WORLD BANK REFORM ANALYSIS · CASE STUDY

Does the World Bank Learn from Project Failures?

Eight Water Projects in Nigeria. $1.1 Billion Committed. $700 Million Ongoing. 0.4% Rated Satisfactory. The Same Failure. The Same Loan.

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Executive Summary

Between 1993 and 2021, the World Bank approved eight water sector projects in Nigeria totalling $1.1 billion. Six were rated below Satisfactory by IEG. One succeeded — a $5 million community-managed pilot. The six that failed cost $1.108 billion. Success rate by commitment: 0.4 percent. The independent evaluations of the failures diagnosed the same structural problems, in the same language, across three decades. The Bank kept lending. Nigeria kept repaying. This note examines the full record and asks the question every Board member should ask before the next approval: does the World Bank learn from project failures?

CENTRAL ARGUMENT

The Bank's own evaluators diagnosed the structural problem in 2006: "The improving trend in project outcomes can in large part be explained by a shift in responsibility for project implementation away from the Federal Ministry of Water Resources." The Bank then approved three more federal-level projects — each larger than the last, each rated Moderately Unsatisfactory. The diagnosis did not change. The design model did not change. The commitment amount doubled. The rating did not change.

The 2006 IEG Project Performance Assessment Report (Report 36443) evaluated three early water projects and found that federal implementation fails, state-level implementation can work, and small community-driven projects succeed. The only Satisfactory water project in Nigeria's history was a $5 million community-managed pilot. Every project above $100 million failed. The Niger State Water Board — after $260 million in Bank lending — had 39 staff per 1,000 connections (international benchmark: 2), zero percent of connections metered (benchmark: 100 percent), and 83 percent non-revenue water (benchmark: 15 percent).

The 2017 PPAR (Report 115782) evaluated the First National Urban Water Sector Reform Project and found that the gains made during the project were reversed within three years of

closure. Collection efficiency fell from 78 percent to 60 percent. Operations and maintenance coverage from revenue collapsed from 60 percent to 20 percent — back to the pre-project level. Beneficiaries declined from 5.4 million to 4.1 million. The management ICR rated the project Moderately Satisfactory. The PPAR downgraded it to Moderately Unsatisfactory.

The ICR Reviews for the Second and Third NUWSRPs documented the same failures: political economy not managed, financing linked to infrastructure not reform, government buy-in not sustained through elections, staff turnover of three to five project coordinators per state. The Third project's evaluation suggested the Bank should have used a different lending instrument entirely — after $570 million and seventeen years of the same approach.

The Bank took the advice. The Eighth project — SURWASH, $700 million, approved in 2021 — uses the recommended Program-for-Results instrument. It operates in seven states, coordinated by the same Federal Ministry. The June 2025 ISR rates it Moderately Unsatisfactory. Four years in, it has reached 58,585 people out of a target of 6.1 million — less than 1 percent. It has achieved one household with improved sanitation out of a target of 280,000. The instrument changed. The rating did not. The commitment quadrupled — from $177 million to $700 million. The institution has learned to fail at scale.

Nigeria is not an outlier. IEG's global water sector evaluations found the same pattern worldwide. The 2010 evaluation (Water and Development, FY1997–2007) found that only 15 percent of projects that attempted cost recovery achieved their goal. The 2017 evaluation (A Thirst for Change, FY2007–16) found that 42 percent of projects with Satisfactory ratings also had significant or high risk to development outcomes — meaning nearly half of "passing" projects are expected to lose their gains. Financial covenants in investment projects "yielded disappointing results." Nigeria's six failures are not an anomaly. They are the sector norm.

The Full Record

#	Project	P-Code	Closed	Commitment	IEG Rating
1	Lagos Water Supply	P002082	FY1998	$177M	Moderately Unsatisfactory
2	Water Rehabilitation	P002084	FY2001	$260M	Highly Unsatisfactory
3	First Multi-State Water Supply	P002109	FY2001	$101M	Moderately Unsatisfactory
4	Small Towns Water (pilot)	P064008	FY2004	$5M	Satisfactory
5	First Natl Urban Water Sector Reform	P071075	FY2014	$120M	Moderately Unsatisfactory
6	Second Natl Urban Water Sector Reform	P071391	FY2016	$200M	Moderately Unsatisfactory

7	Third Natl Urban Water Sector Reform	P123513	FY2021	$250M	Moderately Unsatisfactory

THE NUMBER

$1.1 billion committed across seven IEG-rated water supply projects. One Satisfactory — the $5 million community-managed pilot. Six failures totalling $1.108 billion. One Highly Unsatisfactory. Every project above $100 million failed. Success rate by commitment: 0.4 percent.

