

# COWASH PHASE III RISK MANAGEMENT PLAN

## UPDATE BY MARCH 31, 2018

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COWASH risk assessment is divided in the contextual, programmatic and institutional risks.

### **Contextual risks**

The predicted drought in the country is considered as contextual risk. The drought might not directly affect the COWASH Woredas. Another contextual risk is the political situation. At the present the political situation in Ethiopia is stable and significant instability is not likely to happen in the coming years.

### **Programmatic risks**

Financial commitments from the regions are considered as programmatic risks. Another programmatic risk is the region commitment to use CMP according to the CMP guidelines and principles. These commitments vary between the regions.

One WASH-CWA Program is a priority program for all COWASH Regions. A misconception of considering the One WASH-CWA Program as One WASH still persists.

There is tremendous pressure to construct new infrastructure with no or very limited attention to quality and capacity development.

In COWASH the principle is that region will allocate the investment funds and Government of Finland funds are used for capacity building. There is a risk in BSGR that the region do not find adequate investment funds from the regional budget as the region was thinking that the GoF investment funds remaining from COWASH Phase II to be used also in phase III for investments. This assumption was realized in Q3 of 2010 EFY.

### **Institutional risks**

These include the risk that the relatively low Finnish contribution to One WASH-CWA Program may negatively affect Finland's reputation as WASH partner which might reduce the federal and regional governments' commitments to funding CMP implementation. Another similar risk is that the high funding for WMP through One WASH-CWA program may reduce institutional commitments for CMP implementation.

Additionally, the aid budget cuts in Finland might still affect also COWASH III, but this is not likely as the amount has been reserved for water sector support in Ethiopia.

Highest institutional risk is the social security situation in Ethiopia. SOE was lifted in July but social security decreased in Q2 and Q3 and second SOE was launched in february 2018. Anyhow the election of new Prime Minister on March 27, 2018 has improved the situation and expectations are high that the SOE will be soon lifted.

The level of presented risks are estimated according to the level of likelihood and impact as follows:

**Level of impact** of the risk to the project's results and targets if realized:

<b>Insignificant (I):</b>	Insignificant or minimal damage or disruption to the results targets
<b>Managable (M):</b>	Some damage or disruption
<b>Significant (S):</b>	Serious damage or disruption

**Level of likelihood** of the risk to happen:

<b>Low (L):</b>	Risk may happen
<b>Moderate (M):</b>	Risk is likely to happen
<b>High (H):</b>	Risk is very likely to happen

The Risk Matrix is updated quarterly and used by the Steering Committee as part of their monitoring function. Risk Management should be included in the agenda of the SC meetings to improve the guidance of the project.

Risk Name	Risk Statement		Consequence Level	Description of the assessment of the likelihood	Likelihood level	Risk response (Mitigation)	Responsible to follow-up	Assessment of the risk change and mitigation measures taken. (31 Mar 2018)
	Cause of the risk	Consequences of the risk (Impact to the project)						
<b>Programmatic Risks</b>								
<b>Inadequate Regional budget allocations or transfers.</b>	There is a risk that regions (or in case of SNNP; zones and-woredas) do not have adequate budget to allocate and transfer for CMP investments. All investments come from the regional governments. This risk is more likely expected to happen in BSGR and SNNPR	Any failure in providing the regional government funds will put the project results under immediate threat. <b>(Significant)</b>	<b>S</b>	The risk likelihood is measured based on the approved annual work plans where the regional government budgets are planned and approved by the Steering Committee.  The risk is also followed on the reports of actual regional government budget transfers to region, zone and woreda. <b>(Low)</b>	<b>L</b>	<u>Actions to prevent the risk to be realized</u> COWASH FTAT and RSU continuously communicate with the high level regional authorities for convincing benefits of CMP modality.  RSU reacts and informs early EoF and FTAT if budgeting problems are overseen.  <u>Actions if risk is realized</u> EoF communicates directly with the regional government and plays active role in finding solutions.	FTAT members and RSU staff.  Person resp. of the region / woreda	The federal level COWASH III implementation in 2010 EFY not limited by the budget deficiency.  In BG the investment funds were not made first available. The problem was temporarily solved by accepting GoF roll over funds to be used for investments and later on the BG cabinet approved 9,5 million budget for COWASH investments from Regional Government coffin.

