

# Equal to the task: financing for a state of emergency in Nigeria's water, sanitation and hygiene sector

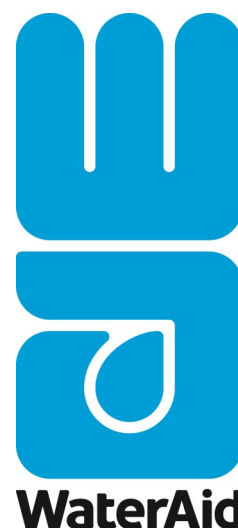
Case study



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**development  
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**This is a WaterAid report, based on research and analysis from Development Initiatives.**

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Cover photo: A mobile water seller fills a jerry can with clean water in Nigeria.

Credit: WaterAid/ Akintunde Akinleye

## Key recommendations

- **A substantial improvement in data availability on access, budgets and spending is needed to drive better decision-making**
- **A major effort is needed to strengthen the financial absorption of available funds**
- **There needs to be a ten-fold increase in public funding for WASH**
- **The increase in public funding for WASH should be part of a sustained drive to strengthen DRM and create a far stronger public sector**
- **There should be a strengthened role for civil society in the WASH sector and delivery of the NAP**
- **There should be a strong emphasis in the NAP on equity, consistent with water and sanitation as human rights**
- **Government and donors should urgently address the sustainability challenges facing the sector.**
- **Investments and reform in the wider enabling environment will also be vital for the success of the NAP**
- **Success of the NAP requires strong and effective coordination within the WASH sector and across other relevant sectors**
- **The long-term health of the WASH sector is dependent on the global transition to a low-carbon economy**
- **The Government should seek to secure significant amounts of climate finance for the WASH sector**

# Section 1 – Nigeria country context and sector analysis

## 1.1. Overview of Nigeria's country context, status and challenges

- 1.1.1 Brief introduction to country and context

Since 2000, when Nigeria adopted the Millennium Development Goals (MDGs), the country has made positive progress in human development, although many MDG targets were not fully met. For example, the prevalence of poverty declined from 66% of the population in 1996 to 45.5% in 2010, but this was still some way from the target of 21.4%. At the end of the MDG period in 2015, Nigeria had only fully met 1 of the 8 goals (MDG 8 – develop a Global Partnership for Development)<sup>1</sup>. One of the central factors that hampered progress was the inability to transfer the country's global commitment to the MDGs into binding national and state level ones. This was despite the creation of strategic plans such as Nigeria's *Strategy for Attaining the Millennium Development Goals* and *Vision 2020* with its associated *National Implementation Plan (NIP)*.

Following these challenges with meeting set human development targets, and as a result of the economic recession from falling global oil prices, the Federal Government in 2017 launched the Economic Recovery and Growth Plan 2017-2020 (ERGP). This sets key economic, social and environmental goals and links to the Federal Government's global commitment to the Sustainable Development Goals (SDGs). In addition, State governments are integrating the SDGs within their state development plans.<sup>2</sup> However, the task of achieving national targets linked to the SDGs is a sizeable one, with millions left behind due to the country's rapidly-growing population and its uneven and inequitable economic performance. In addition, there were 2.2 million people internally displaced at the end of 2018<sup>3</sup>, as a result of both conflict and environmental factors, such as the Boko Haram insurgency in the North East, conflict between pastoralists and farmers in the Middle Belt region and severe flooding in 34 of the 36 states. Climate change is also likely to increase the intensity and frequency of extreme weather events, raising the threats from flooding and also drought in the arid north.

### 1.1.2 Overview of status of WASH indicators towards 2030 SDG/national targets, highlighting progress and areas that are off track

The water, sanitation and hygiene (WASH) sector typifies the more general picture of human development in Nigeria. Within the MDG era from 2000 to 2015, an extra 41 million people gained access to improved sanitation facilities (either safely managed, basic or limited), but population growth meant that in absolute terms 18 million more people were using unimproved facilities (Figure 1b). As of 2017, 40% of the population (77 million people) had no access to improved sanitation, and almost half of those without access practised open defecation. However, there was relatively better progress on access to improved drinking water supply, with the percentage of the population with access rising from 57% in 2000 to

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[https://www.undp.org/content/dam/undp/library/MDG/english/MDG%20Country%20Reports/Nigeria/Nigeria\\_MDGs\\_Abridged\\_Sept30.pdf](https://www.undp.org/content/dam/undp/library/MDG/english/MDG%20Country%20Reports/Nigeria/Nigeria_MDGs_Abridged_Sept30.pdf)

<sup>2</sup> <https://kdsg.gov.ng/3216-2/?wpdmc=sdg-report>

<sup>3</sup> <http://www.internal-displacement.org/countries/nigeria>

76% in 2015. This was largely as a result of improvements in access in urban areas combined with an increasing proportion of the population living in urban rather than rural areas (Figure 1a). Despite this positive picture, neither the water or sanitation targets in MDG 7 were met.

With the advent of the SDGs, the focus has shifted from access to improved facilities to universal access to safely managed services. Regarding drinking water, although progress has been made on improved access since 2000, those with access to safely managed services only grew from 15% to 20% from 2000 to 2017, leaving 153 million people still unserved (figure 1a). Figure 1c highlights that the challenge of upgrading basic improved drinking water supplies to those that are safely managed lies both in their inaccessibility in the home and the quality of the water, both in rural and urban areas. The picture with sanitation is similar, with those with access to safely managed services only growing from 25% to 27% from 2000 to 2017 (figure 1b), principally through disposal in situ (figure 1c). In addition to households, there is also a significant challenge in delivering water and sanitation services in other locations such as schools and hospitals. In schools only 15.7% have basic water and sanitation facilities, and only just over a third of these are gender-sensitive. The situation is similar in health facilities, with only 5.2% of health facilities having basic and gender-sensitive facilities which fulfil the requirements under the SDGs<sup>4</sup>.

In addition to water and sanitation, there has not been significant progress on hygiene, with those having access to a handwashing facility increasing only very marginally from 74.2% in 2011 to 74.5% in 2017. Just over half of those with access had access to basic hygiene, including water and soap. This lack of overall progress led to President Muhammadu Buhari declaring a state of emergency on WASH in November 2018.<sup>5</sup>