1. Nigeria's Water Sector: What the Bank Was Trying to Fix

Water supply in Nigeria is a state responsibility. Each of the 36 states and the Federal Capital Territory has created a State Water Board (SWB) to provide service in urban and semi-urban areas. The Federal Ministry of Water Resources (FMWR) is responsible for national policy, coordination, and monitoring — but has no regulatory authority over the SWBs and no operational control over service delivery.

Urban water coverage was long estimated at 50 percent. IEG's 2006 PPAR found the real figure was closer to 25 percent — half the official estimate. In both urban and rural areas, "water service is intermittent or absent and water is unsafe. With the exception of the capital Abuja, the country has no operative sanitary sewerage." Infant mortality was 101 per thousand live births. Under-five mortality was 197 per thousand. The PPAR concluded that "poor water service and no sanitary excreta disposal can explain much of the high mortality."

By 2015, the WHO/UNICEF Joint Monitoring Programme reported that access to piped connections had dropped to just 1 percent nationally, even as overall access to "improved sources" rose to 69 percent. The gap between these two figures tells the story: Nigerians have found ways to access water through boreholes, standpipes, and private vendors, but the piped utility network that the Bank has been financing for 28 years serves almost no one. Low coverage by State Water Agencies has resulted in over 100 million people relying on informal providers who charge $3–8 per cubic metre — compared to a flat utility tariff as low as $1.20 per month for connected customers. The resulting expenditure for the poor is estimated at 20 percent of typical household incomes.

The State Water Boards are caught in a structural trap that the 2006 PPAR described as a "vicious circle":

"Nigeria's water supply and sanitation sector has been caught in a vicious circle characterised by an absence of policies that could enable efficient, sustainable service for all. Specifically, this includes the dearth of tariffs that reflect costs of service; an absence of autonomous state water boards; perpetual operating deficits which deprive the state water boards of funds for maintenance, new investment and back-up power supplies; and grossly

inadequate power supplies that cause intermittent water service and damage to electromechanical equipment."

Every Bank project since 1991 has entered this circle at the rehabilitation stage and exited at the no-tariff-autonomy stage. The circle has not been broken because the Bank has never made breaking it a precondition for the next loan.

2. Generation One: The Federal Model (1991–2001)

Lagos Water Supply (P002082)

$177 million. Approved 1993. Closed FY1998. Rated Moderately Unsatisfactory.

The Lagos Water Supply project was designed to rehabilitate and expand water production and distribution infrastructure in Lagos — then a city of approximately 10 million people with one of the fastest urbanisation rates in Africa. The project aimed to increase water production capacity at the Adiyan and Iju treatment works, improve the quality of treated water, reduce system losses through leakage detection and repair, extend the distribution network to underserved areas on the mainland and Victoria Island, and strengthen the institutional and financial capacity of the Lagos State Water Corporation (LSWC). The design assumed that physical rehabilitation of treatment plants and distribution mains would translate into improved service delivery for Lagos residents.

The project did not adequately account for the institutional environment into which it was lending. The Lagos State Water Corporation had no prior experience managing Bank projects, lacked financial autonomy from the state government, and operated in an environment where political interference in tariff-setting prevented any prospect of cost recovery. Power supply from the Nigeria Electric Power Authority was unreliable, and the Corporation lacked the financial resources to operate standby generators consistently. Average water consumption in Lagos at the time of evaluation was estimated at 12 litres per capita per day — far below the 40 litres per day target set at the 1992 Rio summit.

IEG's lesson was direct: "Weak institutions should be assisted incrementally with projects that are modest in design and objectives. A more radical approach, such as private sector participation in operations, could help achieve sustained results." The Bank had designed a $177 million project for an institution that could deliver 12 litres per person per day.

National Water Rehabilitation Project (P002084)

$260 million. Approved 1991. Closed FY2001. Rated Highly Unsatisfactory.

