

Releasing the flow: addressing barriers to financial absorption in the water, sanitation and hygiene sector in Africa



Findings and recommendations¹

- **Tackling barriers to financial absorption in the water, sanitation and hygiene sector is critical if universal access to this human right is to be achieved.**
- **National development plans should include steps to achieve high financial absorption as a core part of strengthening the performance of the water, sanitation and hygiene sector.**
- **Effective implementation of the 2030 Agenda for Sustainable Development will require renewed efforts to ensure that relevant institutions at national, regional and local level have the necessary human resources and skills in place.²**
- **National governments should invest in building their core capabilities, including public financial management, human resource management, statistics and contract management.**

- **Donors should support this process through collaborative behaviour: using country systems, pooling resources, and providing more predictable and on-budget funding and technical assistance.³**
- **Major increases in recurrent funding are needed, particularly for staffing in planning, procurement, maintenance, and inspection functions at local level.**
- **Decentralisation of government brings decision-making closer to local and community level, but also places new demands on human resources, training and skills.**
- **National governments should think carefully about achieving the optimal level and pace of decentralisation for their countries, and ensure that fiscal decentralisation accompanies the decentralisation of functions.**
- **Significant steps are required from all key stakeholders to improve the availability, quality, transparency, and consistency of data and reporting of water, sanitation and hygiene financing.**

Almost two and a half billion people are still denied their human right to sanitation. With the 2015 Millennium Development Goal (MDG) target to halve the proportion of people living without sustainable access to basic sanitation missed by a wide margin, it is unthinkable that funds available to tackle this crisis should go unused. This is nevertheless the daily reality in many countries around the world. Despite the promises, commitments and allocations of numerous governments and financial institutions, actual spending on and delivery of services often falls short, failing to get to where it is needed most. There can be few more urgent and important tasks for the international community at the beginning of the 2030 Agenda for Sustainable Development than to eliminate the barriers preventing the effective use of resources in the water, sanitation and hygiene sector.

A new, detailed study of financial absorption⁴ in the water, sanitation and hygiene sector commissioned by WaterAid and written by Development Finance International (DFI) seeks to shed light on the key issues. The study, conducted in Ethiopia, Mozambique, Rwanda, Uganda, and South Africa, finds that low financial absorption⁵ can be explained by many different factors, and although some of these factors may be easy to identify, such as a lack of appropriate skills or human resources at key points in the delivery chain, they are considerably more difficult to address. Nevertheless, low financial absorption, where it exists, offers a significant opportunity for governments to achieve a strengthening of the sector, a step-change in performance and an increase in the quality and quantity of these essential services.

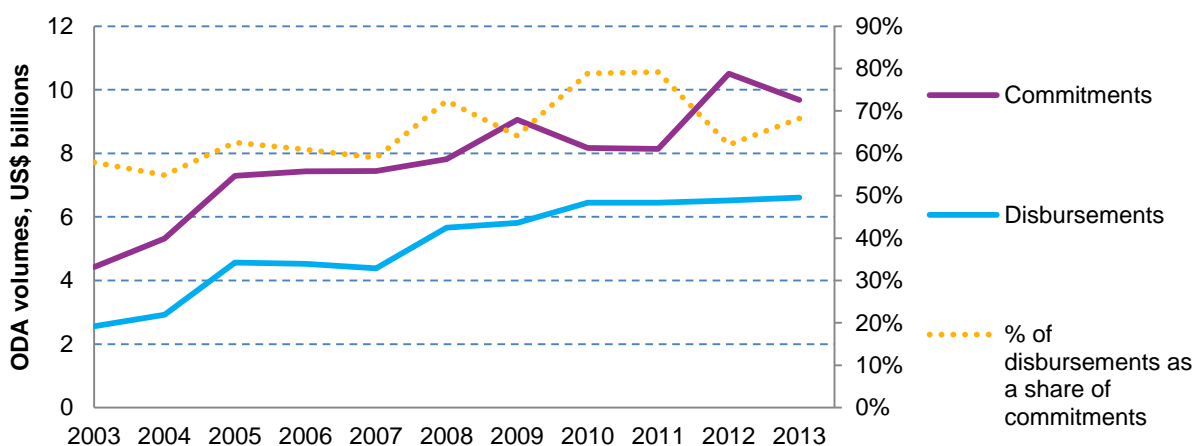
Low financial absorption is a highly relevant concern

WaterAid undertook this study to build on two previous reports, *Off track, off target* and *Think Local, Act Local*.⁶ *Off track, off target* argued that weak sector capacity and low financial absorption could contribute to donor and private sector reluctance

to invest, reinforcing a vicious cycle of under-investment. *Think Local, Act Local* pointed out that the pace of decentralisation reforms—introduced in the 1990s to bring decision-making closer to front-line delivery—was too slow and problematic. Insufficient, unpredictable finance and a lack of local control over resources all stood in the way of effective delivery of water and sanitation services.