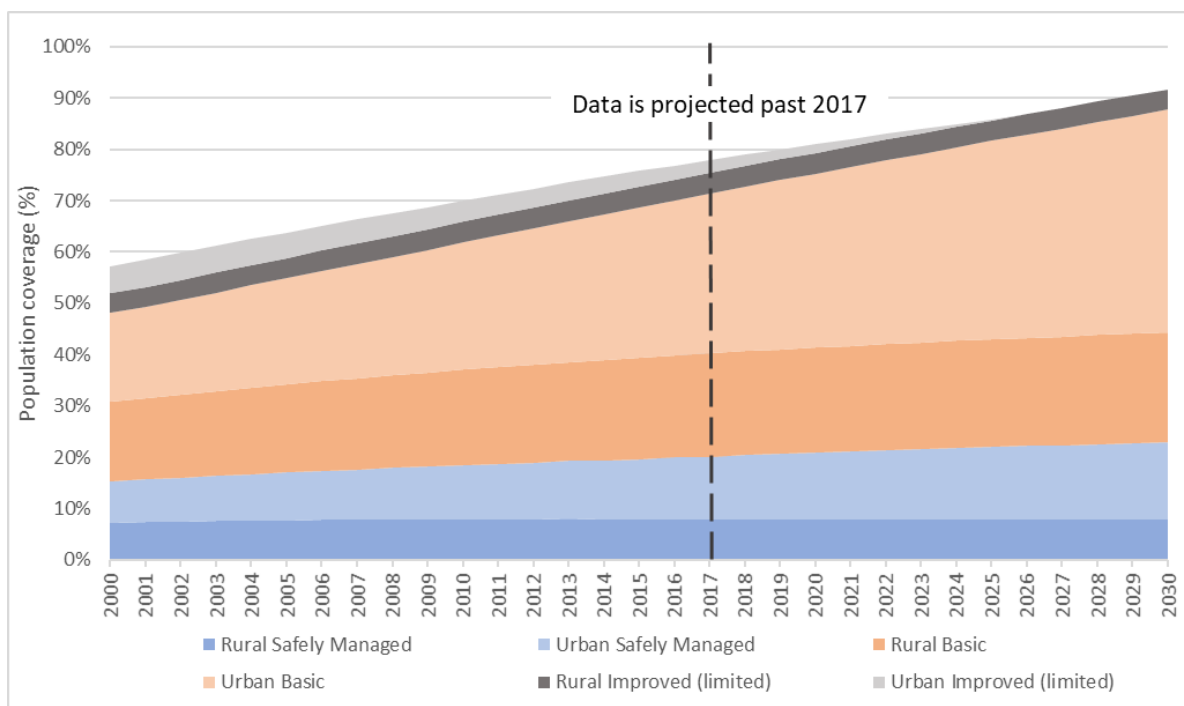
*Figure 1a – Percentage of rural and urban populations access to drinking water services by type (2000 to 2017, estimated up to 2030)<sup>6</sup>*

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<sup>4</sup> [https://www.cleannigeria.ng/wp-content/uploads/2019/03/SUMMARY-OF-FINDINGS-WASH-NORM\\_SURVEY\\_PL2\\_0119.pdf](https://www.cleannigeria.ng/wp-content/uploads/2019/03/SUMMARY-OF-FINDINGS-WASH-NORM_SURVEY_PL2_0119.pdf)

<sup>5</sup> <https://www.wateraid.org/uk/media/wateraid-welcomes-nigerian-government-action-plan-on-water-and-sanitation-crisis>

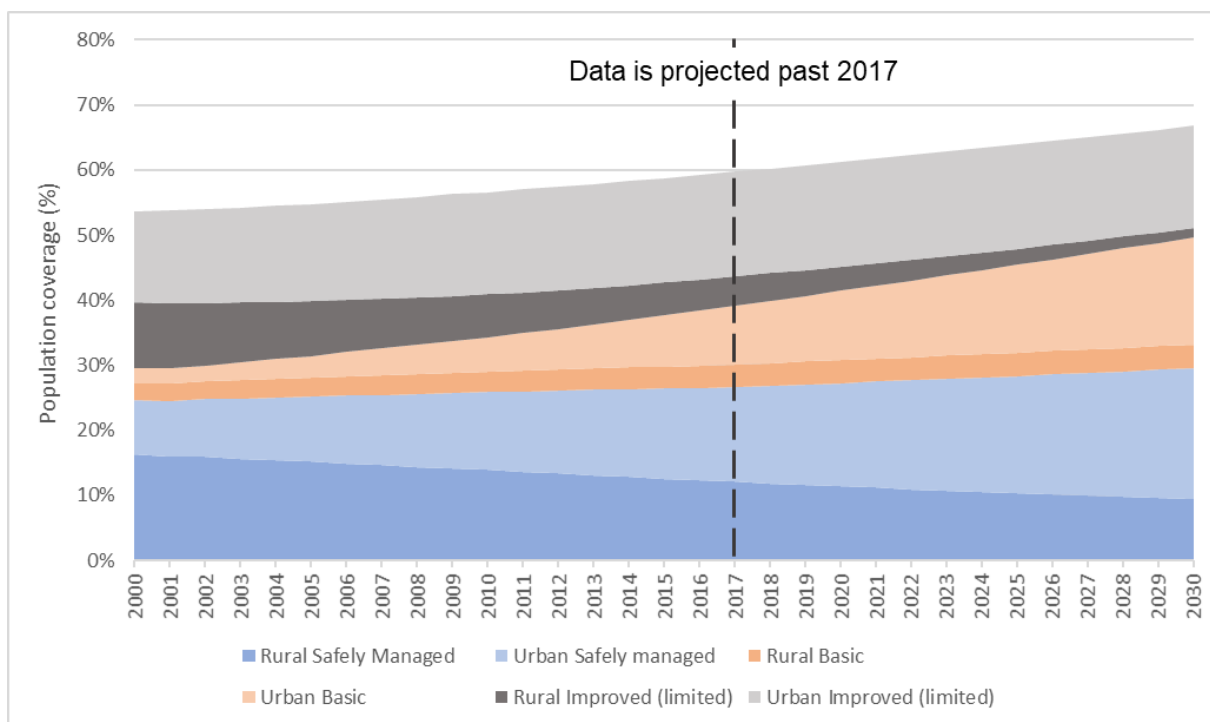
<sup>6</sup> The population not covered under the six areas either relies on unimproved services (drinking water from unprotected dug wells or unprotected springs) or no service (drinking water directly from a river, dam, lake, pond, stream, canal or irrigation channel).



| % (number of people, millions) | Unserved by safely managed drinking water (2017) | Unserved by safely managed drinking water (2030 on current trends) |
|--------------------------------|--|--|
| <b>Urban</b>                   | 73% (71 million)                                 | 74% (119 million)  |
| <b>Rural</b>                   | 84% (81 million)                                 | 81% (87 million)   |

*Figure 1b – Percentage of rural and urban populations access to sanitation services by type (2000 to 2017, estimated up to 2030)<sup>7</sup>*

<sup>7</sup> The population not covered under the six areas either relies on unimproved services (use of pit latrines without a slab or platform, hanging latrines and bucket latrines) or open defecation (disposal of human faeces in fields, forest, bushes, open bodies of water, beaches or other open spaces or with solid waste).



| % (number of people, millions) | Unserved by safely managed sanitation facilities (2017) | Unserved by safely managed sanitation facilities (2030 on current trends) |
|--------------------------------|---|---|
| <b>Urban</b>                   | 70% (66 million)  | 66% (100 million)   |
| <b>Rural</b>                   | 76% (73 million)  | 77% (83 million)  |

