

## 6.8 Financial Plan

### 6.8.1 Willingness-to-Pay

Households were classified into three groups based on the size of their monthly income. It was assumed that those households with the monthly income of up to Nfa 599 belong to the low income group, those with the monthly income of Nfa 600 to Nfa 999 the middle income group and those with the monthly income of Nfa 1,000 and more the high income group.

According to the socio-economic questionnaire survey conducted by the JICA study team, the average monthly income and the share of each income group works out as shown in the table below. It shows that income is widely apart from group to group. It also shows that the income and the share are negatively correlated.

The average willingness-to-pay for water is Nfa 11.3 in monthly amount and 2.2% as the percentage of income.

Income group wise, the average willingness-to-pay is Nfa 8.6, Nfa 14.9 and Nfa 15.8 in monthly amount in the low, middle and high income groups respectively, while it is 2.7%, 2.2% and 1.3% as the percentage of income in the respective groups.

The table shows that the richer you are, the more you are willing to pay for water. However, it is noticed at the same time that there is not so much difference in the willingness-to-pay in monthly amount as in the size of income between groups. It results in the fact that the richer you are, the less you are willing to pay for water in terms of the percentage of your income.

Item	Low Income	Middle Income	High Income	Total
1. Average Monthly Income, 1997 (Nfa)	321	674	1,234	518
2. Share (%)	58.2	32.9	8.9	100.0
3. Willingness to Pay for Water (Nfa/m)	8.6	14.9	15.8	11.3
4. Willingness to Pay for Water (%)	2.7	2.2	1.3	2.2

The low and high income groups are assumed to be the candidates for the users of communal water points and house connections respectively, while some of the middle income group are assumed to use house connections and another yard connections.

### 6.8.2 Water Tariff Analysis

According to the results of the socio-economic survey, the high, middle and low income groups in Segenity are willing to pay monthly at Nfa 15.8, Nfa 14.9 and Nfa 8.6 for water, respectively. However, in terms of percentage of income, their respective willingness-to-pay for water works out at 1.3%, 2.2% and 2.7%.

To achieve the financial objective of sustainable management for WSA Segenity as well as the social justice, water price is proposed to be the highest for the house connection users, at a medium level for the yard connection users and the lowest for the communal water point users. The house connection users

include non-domestic customers. In the same context, the payment for water in terms of the percentage of income will be higher for the house/yard connection users than for the communal water point users. The latter proposal defies the results of the socio-economic survey. The underlying concept is the cross-subsidizing among income groups. In all cases, the percentage of water payment to income will not exceed 4% as recommended by the World Bank.

After series of mathematical model simulations to attain financial viability and stability for WSA Segeneity and at the same time to fulfill social fairness and justice, water prices in the target years are proposed and shown in Table 6.8.1.

**Table 6.8.1 Payment for Water by Service Mode -Segeneity-**

(Unit: Nfa)

Year	House Connection		Yard Connection		Communal Water Point		Total	
	Income/m	Share (%)	Income/m	Share (%)	Income/m	Share (%)	Income/m	Share (%)
2000	1,099	15	736	20	391	65	566	100
2005	1,224	17	780	22	453	61	656	100
2010	1,365	19	841	24	525	57	760	100
2015	1,499	20	894	27	609	51	882	100

(Unit: Nfa)

Year	House Connection		Yard Connection		Communal Water Point	
	lcd	Price/cm	lcd	Price/cm	lcd	Price/cm
2000	25	10	20	8	15	4
2005	28	10	22	8	15	4
2010	30	11	24	9	15	4
2015	35	11	27	9	15	4

(Unit: Nfa)

Year	House Connection		Yard Connection		Communal Water Point	
	Payment/m	Payment %	Payment/m	Payment %	Payment/m	Payment %
2000	37	3.3	24	3.2	9	2.3
2005	42	3.4	26	3.3	9	1.9
2010	50	3.6	32	3.8	9	1.7
2015	58	3.8	36	4	9	1.4

The shares and lcd for the three types of water facility users in the target years were previously determined by the study team based on the current water supply and other conditions in Segeneity, which were clarified as a result of the socio-economic survey. The monthly income by type of users was

projected based on the existing economic conditions and socio-economic survey conducted. In doing so, the annual average growth rate of income in real terms was assumed at 3%.

It is proposed that the water price per cubic meter will be Nfa 10, Nfa 8 and Nfa 4 for house connection, yard connection and communal water point users respectively up to the target year of 2005. Also, it will be Nfa 11, Nfa 9 and Nfa 4 for house connection, yard connection and communal water point users, respectively, up to the target year of 2015.

Thus, the monthly payment for water will be Nfa 42, Nfa 50 and Nfa 58 for house connection users in 2005, 2010 and 2015 respectively, Nfa 26, Nfa 32 and Nfa 36 for yard connection users in the respective target years, and Nfa 9 for communal water point users up to 2015. In terms of the percentage of income, it will be 3.4%, 3.6% and 3.8% for house connection users, 3.3%, 3.8% and 4% for yard connection users, and 1.9%, 1.7% and 1.4% for communal water point users, in the respective target years.

### **6.8.3 Revenue Estimation**

The revenue sources of WSA Segeneity are water charge, technical service charge, meter rent and miscellaneous revenues.

Water charge is the central revenue source. It is collected from the house connection, yard connection and communal water point users. House connection users include commercial, industrial and institutional clients. Water charge has been calculated from the number of households/non-domestic customers, family size, lcd and water price by the mode of water supply in each year for the whole period from the completion of the first phase project up to the final target year. In translating the amount of water charge into the revenue, bill collection efficiency was assumed to be 98% based on the current situation where it is virtually 100%.

The second revenue source is the technical service charge. When WSA Segeneity installs an individual connection for a customer, this technical service charge will be collected in addition to the material cost. It is calculated at Nfa 378 on average. The number of individual connections to be installed is estimated at 525, 227 and 330 in 2005, 2010 and 2015, respectively.

The third revenue source is the revenue from meter rent. The rental fee is assumed to be Nfa 1 per month per individual connection.

The last revenue source is miscellaneous revenues such as those from the sale of materials, fines, etc. They were not taken into account because they are of an irregular and unpredictable nature on one hand, and not substantial in amount on the other hand.

The revenue deriving from the above-mentioned sources must be sufficient and stable enough to sustain the management of WSA Segeneity in the years to come.

Taking all the above-mentioned into consideration, the future revenue of the WSA is estimated as follows:

(Unit: Nfa thousand)

Year	2002	2003	2004	2005	2006	2007	2008	2009
Revenue	592	647	709	778	855	936	1,026	1,126
Year	2010	2011	2012	2013	2014	2015	2016	
Revenue	1,238	1,328	1,451	1,589	1,742	1,914	1,888	

#### 6.8.4 Cost Analysis

##### (1) Initial cost

Initial cost is comprised of construction cost, engineering fee, administration cost and physical contingency. Each of the above-mentioned cost was divided into local and foreign components.

Construction cost was classified into the cost for pumps and other facilities because of the difference in depreciation period between the two categories. The depreciation period is assumed to be 15 years for the pumps and 50 years for other facilities.

Engineering fee, which belongs to foreign components is assumed to be 10% of construction cost, while administration cost, which is usually composed of local currency is estimated at 2% of construction cost. Finally, 10% was added to the sum total of the above-mentioned cost as physical contingency.

Initial cost is estimated at Nfa 11,229 thousand, Nfa 6,880 thousand and Nfa 8,397 thousand at 1997 prices for the works for the target years of 2005, 2010 and 2015 respectively. (Refer to the tables below.)

- Year 2005

(Unit: Nfa thousand)

Item	Local Components	Foreign Components	Total
1. Construction Cost			
Pumps	13	329	342
Other Facilities	4,468	4,305	8,773
Sub-Total	4,481	4,634	9,115
2. Engineering Fee	-	911	911
3. Administration Cost	182	-	182
4. Physical Contingency	466	555	1,021
Total	5,129	6,100	11,229

- Year 2010

(Unit: Nfa thousand)

Item	Local Components	Foreign Components	Total
1. Construction Cost			
Pumps	17	550	567
Other Facilities	2,301	2,716	5,017
Sub-Total	2,318	3,266	5,584
2. Engineering Fee	-	558	558
3. Administration Cost	112	-	112
4. Physical Contingency	243	383	626
Total	2,673	4,207	6,880

- Year 2015

(Unit: Nfa thousand)

Item	Local Components	Foreign Components	Total
1. Construction Cost			
Pumps	27	760	787
Other Facilities	2,903	3,126	6,029
Sub-Total	2,930	3,886	6,816
2. Engineering Fee	-	682	682
3. Administration Cost	136	-	136
4. Physical Contingency	307	456	763
Total	3,373	5,024	8,397

(2) Implementation schedule

Implementation for the first, second and third phases of works is scheduled as follows. Each phase of the works covers two years, the first year will be for detail design and the second year for construction.

2000	2001	2002	2003	2004	2005	2006	2007
2008	2009	2010	2011	2012	2013	2014	2015

(3) O&M cost

Operation and maintenance cost to be incurred annually after the completion of each phase of works is estimated as follows.

(Unit: Nfa thousand)

2005	2010	2015
407	662	952

### 6.8.5 Projection of Financial Statement

In preparing projected financial statements based on the estimated revenue and cost as explained in sections 6.8.3 and 6.8.4, it was assumed that:

- (1) Initial cost will be totally subsidized by the government, viz., the people of the town will not be obliged to repay the initial cost.
- (2) The people of the town will shoulder the replacement cost of all facilities.
- (3) No tax will be imposed on the profit from water supply operations.
- (4) Project life will be 30 years since the start of the implementation of the first phase of works.

The resultant financial statements including income statement, funds statement and balance sheet are shown in Appendix G, Table-2.

Revenue to Cost Ratio	Cash to Revenue Ratio	Profit to Assets Ratio
110.7%	39.7%	0.6%

As the table shows, WSA Segeneity will be financially successful and have a stable management in the years to come, if all the conditions mentioned in the preceding sections concerned are met.