Current overviews of the sector, which reflect the experiences of many developing countries, suggest that low financial absorption is a relevant concern. Government Spending Watch (GSW) 2015, which draws on data for 31 developing countries, showed that for 2012 and 2013, the water, sanitation and hygiene sector recorded greater under-spending on average than sectors including education, health, agriculture and environment, with more than a quarter of planned spending unused in 2012.⁷ WaterAid’s report *Essential Element* (2015) shows that Official Development Assistance (ODA) disbursements are consistently below ODA commitments made, even when aggregated over a longer period.⁸ This is shown in Figure 1 below.

Figure 1: Commitments and disbursements to water and sanitation, all recipients, US\$ billions, all donors



Source: OECD CRS

A complex picture with incomplete data

The five case studies show that there are many reasons for low financial absorption, some of which are connected, but many of which are not. Building an understanding of the issue in each country requires consideration of the nature and characteristics of the funding source: are the funds from the Ministry of Finance, or from an external donor? How does recurrent spending (spending on wages, goods and services) compare with capital spending (spending on fixed assets such as land, buildings or infrastructure); pooled funds with discrete project finance; spending in rural areas compared to urban areas? Does absorption differ between the different subsectors of water, sanitation and hygiene? These questions are not easy to answer, and it is

unsurprising with this level of complexity that data can be insufficient for building a clear and comprehensive picture.

All studies ran into difficulties in finding necessary data. Given that countries were chosen for relatively high availability of data on absorption, this highlighted a key set of lessons, especially for countries with less data availability. One important reason, reflected in DFI's broader GSW analysis, is the number of institutions that have responsibility for the water, sanitation and hygiene sector. Activities are often located across two or more institutions, and in multiple agencies for rural and urban services.⁹ Another reason is that while governments may break down planned budgets at national level in ways that identify water, sanitation and hygiene, they do not necessarily repeat this disaggregation for actual spend. Obtaining disaggregated data at local or district level proved harder than finding data at national level. The studies also found that it was more difficult to track sanitation and hygiene subsector than it was water supply, indicating little progress made in meeting the commitment made by Ministers in eThekweni and Sharm el-Sheikh in 2008 to separate out these budget lines.¹⁰

Despite significant challenges concerning transparency and data, the studies still manage to provide important insights into the causes of low financial absorption and how these might be addressed.

Evidence of success in the five country case studies

In many ways the five country studies in this report represent Sub-Saharan Africa success stories: Ethiopia, South Africa and Uganda have met the MDG water target while Mozambique has made considerable progress towards it, and Rwanda is recognised internationally for the good progress made towards the sanitation MDG target.¹¹ These results would imply that all five countries have made good use of the resources available to them and therefore demonstrated, at least in some respects, high financial absorption.

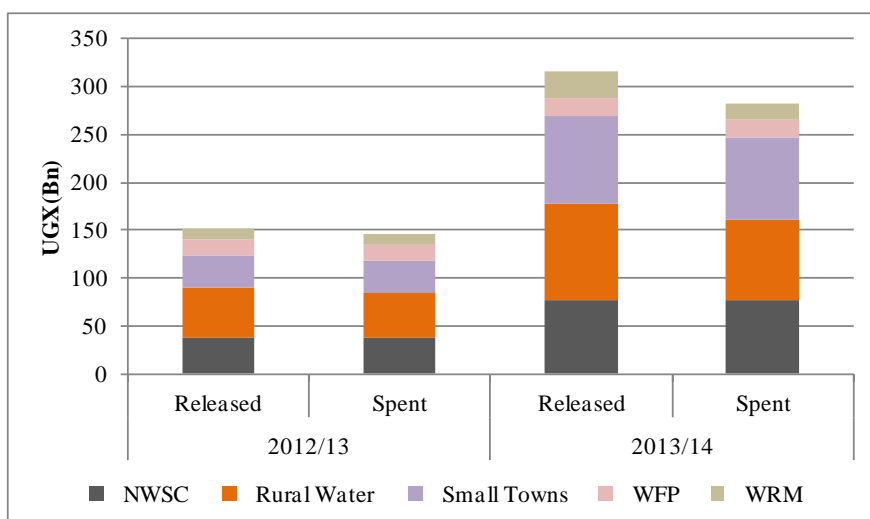
This is borne out by the evidence. Steps taken by the Ethiopian government to establish a sector-wide approach (SWAp) since 2006 have delivered significant improvements in financial absorption. Key ministries responsible for delivery of water, sanitation and hygiene signed a memorandum of understanding (MoU) to clarify roles and responsibilities, with the same document signed at regional level by their respective bureaus. The Ministry of Finance and Economic Development (MoFED) manages a consolidated account and allocates funds to communities, schools or health clinics on the basis of priorities identified by a national steering committee. Three of the country's major donors, the World Bank, the African Development Bank and the UK's Department for International Development (DFID) aligned their strategies, policies and financial management systems with that of the government. This cooperation and coordination contributed to an absorption rate of pooled donor funds operating through the SWAp or Channel 1b of 98% in 2013-14.¹²