This was the most ambitious — and most disastrous — of the Bank's Nigeria water projects. The project was designed to rehabilitate water supply systems in all 36 Nigerian states simultaneously through a single, nationally managed operation. The logic was that a comprehensive rehabilitation programme, centrally coordinated by the Federal Ministry of Water Resources through management consultants, would restore existing production

capacity across the country, improve maintenance practices, and strengthen the institutional capabilities of all 36 State Water Boards.

The project comprised two main components. Component A ($277 million planned, $241 million actual) financed rehabilitation of water supply systems including repair and replacement of civil works, electromechanical equipment, leakage detection programmes, and institutional strengthening of each State Water Board's operations, maintenance, and financial management. Component B ($30 million planned, $54 million actual) financed strengthening of the FMWR itself — development of policy guidelines, water quality standards, tariff structures, manpower development, and a monitoring database. Management consultants were hired because the Ministry had little experience in project execution.

The design was fundamentally flawed in three ways that the PPAR documented. First, it assumed that the FMWR could effectively manage rehabilitation across 36 states from the capital Abuja — an area of nearly one million square kilometres with difficult communications. Equal funding for every state, regardless of widely varying needs and priorities, compounded the problem. Second, it invested almost entirely in production capacity (treatment plants, pumps, generators) without investing in distribution — the pipes that actually deliver water to households. Funding for distribution works was "meager and only at the very end of the project." Third, it contained 22 performance indicators, but "neither historical nor projected values were assigned to any of the 22 performance indicators in the Staff Appraisal Report or in the Loan Agreement," giving the Borrower the impression that monitoring was not strictly necessary.

THE PUMP THAT NEVER WORKED

IEG's PPAR captured the project's failure mode in a single example: "The pump was procured by FMWR and installed. The power supply from the Nigeria Electric Power Authority (NEPA) was so deficient that the pump could not be consistently operated, either because there was insufficient voltage to start it or else it became inoperative because of damage caused by current surges. The Project allowed for the purchase of standby generators. But the generators could not be operated because the State Water Board did not have the free cash to buy fuel oil, or failed to maintain the pump." This chain — pump procured, power fails, generator purchased, no fuel money, system idle — repeated across all 36 states.

National "actual possible production" rose from 720,000 m³/day to 1,420,000 m³/day on paper. Actual production in 1999 was only 800,000 m³/day. IEG rated Bank Performance Unsatisfactory: "With the hindsight of four failed water supply projects at the time of the preparation and processing of the project, it should have been obvious that the National Project stood no chance of succeeding without radical reform of the framework for the operation."

Niger State Water Board: The Institutional Gap

Performance Measure	Niger SWB (2004)	International Benchmark
Staff per 1,000 connections	39	2
Billings collected	43%	98%
Pipe breaks per km per year	1.6	0.1
Non-revenue water	83%	15%
Connections metered	0%	100%

The gap between the Nigerian utility and international practice was not marginal. It was an order of magnitude on every measure. The Niger State Water Board had nineteen times more staff per connection than the benchmark, collected less than half of billings, metered zero percent of connections, and lost 83 percent of water before it reached a paying customer.

First Multi-State Water Supply Project (P002109)

$101 million. Approved 1992. Closed FY2001. Rated Moderately Unsatisfactory.

This project represented a course correction from the nationwide approach. Rather than covering all 36 states, it concentrated on two — Kaduna and Katsina — which had been the recipients of two earlier Bank-financed water projects (Kaduna 1979, Bomo 1985). The project aimed to improve water supply services and make the two State Water Boards financially self-sufficient through: completion of a water treatment plant and construction of transmission and distribution systems in Kaduna; construction of new regional water supply systems at Kwoi and Zonkwa including intake works, treatment plants, and distribution; a new dam and system at Funtua in Katsina; maintenance vehicles, meters, and operational equipment; and institutional strengthening including tariff studies, public relations, and hygiene education.

The concentrated focus was an improvement. Monitoring was better — the project contained 16 performance indicators with baseline values and annual projections. But the underlying structural problems persisted. Kaduna's production capacity rose from 200,000 m³/day to 380,000 m³/day, but capacity utilisation actually decreased from 68 percent to 49 percent — constrained by inadequate power supply, lack of operating surplus for fuel, and slower-than-forecast investment in distribution. Site visits to Kwoi and Zonkwa revealed that neither system was producing any water. Zonkwa customers had not received water for four months.

