

National WASH Multi-Stakeholder Forum 6

Fiduciary Risk Assessment of Ethiopia's One WaSH National Programme (OWNP)

Key Findings & Recommendations

Tamene Gossa

February 4, 2014



Objectives of Fiduciary Risk Assessment (FRA)

- ❑ FRA one of the six “Readiness Criteria” at national level
- ❑ UNICEF delegated by DAG to engage 2 consultants to undertake FRA
- ❑ FRA aims to understand the fiduciary risk environment & actual risks in the OOWNP + CWA
- ❑ Commencement of the OOWNP is reliant on outcome of the FRA

Major Objectives of FRA are to:

- evaluate the level of fiduciary and procurement risks associated with the Public Financial Management (PFM) system and the procurement processes within the rural and urban water supply and sanitation sector,
- report on the main findings, the risk implications of those findings and the levels of risk, and
- recommend risk mitigation measures and help stakeholders develop solutions **(Fiduciary and Procurement Risk Mitigation Plan)** in order to create an enabling program environment.



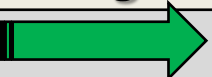
Scope of the FRA

- ❑ FRA covered areas such as **financial management and procurement capacity, regulations, practices, and procedures** of the public sector institutions responsible for program implementation.
- ❑ Seven fiduciary risk areas are assessed:
 1. Planning and budgeting;
 2. Accounting and Recording;
 3. Financial Reporting;
 4. Procurement;
 5. Audit and Control;
 6. Program Management and Monitoring; and
 7. Staffing
- ❑ 3 Regions (Afar, Amhara, SNNPR); 2 Woredas per Region are assessed
 - The assessed Woredas are funded by different DPs (AfDB, UNICEF, WB, Finland)



Overall Fiduciary Risk Summary

- ❑ Results after applying the scoring methodology to the 7 selected indicators are summarized as follows:

Fiduciary Risk Analysis Table				
Indicator	Federal Level	National (<i>Federal + Regional + Woreda</i>) Risk Level		
		High Risk	Medium Risk	Low Risk
Planning & Budgeting	38		34	
Accounting & recording	38		31	
Financial Reporting	20		20	
Procurement	65		44	
Audit and control	58		51	
Programme Management and Monitoring (<i>Fed. + 3 Regs. = Medium Risk while all Woredas = High Risk</i>)	19	11.5		
Staffing	26		18	
 Conducive environment exists to implement the OOWNP				

Example of individual indicator level of fiduciary risk

Programme Management & Monitoring

Indicator	Federal Level	Amhara			SNNPR			Afar			Overall
		Regional Level	Dangla	Yilma & Danga	Regional Level	Boricha	Kedida Camela	Regional Level	Awash	Mile	
Programme Management and Monitoring	19	12	10	10	12	10	10	12	10	10	11.5 High
Level of Risk	Medium	Medium	High	High	Medium	High	High	Medium	High	High	

The implications!!!

- **Medium:** For six (6) indicators ~ National Level:
 - There is clearly some good programme management, procurement and financial practice in place, *but still plenty of room for improvement.*
 - There is a risk that findings and respective implications could prevent work from being done effectively. *Low scoring sections require immediate attention from managers.*
- **High:** Only for one indicator:
 - *Programme Management and Monitoring* has serious problems. Managers and trustees should *meet urgently to discuss how the situation can be improved.*

FRA: Key Recommendations

1. Financial Reporting:

- ✓ Put in place a standard agreed plan for periodic reports and change the **manual** accounting system to a **computer** programme based accounting system (this can be IBEX, or IFMIS or any other accounting software which is simple/user friendly as well as capable of meeting the programmes financial management demands).
- ✓ Recruit at least one **finance officer** to take full responsibility for the financial management at programme woreda levels.

2. Programme Management & Monitoring

- ✓ Conduct annual sustainability checks,
 - Carry out a study analysis of the different programme management models linked to the institutional arrangements; (*infrastructure check, contract implementation and supervision models*).
- ✓ Cluster drilling works + apply the practice of “turn-key and scale-up options” paying for **productive boreholes only** (even if unit price is higher); include in the contract the responsibility for siting the boreholes.

Do this as a test model to evaluate the positive & negative aspects



FRA: Key Recommendations

2. Programme Management & Monitoring Cont'd...

- ✓ Scaling up hygiene and sanitation requires strong focus on **urban sanitation** and the health extension programme.
- ✓ The monitoring and evaluation system in place is **weak** and needs to be strengthened and linked to the “Programme Monitoring and Review tools” already well defined in the OWNP.

3. Staffing

- ✓ Provide skill and capacity development for procurement and finance officers and internal auditors at Woreda levels based on findings of staff capacity gap assessment.
- ✓ Recruit at least one finance officer per woreda, on contract basis
- ✓ As outlined in the OWNP document, address the issue of a resource package for staff involved in the OWNP (*WDRF, Federal, Regional and Zonal level*).



Proposal for Strategic Direction

- Government and the Donor Group to agree/initiate immediate preparation of the **Fiduciary Risk Mitigation Plan** followed by its implementation including capacity building activities & systems that address the Fiduciary Risks.
- Development & agreement of a mitigation plan is anticipated to commence in the coming days/ weeks

Thank YOU