Figure 1c – Percentage of rural and urban populations access to improved drinking water and sanitation facilities, by safely managed criteria (2010 and 2017)

| Location     | Sanitation                | 2010       | 2017       | Location     | Water                                | 2010       | 2017       |
|--------------|---------------------------|------------|------------|--------------|--------------------------------------|------------|------------|
| <b>Rural</b> | Disposed of in situ       | 24%        | 22%        | <b>Rural</b> | Accessible on premises               | 14%        | 16%        |
|              | Emptied and treated       | 0%         | 0%         |              | Available when needed                | 47%        | 55%        |
|              | Wastewater treated        | 1%         | 2%         |              | Free from contamination              | 18%        | 21%        |
|              | <b>Safely managed sum</b> | <b>25%</b> | <b>24%</b> |              | <b>Safely managed (lowest value)</b> | <b>14%</b> | <b>16%</b> |
| <b>Urban</b> | Disposed of in situ       | 24%        | 25%        | <b>Urban</b> | Accessible on premises               | 30%        | 33%        |
|              | Emptied and treated       | 0%         | 0%         |              | Available when needed                | 81%        | 83%        |
|              | Wastewater treated        | 4%         | 5%         |              | Free from contamination              | 24%        | 25%        |

|                 |                           |            |            |                 |  |            |            |
|-----------------|---------------------------|------------|------------|-----------------|--|------------|------------|
|                 | Safely managed sum        | 27%        | 30%        |                 | <b>Safely managed (lowest value)</b>                                   | <b>24%</b> | <b>25%</b> |
| <b>National</b> | Disposed of in situ       | 24%        | 24%        | <b>National</b> | Accessible on premises   | 21%        | 24%        |
|                 | Emptied and treated       | 0%         | 0%         |                 | Available when needed  | 62%        | 69%        |
|                 | Wastewater treated        | 2%         | 3%         |                 | Free from contamination  | 21%        | 23%        |
|                 | <b>Safely managed sum</b> | <b>26%</b> | <b>27%</b> |                 | <b>Safely managed (lowest % value from urban &amp; rural combined)</b> | <b>18%</b> | <b>20%</b> |

Source: WHO/UNICEF JMP global database 2000-2017

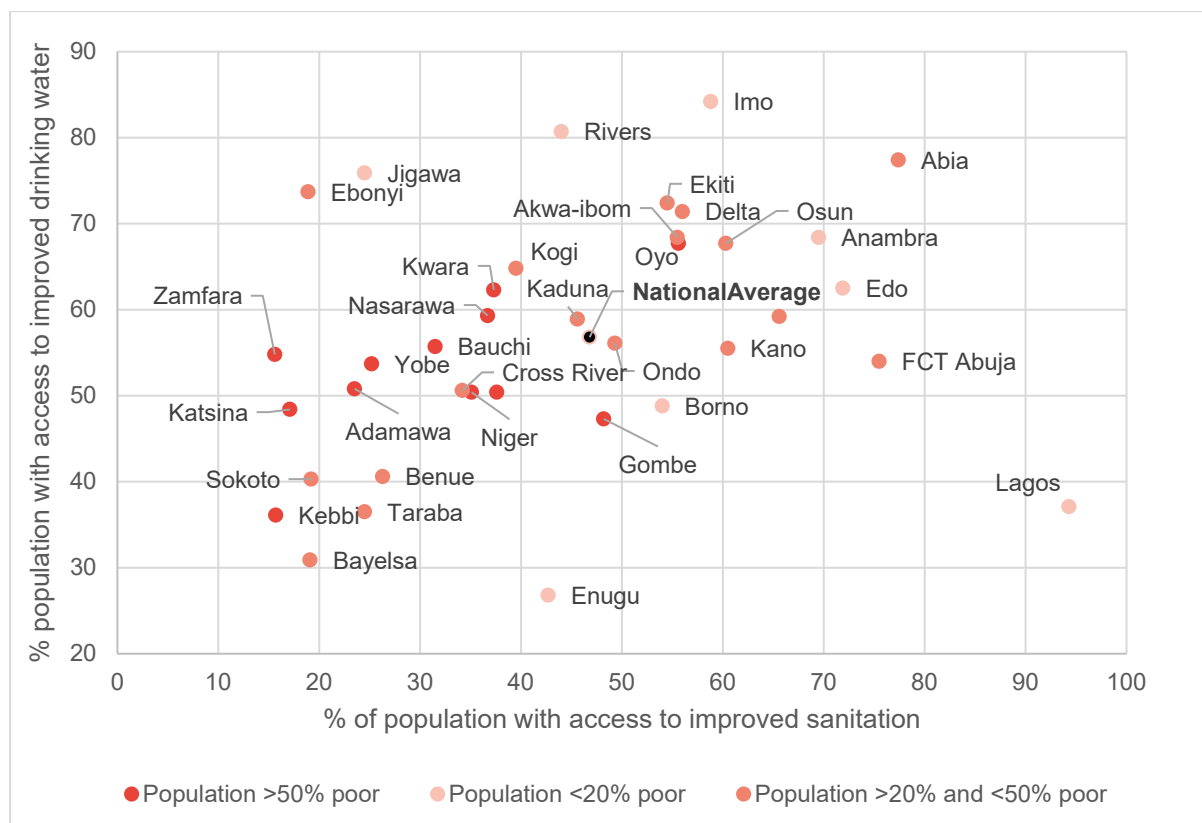
Notes: Area chart represents total percent of populations access to improved water and sanitation, disaggregated by rural and urban and whether facility is limited or not. The grey area in the charts represents the estimated projection from 2017 to 2030 based on trend from 2000 to 2015 and urban and rural population projections up to 2030.

Looking to the future, the Federal government has committed to the SDGs and attaining universal access to safely managed water and sanitation by 2030, as outlined in SDG 6. The attainment of SDG 6 is recognised as a key goal within the Federal Ministry of Water Resources' 'Immediate and Long-Term Strategies for The Water Sector (2016-2030)' and 'The Partnership for Expanded Water Supply, Sanitation & Hygiene (PEWASH) Strategy'. In addition, the Federal Government has established a framework to achieving the SDG 6 through 'Making Nigeria Open-Defecation-Free by 2025' and the National Action Plan (NAP) on WASH, which has three phases up to 2030. However, despite this high-level political commitment, given the past progress on WASH targets and a population that is set to reach 257 million by 2030, achieving universal access by 2030 will be challenging. From a drinking water perspective if progress from 2000 to 2017 was maintained at the same rate to 2030 it would mean an additional 54 million people would not have access to safely managed supplies (figure 1a), a story replicated on sanitation where an additional 44 million would be unserved (figure 1b). Therefore, there will need to be a significant upscaling of efforts over the next decade, focused primarily on upgrading existing drinking water supplies and working to end open defecation and the use of unimproved sanitation facilities.

### 1.1.3 Detail any specific challenges faced, including sub-national differences or within specific groups.

There are major inequalities in access to water and sanitation in Nigeria: by region, by rural and urban areas, by gender, disability, income and wealth. These inequalities also require focus and attention if the country's desired goals are to be met. Figure 2 shows access levels to water and sanitation by State. This pattern is highly correlated to incidence of poverty, with poorer States such as Sokoto, Kebbi and Zamfara amongst those with the lowest access levels to improved water and sanitation services. Conversely in the States with the lowest prevalence of poverty, such as Lagos, Rivers, Abia and Imo, the population has substantially greater access to improved water and sanitation facilities.