The Rwanda case study shows high rates of domestic budget absorption, achieving 94% in 2012-13 and 84% in 2013-14. The government is internationally recognised

for the priority it gives to the sector, and its Vision 2020 seeks to achieve universal access to safe water and sanitation by 2020. These goals are also incorporated into Rwanda’s second Economic Development and Poverty Reduction Strategy (EDPRS II). Domestic funds account for 38% of the central development budget and 56% of district budgets, reflecting the priority given to the sector by the government. High absorption rates of domestic funding were achieved at district levels, with an actual overspend of the 2013-14 budget (108% absorption).¹³

Uganda has also demonstrated success, with a steady increase in absorption of the water and sanitation sector budget from 60% in 2011-12 to 91.2% in 2013-14. Reforms to improve financial management implemented by the Ministry of Finance, Planning and Economic Development (MoFPED), including the Integrated Finance Management System and Output Budgeting Tool (OBT), have had a positive impact on financial planning and absorption across several sectors, including water and sanitation. Since its introduction in 2012-13, the OBT has also improved the availability of disaggregated data.¹⁴ Figure 2 shows relatively high absorption of domestic funds released to the Ministry of Water and Energy.

Figure 2: Absorption of funds released for water and sanitation in Uganda, billions of Ugandan Shillings.



Source: Uganda case study author’s calculations based on Ministry of Water and Energy Sector Performance Reports 2012-2014¹⁵

Over the past decade the Government of Mozambique has taken steps to bring increased amounts of external funding to water and sanitation within the budget system, and an estimated 95% of sector funding is now ‘on budget’, enabling improved planning, implementation and reporting.¹⁶ Reforms to address the fragmentation of donor funding, including the introduction of the National Rural Water Supply and Sanitation Programme (PRONASAR), have helped strengthen financial absorption in the sector.¹⁷ The case study highlights the fact that government capital allocations were almost fully absorbed in all three years 2011-13.

South Africa is a middle-income country and its water, sanitation and hygiene sector is mainly funded from domestic resources. Government systems are more decentralised than in many other countries in sub-Saharan Africa. Municipalities are entitled to an equitable share of nationally raised revenue (the local equitable share, or LES), as well as tariffs from municipal services. They also receive conditional grants from national or provincial departments for capital expenditure.¹⁸ In recent years the sector's recurrent budget has been overspent – by 2.8% in 2012-13 and 2.1% in 2013-14.¹⁹ Although this may also reflect underfunding of the sector, the case study of Mossel Bay, discussed in more detail in the country case study, is an example of how decentralising financial flows can have good results.

Key factors affecting financial absorption

The methodology adopted for the case studies included consideration of absorption at provincial and local level, with a focus in particular on two local government areas, generally one with low absorption and one with reasonably high absorption. Each author also carried out interviews with sector stakeholders and analysed data and documents to identify factors that could account for differences in financial absorption. Despite data constraints discussed earlier, and examples of high absorption particularly at national level in each of the case studies, this analysis was able to identify aspects of low financial absorption and some of the factors that caused it. The studies point to seven key factors that affect financial absorption in the water, sanitation and hygiene sector: (i) leadership effectiveness; (ii) the availability of skilled human resources; (iii) the balance between recurrent and capital funding;²⁰ (iv) the impact of compliance requirements; (v) co-ordination and communication between key stakeholders; (vi) the predictability of funding flows; (vii) planning quality.

Effective leadership is a key factor for success

The case studies suggest that effective leadership and high political priority given by government – at national, regional or local level – is a key factor for success both in increasing coverage and achieving high financial absorption of available resources.²¹ In all case study countries there is evidence that strong political will has translated into positive action on absorption of funds, greater transparency, co-ordination of domestic and external stakeholders and, most importantly, improved water and sanitation services for people and communities. The likelihood also is that the higher up the delivery chain that this leadership is demonstrated, the more likely it is to be able to influence positively the other six factors listed above. Equally, where leadership is weak, then low financial absorption is often an outcome and indicator. This confirms the findings of the UN Global Analysis and Assessment of Sanitation and Drinking Water (GLAAS 2014) report, which identifies strong leadership as crucial to successful attainment of the MDGs, as it will be for the 2030 Agenda for Sustainable Development.²²

South Africa's highly decentralised system has huge disparities between well-performing municipalities, where leadership seems to play a key role, compared to low performing municipalities, where weak leadership is identified as an issue.

Gauteng and KwaZulu-Natal provinces had no district or local municipalities spending less than 60% of their budgets (out of a total of 7 and 14 respectively), and Western Cape only two (out of 24). Northern Cape and Free State had eight each (out of 27 and 18 respectively), however, and North West Province six (out of 17).²³ The South African National Treasury notes in its *Local Government Budget and Expenditure Review* that ...“while there are many examples of councils, mayors and municipal managers striving to provide effective leadership and making progress with strengthening governance, there are instances where serious governance shortcomings remain. The systems... under greatest pressure are procurement, billing and revenue collection, staff appointments and the planning and zoning functions.”²⁴

The availability of skilled human resources

Even in these countries – all of which have demonstrated strong leadership in the sector at high levels – the lack of skilled human resources is holding progress back and contributing to the challenge of spending budgets well.