Kaduna State: After Three Bank Projects

Indicator	2004	2005
Urban population connected	25%	24%
Population with 24-hour service	0%	0%
Water samples safe for pathogens	25%	28%
Non-revenue water	53%	50%
Staff per 1,000 connections	51	48
Working ratio (costs/revenue)	102%	100%

ZERO PERCENT WITH 24-HOUR SERVICE

After three Bank projects in Kaduna State and cumulative investment of hundreds of millions of dollars, zero percent of the population had 24-hour water service. Only 25–28 percent of water samples tested negative for pathogens. Only 18 percent of consumers were metered. The State Water Board's working ratio was 100–102 percent — costs exactly equalled revenue, leaving nothing for maintenance, expansion, or emergency repair.

3. The $5 Million Pilot That Worked

Small Towns Water Supply and Sanitation Pilot (P064008). $5 million. Approved 2000. Closed FY2004. Rated Satisfactory.

This project tested a fundamentally different approach. Rather than working through the FMWR or State Water Boards, it put communities in the driver's seat. The project had two objectives: first, to pilot a new concept for identification, implementation, and operation of water supplies in small towns; second, to determine the most efficient service delivery mechanism for replication throughout Nigeria.

The design reversed every assumption of the previous projects. The Federal Project Coordinating Unit was small — three staff, one for each participating state (Ebonyi, Katsina, Niger). At the state level, State Project Coordinating Units linked the federal level to the Water Consumer Associations (WCAs) established by each of the 16 participating towns. The WCAs drove the project through their clearly articulated demand: they chose their technology, their level of service, and their mode of tariff payment. Communities contributed 10 percent of investment costs from household savings collected over months. About half of the operational towns employed small private entrepreneurs to operate the systems.

Twelve of sixteen water systems became operational. Investment cost per beneficiary household was approximately $200 (Naira 26,000) — economical and replicable. IEG rated sustainability as Likely, institutional development impact as Substantial, and both Bank

Performance and Borrower Performance as Satisfactory — the only project in the entire Nigeria water portfolio where all four ratings were positive.

THE PPAR'S VERDICT

IEG's 2006 PPAR: "The improving trend in project outcomes can in large part be explained by a shift in responsibility for project implementation away from the Federal Ministry of Water Resources under the National Project, to only two State Water Boards under the Multi-State project, and finally to a clear focus on a limited number of towns under the Small Towns project. This shift enabled an alignment of the incentives of the beneficiaries with the objective of designing and building simple systems that could be sustainably operated." The answer was in the data in 2006. The Bank did not act on it.

4. Generation Two: The Bank Scales the Model That Failed (2004–2021)

The Bank had its answer in 2006. Small, bounded, demand-driven, community-managed water supply works. Large, federal, supply-driven projects do not. The Bank chose to scale the model that failed. Three times.

First National Urban Water Sector Reform Project (P071075)

$200 million ($120M initial + $80M additional financing). Approved 2004. Closed FY2014. Rated Moderately Unsatisfactory.

Approved in the same year the Small Towns pilot was rated Satisfactory. The project aimed to increase access to piped water networks and improve reliability and financial viability of urban water utilities in Kaduna, Ogun, and Enugu States (Kano dropped out early and was replaced by Enugu). It comprised four components: Component 1, Rehabilitation and Network Extension ($105.5 million planned, $149.4 million actual), financed restoration of water infrastructure to installed capacity, distribution system expansion, and dam safety enhancements. Component 2, Public-Private Partnerships ($16.5 million planned, $3.6 million actual), aimed to establish PPPs in each state to increase technical and commercial capacity. Component 3, Capacity Building and Project Management ($9.85 million planned, $28.5 million actual), supported training, stakeholder communications, and office equipment. Component 4, Policy Reform and Institutional Development ($5.3 million planned, $2.5 million actual), supported water law drafting, regulatory bodies, and the National Water Policy.

The design reflected lessons from the previous generation: focus on a few states rather than 36, include both infrastructure and reform components, pursue PPP models for operational efficiency. But the project was coordinated through the FMWR via a national PIU that oversaw state-level PIUs within State Water Authorities. The SWAs remained embedded within state civil service structures, without financial autonomy, tariff-setting authority, or

performance accountability. The PPP component — designed as the centrepiece of the reform agenda — spent only $3.6 million of a planned $16.5 million.