## 6.9 Project Evaluation

### 6.9.1 Economic Evaluation

- (1) Benefits of water

Implementation of the Project will provide a reasonable amount of clean and safe water to the wide ranges of the people of the town. It means that women, girls and boys will be set free from the daily repetition of water fetching drudgery. Also, the incidence of water-related diseases such as diarrhea, dysentery, parasitic diseases and skin diseases will be drastically reduced, whereby contributing to the improvement of the health of the people in general.

These economic benefits can be considered to be reflected in the prices of water. Currently, the prices of water in the town is institutionally fixed, ranging from Nfa 2 to Nfa 5 per cubic meter depending on service modes. Such water prices only partially represents the economic benefits of water, but not fully due to institutional consideration. The economic benefits of water can be regarded to be fully reflected in the prices of the water bought from water vendors. In Debarwa, where the scarcity of piped water is the most severe among the seven towns, water prices from water vendors range Nfa 16 to Nfa 40 per cubic meter according to the socio-economic survey.

The economic benefits of piped water is assumed at Nfa 20 per cubic meter.

(2) Future lcd and population in the without project case

The lcd or the per capita per day piped water consumption in liters under the existing circumstances in the seven towns is calculated at 10.3 on average based on the results of the socio-economic survey. The value is 74% of 13.9, which is an lcd including water from shallow wells, rivers/springs and rain.

In the “without project” case, it is assumed that the lcd will continue to be 10.3 throughout the project life period.

If the Project is not implemented, it is expected that the population of the town will not grow as fast as envisaged in the “with project” case due to constraints in water supply.

In the “without project” case, it is assumed that the growth rate of population will go down to a half of the rate foreseen in the “with project” case.

(3) Other conditions/assumptions

In performing economic analysis, the following conditions/assumptions were presupposed besides the above ones.

- a) Project:..... 30 years from the start of the first phase works
- b) Opportunity cost of capital:..... 10%, an average value perceived appropriate by the World Bank
- c) Cost and implementation schedule:..... (see 6.8.4.)
- d) Standard conversion factor: ..... 0.9, to be applied to local components of initial cost

(4) Results of economic analysis

Cost benefit streams were prepared based on all the above-mentioned conditions and assumptions, as shown in Appendix G, Table-3.

Using the streams, economic analysis of the Project was carried out, producing the economic criteria as shown in the following table.

Economic Criteria	NPV (Nfa thousand)	B/C	EIRR (%)
Value	-3,939	0.79	6.7

The table shows that the EIRR of the Project is 6.7%, which is below 10% or the assumed opportunity cost of capital (OCC). However, the value can be regarded as a reasonable one, considering the social nature of the Project.

(5) Sensitivity analysis

Sensitivity analysis was performed to determine how EIRR will change if cost overrun of 20% occurs or if the cost overrun of 20% and the 10% decrease of benefits simultaneously occur. The results are shown below.

### EIRR (%)

Case	Base Case	Case 1	Case 2
Conditions	-	Capital Cost: +20% O & M Cost: +20%	Capital Cost: +20% O & M Cost: +20% Benefits: -10%
Value	6.7	4.2	2.4

The table shows that the EIRR stays substantially above the discount rate of zero even under the unfavorable situation of Case 1, and still stays above zero even under the severest assumption of Case 2.

### 6.9.2 Financial Evaluation

Financial internal rate of return (FIRR) cannot be calculated due to the peculiar state of cost benefit streams, characterized by the absence of initial cost in the cost stream.

Therefore, financial evaluation was done for the projected financial statements only.

The projected financial statements as shown in Appendix G, Table-2 are summarized in the management indice tabulated below.

(Unit: %)

Management Indice	Revenue to Cost Ratio	Profit Rate	Working Capital to Revenue Ratio	Profit to Total Assets Ratio
Formula	Revenue / Cost x 100	Profit / Revenue x 100	Working Capital / Revenue x 100	Profit / Total Assets x 100
Value	110.7	8.2	39.7	0.6

The table shows that WSA Segeneity will have a certain extent of profit, a substantial reserve of working capital to prepare for replacement of facilities and a nominal profit to the assets invested in the years to come.

### 6.9.3 Organizational Evaluation

At the national/central level, strengthening of the various Departments of the MoLWE, MoLG and the MoH is proposed. While the task allocation at the central level seems to be clear, those of the region needs much refinement and clarification, especially so far as the relationship with sector at the center is concerned.

While the establishment of the WSA is expected after the promulgation of the Water and Sanitation Law, it is however, proposed to establish the PMU much earlier to facilitate the implementation of the first phase of the project.

In the following are presented the proposed organizational/institutional measures:

- (1) There is a need for strong component of institutional capacity building as well as training of middle level and lower level manpower for the main focal ministries at the central level, i.e., MoLWE, MoLG and MoH. WSA staff in Segeneity also need a strong component of re-training. As a



precondition to this, however, stronger and more transparent division of responsibilities between the central focal ministries for water and sanitation and the regional counterparts needs to be established. If RAD/MoLG is to gradually hand-over its executing and supervisory role to the regional level, it is also necessary to build the capacity and the level of skills of regional institutions and regional level manpower.

- (2) It is proposed that all training of middle and lower level manpower be centralized and that the national WSA be entrusted with all training responsibilities related to water supply facilities. This will have a number of merits which include better training needs assessments, uniformity in equipment and materials, cost savings, etc.
- (3) A close look at the organizational/institutional framework of the three ministries also reveals that the planning function is separate from the main departments responsible for water or sanitation. Though all of them have Planning and Human Resources Department it is not clear how, by whom and where, for example, water demand projection and facility planning will be done. Are these the functions of central level ministries or regions? Or should it be given to the envisaged WSA? The decision need to be taken in order to set the track for a proper management of water and sanitation projects.
- (4) In the wake of the establishment of WSA, it needs to be vested with decision making powers in setting water tariffs (which needs to be based on a thorough study of local conditions), as well as personnel management, execution of small-scale rehabilitation and maintenance works, purchasing of equipment and supplies. Approval will be given by the RAD/MoLG and reported to the Board.
- (5) With regards to sanitation, training will have to continue to be given by the MoH. It seems, however, that there is duplication and overlap between the functions of the Environmental Health Unit of the MoH and those of the MoLWE concerning issues related with policies, regulations and supervisory role. The same is also true with regards to tasks of the MoLWE and those of the MoLG/RAD in relation to water demand projection and facility planning.
- (6) Existing sanitation/health committees will be strengthened in Segeneity, by including members from schools, hospital/health center, the bank, regional WSA staff and the community. The major objective of the committee will be to promote, coordinate and unify activities so that sanitary awareness of the people and the installation of facilities will be effectively promoted.
- (7) According to the socio-economic survey conducted by the study team, the sampled households in the study areas are not in favor of communal water points. However, to the extent that the majority of the town residents are from the lower income group, and to the extent that they may not afford private house connections or yard connections, there could be no option rather than to reorganize these committees and empower them with decision making powers in financial, personnel, and technical terms.
- (8) Construction of private latrines will be promoted. But communal toilets will be constructed only after due consultation with communities concerned.
- (9) The software aspect of the project will be given equal attention as that of the hardware, including assistance to community in water and sanitation management along with continuous sensitization

and awareness creation program.

- (10) Given that women are the most concerned with water and sanitation matters, and given that they constitute the majority of the unemployed in the towns, it is proposed that women make up not less than 60 percent of the committee members of communal water points and communal toilets.

Summing up, the following evaluation of the above organizational measures can be made:

- (1) Planning and execution of water supply and sanitation projects in the country and indeed in Segeneity will be streamlined and properly effected, and appropriate capacity building measures will be taken to ensure this.
- (2) A viable training component will be developed in order to meet the skilled manpower requirements at the country, Debub region and Segeneity town levels.
- (3) Project execution will be effected by the PMU which will be established in the MoLG.
- (4) WSA will be established in Segeneity and assistance rendered to strengthen it institutionally and to the training of skilled personnel.
- (5) Sanitation and environmental health will institutionally occupy its proper position in the town's WSA to fulfill the urgent needs for its sanitary improvement.
- (6) The community in Segeneity will assume prime position in the planning, implementation and management of water and sanitation facilities in their locality.

#### **6.9.4 Technological Evaluation**

The proposed water supply system is composed of relatively simple facilities, those of which are not quite different from the existing ones. Main materials for the project, such as PVC pipe for casing and screen, submersible pump for well pump, ductile cast iron pipe for transmission pipeline and PVC pipe for distribution pipeline, are recently very common in Eritrea. There are a few agents of these materials in Asmara. Although a new material made of fiberglass reinforced plastic is to be introduced for elevated tank, the light material could facilitate the construction work very smoothly. The material is also expected to have a long life span comparing with other conventional materials, thus the long run cost could be reduced for the reservoir.

The construction works are carried out by manual labor at present. Soil features are sometimes fresh rock, and topographical configurations are various and steep. Moreover, the lengths of transmission and distribution pipelines are so long. Therefore, use of construction machinery shall be considered to minimize the construction period. Also, the construction works by machinery will be useful and popular in future in Eritrea.

Under the project, several numbers of boreholes are newly required. Their locations are distant from the town and/or distant each other, or sometimes away from others. Therefore, mobilization of these well pumps and boosting pumps is required for periodical or daily operation. In this regard, transportation shall be strengthened by means of vehicle or motorbike.

### **6.9.5 Social and WID Evaluation**

The value added to women in the town of Segeneity are as follows:

- (1) The improvement in piped water supply in Segeneity, will, among other things, result in the significant reduction of time and energy spent in the collection of water, particularly for women, girls and boys. This will allow boys and girls to devote more time for their studies and for women to have more time for other activities, including more leisure time or more opportunity for income generation activities.
- (2) This should improve the quality of life for these social groups, making Segeneity town a more pleasant place to live. The health and well-being of residents will improve and eventually these towns will attract more residents thus relieving the pressure on big cities like Asmara..
- (3) By the provision of toilets, there will be not only more hygienic environment, but will also allow women and girls the privacy which they have been not allowed to have. Also females will be freed from inconveniences peculiar to them in the absence of proper sanitation facilities.
- (4) The project will allow the participation of the community in making decisions regarding the location of public water and sanitation facilities, thus enhancing their sense of empowerment. In addition, the project could provide employment opportunities for women during its implementation and operation stages.