*Figure 2 – Percentage of population with access to improved water and sanitation, by State*

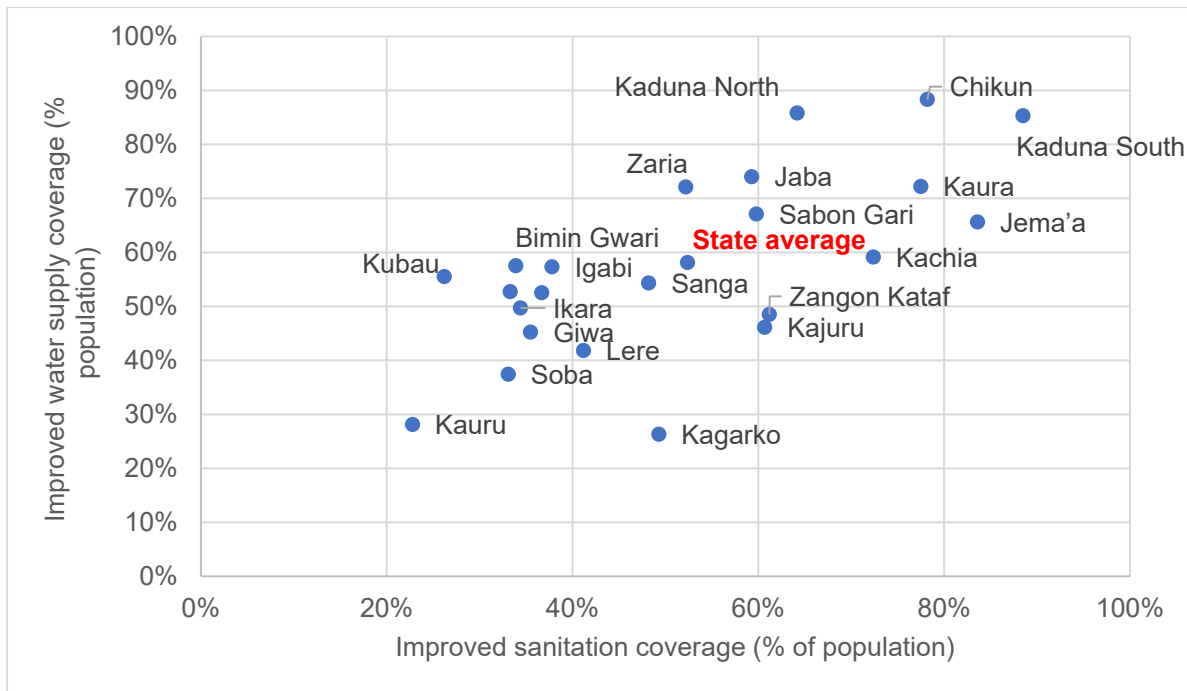


Source: NATIONAL NUTRITION AND HEALTH SURVEY (NNHS) 2018<sup>8</sup>

This shows that to meet universal access nationally a key focus needs to be on States where poverty levels are highest. In addition to differences in access between different States, there is also a wide variation in access across Local Government Authorities (LGAs) within States. For example, Figure 3 shows that in the case of Kaduna State, where access overall is similar to the national average, there is a significant difference between access to improved water and sanitation facilities by LGA, with the population of Kauru having significantly lower access levels (29% to water supply services and 22% to sanitation services) than Kaduna South (89% to water and 85% to sanitation). The differences in these two LGAs is likely to reflect the higher political priority given to urban areas: Kauru has a mainly rural population with low density and Kaduna South a predominantly urban population with high density.

*Figure 3 – percentage of population with access to improved water and sanitation in Kaduna State, by Local Government Authority*

<sup>8</sup> <https://www.unicef.org/nigeria/media/2181/file/Nigeria-NNHS-2018.pdf>



Source: Kaduna State General Household Report 2015

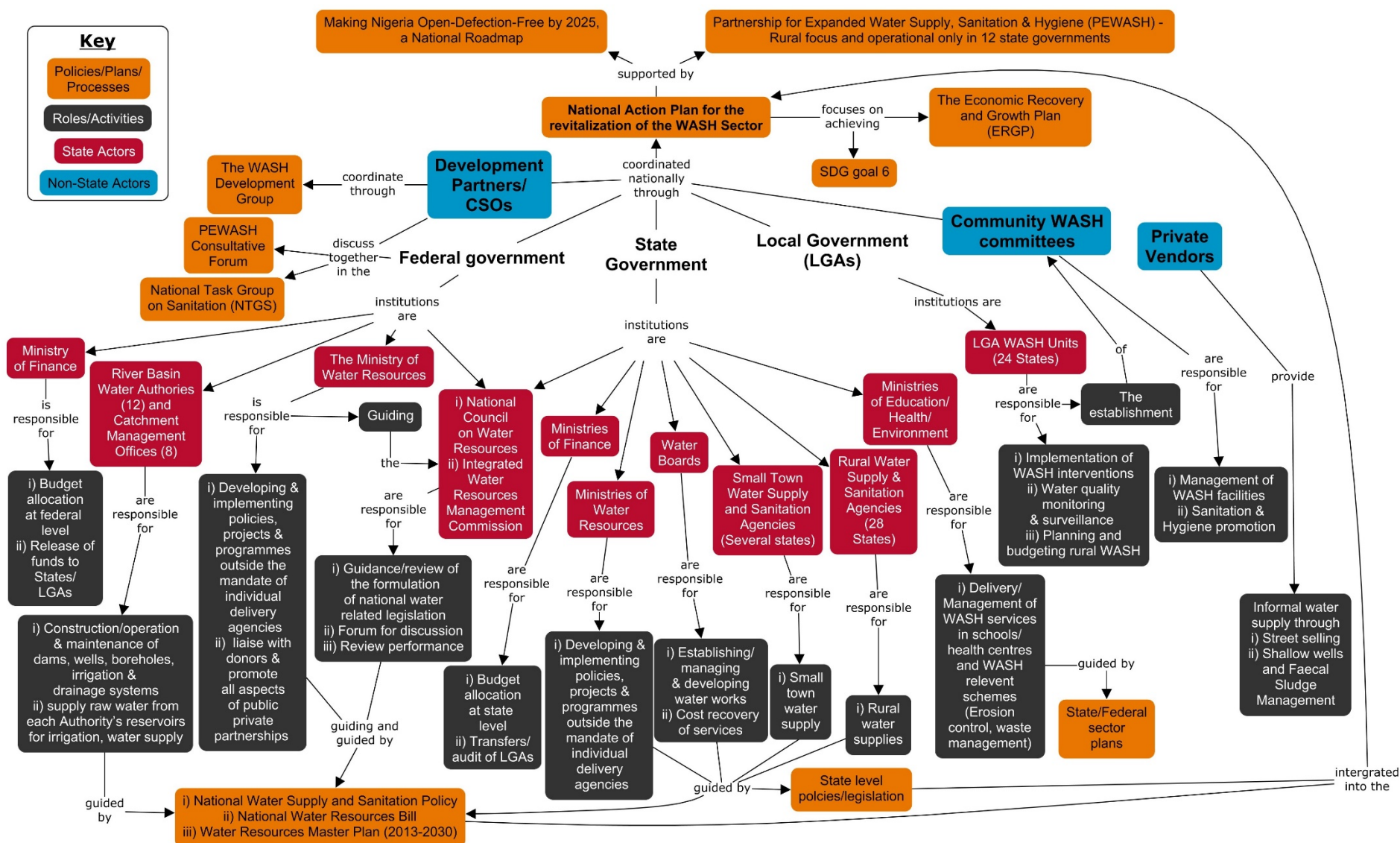
Figures 2 and 3 show there is a significant challenge with equity of access in Nigeria, meaning progress towards universal household access will be dependent on meeting the needs of specific populations.