The management ICR rated the project Moderately Satisfactory. The IEG ICR Review confirmed Moderately Satisfactory. IEG's 2017 PPAR — based on a field mission to Nigeria in November 2016 that visited states and interviewed customers — downgraded it to Moderately Unsatisfactory. The reason: the gains made during the project were reversed after closure.

The Reversal: Project Gains Lost Within Three Years

Indicator	Target	End of Project (2013)	IEG Field Visit (2016)	Change
Water delivered (M litres/day)	760	865	606	-30%
People with improved access (millions)	5.0	5.4	4.1	-24%
Networks rehabilitated	13	13	16	+23%
Collection efficiency	80%	78%	60%	-23%
O&M coverage from revenue	100%	60%	20%	-67%
Non-revenue water	n/a	n/a	58%	

O&M coverage from revenue collapsed from 60 percent to 20 percent — back to the pre-project level. Water production declined 30 percent. Beneficiaries declined 24 percent. Enugu saw an 81 percent decline in beneficiaries; Ogun 31 percent. Staff turnover was endemic: Ogun had five project coordinators, Enugu four, Kaduna three. Staff were reassigned to other government departments or left for better-paying positions using skills the project had financed. The State water and sanitation laws drafted under the project were not enacted by closure. The National Water Policy was not approved until 2016 — twelve years after it was first drafted.

THE RATING DIVERGENCE

The management ICR rated this project Moderately Satisfactory. The PPAR downgraded it to Moderately Unsatisfactory. The management rating — the one the Board sees first — was produced before the gains had reversed. The PPAR rating — the one based on field evidence — was produced after the reversal. By the time the PPAR was published in 2017, the Second and Third NUWSRPs had already been approved. The Board approved the successors on the strength of the management rating. The independent rating came too late.

Second National Urban Water Sector Reform Project (P071391)

$200 million (plus $113M additional financing, including AFD co-financing). Approved 2005. Closed FY2016. Rated Moderately Unsatisfactory.

Implemented in Lagos and Cross River States. The project aimed to improve reliability of water supply produced by the Lagos treatment works, increase access to piped networks in four cities in Cross River State, and improve commercial viability of urban water utilities. Component 1, Rehabilitation and Network Expansion ($155.5 million planned, $352 million actual including additional financing), financed engineering and civil works including restoration of treatment plants and distribution networks in Lagos and expansion of metered connections in Calabar city and the towns of Ikom, Ogoja, and Obudu in Cross River. Component 2, PPP Development ($7.5 million planned, $2.0 million actual), aimed to introduce private operators for the Lagos treatment works and Cross River systems. Component 3, Service Sustainability ($14.5 million planned, $16.5 million actual), supported utility efficiency, energy subsidies, and stakeholder outreach.

The IEG evaluation identified the core design failure: “Legitimate stakeholder incentives such as political resistance to tariff increases prior to service improvements were not adequately reconciled with project goals such as achieving high cost-recovery targets.” The project required politicians to raise water tariffs before voters had seen any improvement in service. The politicians refused. This is not a surprise in a democracy with a four-year electoral cycle. It is a design failure.

Financing was “not linked to reform progress but mainly to implementation of infrastructure works, signalling that reform progress is secondary.” Government buy-in “was not sustained throughout implementation due to changes in key stakeholders.” The PPP component spent $2 million of a planned $7.5 million. Private sector participation was not achieved in any significant form.

Third National Urban Water Sector Reform Project (P123513)

$250 million committed. $141.6 million disbursed. $86 million cancelled. Approved 2014. Closed FY2021. Rated Moderately Unsatisfactory.

The largest and most recent of the three. Implemented in Bauchi, Ekiti, and Rivers States, with additional support to nine “Tier 2” states. Component 1, Sector Reforms and Water Supply Investments ($215 million planned, $122 million actual), financed civil works for large water supply investments including rehabilitation of intakes and treatment plants, transmission pipelines, distribution networks, and water meters. A performance-based allocation subcomponent was designed to incentivise reform through competitive grants allocated at mid-term review based on implementation progress, customer enumeration, tariff studies, and investment plans. Component 2, Water Sector Governance ($23 million planned, $30 million actual), supported nine Tier 2 states in becoming “investment-ready” through diagnostics and minor investments. Component 3, Sector-Wide Improvement ($12 million planned, $3.7 million actual), financed federal-level capacity including the National WASH Fund and various studies.