### **6.9.6 Environmental Impact Assessment**

#### **(1) Institutions and policies.**

The Eritrean Environment Proclamation was drafted in 1996 as a policy instrument for the integrated management of the environment. The Eritrean council for the environment was established under the (draft) proclamation as the organ responsible for integrating national development policies and objectives. At present Department of Environment (previous name was Eritrean Agency for the Environment (EAE)) is the only organization under the Ministry of Land, Water and Environment which deals with the environmental aspects of the country. Since the independence, Eritrea has taken seriously the issue of degraded environment of the country. As a first step, the government of Eritrea has formulated an "Environmental Management Plan for Eritrea" as a blue print for the protection of environmental resources and for the promotion of sustainable development. The Plan represents the framework within which phased actions should be taken to build up the capacity to manage the environment. The plan emphasize on optimizing rather than maximizing resource use.

In Eritrea, environmental assessment is not yet a legal requirement for any development project, except for those projects covered by sectoral regulations (e.g. mining activities, oil and gas exploitation etc.) due to the absence of national environmental legislation. Therefore, some individual organizations have developed their own guidelines or follow other organization's one. For example, Department of Energy and Mines have developed its own sectoral guidelines for Environmental Assessment (EA) which have some legal status. The Ministry of Trade and Industry is currently following UN guidelines for EA. Eritrean Community Development Fund (ECDF) within the Ministry of Local Government has developed two volumes of "Natural Resources Management Handbook" which contains checklists and mitigation

measures for environmental impacts of selected projects.

Since the past years, the Department of Environment has been working on "Eritrean National Environmental Assessment Procedures and Guidelines-1998" with the Environment and Development Group of Oxford, UK. They have already prepared a draft and organized seminars for comment and now they are sending it to the regions for further discussions and comments. According to the guidelines there is a list projects and with categories. The projects listed in category-A are subject to perform a full EIA, projects in category-B will only need environmental evaluation and for category-C no environmental assessment is required.

## (2) Initial Environmental Examination (IEE)

As it is mentioned in the earlier chapter that as a whole Eritrea's environment has been degraded in many ways due to many reasons. Especially, forestry of the country has been badly affected, then in relation to this, soil erosion has also become an important environmental issue. Segeneity is also not free from all these problems. Poor standard of sanitation and hygiene need to be addressed. Solid waste disposal system is still to be established. The quality of drinking water is not that high grade and reports of water-borne diseases are there. The pressure on groundwater is always in increasing trend and causing depletion of water level.

According to the JICA regulations, all development projects subject to carry out an Initial Environment Examination (IEE) and then, on the basis of the result of IEE, decision for EIA shall be taken. For this purpose, existing environmental conditions in the region and present status of the government policies have been studied and stated above.

The characteristics of the subject project is to develop groundwater for drinking in the seven urban towns, which includes Segeneity. The scale of the project is not a large one. There is no major construction involved except bore-hole digging at two locations. The diameter of the bore-hole will range between 6"-10". The depth of the well is assumed to be around 50m. Average rate of withdrawal is expected to be 9.0 lit/sec and 1.0 lit/sec from each well. The construction time will not require more than a week. The conveying means will be pipe lines of 100mm dia. Apart from a very minor possibility of depletion of groundwater level, no major negative impact on the environment is expected due to this project in terms of social, natural environment including pollution. Therefore, attention should be given on the amount of water that will be planned to withdraw from the source and its effect on the surroundings. For this purpose regular monitoring of water level is recommended. On the other hand, supply of safe water will improve the living condition and formulation of sanitary education plan will upgrade the existing health and hygienic conditions of the inhabitants.

However, environmental screening and scoping for IEE in JICA format have been performed for this sub-regional town. From the result of the IEE it is concluded that no EIA is necessary for this project. The checklists for screening and scoping are presented in Appendix F.

## 6.10 Project Implementation Plan

Major works of this project are borehole drilling work, pipe laying work, civil works, mechanical and electrical works, etc. These works have been carried out mostly by manual labor in Eritrea. However, it would be recommended to introduce a certain number of construction machines in order to minimize

the construction period.

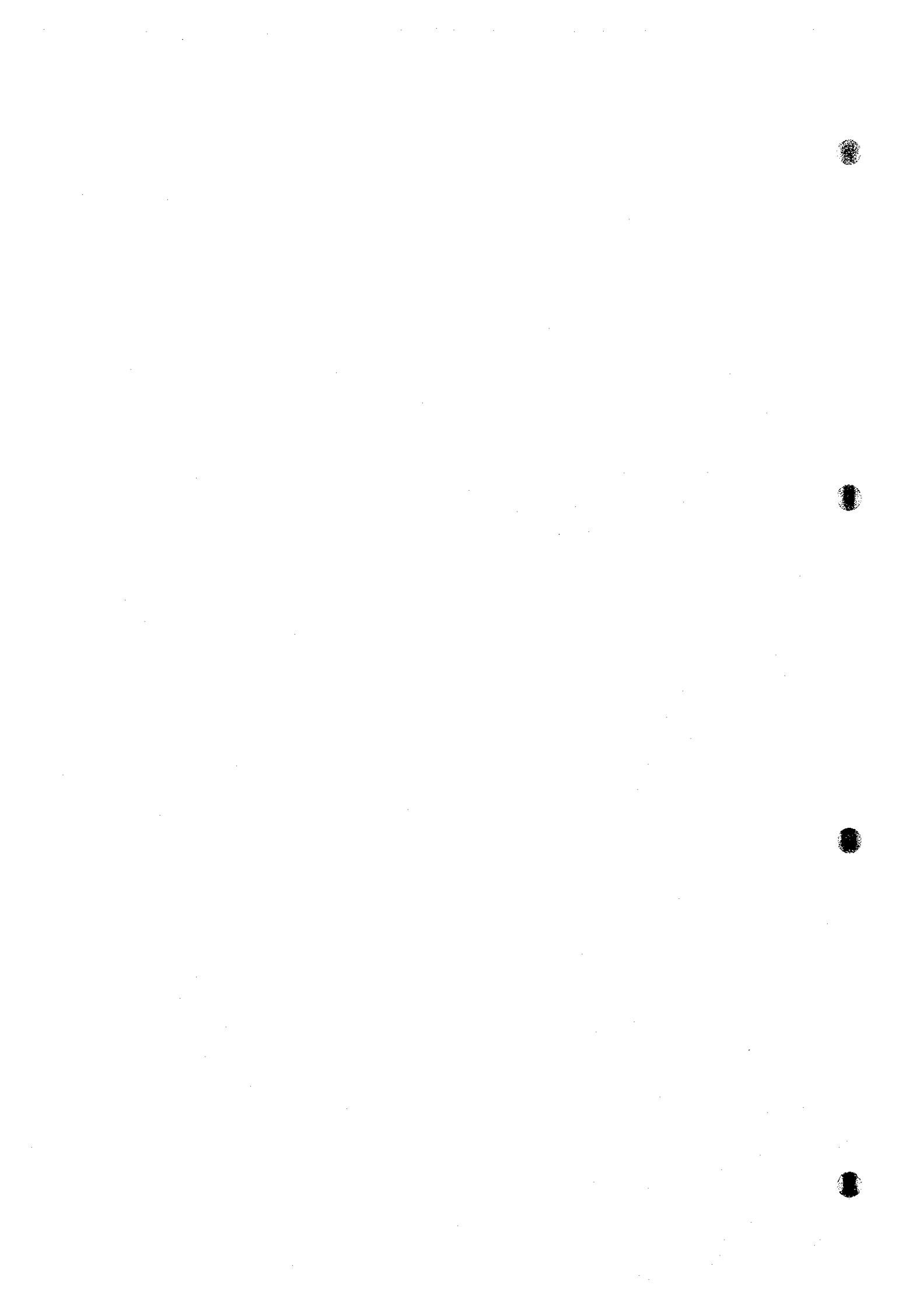
The implementation schedule is divided into three phases to meet the target year and into two stages, namely, a) preparation of finance including the foreign currency portion and of detail design together with tender documents, and b) implementation of the project.

Seven towns are also divided into two groups. Group 1 is 3 towns of Debarwa, Mendefera and Dekemhare. Locations of these towns are near the capital of Asmara and the population projection is higher than other towns. Group 2 is remaining 4 towns.

The schedule is proposed in the following, taking into consideration the above two stages and groups.

**Figure 6.10.1 Implementation Schedule**

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010



## CHAPTER 7 PROJECT FEASIBILITY STUDY

Project feasibility was studied for the priority projects targeting the year of 2005.

### 7.1 Groundwater Development Plan

#### 7.1.1 Hydrogeological Condition

Segeneity town is located on the top of marginal mountains, continued from the north of Dekemhare. The north of the mountains forms quite steep cliffs dissected by rivers pouring into the Red Sea. While, the southern part of the mountains, where Segeneity town situated, gradually reduces its altitude toward the wide Mereb basin.

The Precambrian Basements are exposed in and around the area. Granites expose near around and east/west of the town. Metavolcanic phase of the basement occurs in the southern and northern parts, beyond the granite belt. And metamorphic phases distribute at far north and also far southeast of the area.

Since the area is underlain by Precambrian basement, the major aquifer system of the site is a fissured aquifer of basement. All three types of the basement aquifer distribute coincidentally: granite type, metamorphic type, and metavolcanic type. Exception is an intergranular type aquifer distributing on the bottom of valleys belonging to the Red Sea basin.

#### 7.1.2 Water Resources

##### (1) Current water resources

Current public water source of the town is only one dug-well (DW-1) dug beside Mai Mogdo. The well has 3.0m of diameter and around 11m of depth, yielding 4.0 lit/sec of water reportedly. Groundwater is withdrawn by a submersible pump and sent to a reservoir tank for water supply.