Technical skills are needed to organise procurement and tenders, appraise bids by private companies and manage contracts, where such capacity is low at regional or district level, this contributes to poor planning and delays in procurement and reporting. For implementation of plans and operational management, there is a need for qualified engineers, water scientists, technicians, artisans²⁵, plant operators and health inspectors. Shortages in any of these areas potentially act as a bottleneck to financial absorption, project delivery and sustainable service management.

In Amuru district, Uganda, the water department has a headcount of five staff. They currently have only one full-time staff member, two staff (seconded by other sectors with additional responsibilities), and two unfilled vacancies. There is also a requirement that district governments need clearance from the Ministry of Public Service to recruit new staff, which cannot be guaranteed.

In South Africa the civil engineering capacity in municipalities is too low to deliver, operate and maintain local government infrastructure sustainably. The number of engineers per 100,000 people has dropped from 20 in 1994 to three, a ratio that is, as one official document put it, “clearly indicative of a crisis”. Around 30% of municipalities audited in 2012-13 had vacant positions for the chief financial officer, with similar vacancy levels for head of supply chain management units.²⁶

The Ethiopia case study describes high turnover of staff in the sector in Yabelo and Konso districts – the result of low salaries and a lack of incentives for government employees. Ineffective knowledge management²⁷ exacerbates the issue. The Ethiopia and Mozambique studies also highlight constraints in the private sector, with concerns raised over capacity of private sector operators in Ethiopia, and too few companies in many provinces in Mozambique able to execute big contracts.

The balance between recurrent and capital funding

The balance between recurrent funding (for wages, goods and services etc) and capital funding (for fixed assets such as infrastructure, buildings, equipment, land etc) is identified as an important issue in determining financial absorption. The availability of adequate recurrent budgets to recruit, retain and train staff with the required skills and competences to implement and manage programmes and projects, to operate systems or carry out maintenance, or for education and hygiene promotion is a key factor in ensuring high absorption of capital and overall budgets. The GLAAS report has identified, for example, that the capital and recurrent costs of rural water typically lie in the ratio of 25:75.²⁸

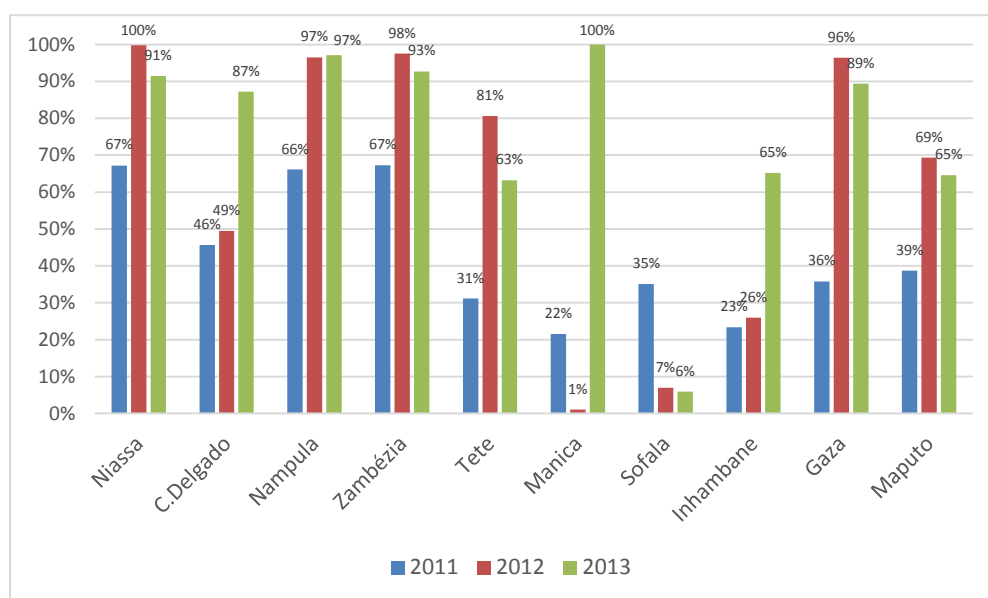
In practice however, the balance between recurrent and capital budgets is frequently weighted significantly towards capital budgets. DFI's GSW analysis shows for example that across 32 developing countries, capital budgets account for 83% of total budgets for water, sanitation and hygiene – much higher than other sectors.²⁹ The sector is by nature capital intensive, but many donors and creditors provide their finance almost entirely as capital. This is highlighted in all case studies except South Africa, where donor funds are not significant. This overwhelming emphasis on capital funding acts as a bottleneck for financial absorption and undermines the prospects for a healthy and efficient sector.