Risk Name	Risk Statement		Consequence level	Description of the assessment of the likelihood	Likelihood level	Risk response (Mitigation)	Responsible to follow-up	Assessment of the risk change and mitigation measures taken. (31 Dec 2017)
	Cause of the risk	Consequences of the risk (Impact to the project)						
<b>Failure to establish profitable women-led sanitation marketing and water supply O&amp;M businesses</b>	<p>Existing and capable women-led businesses to take over SM and O&amp;M business might not be found.</p> <p>Finding of women who could take the leadership of new business might be difficult.</p> <p>Non-availability or high costs of available quality spare parts and materials may cause the new businesses to fail.</p> <p>Access to finance by MSEs may not be available.</p> <p>Access to finance by consumers may not be available.</p> <p>Resistance from woreda water office experts to support private O&amp;M-MSEs.</p>	<p>The realization of the risk will delay the development of new project initiatives in private sector development of businesses in Sanitation Marketing and O&amp;M service provision.</p> <p><b>(Manageable)</b></p>	<b>M</b>	<p>All the forecasted causes will be assessed in the preparation of the business plan for the enterprise.</p> <p>Decision for the approval of business support will be based on the business plans.</p> <p><b>(Moderate)</b></p>	<b>M</b>	<p><u>Actions to prevent the risk to be realized</u> Business financing has been planned to prevent this risk to happen. Sustainable business financing model for COWASH has been developed.</p> <p>FTAT and RSUs will assist closely in business plan preparation.</p> <p>FTAT will strongly support through TA inputs the SM and O&amp;M development and CB efforts at federal level.</p> <p>FTAT and RSUs support the sector coordination in O&amp;M and SM.</p> <p><u>Actions if risk is realized</u> Modify the business to be more diverse.</p> <p>Close the business and minimize the losses.</p>	<p>GMSES and all FTAT members and RSU staff.</p> <p>Person resp. of the region / woreda</p>	<p>The establishments of women led MSEs have been included into all regions' 2010 EFY plans and regions have been trained to facilitate the process and to train woredas to implement the business establishments.</p> <p>The establishment process has been slow but constant. MSEs are expected to be established in the Q4 of 2010 EFY.</p>