In Rivers State — one of the three core states — works never started. After years of procurement delays, $44 million was cancelled in 2020. The PDO was downgraded to

Moderately Unsatisfactory in November 2019. Of the original $250 million commitment, only $141.6 million was disbursed — a 43 percent shortfall. The performance-based allocation mechanism — the innovation that was supposed to distinguish this project from its predecessors — could not overcome the fundamental structural constraints.

THE THIRD PROJECT'S OWN RECOMMENDATION

The IEG evaluation of the Third project stated: "A long-term programmatic engagement (beyond a single project) and the right lending instrument are required to achieve major institutional changes and deeper reforms. Traditional investment project finance may not be the right instrument for such a long-term engagement. A programmatic approach through a development policy lending or Program-for-Results financing would have been a better choice." After $570 million and seventeen years of the same instrument, the evaluation recommended a different instrument.

5. The Same Lessons, Written Four Times

The diagnosis does not change across 20 years and four evaluations:

Theme	PPAR 36443 (2006)	PPAR 115782 (2017)	Second NUWSRP (2016)	Third NUWSRP (2021)
Federal vs State	Shift away from FMWR explains improving outcomes	FMWR had limited span of control over state civil service	(Lagos/Cross River)	Bank's involvement and effectiveness were lacking
Political economy	Political will to reform was absent	More assessment of political-economic environment needed	Political resistance to tariff increases not reconciled	Reliance on leadership risky given elections
Cost recovery	Governors refuse higher tariffs	Collection 78%→60%, O&M 60%→20%	Financing not linked to reform progress	Benefits needed first to build credibility for reform
Staff turnover	SWB management changes, political interference	3–5 project coordinators per state	Government buy-in not sustained through changes	Heavy reliance on leadership risky given reshuffling
Sustainability	Highly Unlikely / Unlikely	Gains reversed within 3 years	PPP did not sustainably advance reforms	Long-term programmatic engagement needed
Instrument	(not addressed)	(not addressed)	Link financing to reform, not infrastructure	DPL or PforR would have been a better choice

THE PATTERN

The Third project's lessons are the First project's lessons. The First project's lessons are the 2006 PPAR's lessons. The 2006 PPAR's lessons are the 1998 Lagos Water Supply lessons. The diagnosis has not changed in 28 years. The design model has not changed. The commitment amount doubled. The rating did not change. The Bank produced lessons. It did not learn from them. The difference is $1.1 billion.

6. The Eighth Project: SURWASH (P170734)

The question this note asked — what will be different next time? — has been answered. The World Bank approved the Sustainable Urban and Rural Water Supply, Sanitation and Hygiene Program-for-Results (SURWASH) in May 2021 for $700 million. It is the largest water sector operation in Nigeria's history. It is a Program-for-Results instrument — the very instrument type the Third NUWSRP's evaluation recommended. It operates in seven states: Delta, Ekiti, Gombe, Kaduna, Katsina, Imo, and Plateau. It is coordinated by the Federal Ministry of Water Resources and Sanitation. It targets 6.1 million people with basic drinking water and 1.4 million with improved sanitation by June 2027.

The latest Implementation Status Report (ISR, June 2025) rates both Progress towards PDO and Overall Implementation Progress as Moderately Unsatisfactory. The project has been restructured once, in February 2025. Political and Governance risk has been upgraded from Substantial to High. Fiduciary risk has been upgraded from Substantial to High.

SURWASH: The Numbers (ISR, June 2025)

Indicator	Target (June 2027)	Actual (May 2025)	Achievement
PDO Rating	—	Moderately Unsatisfactory	MU
Implementation Progress	—	Moderately Unsatisfactory	MU
Commitment	$700M	$670M (revised)	
Disbursed	$700M	$93.6M	14%
People with basic water service	6,100,000	58,585	< 1%
People with improved sanitation	1,400,000	5	0.0004%
Households with improved sanitation	280,000	1	1 of 86 met standards
Communities achieving ODF status	500	0	Zero

Schools/healthcare with WASH	2,000	22	1.1%
Public places with WASH facilities	400	0	Zero
National WASH Fund established	Yes	No	Not established
People with sustainably functioning water	3,575,000	0	Zero — not yet tracked
Political/Governance Risk	Substantial	High	Upgraded
Fiduciary Risk	Substantial	High	Upgraded

The Mid-Term Review conducted in late 2024 found "delays in budget allocations and program execution due to a lack of understanding of the Program-for-Results instrument among state-level decision-makers." Two contracts for Urban Water in Delta State were terminated. The state Project Implementation Units are using different accounting software, "making it extremely difficult for the reports to be consolidated." Only four of seven states submitted results for verification in Program Year 2. In sanitation, Katsina was the only state to report — and of the 86 sanitation facilities it submitted, only one met the stipulated standards.