A lack of recurrent budgets has made it hard to attract and retain good quality staff in rural areas in Uganda and Mozambique. The Ethiopia case study refers to shortages in recurrent budgets to fund competitive district government salaries. This has led to high staff turnover, affecting the implementation of projects and in turn the absorption of capital budgets. In Mozambique, an inability to pay for inspection and supervision of infrastructure projects by the Provincial Directorate of Public Works and Housing (DPOPH) delayed the disbursement of subsequent funding tranches, again impacting absorption of capital budgets. Similarly, lack of recurrent funds for municipal planning in South Africa has contributed to a low average capital budget absorption rate of 72% in eight under-spending provinces.

The impact of compliance requirements

Complex compliance requirements from donors are a key reason for low absorption of donor funds in Rwanda, Mozambique, Uganda and Ethiopia.³⁰ The Ethiopia case study shows that lengthy donor financial management procedures caused delays in disbursement. In addition, bureaucratic procurement requirements, combined with limited local capacity to prepare the procurement process, led to delays in implementation. In Ethiopia and Mozambique, national and sub-national governments face low thresholds for international competitive bidding³¹, time-consuming procedures and long delays in approving procurement requests. The process takes at least two months in Ethiopia and as long as six months in Mozambique.

Figure 3: Absorption of external funds in Mozambique, by province, 2011-13



Source: CGE (General Account of the State), 2011, 2012, 2013

The Mozambique case study highlights the variability in financial absorption of external funds between different provinces and years, illustrated in Figure 3. Similarly, the Ethiopia case study highlights the difficulties that regional and district staff face in producing timely expenditure reports for donors. Delays in disbursement often leave local governments with only one month to bid for and implement funds and submit reports. If they are unable to meet these deadlines, they may lose the funding altogether. Unlike allocations from central government, where the relevant ministry can respond to a delay in reporting by rolling-over the budget to the next financial quarter, funds from donors, especially UNICEF, are often cancelled if reporting requirements are not met on time.

Effective compliance is an important aspect of ensuring that donor funds are used for the purpose intended, achieve value for money and are not subject to corruption. When many donors are operating in the sector however, each with their own compliance requirements, this places significant burdens on already stretched capacity, and is likely to work against high financial absorption. The 2010 Water Sector Public Expenditure Review in Mozambique found that there were 78 donor projects – the majority with budgets less than US\$5 million. It also found that there were insufficient recurrent funds for the human and financial resources needed to manage so many projects, and recommended that increased project consolidation, donor harmonisation and pooling of funds were all urgently required.³²

Co-ordination and communication between key stakeholders

Effective co-ordination and communication between stakeholders in the sector is an important factor in achieving high absorption rates. The case studies in Ethiopia and

Mozambique report bottlenecks resulting from officials in sub-national governments receiving too little or delayed information about the availability of donor funds. This in turn left insufficient time to complete procurement processes satisfactorily. In Mozambique for example, some provincial governments were informed of the availability of donor funds in August or September, leaving little time for the procurement process to be completed by the end of the fiscal year in December.

Coordination between national governments and donors is particularly important for ensuring a high rate of absorption of donor funds. Differences in government and donor fiscal years, as highlighted in the Rwanda study, or disbursement and procurement processes, can create confusion for sub-national authorities. In Ethiopia, the World Bank, DFID, AfDB and UNICEF previously channelled funds through separate streams and used their own financial management systems. As highlighted above, the SWAp has helped harmonise donor and government funding streams, reducing the burden of different procurement and reporting requirements for sub-national governments. The Government of Rwanda has also laid out plans to formalise a SWAp by the end of 2016.

Predictability of funding flows

In almost all countries studied, the planned budget for the water, sanitation and hygiene sector was substantially different from the actual amount of funds allocated. In Uganda, the government released only 71% of funds budgeted for the sector in 2012-13, and 87% in 2013-14. Similarly, 76% of the planned budget in Rwanda was allocated in 2012-13, and 92% in 2013-14. In addition, budgets often fluctuate from year to year. In Uganda, the slowdown in economic growth and higher than expected inflation rates in 2012-13 led to revenue shortfalls, and the government reduced the budgets of all sectors. The Uganda case study also highlights the problem of supplementary budget appropriations³³, which have diverted resources from social sectors such as water and sanitation to meet needs judged more pressing in public administration and security. Supplementary budget appropriations in Uganda have grown in size from 7.2% of the budget in 2009-10 to 38% in 2011-12.

The unpredictability of donor funds also makes it difficult for central and sub-national government to plan, implement and report water and sanitation projects on time. Denmark, Ireland, Norway and Sweden reduced their aid to Uganda by US\$372 million in 2012 because of a combination of the global economic downturn and corruption concerns over the misuse of pension funds; 55% of committed donor funds were released in 2012/2013, and 89% in the following year. The concerns around corruption were well-founded, and those who suffered the impact of the corruption ultimately were those for whom the funds were intended: Ugandan citizens without access to safe water and sanitation. In Rwanda, the Ministry of Finance's budget execution report in 2013 identified delays in donor disbursements as a key factor in the poor execution of donor financing. Bako Tibe and Yabelo districts in Ethiopia experienced similar problems with unpredictability of donor funding.

