steps

Edward Glennie has now completed his input and missions.

Simon Gordon-Walker (SGW) has one further mission to undertake. With the contract extension to the end of April 2006, this mission is likely to be undertaken in late March or April.

Work to undertake between SGW's Mission two and third mission will be:

- make training material and simplified toolkit available on www.waterbusinessplanning.com website.
- make amendments to the Guidelines on Business Planning to include the Rohan training material and integrate with STEP Two requirements where possible. Further STEP Two Guidelines documents will come from the World Bank TWSS programme consultants.
- National Consultants will use the next two months to visit towns and start to use the Toolkit for data collection – see above comments on the training programme and exercises.
- As part of this familiarisation with the Toolkit and with business planning it was agreed that the National Consultant will prepare a business plan for the Rohan Water Utility and submit this to the international consultants for their comments. Again this is part of their familiarisation with the business planning process and the Toolkit. The National Consultants should image that they are the management team for Rohan and be prepared to present this business plan during SGW's next mission.

Mission Three of Simon Gordon-Walker's will –

- Review progress of National Consultants in delivering Business Planning training and perhaps hold a “practitioners” network workshop with a selection of utility managers, regional bureaus and consultants from the Town Support Group. This workshop should be held outside Addis, in one of the regional groups – North or South.
- Review the National Consultant's business plan for Rohan
- Prepare Terms of Reference for Practitioners' Network to support the town water utilities' business planning activities – an initial outline of this network is included in this report.

The following issues need to be considered for the future process of the programme.

Management of the Urban Programme

It seems that the current organisation of the various consulting teams used by the Ministry and the World Bank lack some cohesion and lack clearly defined areas of accountability for delivering the TWSS programme. As the Town Support Consultants get appointed (and this has been rather protracted!), the overall programme implementation become highly complex from a management point of view – lots of towns (and of varying sizes from 15,000 to 120,000), lots of consultants and a potentially complex programme of grants and loans. This really demands centre for programme management, best found within a company that has project management systems in place. The programme at the national level needs to have;

- A dedicated programme management to manage communications, work programmes, provide document control, budget management and monitoring and evaluation
- A dedicated training manager to take responsibility for training and the material developed, and training quality control
- A national consulting team that has specific responsibilities to work in support of the Town Support Group – these could be allocated as one for technical issues, one for customer issues and one for financial issues.

It is important not to increase the bureaucracy of the programme by recruiting more consultants to undertake separate parts of the TWSS programme. The critical need is to increase coherence in the management of the wider programme and this is sometimes lost with the preference to contract lots of individual consultants. So in addition to thinking “have we got the right skills” it should also be asked “have we got a strong team to deliver our objectives and are they managed well”?

Future input of international consultants after SGW's Mission 3?

It has asked that we make a preliminary look at this. First we believe that any further input from the international consultants should be modest, proportionate and specific. With the increasing confidence and experience of the national consultants and with the appointment of the consultants in the regional Town Support Groups, there will be an increase in local expertise that will be available to the programme. In addition, strong expertise needs to be harnessed from utilities that have made significant progress in business planning (e.g. Harar).

It is therefore suggested that future inputs from international consultants should be:

- To continue to support the training development of Town Support Group and selected water utility managers
- To provide input to the “Practitioners’ Network” by organising workshops twice a year on related TWSS subjects
- To continue to support the update of Guidance documents undertaken by the National Consultants

These activities represent a role for the international consultants that will facilitate relationships and support the local consultants working on the TWSS programme.

Areas of possible additional support might include:

- To provide support to the development of the monitoring and evaluation system
- Development of the easy to access and use website for supporting the provision and easy access of information about both the Urban and Rural programmes. With so many people in towns, the local consultants all likely to be increasing their demand for the training material, the guideline documents and toolkit, there is at present no straightforward way for information to be accessed. Without easy access to information the many people involved in the programme will be feel hampered and frustrated by their inability to access the relevant information.

Of course there maybe other areas where the Ministry or National Consultants might wish to see further support.

Integrating Rural and Urban programmes

It has been mentioned on frequent occasions that the rural programme is moving more quickly than the urban programme. We think that both programmes would benefit for a better exchange and communication of information and experiences – for example we are sure that the simplified Toolkit would have valuable uses with in the rural programme (with many small towns being 10-15,000 pop, many of their issues are akin to the rural settlements; and many towns also supply to rural settlements from their trunk mains), and rural consultants have had more experience in working in the field and the new town consultants would benefit from understanding their practical experience. In addition guideline documents have been prepared for the rural programme and it is not certain that the urban programme’s consultants have seen these or have access to these. If not then a greater degree of information sharing needs to take place.

We suggest that a joint workshop between rural and urban programmes takes place to provide a forum for exchanging information and structuring follow-up liaisons. This was an agreed action by the Ministry of Water Resources.

Water Fund

The Water Fund will be a critical part of the funding process for towns. The approval authorities within the Water Fund and the Ministry of Water Resources need to have a complete understanding of the detail of the business planning process that the town water utilities will be undergoing. It is critical that the towns, Water Fund and Ministry share a common understanding of the requirements of business planning and share similar expectations in the practical application of the STEP process.

Issues that will need to be resolved and a common approach adopted will include:

- What inflation rate to use
- How to treat depreciation – especially on existing assets where the condition and performance data will be uncertain and it will be difficult to know what figure to use to set aside for maintaining the assets (sic, depreciation). We have recommended using “zero” depreciation on current assets until there is such data and applying current replacement values on new assets.
- Water Fund will need to issue guidance on the use and presentation of Internal Rate of Return (IRR) and Payback.

