



GSW is currently working on a piece of research on behalf of WaterAid to carry out an analysis of financial absorption in the water and sanitation sector. The study aims to shed more light on the paradox of why high levels of water and sanitation poverty and an under-resourced sector can co-exist with available but unused funds. Budget tracking studies of the water and sanitation sector reveal that budget execution rates for many developing countries are significantly lower than the allocations available at the beginning of the financial year.

The reasons for low financial absorption can vary considerably, and may include weak human resource capacity and skills at different stages of the delivery chain, high transaction costs caused by fragmented donor activity, the slow pace of fiscal decentralisation, or an inappropriate mix of recurrent and capital funding.

Nevertheless, addressing financial absorption constraints is an important part of the process to strengthen the water and sanitation sector and provide a platform for achieving universal access by 2030.

Within this context, WaterAid is commissioning DFI to carry out research that will consider in detail the issues affecting the absorption of funds allocated to the sector informed by five specific country case studies in: Rwanda, Mozambique, Ethiopia, Uganda and South Africa. It will build on earlier WaterAid studies, including [previous country case studies](#) carried out for WaterAid by DFI. The study will not only focus on where financial absorption is an issue, but also seeks to highlight examples of where there have been considerable improvements and pockets of success. The aim is to be able to build an understanding of the constraints as well as the vital ingredients, key steps and conditions for achieving high levels of absorption and effective spending.