##### (2) Test Well under the Study

Three Test Wells were allocated for Segeneity site, namely SEG-1, SEG-2 and SEG-3. SEG-1 was drill in the small valley called as Mai Mirakat, SEG-2 was drilled at around 4.5km west of the town, crossing point with Highway and Mai Adi Howya valley, and SEG-3 site was selected around 3km SE of the town. Well logs and structures are attached in Appendix-C, and lithological conditions of them are summarized in the previous section (4.1.3).

SEG-1 encountered with groundwater at 2.4m depth at first. The weathered granite zone from 3.6 to 8.0m yielded around 2.0 lit/sec of groundwater. Below the depth, the groundwater yield was not increased at last, so that the screen was set at upper portion from 7.0 to 28.0m. As a result, 17.4 m<sup>2</sup>/day of Transmissivity was obtained under 1.0 lit/sec of constant discharge test.

At SEG-2, groundwater table was shallow as only 1.5m bgl. Significant groundwater yield was obtained in the sand-gravel zone from 4.0 to 6.0m in depth. In the weathered granite zone, groundwater yield was slightly increased. Thus, the screen was set at the span from 9.0 to 36.0m in depth. Result of the

pumping test showed around 9.0 lit/sec of constant yield and 50 m<sup>2</sup>/day of Transmissivity. The well SEG-3 had almost no water and following pump test was omitted.

### (3) Groundwater potential and water quality

Averaged annual rainfall in Segeneity area is around 494.3 mm/a, and the groundwater recharge volume is estimated as 38.6 mm/a. The area of Mai Mirakat basin inclusive of Segeneity town is only 5.75 km<sup>2</sup>, however, the Mai Adi Howya basin, in where SEG-2 locates, has about 11.5 km<sup>2</sup> of catchment area, resulting that the maximum yearly groundwater recharge volume is 0.44 MCM/a. While, the major aquifer of the basin is fissured type aquifer in the metamorphic basement, having favorable storativity, and then, the outlet of the basin is enclosed at downstream of the Highway forming a swamp zone. The situation allows rather high groundwater utilization ratio, around 50% of the renewal groundwater volume without any artificial retaining measures. Thus, the groundwater development potential of Mai Adi Howya basin can be estimated as around 0.22 MCM/a.

Groundwater in Segeneity area, both Mai Adi Howya and Mai Mirakat basins, are bacteriologic-ally safe for domestic water supply. Chemically, the water quality was said fairly good. However, the water is slightly hard and has manganese concentration exceeding the WHO guideline value to cause staining problem. Further severe checking on water quality, to decide a water treatment method, shall be required.

### (4) Water resources for the target year

The existing water source has a total yield of around 276 m<sup>3</sup>/day, but the yield of newly drilled SEG-2 is as around 622.1 m<sup>3</sup>/day, far beyond the water demand in 2010. The situation leads to the simple water resources development plan, that is, a completion of SEG-2 as the new water source and a construction of pipeline from here to the reservoir. There is no need to prepare existing DW-1 in this period.

### 7.1.3 Groundwater Development Plan

Groundwater development plan, for Segeneity town targeting 2005, shall be as follows:

- a) Siting for new SEG-2 at the downstream of Highway,  
- hydrogeological reconnaissance, TEM prospecting, comprehensive analysis, etc.-
- b) Drilling of new SEG-2,  
- drilling, borehole logging, pumping test, water quality analysis, etc.-
- c) Completion of the new SEG-2, as the new water sources,
- d) Pump installation, pumping house and a panel board, supply pipe line, etc.-

The standard well structure for newly drilled production well (nSEG-2) is shown in Appendix-C, together with the technical specifications.



## 7.2 Facility Design

### 7.2.1 Facility Design for Water Supply

#### (1) Well pump

Submersible pump is recommended as well pump. Capacity and total head of pump are designed to meet the water demand in 2005 and loss head of transmission pipeline. Specifications of the well pump are shown in the following.

**Table 7.2.1 Specifications of Well Pump**

Well No.		SEG-2	Remarks
Discharge	M <sup>3</sup> /m	0.240	
Elevation of intake	EL.m	2003.79	
Water level	GL-m	12.6	
Elevation of reservoir	EL.m	2104.0	
Water level	GL+m	2.5	
Actual loss head	m	115.31	
Loss head by pipeline	m	20.02	
Total head	m	135.33	
Number of unit	Set	1	

#### (2) Transmission pipeline

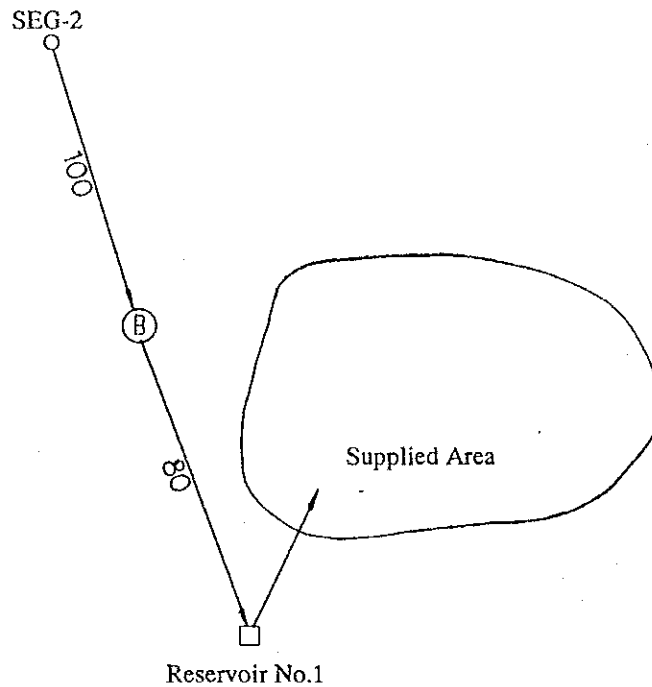
As mentioned in "5.4.3. Facility Plan", transmission pipeline and main distribution pipeline are difficult to be expanded to meet the future demand. Therefore, diameter of these pipelines shall be decided for the water demand in the target year 2010 under this project. On the other hand, other facilities like well, pump, reservoir, etc. shall be designed for the water demand in the target year 2005 because they are easy to be expanded.

Normally, diameters of pump pipeline shall be subject to the flow velocity in the pipe. In case of small diameters (less than 300 mm) under the project, the most suitable velocity in the pipe is 0.6 m/s to 1.0 m/s. Therefore, the flow velocity for the water demand in 2005 shall be more than 0.6 m/s. Ductile cast iron pipe is selected for the transmission pipeline.

Pipeline route from the borehole of SEG-2 to the new reservoir is selected nearly straight line.

Hydraulic feature of the transmission pipeline is shown in the following.

Figure 7.2.1 Plan of Water Sources and Transmission Pipelines (2005)



(3) Booster pump

Booster pump shall be planned in case the static head is more than 130m. Because dynamic head including water hammer is considered more than 200m and its pressure causes some unfavorable influence upon the transmission pipeline. Type of pump adopted is centrifugal pump. Specifications of the booster pump are shown in the following.

Table 7.2.2 Specifications of Booster Pump

Well No.		BP 1	Remarks
Discharge	M <sup>3</sup> /m	0.240	
Elevation of intake	EL.m	2104.0	
Water level	GL-m		
Elevation of reservoir	EL.m	2182.0	
Water level	GL+m	2.5	
Actual loss head	M	80.5	
Loss head by pipeline	M	15.45	
Total head	M	95.95	
Number of unit	Set	1	

(4) Pump pit

Pump pit is planned for booster pump and its capacity is 30-minute discharge by booster pump. However, the minimum capacity 15 m<sup>3</sup> is adopted and future additional capacity shall also be considered. Design capacity of the pit is shown in the following.

**Table 7.2.3 Capacity of the Pump Pit**

Pump pit No.		BP 1	Remarks
Max. Water Demand	M <sup>3</sup> /d	0.240	
Necessary capacity	M <sup>3</sup>	7.2	
Design capacity	m <sup>3</sup>	15	

(5) Reservoir

A reservoir is newly planned at the highest location. Capacity of the reservoir is 8-hour max. daily water demand. Design capacity of the reservoir is shown in the following.

**Table 7.2.4 Capacity of the Reservoir**

Reservoir No.		No. 1	Remarks
Type		Ground	
Max. Water Demand	M <sup>3</sup> /d	344	
Necessary capacity	m <sup>3</sup>	115	
Design capacity	m <sup>3</sup>	120	

(6) Distribution pipeline

Main distribution pipeline is also designed for the water demand in the target year 2010 under this project. The minimum diameter of the distribution pipeline adopted is 50 mm. Pipeline network of the main distribution pipeline is designed by use of Hardy-Cross formula, and the diameters of distribution pipes and water level in the reservoirs shall be designed to maintain the terminal pressure more than 7m. Detailed hydraulic calculation is shown in Appendix D.

(7) Service facilities

Number of individual connections is estimated from the percentage of consumers in the target year 2005. Communal water points are planned close to the area of low income houses and the vicinity. Communal water points are arranged to cover up the area by circles of 150m-radius. Service facility plan for each target year is as follows:

Number of individual connection: 525 sets

Number of communal water points: 10 sets

(8) Control house

Control houses are planned for the panel for pump, booster pump, generator for future plan, etc. Type A and B of the control house are for well pump, and type C and D are for booster pump. There is a

generator room in the Type B and D. Number of control house is each 1set of type B and type D.