Quality of planning

In Ethiopia, Rwanda and South Africa, low planning capacity at regional and district levels has led to over- or under-utilisation of allocated funds. Budget plans were often unrealistic, either under-estimating or over-estimating required funds. In Rwanda, insufficient funds for a planned project can lead to project being cancelled.

Poor fiscal discipline is often a result of low capacity among government staff (as discussed), and if private companies are involved, they add another layer of complication. In Ethiopia, for instance, the case study highlights the practice of some private companies in under-quoting their costs in order to win the bid, so distorting budget planning at local government level. Unpredictable central government transfers and donor flows also undermine efforts to budget and plan effectively.

In South Africa, where a substantial portion of capital funding for water and sanitation is derived from tariff revenues, inaccurate forecasts of tariff revenues contributed to poor financial absorption of capital expenditure. In the Makana district, where service delivery is relatively low, the municipal government could only raise 12.9% of the revenue it had budgeted for capital expenditure in 2013-14. In comparison, the Mossel Bay district, one of the 80/20 report's top 10 performing municipalities in 2014, registered high revenue collection rates, as well as accurate projections of tariff revenues in the budget (93% of its estimated amount in 2013-14).³⁴ In turn, high revenue rates are partly a function of a strong culture of payment in Mossel Bay, along with public accountability and participation.

The case studies also highlight the increased need for effective planning in the context of decentralisation and privatisation. These changes add another layer of complexity, and the risks of dispersing limited capacity across a larger number of agencies and reduced transparency along the delivery chain need to be carefully managed. Rwanda, for example, is midway through moving to a decentralised Public Private Partnership (PPP) model from a more community-based model. The related widespread institutional reform led to a fall in financial absorption in 2014-15.³⁵

Findings and conclusions

The case studies illustrate that there is no single or simple explanation for high or low financial absorption in the water, sanitation and hygiene sector, and that available and fit-for-purpose data is an obstacle to effective analysis. The seven areas identified in this synthesis report – the effectiveness of leadership, the availability of skilled human resources, the balance between recurrent and capital funding, the impact of compliance requirements, the co-ordination and communication between key stakeholders, the predictability of funding flows and the quality of planning – can all be detected in some or all of the countries. They do not form an exhaustive list of factors affecting absorption, and in many cases they are interlinked: for example the availability of skilled human resources impacts on the quality of planning, predictability of funding flows, and the efficiency of procurement and capacity to provide timely reporting. In turn, human resource capacity is linked to the amount of recurrent expenditure available at national or local level, either to fund

competitive salaries, essential training, procurement, supervision or other critical aspects of programme delivery. Co-ordination and communication at different levels of government or between donors and government are important factors in strengthening the predictability of funding, conducting effective procurement and budget planning. Effective leadership potentially cuts across all areas.

Donor funds show relatively lower financial absorption

The case studies also show that donor funds have lower financial absorption than domestic funds. Complex procurement and reporting requirements, large numbers of active donors, and an emphasis on capital rather than recurrent budgets are all factors that can explain this disparity. This finding points to the importance of aligning donor and government financial systems to achieve high levels of financial absorption. In Ethiopia, where donors are willing and able to utilise the government's financial system through the SWAp, it has been possible to realise significant gains in efficiency and financial absorption.

Decentralisation requires increased investment in local capacity

It is also important to remember that the five countries were chosen as positive examples, because they have resolved many of the problems of central government-funded absorption, and have addressed to some degree problems faced in donor-funded absorption. It is likely however that they will face potentially growing problems around decentralised spending. The analysis of their experiences suggests that “leaving no one behind” – the principle that underpins the new Sustainable Development Framework – in a context of growing decentralisation will require even greater investments in planning, management and engineering capacity. National governments should think carefully about achieving the optimal level and pace of decentralisation for their countries, and ensure that fiscal decentralisation accompanies the decentralisation of functions.