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<b>Cost recovery not adequate to cover the O&amp;M costs</b>	<p>Community members not committed to pay adequate tariff of O&amp;M.</p> <p>WASHCO members reluctant in the effective tariff setting, tariff collection and regular preventive maintenance.</p>	<p>Long term sustainability and functionality of water schemes are put on risk.</p> <p>This will result to the maintenance backlog and once the maintenance is truly needed adequate funds are not available.</p> <p><b>(Manageable)</b></p>	<b>M</b>	<p>Tariffs, efficiency of tariff collection and payment of tariffs are assessed annually by the woreda staff and reported to the RSU and FTAT.</p> <p>Region water bureau reports and assessments also used to measure the likelihood of risk realization.</p> <p><b>(Moderate)</b></p>	<b>M</b>	<p><u>Actions to prevent the risk to be realized</u></p> <p>Support the legalization of WASHCOs.</p> <p>Awareness creation and training of region and woreda stakeholders</p> <p>Development of attractive tariff systems to make savings.</p> <p><u>Actions if risk is realized</u></p> <p>Actions required from RWSC</p>	<p>CMPS and all FTAT members and RSU staff.</p> <p>Person resp. of the region / woreda</p>	<p>No emerging risks foreseen.</p> <p>This risk cannot be handled by the project alone but is very much depending on the regions' actions and decisions.</p> <p>O&amp;M Manuals were approved in January 2018 by MoWIE and this will now provide an opportunity to solve this risk once and for all.</p>
<b>Low ownership of health and education sectors in COWASH</b>	<p>Weak participation and low allocation of resources of health and education sectors to COWASH implementation.</p> <p>Priority not given to COWASH implementation.</p>	<p>Implementation of institutional Hygiene and Sanitation will not achieve the set targets.</p> <p><b>(Manageable)</b></p>	<b>M</b>	<p>Likelihood is measured from the woreda and region annual plans and quarterly and annual financial and progress reports.</p> <p><b>(Moderate)</b></p>	<b>M</b>	<p><u>Actions to prevent the risk to be realized</u></p> <p>Strengthen cooperation with all WASH sector offices by organizing dialogue forums.</p> <p>The Sanitation specialists in RSUs will closely follow-up the ownership of health and education sector and work closely with them.</p> <p><u>Actions if risk is realized</u></p> <p>Actions required from the Embassy of Finland and RWSCs.</p>	<p>CTA and all FTAT members and RSU staff.</p> <p>Person resp. of the region / woreda</p>	<p>The risk is not acute and ownership by the health and education sector is ensured at the moment but the ownership is not very strong.</p> <p>This risk has been followed in each steering committee meeting and health and education sector commitment and ownership has been promised by the sector leaders.</p>

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<b>Delays in planning and reporting</b>	<p>Regional plan preparations delay due to the late budget allocation approvals for COWASH especially in SNNPR.</p> <p>Reports delay due to the low allocation of budget and low priority for woreda level data collection and takes time due to the low data accuracy and time taking verification of the data.</p>	<p>Implications of this risk are the delays in the timely fund transfers for implementation.</p> <p>Another risks associated with this is the delayed progress reporting and this will dissatisfy the financiers and may delay further the fund transfers.</p> <p><b>(Manageable)</b></p>	<b>M</b>	<p>Likelihood is measured through communication with woredas and regions and based on this the likelihood for delays can be assessed.</p> <p><b>(Moderate)</b></p>	<b>M</b>	<p><u>Actions to prevent the risk to be realized</u> FTAT mobilized the annual core-planning in May 2017 and has supported the regions to submit core plans for RWSC approvals.</p> <p>FTAT has developed performance reporting database program and trained RSUs for its use to make reporting easier and faster.</p> <p><u>Actions if risk is realized</u> Firm decisions required from the EoF and RWSCs.</p>	<p>MES and all FTAT members and RSU staff.</p> <p>Person resp. of the region / woreda</p>	<p>The core plan process was used to speeded up the planning and approval processes in the 2010 EFY planning. But still this was not effective.</p> <p>Extreme delays in region reporting observed in Q3.</p> <p>Efforts need to continue to make planning and reporting faster.</p>
<b>Poor water safety</b>	<p>Water quality starting from source to mouth is not potable.</p>	<p>Poor construction quality and poor WSP implementation and poor household water management will hamper the assumed benefits of clean water.</p> <p><b>(Manageable)</b></p>	<b>M</b>	<p>The National Water Quality Assessment Report will be carried out and published.</p> <p>Project will also collect and analyze own data.</p> <p><b>(Moderate)</b></p>	<b>M</b>	<p><u>Actions to prevent the risk to be realized</u> Strengthen and scale up the implementation of CR-WSP.</p> <p>Develop new implementation instruments in close collaboration with MoH and WHO for the improved household water management and HWTS.</p> <p><u>Actions if risk is realized</u> Organize awareness campaigns and trainings.</p>	<p>ECRWSS and CDS and all FTAT members and RSU staff.</p> <p>Person resp. of the region / woreda</p>	<p>The National water quality assessment report not published. The news anyhow indicates that most of the improved RWS schemes do not fulfill the requirement of potable quality.</p> <p>CR-WSP implemented in COWASH indicate remarkable potential for improvements in water quality.</p> <p>Intensify CR-WSP process.</p>