**Table 7.2.5 Number of Facilities**

Item		Unit	Year
Facility	Description		2005
Intake Facility	New borehole	sets	1
Well Pump Facility	Submersible pump		SEG-2, 0.240m <sup>3</sup> /min 135.3m, 1set
Transmission Pipeline	DCIP 100mm	m	4,168.0
	ditto 80mm	m	1,085.0
	(Sub-total)	m	5,253.0
Booster Pump Facility	Centrifugal pump		BP.1, 0.240m <sup>3</sup> /min 96.0m, 1set
Pump Pit	Made of concrete		15m <sup>3</sup>
Reservoir	Made of concrete		140m <sup>3</sup>
Distribution Pipeline	PVC 125mm	m	531.0
	ditto 100mm	m	232.0
	ditto 75mm	m	954.0
	ditto 50mm	m	9,365.0
	(Sub-total)	m	11,082.0
Control house		sets	2
Communal W.P.		sets	10
Individual Connection		sets	525
Temporary Road	Width 3.0m	m	3,000

### 7.2.2 Facility Design for Latrine

The type of toilet designed is one unit with two compartments, for girls and for boys in the opposite direction. Each compartment is having five latrines. The height and area of the latrine is sized just for economic reason. The latrine is water carriage type, but in order to avoid water wastage and breakage of flushing system pour flush latrine with tap provided at lower level on the side of the Turkish WC. The tap water shall also be used for anal cleansing purpose. For those who prefer to use paper basket shall be provided. The latrine also has a 30 m<sup>3</sup> capacity septic tank with dry masonry wall for soak-away purpose.

In order to avoid misuse of the toilet by external people after school hour when their is no attendant the toilet is provided with two main doors and iron bar mesh fence. The iron bar mesh fence also helps to inspect students while using latrine.

For students in order to develop hand washing practice after using the toilets, hand wash troughs are provided for both girls and boys section.

The type of public toilet recommended is the same as that of school toilets which is pour flush with septic tank and two compartments for ladies and gents with entrance in the opposite direction.

- School latrine – PFL 3 units

- Public latrine – CFL 3 units

### **7.3 Institutional Strengthening Plan**

#### **7.3.1 Central Government**

##### **(1) Water Department of MoLWE**

To date, the 12 experts assigned to the newly reorganized WD have not been assigned to the two divisions under it. Even though the specifics regarding capacity building and training requirements should be worked out after the placement of personnel is finalized, it is proposed here that the WD be given capacity building and training especially in water resources development, in collection, compiling and analysis of hydrometeorological information and water resource information related tasks.

##### **(2) Ministry of Local Government (MoLG)**

In all the three divisions of RAD, there are 12 staff, six of them under the Infrastructure Services Division, where the PMU is placed. At the same time, it has been identified that there is a gap in fulfilling the task of planning and demand projection, facility design and social organization (software aspect of the project). In order to fill the gap in the function of these three areas, it will be convenient for RAD (at least in the long-run), to assign the task to the three divisions under it. Accordingly, the Economic Division will assume the responsibility of planning and demand projection, the Social Service will take care of the software aspects and the Infrastructure Services for facility design. This, in effect, means adding three more experts one each for each Division. To enhance the skill of these three experts, it is proposed that an arrangement be made for a short term overseas training.

During the implementation phase of the project, a Project Management Unit (PMU) will be established under the Engineering and Project Management Unit of the Infrastructure Division of RAD. It is proposed that the Head of the PMU be an expatriate with extensive technical knowledge and experience in water facility construction and first hand knowledge in the procedures of foreign grant assistance. He will be assisted by three contractual national experts; two engineers and one expert in community organization and management. One of the two engineers will be responsible for the supervision of the construction activities in Debarwa, Mendefera and Adiquala, while the other one will take care of and Dekemhare, Segeneity, Adi Keyih and Senafe. Construction works will be given to private contractors.

##### **(3) The Environmental Health Unit of the MoH**

There are 5 experts under this Unit, but one graduate in public health sanitation is required for each region of the country. Additionally, at least one sanitarian will be required for each of the 52 sub zones of the country. Presently, there are only 26 and it will be necessary to train another 26. This means that Debub Region will require 12 sanitarians including one for Segeneity. There is a need to support the in-service training for at least one sanitarian for Segeneity in personal hygiene, environmental hygiene (latrines, garbage disposal, safety of drinking water, etc.).

### 7.3.2 Local Organizations

#### (1) Water Supply and Sanitation Authority (WSA Segeneity)

The existing WSS Segeneity office, will be transferred to the newly established WSA Segeneity Office. It will be a semi autonomous unit of the national WSA. WSA Segeneity will be fully strengthened with trained staff and facilities. It will have its own board, whose chairman will report to the town administrator. The board members will be the Segeneity Water and Sanitation Committee members. The appointed manager, who will be accountable to both the Board and the national WSA, will run the daily affairs of the office. He will also act as secretary of the Board. The number of board members as well as the size of the office will depend on the size and complexity of the water supply system. The proposed duties and responsibilities of the core staff in the structure of Segeneity WSA is indicated below.

##### a) Board chairman

- calls and chairs all board meetings,
- monitors the performance of water and sanitation committees,
- solves disagreements between residents and committee members,
- represents the board at official meetings and public gathering, and
- prepares reports for the board and the town administrator.

##### b) Manager

- acts as the secretary of the board,
- prepares quarterly report on water supply and sanitation condition of the town to the national WSA and the board through the chairman,
- manages the office, prepares annual and quarterly plans and target achievement, and budget of the office,
- prepares monthly report to WSA HQ,
- co-signs WSA finance with the finance officer,
- receives and sends incoming and outgoing correspondences,
- approves purchase/requisition of supplies and materials from the national WSA central store,
- supervises the performance of all staff and works closely with the technical officer to ensure reliable water supply and sanitary condition of the town.

##### c) Finance officer

- ensures that all water bills are collected at the right, and maintains accurate record of all water committees' income,
- prepares monthly financial statements for the manager and the water committees,
- co-signs WSA finance with the manage, and
- prepares annual budget, monthly payroll, etc.

d) Technical officer

- guides the water system operators and evaluates their performance,
- ensures that there is uninterrupted supply of water in the town by speedy maintenance and repair services including that of the communal water points,
- ensures that appropriate records of the performance of the pumping facilities, generators, etc. are kept,
- ensures that a reasonable stock of all fast moving spare parts, fuel, lubricants etc. are in the WSA store,
- work closely with the manager and all other staff to ensure reliable water supply for the town, and
- prepares training plan for WSA staff.

e) Sanitation officer

- in collaboration with the town WSC, conduct public relation activities to sensitise and enhance the awareness of the town residents on private, public health and environmental hygiene conditions and practices,
- Organize community to form Public Toilet Management Committee to operate public toilets and keep the town's cleanliness,
- prepare yearly plan on sanitation program, including construction of private latrines, garbage disposal, and education sessions to be conducted,
- undertake regular inspection of the sewerage system and report to the technical officer,
- on the basis of the number of people who want to construct public latrines, prepare loan formality and pass it to the bank for financing,
- undertake monthly inspection of all public sanitary facilities including that of schools, clinics/health centers, hotels, bars, restaurants, etc.
- prepare monthly report to the manager of WSA and to the town clinic/health center/MoH, and
- supervise the staff working under him

(2) Water and Sanitation Committee (WSC)

In Segeneity, a Water and Sanitation Committee (WSC) will be formed, whose members will be school directors, health center/clinic heads, religious leaders, WSA, town elders, the bank, and other notables in the town. It is this committee that will also act as the Board of Segeneity town WSA.

Among the responsibilities of WSC include:

- in collaboration with the WSA sanitation officer, conduct public relation activities with the aim of sensitizing and enhance the awareness of the town residents on private, public health and environmental hygiene conditions and practices,
- undertake continuous campaign on the need to utilize water judiciously and protect water facilities and their catchment areas,
- work very closely with the sanitation officer and advise him on matters concerning community

organization and management, and

- promote the construction of private latrines for those who can afford and help facilitate that beneficiaries secure loan facilities from the Bank or other micro-credit institutions.
- help form Communal Water Point Committees (CWPC) and Community Toilet Committees (CTC) and try to solve their problems accordingly in collaboration with the town sanitation officer.

### (3) Communal Water Points Committee

Communal Water Points Committees (CWPC) will be formed for each public/communal water point in Segeneity. The committee will report to the town's WSA board chairman. It will have a secretary, technical officer and members who will be given specific assignments when the need arises. Members will be volunteers serving the community without pay, except for the water point care-taker/guards who will be paid agreed monthly salary. It is proposed that at least 50 percent of the members of this committee be females including office holders of the committee, especially for the paying job. It is also proposed that the WSA technical staff assume the responsibility for major maintenance and repair activities.

### (4) Communal Toilet Committee

Communal Toilet Committees (CTC) will be formed for each zone of Segeneity town. The committee will work in close collaboration with the sanitation officer, but will report to the town's WSA Board Chairman. It will have a secretary, technical officer and members who will be given specific assignments when the need arises. Members will be volunteers serving the community without pay, except for the community toilet guards who will be paid agreed monthly salary. It is proposed that at least 50 percent of the members of this committee be females including office holders of the committee, especially for the paying job. It is also proposed that the WSA technical staff assume the responsibility for major maintenance and repair activities.

## 7.4 Project Cost

### 7.4.1 Project Cost for Water Supply

Project cost is estimated in the following table.