The ISR comments on community sanitation are particularly telling: "There has been a lot of confusion regarding this DLI and no state so far (even those declaring entire LGAs ODF) has achieved any results under it."

THE EIGHTH PROJECT

SURWASH is the eighth World Bank water sector operation in Nigeria. It is the largest — $700 million. It uses the instrument the Third project's evaluation recommended (PforR). It operates in some of the same states (Kaduna, Ekiti, Katsina). It is coordinated by the same Federal Ministry. Four years into implementation, it has reached 58,585 people out of a target of 6.1 million — less than 1 percent. It has achieved one household with improved sanitation out of a target of 280,000. It is rated Moderately Unsatisfactory — the same rating as projects One through Seven. The instrument changed. The rating did not.

The Full Timeline: 1991–2027

#	Project	Commitment	Rating	Instrument
1	Lagos Water Supply (P002082)	$177M	MU	Investment
2	Water Rehabilitation (P002084)	$260M	HU	Investment
3	First Multi-State (P002109)	$101M	MU	Investment
4	Small Towns Pilot (P064008)	$5M	S	Investment

5	First NUWSRP (P071075)	$200M	MU	Investment
6	Second NUWSRP (P071391)	$200M	MU	Investment
7	Third NUWSRP (P123513)	$250M	MU	Investment
8	SURWASH (P170734)	$700M	MU (ISR)	PforR

$1.8 billion committed across eight projects over 34 years. One Satisfactory. One Highly Unsatisfactory. Six Moderately Unsatisfactory. The Eighth — SURWASH — is rated MU at mid-term. The African Development Bank has already approved its own successor, working through the same Federal Ministry.

Nigeria's access to piped water connections dropped from 32 percent in 1990 to 1 percent in 2015 (WHO/UNICEF JMP). After $1.8 billion in World Bank water sector lending, piped coverage is lower than it was before the Bank started lending.

THE QUESTION

The question is no longer whether the World Bank learns from project failures. The ISR for the Eighth project answers it. The question now is: who is accountable? $1.8 billion in sovereign debt. One household with improved sanitation. Nigeria repays in full. The Bank collects its fees. The IEG evaluation database has contained the diagnosis since 2006. The design model has not changed. The rating has not changed. The only thing that has changed is the commitment amount — from $177 million to $700 million. The institution has learned to fail at scale.

7. Nigeria Is Not an Outlier: IEG's Global Water Sector Findings

A possible objection to this case study is that Nigeria is exceptional — that its political economy, its federal structure, its power supply crisis, or its governance constraints make it uniquely difficult, and that the Bank's failure here does not reflect a systemic pattern. IEG's own global water sector evaluations dispose of this objection. The Nigeria story is the sector story.

Water and Development (IEG, 2010)

IEG's 2010 evaluation examined all water-related projects financed by the World Bank between FY1997 and end-2007 — 1,864 projects representing $54.3 billion in Bank financing. The evaluation found:

Only 15 percent of projects that attempted cost recovery achieved their goal. The evaluation concluded that "limited success with full cost recovery for water services has

caused the Bank to moderate its approach, but the question of who will pay for uncovered costs remains to be resolved." Nigeria's six failures on cost recovery are not an anomaly. They are the global norm.

Support for institutional reform and capacity building has had limited success. "Institutional reform, institutional strengthening, and capacity building have been the activities most frequently funded by Bank water-related lending. Yet these interventions have often been less than fully effective, and weak institutions have often been responsible for project shortcomings." The Niger State Water Board — 39 staff per 1,000 connections, zero percent metered — is not an outlier. It is what weak institutions look like after Bank lending.

Decentralisation works when budget and authority match responsibility. "Water projects operating in a decentralised environment have had difficulty meeting expectations, but when the budget and authority accorded to the lower level of government have matched the responsibility assigned to it, projects have had positive achievements." This is precisely what the Nigeria PPAR found: the Small Towns project worked because communities had budget, authority, and responsibility aligned. The federal projects failed because none of the three were aligned.