Contextual risks								
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<b>Predicted draught or flooding</b>	Extreme weather events such as drought and flooding may cause water supply facilities to dry up or collapse and water quality may deteriorate.	Infrastructure becomes non-functional and deteriorated water quality may cause high health risks. Decreased ground water levels require expensive technology choices. Significant effect to achieving the set targets if financial resources are directed to the drought/flood prone areas. <b>(Manageable)</b>	<b>M</b>	Based on the reports from the meteorology and relevant UN organizations the likelihood of draught or flooding can be estimated. <b>(Moderate)</b>	<b>M</b>	<u>Actions to prevent the risk to be realized</u> Prompt implementation of site selection and SECRS and management plans for each water supply. Prompt implementation of CR-WSPs. Prompt implementation of O&MM. Focus also on institutional water supply to ensure availability of water beyond community level. <u>Actions if risk is realized</u> Reallocation of resources.	CTA and ECRWSS and all FTAT members and RSU staff.  Person resp. of the region / woreda	So far the drought has not affected directly to COWASH woredas. Although lot of region's resources have been directed for the emergency mitigation it has not affected for COWASH financing.  COWASH is focusing through its capacity building component to increase the water safety planning and climate resilient screening in site selection as well as through the SECR management planning.
<b>Big inflation or major change in exchange rate</b>	Inflation and exchange rate change are caused from national and international economic development and economic trends.	The project is planned with moderate inflation. The major change in exchange rate will decrease the available financial resources from GoF. <b>(Significant)</b>	<b>S</b>	Likelihood is assessed from national economic reports and international exchange rate forecasts. <b>(Low)</b>	<b>L</b>	<u>Actions to prevent the risk to be realized</u> Follow-up the development of economic growth and inflation and exchange rate development.  <u>Actions if risk is realized</u> Firm decisions required from the Embassy of Finland and RWSCs.	CTA	Government implemented 15 % Birr devaluation in October 2017. The value of one EURO from 26.5 Birr increased to 32 Birr. In Q3 is has increased to 33.5 Birr but stabilized there.  Construction material and equipment costs will increase.

Institutional risks								
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<b>Social instability or war</b>	<p>The social instability is caused by people's demand for change.</p> <p>War caused by external threat to Ethiopia.</p> <p>Instability or war may be local but can also spread to the whole country.</p>	<p>Movements and communication restricted, transport, supervision and follow-up of the project is disturbed.</p> <p>In worst scenario project stops functioning.</p> <p>COWASH project targets are in risk.</p> <p><b>(Significant)</b></p>	<b>S</b>	<p>Likelihood of the risk is assessed from the security reports and security advises provided by the Embassy of Finland.</p> <p><b>(Moderate)</b></p>	<b>M</b>	<p><u>Actions to prevent the risk to be realized</u></p> <p>Implementation of water and sanitation should be a priority even in the middle of instability.</p> <p>Through close coordination and communication FTAT and RSUs seek for justified exceptions for COWASH implementation.</p> <p>Preparedness plan is updated regularly and informed to all concerned parties.</p> <p><u>Actions if risk is realized</u></p> <p>Firm decisions required from the Embassy of Finland and RWSCs.</p>	CTA	<p>SOE was lifted in July 2017. The second SOE was launched in Feb 16, 2018.</p> <p>Local isolated conflict situations have occurred in Oromia, Amhara and Somali regions. Movements from Addis Ababa to regions and also inside the regions have been restricted.</p> <p>Many supervisions and data collections were postponed due to these restrictions and as a result project reporting delayed.</p> <p>Situation improved from March 27, 2018 when new Prime Minister was elected.</p> <p>It is expected that the security situation will improve in Q4.</p>