**Table 7.4.1 Project Cost**

(Nakfa)

Description	Local C.	Foreign C.	Total	Remarks
<b>1. Construction cost</b>				
Borehole	13,229	273,277	286,506	
Well pump	10,682	205,195	215,877	
Transmission pipeline	1,086,137	2,962,253	4,048,390	
Booster pump	1,992	123,997	125,989	
Pump pit	62,765	38,970	101,736	
Reservoir	341,400	188,160	529,560	
Distribution pipeline	1,443,369	752,425	2,195,794	
Individual connection	0	0	0	
Communal water point	180,195	68,664	248,859	
Control house	449,911	21,197	471,107	
Temporary road	891,000	0	891,000	
<b>Sub total</b>	<b>4,480,679</b>	<b>4,634,138</b>	<b>9,114,818</b>	
2. Engineering fee (10% of 1.)	-	911,482	911,482	
3. Administration cost (2% of 1.)	182,296	-	182,296	
4. Physical contingencies (10% of 1.+2.+3.)	466,298	554,562	1,020,860	
<b>Total</b>	<b>5,129,273</b>	<b>6,100,182</b>	<b>11,229,456</b>	
5. Price contingencies (6% p.a.)	979,773	1,165,232	2,145,006	
<b>Ground total</b>	<b>6,109,047</b>	<b>7,265,415</b>	<b>13,374,461</b>	

## 7.4.2 Project Cost for Sanitation

**Table 7.4.2 Cost Estimation of Latrines**

Description	Year 2005	
School Latrine - PFL	Construction cost	224,177
	Price contingencies	27,708
	<b>Total</b>	<b>251,885</b>
Public Latrine - CFL	Construction cost	224,177
	Price contingencies	27,708
	<b>Total</b>	<b>251,885</b>
<b>Ground total</b>	<b>503,760</b>	

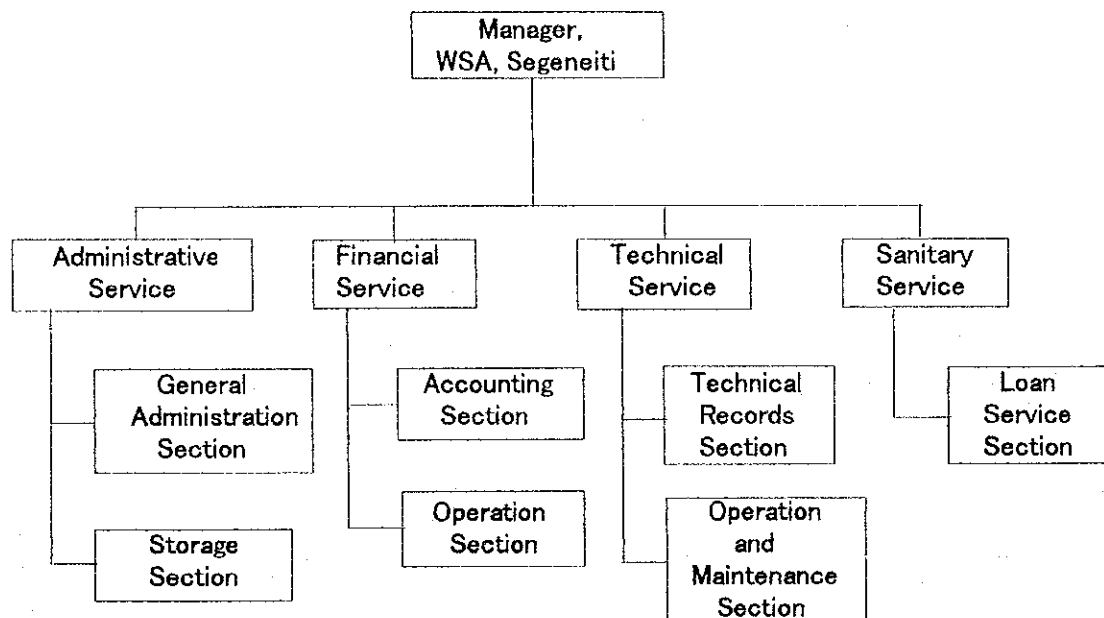
## 7.5 Sustainability of Water Supply Facilities

### 7.5.1 Capacity Building for WSA

The success of implementing this water supply project lies on the competency and capability of the manpower of WSA Segeneity particularly in terms of quantity and quality. With this end and view, the functions and number of personnel to be required in the target year of 2005 shall be planned.

The WSA Segeneity aims at supplying clean and safe water in a sustainable and sufficient manner and therefore the WSA personnel should be technically and financially competent.

**Figure 7.5.1 Proposed Organizational Set-Up of WSA, Segeneiti**



WSA Segeneiti will consist of Manager, Administrative Service, Customer Services, Financial Service, Technical Service and Sanitary Service.

The Manager will be responsible for the successful management of WSA Segeneiti and will represent the WSA in dealing with committees, town municipality and national WSA. The Customer Service will serve as window for communicating with the consumers.

Administration Service comprises 4 sections; namely General Administration, Personnel, Storage and Legal sections.

General Administration Section takes charge of secretarial/clerical works. Guards and janitors belong to this section. Personnel Section is responsible for recruitment, assignment and training of personnel and remuneration. The national WSA is proposed to be responsible for training of personnel, while the municipal WSA is proposed to re-train or newly train personnel when need arises using its own fund. Storage section takes charge of storekeeping and procurement of materials/supplies. Lastly, the Legal Section is responsible for complaints, lawsuits and penalties.

Financial Service must be filled by competent and sufficient number of experts. This section encompasses accounting and operation. Accounting Section prepares financial statements based on daily financial transactions. Operation Section takes charge of cash water selling.

The communal water points are to be managed by the communities themselves. Since the study team did not make a proposal in terms of financial and personnel needs, it was assumed that WSA Segeneiti would help the communities in the management of the facilities in some manner.

Technical Service must compose of adequate number of staff and must be competence. Technical Service covers Technical Records and Operation and Maintenance sections. Records of equipment and

supplies such as acquired date, numbers, plans, dimension, breakdowns and repairs are kept in Technical Records Section. Operation and maintenance of pumping stations, reservoirs, pipelines, communal water points are responsibility of this Operation and Maintenance Section.

In addition to the organizations related to water supply, WSA Segeneity proposes to provide intermediary services for expanding the sanitary facilities. Thus, Sanitary Service handles Loan Service Section. Loan Service Section provides loan/subsidy to clients for the installation of septic tank toilets, and keep related records.

The total number of personnel is proposed to be 16 in 2005 (Appendix G, Table-1). It was calculated based on the volume of water to be produced in that year.

### 7.5.2 O&M Cost

#### (1) Personnel cost

The number of personnel to be required in the target year of 2005 has been projected based on the volume of water to be produced in that year.

Personnel cost is calculated by multiplying the number of personnel by the average remuneration per employee. The average monthly remuneration in the target year of 2005 is calculated, taking into consideration the current average salaries of the Water Supply Service Office (WSSO), which works out to Nfa 616, and the estimated average yearly growth rate of salaries in real terms, which is 3%.

The estimated number of personnel in 2005 is shown below, and the average remuneration per employee is estimated at Nfa 9,364 at 1997 prices in the same year.

#### (2) Electricity and fuel cost

All mechanical equipment are operated mainly by electricity. Fuel is also required during emergency. Electricity requirements are calculated based on the volume of water to be produced in 2005.

The electricity cost has been calculated by multiplying electricity requirements in kwh by the unit electricity charge, and by adding 5% of its cost for fuel, in 2005.

The estimated electricity requirements in kwh/day in 2005 are shown below, and the electricity charge per kwh is Nfa 20.16.

#### (3) Chemical cost

The chemical, hypochlorite or bleaching powder for disinfection to be consumed in 2005 has been projected from the volume of water to be produced in that year.

The chemical cost is calculated by multiplying chemical requirements in kg in 2005 by the unit price of the chemical.

The estimated chemical requirements in 2005 are shown below, and the unit price of the chemical is Nfa 6.5.

#### (4) Repairing cost

Maintenance and minor repairing works such as replacement of spare parts for pumps and valves, fixing of water leaking locations, checking of water level in the reservoir, etc. are carried out by the staff in the town WSA. Repairing needs are calculated based on the initial cost for mechanical and electrical works as well as on the initial cost for civil works including pipe laying works in 2005.

Repairing cost is estimated at 1% of the initial cost for mechanical and electrical works, and 0.5% of the initial cost for civil works including pipe laying works, in 2005.

#### (5) Miscellaneous cost

The miscellaneous cost is assumed at 10% of the sum of the preceding four types of costs.

The results of cost calculation are presented below.

(Unit: Nfa)

Item	Year 2005	
	1. Personnel Cost	16 persons
2. Electricity and Fuel Cost	22.20 kwh/day	161,885
3. Chemical Cost	897 kg	5,830
4. Repairing Cost	Initial Cost for Pump 341,866 Nfa	52,012
	Initial Cost for Others 8,772,952 Nfa	
5. Miscellaneous Cost		36,955
<b>Total</b>		<b>406,504</b>

### 7.5.3 People's Participation

A key for a successful implementation of water supply/sanitation projects lies in active community involvement. Observed community participation and involvement, as seen from the analysis of the survey, is weak in terms of managing water points, community toilets and overall sanitation activities of the town. People are not encouraged to participate in the management of communal water and sanitation facilities because they take it as part of the Government's/town administration's responsibility.

Another key for a successful implementation of water supply/sanitation projects lies in the active female participation. It appears that female participation is not given adequate attention yet in Segeneity. Therefore, it is necessary to enhance people's participation not only during the execution stage of the project, but most importantly to guarantee their participation in the management and running of the facilities.

To achieve these important project objectives, the following recommendations are forwarded:

- (1) To include a strong component of sensitization and awareness creation program (software) in the project by employing a community agent, organizer and/or adviser during the execution and post

execution of the project.

- (2) The need for the continuous and active involvement of beneficiaries should be secured by establishing strong water and sanitation committees who will be assisted by the community agents or organizers mentioned in 1 above.
- (3) Introduce and develop a viable management system for water and sanitation facilities that will be managed by the communities.
- (4) Education and training need to be an in-built system of any program that seeks the active involvement of communities in project planning, implementation and management.

#### **7.5.4 Community Based Management**

To lay a solid foundation for community based management in Segeneity during the first phase of the project, the following recommendations are forwarded:

- (1) Communities must actually own the improved water points, with all that such ownership entails. In addition, such ownership and management should eventually incorporate unimproved water points and water sources into the system.
- (2) If community based management is to function in a sustainable manner, both hardware and software components need to be given equal attention. The complexity of the software tasks should not be underestimated nor the amount of time it takes.
- (3) Failure should be recognized to be part of the process; and if there is failure somewhere in the line, it should be considered part of the learning curve in the water and sanitation sector.
- (4) In community based management, activities should be focused specifically on building self-reliance, self-confidence, and technical and management skills, and helping to solve problems in such a way that water and sanitation facilities are effectively managed locally.
- (5) Frequent participatory appraisal techniques need to supplement committee meetings/contacts with opinion leaders, in the consideration for improvement of software delivery.
- (6) Within the context of affordability, service delivery agents need to recognize that communities are consumers and would like to maximize the returns from the money they pay for the service required.
- (7) The sustainability of community based management for water supply and sanitation facilities may require software interventions up to five year period with multiple visits and strengthening activities taking place over this period. The final measuring rod for empowerment of the community will therefore lie in the commitment of software fund over time, and not simply at the initial stages of service delivery.