## 1.2 Institutional structure and overview of key actor responsibilities

### 1.2.1. Details the organisation structure of WASH delivery in country, outlining different actors' responsibility

The responsibility for delivering WASH services in Nigeria rests with both state and non-state actors (Figure 3). Within the government all three levels (Federal, State and Local) have roles both for oversight and implementation. At the federal level, there are responsibilities for oversight of the WASH sector and also for implementation. Regarding oversight, the Federal Ministry of Water Resources is responsible for national policies and strategies, which State Governments are expected to adopt to guide service delivery in their respective States. The Ministry of Water Resources and the River Basins Development Authorities also have an important role in the construction, operation and maintenance of dams, wells, boreholes, reservoirs and drainage systems as well as in irrigation for agricultural development purposes. The National Council on Water Resources is the highest decision-making body for water resources management in the country. The entire hydrogeological space of the country is divided into 8 Hydrological Areas (HA) and managed by 8 Catchment Management Offices (CMOs). These in turn come under the Integrated Water Resources Management Commission and 12 River Basin Development Authorities (RBDA), which manage the major rivers and their various tributaries in the country.

Figure 4 – WASH sector actors and responsibilities in Nigeria



The RBDAs implement specific or relevant water resource or WASH projects that do not come under the remit of State governments. This is either because they involve delivery of projects across state borders (e.g. dams for water supply), are within the Federal Capital Territory<sup>9</sup> or intersect with other sectors where the Federal Government has primary responsibility (e.g. WASH facilities within internal displacement camps).<sup>10</sup> The Federal Ministry leads on liaison and dialogue with non-state actors, for example with development partners and promoting public-private partnerships. The Federal Ministry of Environment is also responsible for areas that are relevant to WASH, such as erosion and flood control and environmental sanitation.<sup>11</sup> The Federal Ministry of Finance plays an important role in allocating funding to all levels of government, administered through the Federation Account Allocation Committee (FAAC).

State governments are principally responsible for the delivery, maintenance and management of WASH services within their administrative areas. As for the federal level the Ministry of Water Resources is the central ministry responsible for planning, implementing and managing WASH services, with the Federal Ministry of Environment responsible for areas relevant for WASH. Depending on the State there are several institutions under the Ministry of Water Resources that support in the carrying out of its functions. All States have Water Boards or Corporations that are responsible for delivery, maintenance and cost recovery of their services, primarily in urban areas. In 28 of the 36 states Rural Water Supply and Sanitation Agencies have been established, which focus on delivery and implementation in rural areas, and in a few there are Small Town Water Supply and Sanitation Agencies, which are responsible for WASH services in small towns that were not being adequately serviced by Water Board or the rural agencies. In addition, Ministries of Education and Health are responsible for WASH services within their own institutions, such as schools, universities and health clinics. The Ministry of Agriculture is also responsible for WASH in abattoirs in collaboration with the Ministry of Health. Typically, LGAs in Nigeria are under the mandate of States and have little involvement with WASH implementation and delivery. However, within 24 states WASH units have been established with some responsibilities over implementation, planning, management and monitoring and evaluation in rural areas. LGA Water Units have also been involved in establishing Community WASH Committees.

Private vendors are also an important provider of water in Nigeria, although the extent of their role differs from State to State. They generally sell water at the point of source, such as a shallow well or deep borehole, or in the street, either in containers or plastic bags. They also play a central role in Faecal Sludge Management (FSM) in urban areas, through the use of exhauster trucks.

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<sup>9</sup> The Federal Capital Territory has its own water service agency, the Abuja Water Board. It is responsible for water supply to the Federal Capital Territory and for all the satellite towns

<sup>10</sup> The National WASH Policy 2000 places the implementation of WASH within the purview of State governments, whereas the management of Nigeria's water resources is the responsibility of the Federal Government. In practice, the Federal Government will construct a dam for water supply, a water treatment plant and limited reticulation through the appropriate RBDA before transferring this infrastructure to the concerned State for operation and maintenance. As stated above, the Federal Government is also responsible for policy guidelines and regulation for effective management and utilisation of water resources of the country.

<sup>11</sup> Some responsibilities overlap with the Ministry of Water Resources, at times causing a lack of clarity and tension.

The WASH sector in Nigeria is guided by the National Water Resources Policy and Water Resources Master Plan, the NAP, PEWASH Strategy (2016-2030), and the National Open Defecation Free (ODF) Roadmap. These strategies prioritise the elimination of open defecation by 2025 and achieving universal access to basic water services and sanitation in rural areas by 2030. There is also a National Water Resources Bill being considered by the National Assembly.<sup>12</sup> Together these policies guide the overall country-wide strategy. State governments also have their own legislation, policies and plans.

The PEWASH was established in 2016 to guide coordination and dialogue between the differing actors, although this is only focused on rural areas. The recent Making Nigeria Open-Defecation-Free by 2025 and National Action Plan (NAP) for the revitalisation of the WASH Sector aim to increase political commitment (especially within State Governments) and guide progress in the sector.<sup>13</sup>

On November 8th, 2018, President Buhari declared a state of emergency in the WASH sector and launched the National Action Plan for the Revitalisation of Nigeria's WASH Sector. The overall goal of the NAP is to ensure that all Nigerians have access to sustainable and safely-managed WASH services by 2030, in compliance with the SDGs for Water (Goal 6.1) and Sanitation (Goal 6.2). This was followed by a national campaign – Clean Nigeria: Use the Toilet—which was launched in April 2019 to build momentum into the NAP to reach the country's 2025 target to end open defecation.

The NAP is seeking a new partnership between the Federal and State governments, in a three-phase plan to 2030, with a vision of a consolidated financing plan (see Section Three) and centralised WASH fund, as well as plans to improve governance and monitoring and evaluation structures. It has five principal components: governance, sustainability, sanitation, funding and financing, monitoring and evaluation, all of which are seen as necessary for the achievement of the plan's goals. The National WASH Fund aims to complement budget allocations by providing additional resources in line with estimates of the required spending needed to attain SDG targets.<sup>14</sup>

### 1.2.2 Overview of some of the key issues and challenges with the WASH structure

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<sup>12</sup> The Bill seeks to establish a regulatory framework for the water resources sector in Nigeria, provide for the equitable and sustainable development management, use and conserve Nigeria's surface water, groundwater resources and related matters.

<sup>13</sup> The FMWR is also seeking to raise funds from the private sector for the "Clean Nigeria: Use the Toilet" campaign, which aims to end open defecation by 2025. Corporations such as Coca Cola (through its Replenish Africa Initiative, RAIN, Reckitt Benckiser Group and Procter and Gamble have signalled their willingness to commit Corporate Social Responsibility funds to this campaign.