A Thirst for Change (IEG, 2017)

IEG's 2017 evaluation examined the Bank's WSS portfolio during FY2007–16 — $30.3 billion in World Bank Group commitments. The evaluation found:

71 percent of projects had Moderately Satisfactory or better outcomes — but 42 percent of those projects also had significant or high risk to development outcomes. This means nearly half of "passing" projects are expected to lose their gains after closure. The First NUWSRP is a textbook example: rated MS by management at closure, gains reversed within three years.

Financial covenants in investment projects "yielded disappointing results." "Many utilities in client countries are unable to recover operating costs." The main sources of risk were "lack of financial sustainability of service providers and inadequate institutional capacity, especially in rural areas. Both factors often link to insufficient government leadership and commitment."

Monitoring and evaluation quality was substantial or high for only 22 percent of projects. The 2006 Nigeria PPAR found that the National Water Rehabilitation Project's 22 performance indicators were never populated with baseline values or targets. This is not a Nigeria problem. It is a sector problem.

"Many LMICs and LICs have been unwilling to use tariffs as an economic instrument." The evaluation concluded that this "has been a key constraint to financial viability in client WSS sectors." The recommendation: "Engage intensely with client

governments on tariff reforms." The same recommendation the Nigeria evaluations have made — in different words — since 2006.

NOT AN OUTLIER

Nigeria's six water project failures are not a country-specific political economy problem. They are the sector norm documented by IEG's own global evaluations. Only 15 percent of projects globally achieved cost recovery. Forty-two percent of "passing" projects are at risk of losing their gains. Institutional reform has had limited success worldwide. The structural diagnosis in Nigeria — no tariff autonomy, no financial sustainability, no accountability — is the structural diagnosis everywhere. The Bank has known this for at least two decades. It has not changed its lending model.

8. Why the Bank Does Not Learn

The game theory analysis published on this platform (mdbreform.com/game-theory) explains why the Nigeria water portfolio looks the way it does. The four mechanisms that sustain the Nash equilibrium at the institutional level operate with particular clarity in this case:

The Sovereign Guarantee

Nigeria repays the loan whether the water utility is reformed or not. The Bank collects its fees, its spread, and its preferred creditor repayment regardless of whether piped connections increased from 1 percent. The incentive to get the design right is reputational, not financial — and the reputation cost is absorbed across a portfolio of 10,542 projects, invisible to anyone who does not read IEG reports. Nigeria will repay approximately $1 billion in principal and interest over 25–38 years for six projects that did not achieve their development objectives.

The Pipeline Incentive

The Bank needs to lend. Nigeria is a large IDA borrower. After the First NUWSRP's MU rating, stopping would have meant walking away from a $200 million pipeline. After the Second, a $250 million pipeline. The Country Management Unit's portfolio metrics reward lending volume. The institutional incentive is to redesign on paper, relend, and move on — not to stop and ask whether the delivery model works.

The TTL Rotation

The task team leader who designed the First NUWSRP in 2004 is not the person who designed the Third in 2012. Within projects, the turnover was worse: Ogun had five project coordinators, Enugu four, Kaduna three. The institutional memory is in the IEG lesson database. The lessons say the same thing across all six evaluations. They are produced. They

are filed. They are not absorbed. The people who design the next project have not lived with the failure of the last one.

The MS+ Shield

The management ICR rated the First NUWSRP as Moderately Satisfactory. The ICR Review confirmed MS. The PPAR — based on a field mission that visited the states and talked to customers — downgraded it to MU. The Board sees the management rating first. The field-based evaluation comes three years later. By then, the Second and Third projects have already been approved on the strength of the management's self-assessment.

The Borrower's Response

The FMWR's formal response to the 2006 PPAR (attached as Annex B to Report 36443) disputes the methodology, the sample size, and the conclusions. It argues that "only three out of 188 rehabilitated schemes were visited" and wonders "how the PPAR came to the conclusion that the project was highly unsatisfactory." It insists that "the arrangement of NWRP was the best in view of prevailing circumstances." It does not engage with the structural diagnosis. The response is defensive throughout. When the Borrower disputes the diagnosis and the Bank does not insist on structural change before the next loan, the lesson cycle is broken.

Data and Sources

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