#### **7.5.5 Training Plans**

Decentralization or regionalization coupled with capacity building is presently a main issue in the world. This trend comes from the bitter experiences accumulated in the past. It has often been the case that

expensive and impressive facilities were constructed by the government under loan agreement with an external agency or government without any consultation with the people who were supposedly the beneficiaries, nor with any solid and comprehensive planning over sustainable operation and management of those facilities. The results were disastrous: the government suffering from a mountain of debt and the facilities left to rust having no operating/maintaining personnel and having scanty number of users. These dismal pictures of failures have been repeated many times.

From the above background, one major factor for a successful operation and management of water supply facilities is to have a sufficient number of competent personnel for the town WSA. Especially, such personnel as financial, technical/engineering and legal experts occupy a crucial position in evaluating the overall manpower strength of a WSA.

Training/education of those experts deems to be an essential and urgent matter. It is thus proposed by the study team that a training center be established under the National WSA to meet the requirements of such experts in the seven towns with the target year set at 2005.

The total training need of experts for WSA's in the seven towns is as follows.

Item	Debar.	Mende.	Adiqu.	Dekem.	Segen.	Adi Ke.	Senaf.
<b>1. Financial/Economic Experts</b>							
Financial Service Head	-	-	1	1	1	-	-
Auditors	-	-	-	-	-	-	-
Budgeting Experts	-	-	-	1	-	-	1
Accountants	1	1	1	1	-	1	1
Financial Analysts	-	1	1	1	-	1	1
Sub-Total	1	2	3	4	1	2	3
<b>2. Technical/Engineering Experts</b>							
Technical Service Head	-	1	1	1	1	1	1
Mechanics	1	1	1	1	-	1	1
Electricians	-	-	-	1	-	-	-
Motor Operators	-	2	1	1	1	2	2
Plumbers	2	-	-	1	1	1	1
Water Meter Technicians	-	-	-	1	-	-	1
Leakage Detectors	-	-	-	-	-	-	-
Water Quality Analysts	-	-	-	-	-	-	-
Designers/Draftsmen	-	-	-	-	-	-	-
Sanitary Technicians/Engineers	-	1	1	1	-	1	1
Sub-Total	3	5	4	7	3	6	7
<b>3. Legal Experts</b>							
Lawyers	-	1	-	1	-	1	-
Contract Experts	-	-	-	-	-	-	-
Sub-Total	-	1	-	1	-	1	-
<b>Total</b>	<b>4</b>	<b>8</b>	<b>7</b>	<b>12</b>	<b>4</b>	<b>9</b>	<b>10</b>

From the above table, there is an urgent need to train 54 experts in total, composed of 16 financial experts, 35 technical/engineering experts and 3 legal experts. Out of them, 1 financial expert and 3 technical experts are needed for WSA Segeneity.

Also, on-the-job training of technical experts using the operation manual is essential to elevate their skill as well as to enrich their experience.

## 7.6 Financial Plan

### 7.6.1 Willingness-to-Pay

According to the socio-economic survey, the average willingness-to-pay for water came to Nfa 11.3 in monthly amount and 2.2% as the percentage of income. (Refer to the table below.)

Income group wise, the average willingness-to-pay is Nfa 8.6, Nfa 14.9 and Nfa 15.8 in monthly amount in the low, middle and high income groups respectively, while it is 2.7%, 2.2% and 1.3% as the percentage of income in the respective groups.

The table shows that the richer you are, the more you are willing to pay for water. However, it is noticed that there is not so much difference in the willingness to pay in monthly amount as in the size of income between groups. Based on these results, the richer you are, the less you are willing to pay for water in terms of the percentage of your income.

Item	Low Income	Middle Income	High Income	Total
1. Average Monthly Income, 1997 (Nfa)	321	674	1,234	518
2. Share (%)	58.2	32.9	8.9	100.0
3. Willingness to Pay for Water (Nfa/m)	8.6	14.9	15.8	11.3
4. Willingness to Pay for Water (%)	2.7	2.2	1.3	2.2

### 7.6.2 Water Tariff Analysis

The general concept of the water tariff is referred in item 6.8.2 above.

After subsequent mathematical model simulations to attain financial viability and stability for WSA Segeneity and at the same time to fulfill social justice, the study team came up with the proposal for water prices in 2005 as detailed in Table 7.6.1.

**Table 7.6.1 Payment for Water by Service Mode -- Segeneity**

(Unit: Nfa)

Year	House Connection		Yard Connection		Communal Water Point		Total	
	Income/m	Share (%)	Income/m	Share (%)	Income/m	Share (%)	Income/m	Share (%)
2000	1,099	15	736	20	391	65	566	100
2005	1,224	17	780	22	453	61	656	100

(Unit: Nfa)

Year	House Connection		Yard Connection		Communal Water Point	
	lcd	Price/cm	lcd	Price/cm	lcd	Price/cm
2000	25	10	20	8	15	4
2005	28	10	22	8	15	4

(Unit: Nfa)

Year	House Connection		Yard Connection		Communal Water Point	
	Payment/m	Payment %	Payment/m	Payment %	Payment/m	Payment %
2000	37	3.3	24	3.2	9	2.3
2005	42	3.4	26	3.3	9	1.9

The shares and lcd for the three types of water facility users in 2005 were previously determined based on the current water supply and other conditions in Segeneity, which were clarified as a result of the socio-economic survey. The monthly income by type of users was projected based on the existing economic conditions, made clear by the socio-economic survey. In doing so, the annual average growth rate of income in real terms was assumed as 3%.

It is proposed that the water price per cubic meter will be Nfa 10, Nfa 8 and Nfa 4 for house connection, yard connection and communal water point users respectively in the target of 2005.

Then, the monthly payment for water will be Nfa 42, Nfa 26 and Nfa 9 for house connection, yard connection and communal water point users respectively. In terms of the percentage of income, it will be 3.4%, 3.3% and 1.9% for the respective users.

Then, the affordability of low income group (less than 600 Nfa of monthly income) which is the user of communal water points is examined in detail. The group is further divided into four levels based on the income, and the ratio of monthly water tariff to the income is calculated, as shown in the table below.

The table indicates the share (percentage) of monthly expenditure for water to the monthly income, for every income level, is less than their willingness to pay. Further, the ratio of tariff/income is thoroughly less than 4% which is the recommended limit by World Bank. Thus, the proposed water tariff for communal water points (2.0 Nfa/m<sup>3</sup>), which are mostly utilized by the low income group, shall be



reasonable.

### 7.6.3 Revenue Estimation

The revenue sources of WSA Segeneity are water charge, technical service charge, meter rent and miscellaneous revenues.

Water charge is the central revenue source. It is collected from the house connection, yard connection and communal water point users. House connection users include commercial, industrial and institutional clients. The revenue from water charge has been estimated based on proposed water tariffs, future led, family size, population projection, future water demand and bill collection efficiency.

The second revenue source is the technical service charge. When WSA Segeneity installs an individual connection for a customer, this technical service charge will be collected in addition to the material cost. It is calculated at Nfa 378 on average. The number of individual connections to be installed is estimated at 525 in the target year of 2005.

The third revenue source is the revenue from meter rent. The rental fee is assumed to be Nfa 1 per month per individual connection.

The last revenue source is miscellaneous revenues such as those from the sale of materials, fines, etc. They were not taken into account because they are of an irregular and unpredictable nature on one hand, and not substantial in amount on the other hand.

The revenue deriving from the above-mentioned sources must be sufficient and stable enough to sustain the management of WSA Segeneity in the years to come.

Taking all the above-mentioned into consideration, the future revenue of the WSA is estimated as follows:

(Unit: Nfa thousand)

Year	2002	2003	2004	2005	2006
Revenue	592	647	709	778	727

### 7.6.4 Cost Analysis

#### (1) Initial cost

Initial cost is composed of construction cost, engineering fee, administration cost and physical contingency. Each of the above-mentioned cost was divided into local and foreign components.

Construction cost was classified into the cost for pumps and other facilities because of the difference in depreciation period between the two categories. The depreciation period is assumed to be 15 years for the pumps and 50 years for other facilities.

Engineering fee, which belongs to foreign components is assumed to be 10% of construction cost, while administration cost, which is usually composed of local currency is estimated at 2% of construction cost.

Finally, 10% was added to the sum total of the above-mentioned cost as physical contingency.

Initial cost is estimated at Nfa 11,229 thousand at 1997 prices for the works for the target year of 2005. (Refer to the table below.)

- Year 2005

(Unit: Nfa thousand)

Item	Local Components	Foreign Components	Total
1. Construction Cost			
Pumps	13	329	342
Other Facilities	4,468	4,305	8,773
Sub-Total	4,481	4,634	9,115
2. Engineering Fee	-	911	911
3. Administration Cost	182	-	182
4. Physical Contingency	466	555	1,021
Total	5,129	6,100	11,229

### (2) Implementation schedule

Implementation of the works is scheduled as follows. In the two year works, the first year will be for detail design and the second year for construction as shown below.

2000	2001	2002	2003	2004	2005

### (3) O&M cost

Operation and maintenance cost to be incurred annually after the completion of the works is estimated at Nfa 407 thousand.

### 7.6.5 Projection of Financial Statement

In preparing projected financial statements based on the estimated revenue and cost as explained in sections 7.6.3 and 7.6.4, it was assumed that:

- (1) Initial cost will be totally subsidized by the government, i.e., the people of the town will not be obliged to repay the initial cost.
- (2) The people of the town will shoulder the replacement cost of all facilities.
- (3) No tax will be imposed on the profit from water supply operations.
- (4) Project life will be 20 years from the start of the implementation of the works.