Town Water Association

It is increasingly apparent that along with the decentralisation of the town water supply utilities that areas of common interest for water utilities could lack representation at a national level. Through the development of a practitioners’ network it may be possible to develop opportunities to discuss issues that effect all town utilities; such a VAT and tax issues, pay for staff and incentives for managers etc; as well as using the network to share information, knowledge and experience. A ToR for a practitioners’ network will consider the issue of a national association, best practice sharing and benchmarking.

Aggregation incentives for towns

A number of towns have expressed the likely need for them to work with other towns and larger towns that will assist them to achieve critical mass in making efficiencies and in being able to have the necessary capacity to deliver improvement, expansion, capital investment and business planning.

Much of this “gap” in capacity could be solved by aggregating the expertise of the town consultants in the delivery of town business plans and utilising this expertise to fulfil some of the investment and operations programmes identified.

Sanitation

The subject of the business planning toolkit is water supply, and does not directly include sanitation (however, investment data in sanitation projects could be included). This recognises that many water suppliers are not responsible for sanitation services and currently their interest is very slight. However the new Town Water Board structure that includes local community health representation and with an increasing emphasis on plans to increase connection and the volume of water sales may mean that sanitation arrangements need to be changed, and at the very least the sanitation authorities should be kept informed.

A major challenge for the TWSS programme will be how to get towns interested in sanitation and to think about plans for improving sanitation facilities. As mentioned it will become more and more important as more connections are made for water supply. At this stage the business plans of town water utilities needs to include thinking about sanitation and outline indicative plans on how the utility will tackle future sanitation needs – including customer consultations, asking what customer wants, (maybe they will ask for better sanitation rather than opt for further connections! – if this is the case water utilities will need to respond to those preferences).

Outline proposal for the practitioners' network

Background and the reason why?

It has become apparent that in Ethiopia, much of the information and knowledge on water supply and wastewater management and technology sits in various government departments and or in the offices of consultants. With the policy to decentralise the responsibility for providing water services to town and local levels, there will be increasing numbers of local consultants and utility managers in need of information and in need of developing new skills and expertise in town water and sanitation management.

The “practitioners’ network” is designed to be an organised forum of water utility managers and local consultants of the Town Support Group, whose interest is to maintain the momentum of the business planning expertise and process for the water utilities in Ethiopia. It is the forum through which the regional bureaus and water utilities can take ownership of the activities and use consultants to facilitate the network. In particular the network can provide the opportunity for sharing information about best practices and experience – benchmarking perhaps, and should meet 3 or 4 times a year to discuss and share knowledge on specific issues of common interest.

The “practitioners’ network” could become a major vehicle for the development of a water utility association in Ethiopia, and thereby could benefit directly from the knowledge transfer activities from say, the International Water Association and other international partnerships such as the Partners for Water and Sanitation run by the UK Government.

Organising and managing the network

The network would need to be managed by an individual or organisation and it will need to develop its own identity and defined services and method of working – perhaps a free membership basis, free for utilities and participating consultants.

Although it is recommended that the “network” has an office, this does not mean that it should develop a bureaucracy, rather the office is a point of contact and identity to provide specific facilities for utility managers and consultants visiting Addis Ababa. The office should have inter-net access and a library of water industry text books and journals. The international consultants could undertake to source some of these in the first instance; but it is recommended that the MofWR request donations either material or in-kind, from its other consultants, particularly international ones.

Proposed activities

Activities of the network need to represent the needs and interests of those to whom the practitioners of the network is aimed at. So the initial meeting will also include a consultative session on the proposed future activities of the network.

The proposed activities should include:

- Organisation and management of network workshops
- Production and circulation of practitioner newsletter
- Organisation and management of a technical reference centre, journals and web access to information in water and sanitation – not just to IFI sites, but also to professional associations and company product information
- Custodian of the TWSS training and guidance material

- Management of a benchmarking and knowledge/experience transfer process between utilities and consultants in Ethiopia

Proposed themes to support TWSS

It is important that the network concentrates its efforts to support the implementation of the current water and sanitation programme for both urban and rural areas. The themes are therefore likely to include areas that relate to the business planning process, such as:

- Stakeholder and customer consultation methods and practice
- Long term planning for expansion of water services – the cost effective design approach
- Taking account of sanitation needs and integrating sanitation services with water services
- Effective operation of a Water Board and the utility management
- Working for the staff and promoting skills
- Engaging professional support for the smaller utility services – what are the options and how can utilities access long term support.

There will of course be other subject and topics that will have an equal need to be included. One of the first tasks of the “network” organisers will be to draw up and list of topics that they can then take out for consultation with the network’s participants. It is important that the topics do not just concentrate on engineering topics, but cover the wide range of issues that effect the management of water and sanitation utility services

Likely budget requirements

Difficult to estimate at this stage, but likely to be required to cover the costs of:

- Travel and accommodation for workshops.
- Initial build up of information and website access facilities.
- Staff costs for organisation and management – full time for first two months, and subsequently approximately 5-8 days per month.

List of Annexes:

This annex contains the copies of the paper outputs used in the training. The software outputs are contained on the CD disc and are listed in the mission report.

- Names of participants attending training course 6th to 9th December
- Specimen certificate provided to attendees of training course
- Presentations used during the training
- Hand outs used for the Rohan Water Utility