<sup>14</sup> The objectives of the NAP include: clarification of roles of Federal, State, and Local Governments in water supply and sanitation service provision; improving the technical capacity of water agencies at the Federal, State, and Local Government levels; establishment of the National WASH Fund; institutionalising sanitation; improving spending efficiency; targeting resources to the poor and vulnerable; improving functionality and creditworthiness of networked services and improving the autonomy of SWAs over fiscal and human resources; establishing independent regulators at the State and/or Federal level, introducing performance contracts and promoting private sector involvement; developing strategies for improving rural water supply provision; regulating the informal sector in water supply and sanitation; promoting household-level capital expenditures; mainstreaming data collection; and designing a communications strategy. Nigeria Biannual Economic Update, World Bank, 2019.

There have been several identified issues and challenges within the WASH sector structure outlined above. These can be categorised into areas around financial, institutional structural and management, and enabling environment;

i) Financial structures and management;

**Public financial management structures at national level** – There are often delays with FAAC payments to States and LGAs.<sup>15</sup> This in turn delays budget appropriations and has a negative impact on the implementation of projects.<sup>16</sup> The revenue allocation formula has also been criticised for its inequitable share of domestic public resources, providing inadequate funding across the three tiers of government to meet developmental needs.<sup>17</sup> For example, the proportion of total revenue assigned to each tier is more or less fixed, and only 10% of the formula to allocate State and LGA revenue is based on developmental needs, 3% of which is focused on rainfall and not specifically on WASH needs<sup>18</sup>.

**Public financial management issues at subnational level** – within State governments there is seen to be a low investment in WASH, poor cost recovery (see Section Two) and low domestic revenue mobilisation (see Section Four). In addition, there have been challenges in disbursing funds from State to LGA levels, including issues with State control over joint accounts leading to delayed and reduced disbursements<sup>19</sup>. There have been calls for States and LGAs to employ needs-based budgeting<sup>20</sup> to improve the quality of financial reporting to track investments in sectors like water and sanitation more effectively.

ii) Institutional structure and management;

Some of the key challenges outlined within government WASH policy, planning and strategic documents have been:

**Lack of coherent policies and strategies** – despite some national and state policies and strategies being in place, in general they have not engendered good coordination either horizontally (inter-ministerial) or vertically (between government tiers). In addition, although private vendors play a key role in the sector, they remain outside of the formal policy processes.

**Weak governance** – the lack of an effective legal and regulatory framework, coupled with a lack of political will to meet WASH needs and low levels of accountability has inhibited progress.

**Low levels of sustainability** – World Bank analysis shows that the country faces major problems with regard to the functionality of water pumps, resulting in a water service delivery

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<sup>15</sup> Example in 2018 from Bayelsa State, <https://thenationonline.net/blame-june-salary-delay-on-faac-says-bayelsa/>

<sup>16</sup> WaterAid analysis of financial flows in Bauchi State also identified a bottleneck in disbursements between State and Kirfi LGA.

<sup>17</sup> <https://www.csae.ox.ac.uk/materials/data/777/fiscalfederalism.pdf>

<sup>18</sup> <http://www.nigerianstat.gov.ng/download/625>

<sup>19</sup> Nwogwugwu, Ngozi. (2015). Operation of State-Local Governments Joint Account and Financial Autonomy of Local Governments in Nigeria's Fourth Republic. International Journal of Innovative research and Development. Volume 4 (11).

<sup>20</sup> Outlined in the National Road Map for Eliminating Open Defecation in Nigeria.

system that does not match the population's increasing demand for water. Half of Nigeria's water schemes and 38 percent of water points are not functioning.<sup>21</sup>

**Human resources challenges** - lack of expertise and capacity of actors to fulfil their roles effectively and efficiently, (e.g. for project preparation and implementation).

**Challenges with monitoring and evaluation** – the issues of human resources and coordination detailed above have undermined the establishment of effective monitoring and evaluation systems to track progress in both project implementation and progress against WASH targets.<sup>22</sup>

iii) Enabling environment;

**Inconsistent power supply** – disruptions in power supply have impacted WASH services, such as water production. Water utilities rely heavily on generators as an alternative energy supply source and as a result face high diesel costs. <sup>23</sup> Improving electricity supply is a key priority under the Economic Growth and Recovery Plan and through the Power Sector Recovery Program (PSRP).

**Poor private sector participation** – wider issues with governance and accountability and effective legal frameworks have inhibited the development of private sector involvement in the WASH sector (Section 2). In the World Bank's 2019 Doing business survey, Nigeria ranks low in the index, as the 146<sup>th</sup> country overall.

**Security challenges** - insurgency in the North East and farmer/herder clashes in the Middle Belt are creating major challenges for implementing effective projects and programmes.

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<sup>21</sup> Nigeria Biannual Economic Update, World Bank, 2019.

<sup>22</sup> Many of these issues reflect a lack of political will. Some States, for example Kano, Osun, Delta, Rivers and Edo, have the institutions, developmental plans and regulatory frameworks in place, yet the government political will to drive progress is lacking. Lagos State, despite its challenges, stands out as a relatively strong performer.

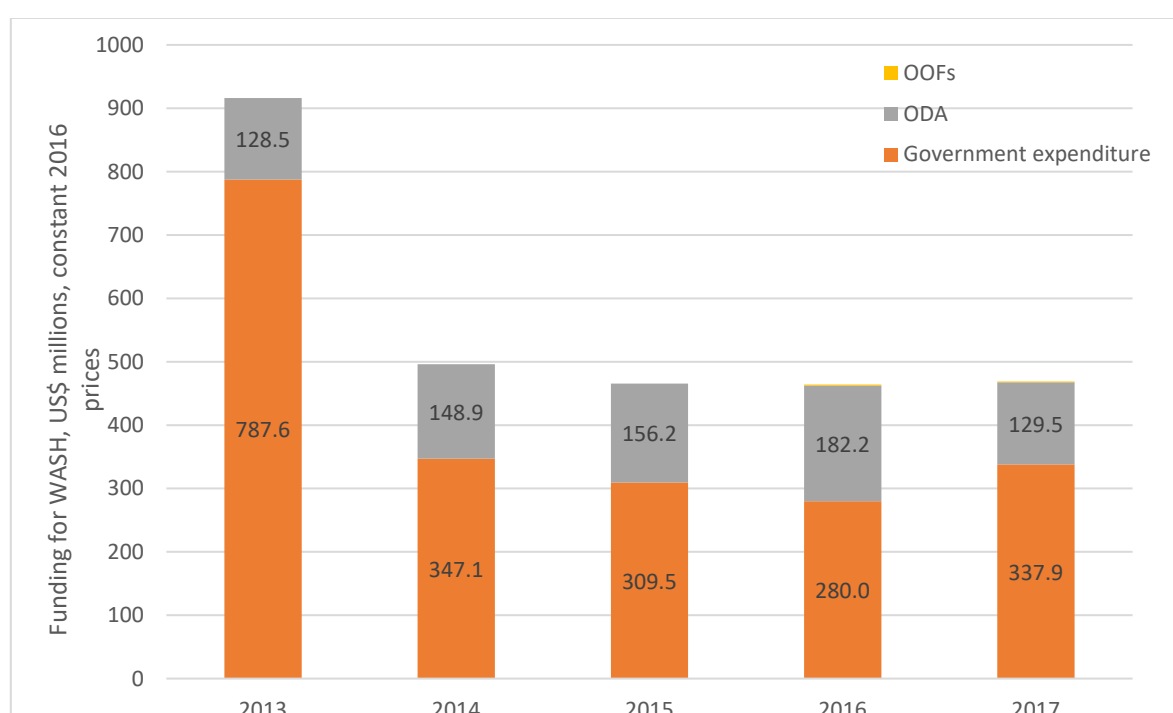
<sup>23</sup> For example, the Lagos State Water cooperation has recently highlighted this issue <https://lagoswater.org/?p=3069>