The resultant financial statements including income statement, funds statement and balance sheet are shown in Appendix G, Table-4.

Revenue to Cost Ratio	Cash to Revenue Ratio	Profit to Assets Ratio
110.3%	40.3%	0.6%

As the above table shows, WSA Segeneity will be financially successful and have a stable management in the years to come, if all the conditions mentioned in the preceding sections concerned are met.

## 7.7 Project Evaluation

### 7.7.1 Economic Evaluation

#### (1) Benefits of water

Implementation of the Project will provide a reasonable amount of clean and safe water to the wide ranges of the people of the town. It means that women, girls and boys will be free from the daily water fetching drudgery works. Also, the incidence of water-related diseases such as diarrhea, dysentery, parasitic diseases and skin diseases will be drastically reduced, whereby contributing to the improvement of the health of the people in general.

These economic benefits can be considered to be reflected in the prices of water. Currently, the prices of water in the town is institutionally fixed, ranging from Nfa 2 to Nfa 5 per cubic meter depending on service modes. Such water prices only partially represents the economic benefits of water, but not fully due to institutional consideration. The economic benefits of water can be regarded to be fully reflected in the prices of the water bought from water vendors. In Debarwa, where the scarcity of piped water is the most severe among the seven towns, water prices from water vendors range Nfa 16 to Nfa 40 per cubic meter according to the socio-economic survey.

The economic benefits of piped water are assumed at Nfa 20 per cubic meter.

#### (2) Future lcd and population in the without project case

The lcd or the per capita per day piped water consumption in liters under the existing circumstances in the seven towns is calculated at 10.3 on average based on the results of the socio-economic survey. The value is 74% of 13.9, which is an lcd including water from shallow wells, rivers/springs and rain.

In the "without project" case, it is assumed that the lcd will continue to be 10.3 throughout the project life period.

If the Project is not implemented, it is expected that the population of the town will not grow as fast as envisaged in the "with project" case due to constraints in water supply.

In the "without project" case, it is assumed that the growth rate of population will go down to a half of the rate foreseen in the "with project" case.

#### (3) Other conditions/assumptions

In performing economic analysis, the following conditions/assumptions were presupposed besides the

above ones.

- a) Project life:..... 20 years from the start of the first phase works
- b) Opportunity cost of capital:..... 10%
- c) Cost and implementation schedule: ..... (see 7.6.4.)
- d) Standard conversion factor: ..... 0.9, to be applied to local components of initial cost

(4) Results of economic analysis

Cost benefit streams were prepared based on all the above-mentioned conditions and assumptions, as shown in Appendix G, Table-5.

Using the streams, economic analysis of the Project was carried out, producing the economic criteria as shown in the following table.

Economic Criteria	NPV (Nfa thousand)	B/C	EIRR (%)
Value	-2,277	0.78	6.0

The table shows that the EIRR of the Project is 6.0%, which is markedly below 10% or the assumed opportunity cost of capital (OCC). However, the value can still be regarded as a reasonable one, considering the social nature of the Project.

(5) Sensitivity analysis

Sensitivity analysis was performed to determine how EIRR will change if cost overrun of 20% happens or if the cost overrun of 20% and the 10% decrease of benefits simultaneously occur. The results are shown below.

EIRR (%)

Case	Base Case	Case 1	Case 2
Conditions		Capital Cost: +20% O & M Cost: +20%	Capital Cost: +20% O & M Cost: +20% Benefits: -10%
Value	6.0	3.1	0.5

The table shows that the EIRR stays above the discount rate of zero even under the unfavorable situation of Case 1, and continues to be above zero even under the severest assumption of Case 2.

**7.7.2 Financial Evaluation**

As a result of the evaluation of the Project, the financial internal rate of return (FIRR) cannot be calculated due to the peculiar state of cost benefit streams, characterized by the absence of initial cost in the cost stream.

This financial evaluation was done only for the projected financial statements.

The projected financial statements as shown in Appendix G, Table-4 are summarized in the management indice tabulated below.

(Unit: %)

Management Indice	Revenue to Cost Ratio	Profit Rate	Working Capital to Revenue Ratio	Profit to Total Assets Ratio
Formula	Revenue / Cost x 100	Profit / Revenue x 100	Working Capital / Revenue x 100	Profit / Total Assets x 100
Value	110.3	9.1	40.3	0.6

The table shows that WSA Segeneity will have a certain extent of profit, a thick reserve of working capital to prepare for replacement of facilities and a nominal profit to the assets invested in the years to come.

A trial simulation on FIRR, under the conditions that the initial cost is to be borne by the beneficiaries and the water tariff is to be twice of the proposed one, was conducted as a reference. The result indicated only 6.1% of FIRR under the conditions, which is less than the discount rate of 10%. It means the water tariff must be more than twice of the proposed one to achieve the discount rate of 10%, and it deems to be too heavy burden for the beneficiaries to bear.

### 7.7.3 Organizational Evaluation

- (1) The skeletal administrative/organizational structures of the PMU and WSA will enable the smooth execution of the first phase of the project and indeed its management latter on. The functions as well as structures will, of course, get more diversified throughout the rest of the Development Program Period as water demand increases and there is more water production.
- (2) The ultimate organizational structure that will be realized in the year 2005 for Segeneity WSA is elucidated in section 7.5.1, and the management of communal water points and toilets will be comprehensive in that it tries to involve all the possible actors or beneficiaries in the town.
- (3) In case of Segeneity WSA, there will be the Town's Water and Sanitation Committee that will also act as the board of WSA. It will have wide powers and responsibilities especially in seeing the efficient management of communal water points and toilets. It can change the members and composition of CWPC and CTC. It will also approve and supervise all planned activities and achievements of the manager of WSA.
- (4) The manager of Segeneity WSA has wide responsibilities and challenges to meet. He will be greatly assisted by the Board and of course the national WSA in all his efforts in managing the office and run the water and sanitation facilities to the satisfaction of the residents. He will have more and better qualified staff.
- (5) The existence of a separate unit in Segeneity WSA charged with sanitation issues will greatly improve the town's sanitation. It is expected that there will be easy access to credit facilities to construct latrines for those who should afford.

#### **7.7.4 Technological Evaluation**

The proposed water supply system is composed of relatively simple facilities, those of which are not quite different from the existing ones. Main materials for the project, such as PVC pipe for casing and screen, submersible pump for well pump, ductile cast iron pipe for transmission pipeline and PVC pipe for distribution pipeline, are recently very common in Eritrea. There are a few agents of these materials in Asmara. Although a new material made of fiberglass reinforced plastic is to be introduced for elevated tank, the light material could facilitate the construction work very smoothly. The material is also expected to have a long life span comparing with other conventional materials, thus the long run cost could be reduced for the reservoir.

The construction works are carried out by manual labor at present. Soil features are sometimes fresh rock, and topographical configurations are various and steep. Moreover, the lengths of transmission and distribution pipelines are so long. Therefore, use of construction machinery shall be considered to minimize the construction period. Also, the construction works by machinery will be useful and popular in future in Eritrea.

Under the project, several numbers of boreholes are newly required. Their locations are distant from the town and/or distant each other, or sometimes away from others. Therefore, mobilization of these well pumps and boosting pumps is required for periodical or daily operation. In this regard, transportation shall be strengthened by means of vehicle or motorbike.

#### **7.7.5 Social and WID Evaluation**

- (1) Both newly constructed and existing communal water points will be managed by the community, 50 percent of whom will be women.
- (2) In order to strengthen good community management in both communal water points and health/sanitation areas, community organizers will be made available by the PMU. Well managed community water and sanitation facilities are expected to minimize current community' frustration with opening hours, breakdowns and repairs, water tariff, etc. The community is expected to be financially self-sufficient and will be vested with decision making powers in financial and technical terms as well as personnel.
- (3) The value-added related to WID are as follows:
  - The project should result in the shift in the quality of life of all social groups from a lower level to a higher level. It will make Segeneity a more pleasant place to live and will attract house builders, especially from Asmara who wish to commute to Segeneity, thus relieving the demand for land and houses in Asmara.
  - By improving the piped water supply in Segeneity, the intended benefits will include the significant reduction of time and energy spent in the collection of water, for men, women, boys and girls. This will allow, almost every one in Segeneity to have more time for other activities including more leisure time, income generating activities and improved sanitary behaviors. More specifically, it will allow the girl learners and boys to have more time for studying.
  - The construction of latrines and public toilets, will enable women and girls to have more privacy than

they have had in the past for urination, defecation and menstruation. Additionally, improved latrine facilities will be benefit all residents of the town, as the bad smell will be substantially reduced.

- The project will allow the community to have a say in the determination of the location and design of the facilities in Segeneity, thereby increasing their sense of empowerment in matters that directly concern them. In addition, it is expected that the project will generate employment opportunities some of which are likely to be for a long term.







### 7.8 Project Implementation Plan

Main works of this project are borehole drilling work, pipe laying work, civil works, mechanical and electrical works, etc. The construction works for the distribution facilities (the reservoir and distribution pipeline) and service facilities (individual connection and communal water point) can be carried out anytime after obtaining work permission. However, borehole drilling, construction of transmission facilities and installation of pump are better to be implemented after checking and finding the exact location of well.

Although the existing water supply facilities are obsolete and insufficient, they are kept working during the construction period. Therefore, it shall be careful not to damage the existing water supply facilities during the construction.

The implementation schedule is divided into two stages, namely, a) preparation of finance including the foreign currency portion and of detail design together with tender documents, and b) implementation of the project.

**Figure 7.8.1 Implementation Schedule**

Work Item	Year 2000	Year 2001
<b>Stage I Preparation</b>		
(1) Preparatory Work and Detail Design		
<b>Stage II Construction</b>		
(1) Borehole, Pump and Control house		
(2) Transmission Pipeline		
(3) Reservoir		
(4) Distribution Pipeline		
(5) Communal Water Point		
(6) Temporary Road	