Other countries likely to face greater challenges

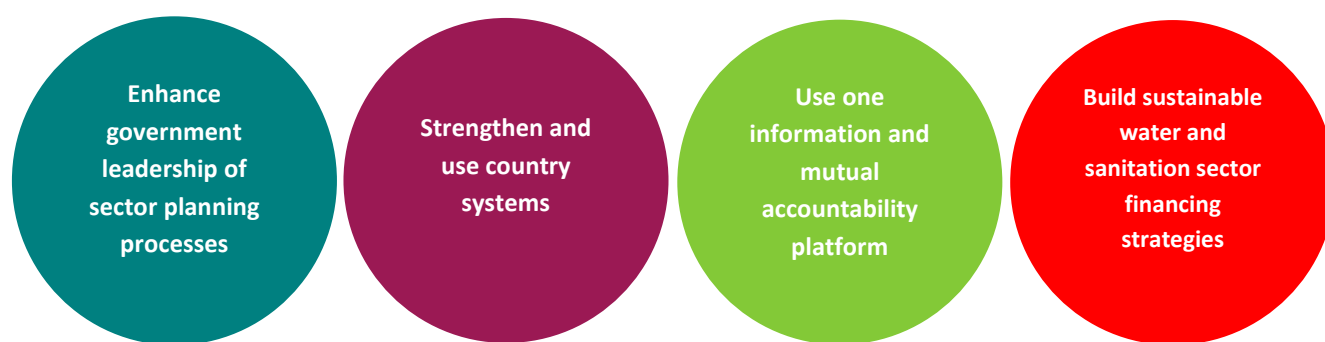
Many other low-income countries are still facing much bigger problems in absorbing centralised spending, however, and especially donor-funded spending given their higher donor dependence. To improve performance in countries that have made less progress towards the MDGs (especially fragile, conflict-affected and least developed countries), each country is likely to need a comprehensive diagnosis across the same range of problems discussed above. Improving data, transparency and reporting, including tracking sanitation and hygiene budget lines, as promised in the Ngor Declaration at AfricaSan 4 in May 2015, is particularly important for this group of countries.

Under Agenda 2030, the new Sustainable Development Goals framework, water, sanitation and hygiene funding needs will grow dramatically. Sustainable Development Goal 6 aims to achieve universal access to water and sanitation by 2030, and this implies higher costs to reach marginalised groups in rural areas,

those living in informal settlements and urban slums, as well as costs related to sustainable water management given increasing water scarcity. There can be no doubt that, overall, vastly more investments are required for the sector.³⁶ As spending needs increase dramatically, absorption constraints could become even more serious if the problems raised in this report are not tackled.

Sanitation and Water for All Collaborative Behaviours

The Sanitation and Water for All Partnership has identified four key ways in which developing countries and their development partners can improve the way that they work together to achieve greater development effectiveness. Although these behaviours address a broader set of issues than financial absorption, they nevertheless resonate strongly with the findings of the five country case studies, and if adopted, could make a significant contribution to using available funds more effectively. They are set out below.³⁷



Source: SWA Partnership, 2015

This report was written by Wen Hoe and John Garrett, based on case studies and a summary report produced by Matthew Martin and Jo Walker at Development Finance International, and with key inputs from Grace Alupo, Chilufya Chileshe, Artur Matavele, Bethlehem Mengistu and Henry Northover.

Cover image: Kapina Kapino collects safe water from a tapstand, Aba Roba, Konso, Ethiopia, 2012.

¹ Additional recommendations are included in Development Finance International's (DFI) *Lessons from 5 Country Case Studies* and the individual case study reports.

² An example of the type of initiative that can help in this area is from the Japanese government. As part of its commitments made at the Fifth Tokyo International Conference on African Development, the Japanese government committed to the human resource development of 1,750 water supply engineers, over the five years from 2013 to 2017. See WaterAid, *Essential Element*, 2015.

³ The Sanitation and Water for All Partnership has identified four collaborative behaviours for the development of sustainable WASH services for all. These are: (i) Enhance government leadership of sector planning processes; (ii) Strengthen and use country systems; (iii) Use one information and mutual accountability platform; (iv) build sustainable water and sanitation sector financing strategies.

⁴ For this study, we define financial absorption capacity as the capacity of the sector to spend and use effectively the funds that are made available to it. Absorption can be analysed by considering actual spending against original budgets allocated.

⁵ In these studies we use spending of less than 60% of budget as an indication of seriously low financial absorption, and spending in the range of 60-80% of budget as an indication of moderately low financial absorption. See the South Africa case study for more detail. The 2014 UN-Water Global Analysis and Assessment of Water and Sanitation, uses the benchmark of 75% and below as the threshold for defining a low financial absorption rate.

⁶ WaterAid, 2011 and 2008 respectively.

⁷ *Financing the Sustainable Development Goals*, Government Spending Watch, 2015. Government Spending Watch (GSW) is a joint initiative by Oxfam and DFI, tracking spending across a number of sectors, relating to the commitments made by world leaders in 2000 when they agreed the eight Millennium Development Goals (MDGs).

⁸ Assuming that aid projects run for an average of three years, over time, disbursement levels should match commitment levels. Figure 1 shows that total disbursements still lag behind total commitments over three-year periods.

⁹ In Ethiopia, water supply is the responsibility of the Ministry of Water, Irrigation and Energy and sanitation is the responsibility of the Ministries of Health and Education. In Mozambique, the Ministry of Public Works and Housing is responsible for water, sanitation and hygiene, in Rwanda the Ministry of Infrastructure, with the Ministry of Health having the lead role for sanitation. In Uganda, the Water and Environment Ministry takes the lead.

¹⁰ There is virtually no evidence of progress, even in the best performers of Rwanda and South Africa.

¹¹ Millennium Development Goal Target 7.C: Halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation.