## Section 2 – Overview of WASH sector financing

### 2.1 Overall picture

Public financing for WASH in Nigeria is primarily sourced from a mix of domestic public resources and official development assistance (ODA), and to a smaller extent other official financing (OOFs). These sources complement household finance and activities. As shown by Figure 5, funding from these three areas between 2014 and 2017 has remained consistent at just under US\$500 million, although domestic public resources declined significantly in 2014 compared to 2013. In 2017 government expenditure made up 72% of the estimated public funding for WASH.<sup>24</sup> Although not directly comparable, 2018 funding reported to the 2019 GLAAS report was \$393mn, with similar levels of government's own funding to 2017 in figure 5 (US\$354.3mn current pricing) and US\$38.3mn from external sources, suggesting there hasn't been a significant scale up in funding.

*Figure 5 – The current status of public financing for WASH in Nigeria, 2015 to 2017*



Source: OECD CRS database. 2013, 2014, 2015, 2016 and 2017 Annual Reports, Central Bank of Nigeria (State, Local and non-wash Federal government expenditure). Budget appropriation bills 2013 to 2017, Federal Ministry of Finance (Federal government WASH expenditure).

Notes: Government expenditure will include some ODA, so there will be an element of double counting. Therefore, the figures should be treated as an estimate of the total funding for WASH

<sup>24</sup> The challenges related to finding comprehensive and accurate WASH spending data, particularly for households, suggest that there will be major benefits in Nigeria becoming a TrackFin country. TrackFin (Tracking Financing to WASH) is a methodology developed by WHO and partner countries to identify and track financing to the water, sanitation and hygiene (WASH) sector at the national or sub-national level in a consistent and comparable manner. TrackFin produces WASH accounts which can be used for national benchmarking, cross-country comparisons and to provide an evidence base to better plan, finance, manage and monitor WASH services and systems.

This section looks at Government finance flows in detail, before reviewing whether other development finance sources are also contributing to funding the WASH sector.

## 2.2 Government financing

### 2.2.1 Top level summary of total government financing to WASH, highlighting data gaps that exist

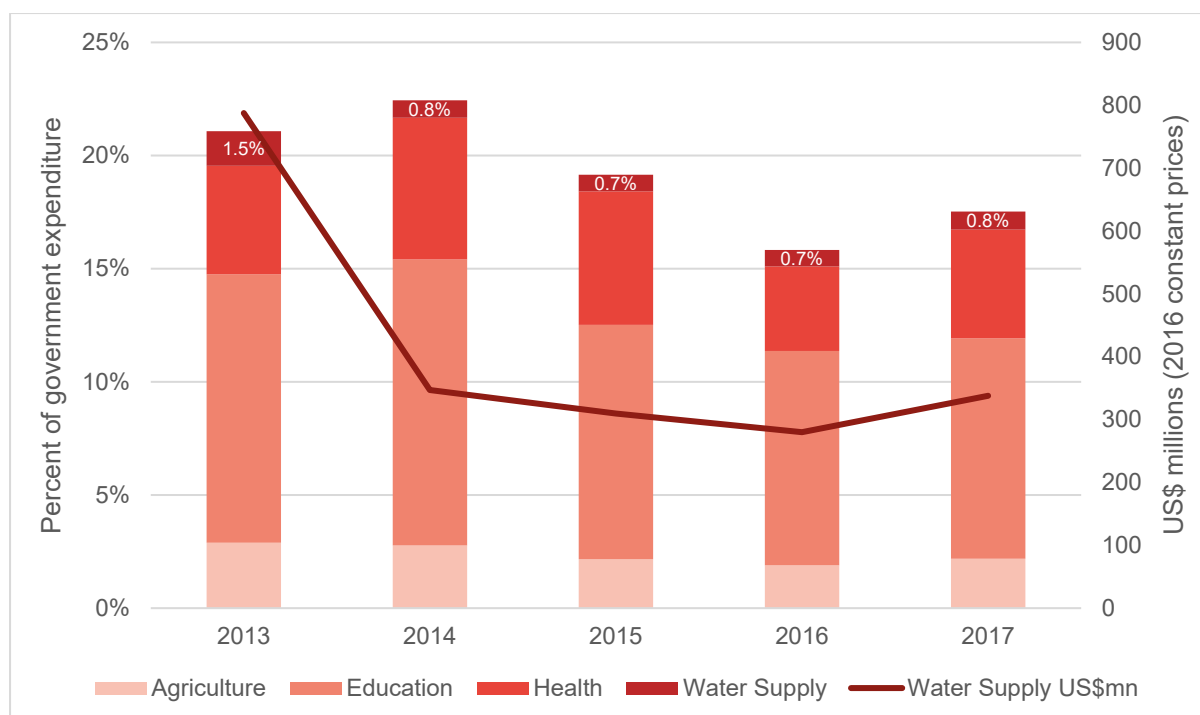
The Nigerian economy and government revenue are very closely tied to the oil and gas industry. With continued rising global oil prices up to 2014-2015 the economy was seeing significant year-on-year growth, and receipts from oil revenue were not only funding yearly government expenditure, but surplus revenue was put into the Excess Crude Account (ECA) and invested into a sovereign wealth fund. However, the sharp fall in oil prices in 2015 caused the economy to go into recession and saw government revenue substantially reduce. This led to the ECA being used to maintain government expenditure. Although oil prices have stabilised, they are not expected to increase significantly, meaning both economic growth and revenue received (see Section Four) are projected to be subdued in the medium-term up to 2023.

The impact of the fall in oil prices has had a substantial impact on government spending on welfare sectors, which includes funding to water supply. From 2013 to 2017, Federal and State government expenditure on what they term as welfare sectors fell from 16.6% and 32% of their total expenditure, to 12% and 28.5%. Local government spending also fell from 41.3% in 2015 to 33.4% of total expenditure in 2017. As shown in Figure 6, there have been declines in funding for government spending on health, education and water supply. However, funding to key components of the Economic Recovery and Growth Plan (ERGP), such as agriculture and road construction, has been maintained. Although total government expenditure on water supply in Nigeria has stabilised since 2014, it only comprises around 0.7% of total expenditure, which is substantially lower than the 7% of budget in Ethiopia (see case study) and other countries like Mozambique, where it is estimated at 5%. <sup>25</sup> This highlights the perceived lack of government investment in the sector, as outlined in Section One.