¹² In Ethiopia, water, sanitation and hygiene financing is delivered through three channels. Funds channelled through the government financial system (channel 1) include funds from domestic sources (channel 1a) and a pooled fund from different donors (channel 1b). Channel 2 funds are 'on plan' funds, delivered through budget institutions or implementing agencies. Channel 3 records non-governmental organisation (NGO) funds; 365 out of 835 districts are funded through channel 1, with the remaining districts funded through channel 2 or block grants.

¹³ The key actors involved in delivering water, sanitation and hygiene services in Rwanda include the Energy, Water and Sanitation Authority (EWSA), which in 2014 became a public company; the Water and Sanitation Corporation (WASAC) Ltd and local governments. WASAC is responsible for implementing projects at the central level. As part of a new initiative to strengthen decentralisation, transfers are made to local governments in the 30 districts by the Ministry of Infrastructure (MININFRA).

¹⁴ In Uganda, the Ministry of Water and Environment is responsible for the water and sanitation (WSS) subsector as well as the Environment and Natural Resources (ENR) subsector. The main sources of funding to water and sanitation consist of government funding from the Treasury, grants and loans provided by donors and creditors operating under the sector budget support framework, and revenue generated internally from water and sewerage service tariffs, and environmental services to the general public.

¹⁵ NWSC is the National Water and Sewerage Corporation; WFP is Water for Production; WRM is Water Resource Management.

¹⁶ In Mozambique the National Water Directorate (DNA), which is part of the Ministry of Public Works and Housing (MPOH), administers the water and sanitation sector at national level. Other key institutions include the five Regional Water Administrations (ARAs) in charge of the river basins; the Administration of Water and Sanitation Infrastructure (AIAS), focusing on small towns and rural areas; the Water Regulatory Council (CRA); and the Investment Fund for Water Supply (FIPAG), responsible for water supply in large cities and towns. In the provinces, the Provincial Directorates of Public Works and Housing (DPOPH) direct water and sanitation services.

¹⁷ PRONASAR is the national Sector Wide Approach, which consists of individual projects supported through a common fund.

¹⁸ South Africa has national, provincial and local government, with the latter consisting of metropolitan, district and local municipalities. The national Department of Water Affairs is responsible for policy development, regulation, monitoring and support. Water boards are responsible for bulk water provision, and municipalities are mostly responsible for providing water services. Municipalities are entitled to an equitable share of nationally raised revenue (the local equitable share, LES), and tariffs from municipal services. They also receive conditional grants from national or provincial departments for capital expenditure, including the Municipal Infrastructure Grant (MIG) and the Municipal Water Infrastructure Grant (MWIG), which is aimed at poorer and rural municipalities. Most municipalities rely on the MIG to fund capital spending.

¹⁹ The overspending of recurrent budgets in South Africa includes underspending in certain provinces however. Free State absorbed less than 80% of its recurrent budget in 2013-14, and Limpopo 87% in both years.

²⁰ The proportion of recurrent funding (for spending on salaries, wages, goods and services, travel, training, aspects of maintenance) to capital funding (for spending on new infrastructure, equipment, major maintenance, rehabilitation, etc.).

²¹ Enhancing government leadership is one of the four SWA Collaborative Behaviours. Government leadership is essential for directing and coordinating resources – including external support – around nationally agreed sector priorities, strategies and plans. In particular, sector development requires a government-led, multi-stakeholder cycle of planning, monitoring and learning.

²² *UN Global Analysis and Assessment of Sanitation and Drinking Water* (GLAAS 2014).

²³ Table 1, South Africa Case study, page 7, metros excluded.

²⁴ *Local Government Budget and Expenditure Review*, National Treasury, 2011, page 3.

²⁵ Skilled tradesmen.

²⁶ In almost a third of audited municipalities in South Africa, the competencies of key officials did not meet the minimum standards prescribed by municipal regulations.

²⁷ Capturing, developing, sharing, and effectively using organisational knowledge, particularly important in a context of staff turnover.

²⁸ Quoted in WaterAid, *Off Track, Off Target*, 2011, page 47.

²⁹ *Ibid*, page 35.

³⁰ Donor funding in South Africa makes up only a small proportion of WASH funding.

³¹ Local government is required to go out to tender even for relative small projects and programmes. This is generally a time-consuming process.

³² As discussed, initiatives such as the National Rural Water Supply and Sanitation Programme (PRONASAR) seek to address fragmentation.

³³ These are revisions to original budgets, with additional budget authority provided for unforeseen activities which are too pressing to be delayed until the next full budget.

³⁴ *The 80/20 Report: Local Government in 80 Indicators Over 20 Years*, 2014, Institute of Race Relations.

³⁵ DFI summary report, Lessons from 5 country case studies, 2015.

³⁶ Sustainable Development Solutions Network (SDSN) (2014) suggests a range of needs from US\$22-24 billion a year. WHO (2012) estimates a total financing need of US\$535 billion. UNCTAD (2014) projects a much higher investment gap for access to water and sanitation of US\$260 billion a year, but this higher figure also includes large-scale water infrastructure such as dams.

³⁷ Four Collaborative Behaviours for the Development of Sustainable WASH Services for All, SWA 2015.