*Figure 6 – General government expenditure for water supply and other key sectors, (% of total expenditure and US\$, 2016 constant prices)*

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<sup>25</sup> [https://www.unicef.org/esaro/UNICEF\\_Mozambique\\_--\\_2017\\_--\\_WASH\\_Budget\\_Brief.pdf](https://www.unicef.org/esaro/UNICEF_Mozambique_--_2017_--_WASH_Budget_Brief.pdf)

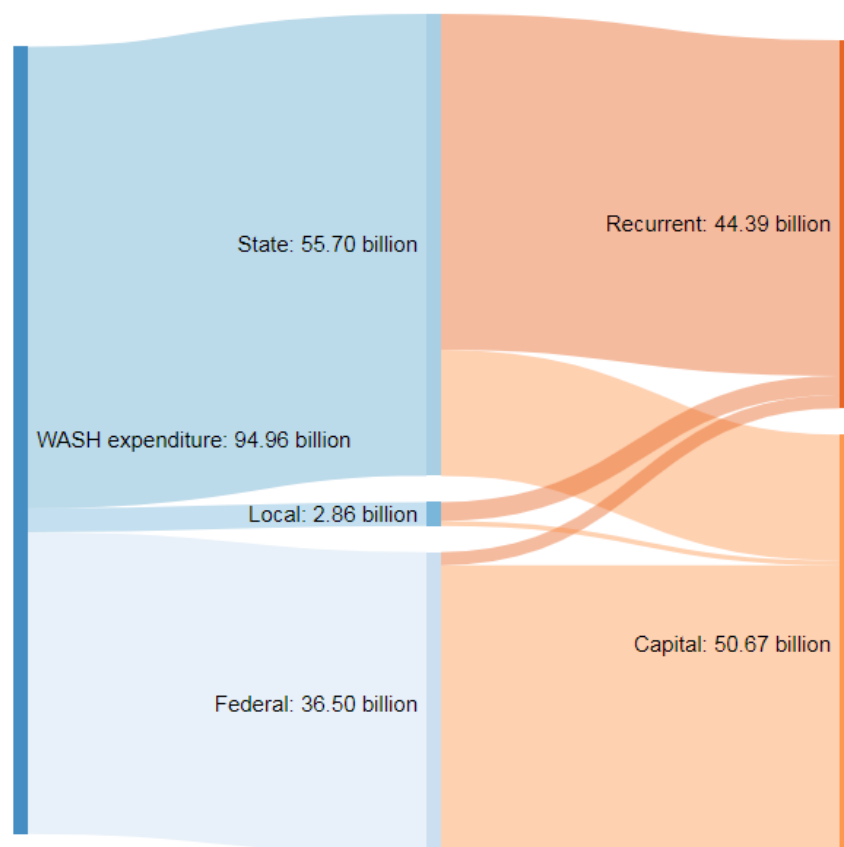


Source: 2013, 2014, 2015, 2016 and 2017 Annual Reports, Central Bank of Nigeria (State, Local and non-wash Federal government expenditure). Budget appropriation bills 2013 to 2017, Federal Ministry of Finance (Federal government WASH expenditure).

Notes: State and Local government spending is classified as water supply only. Federal Government spending includes all WASH specific spending within the Ministry of Water Resources and River Basin Authorities, which are primarily related to water supply. Federal WASH expenditure is budgeted rather than actual figures.

Regarding the composition of government spending, Figure 7 outlines that the major part of WASH expenditure is by the State (59%) and the Federal Government (38%), while LGAs account for only 3%. Although capital expenditure is the largest component at 53%, the large share for recurrent expenditure is not typical for a sector that is focused on physical infrastructure rather than human resources. For example in Ethiopia and Pakistan capital expenditure is 81% and 66% of the respective totals. The Federal government is mainly focused on capital expenditure projects, whilst State expenditure is focused on recurrent (e.g. wages, goods and services) rather than capital spending. This is likely due to the State-level role in managing WASH services. Nevertheless the relatively large percentage share of recurrent expenditure is surprising and potentially reflects a lack of investment in infrastructure by State governments.

*Figure 7 – 2017 Government funding to water supply (Naira billions), by level of government and economic type*



Source: Source: 2017 Annual Reports, Central Bank of Nigeria (State, Local government expenditure). Budget appropriation bill 2017, Federal Ministry of Finance (Federal government WASH expenditure).

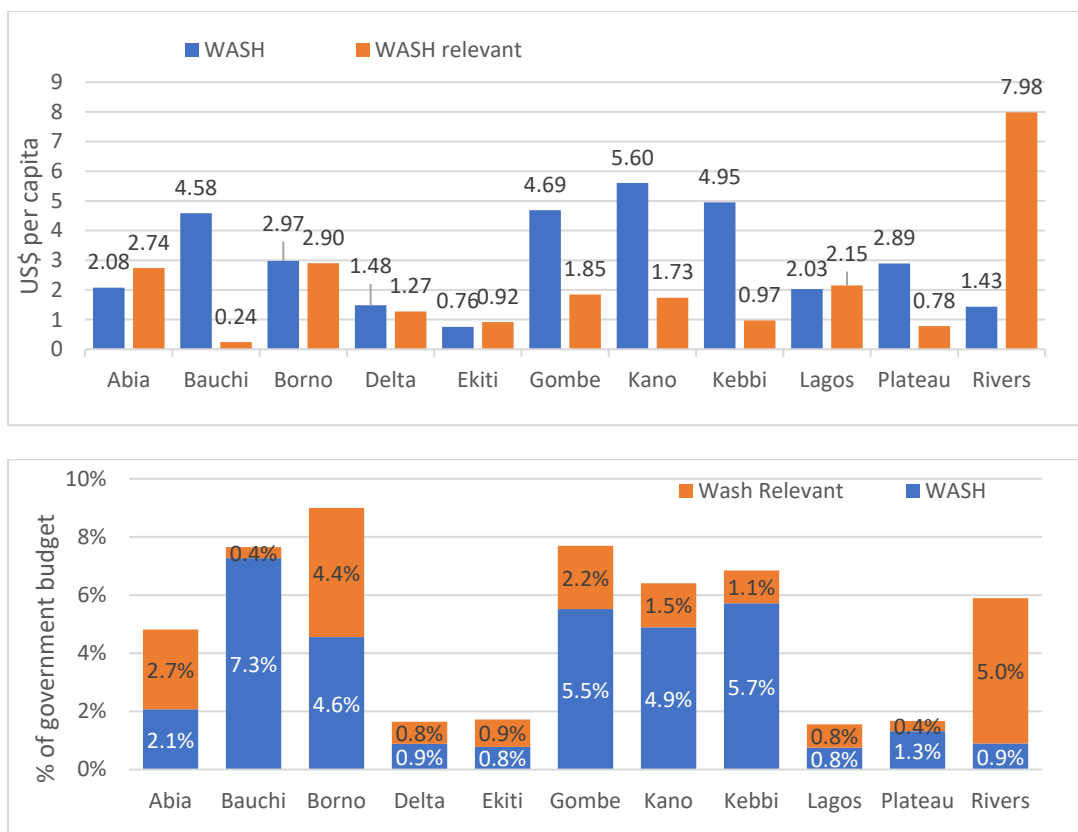
### 2.2.2 Sub-national government financing for WASH

Reviewing State government budgets for the 2017 and 2018 fiscal years in more detail shows that there is a large amount of variability in allocations for WASH and WASH-relevant areas.<sup>26</sup> This is both in per capita terms and as a percentage of total budgets. It ranges from US\$0.8 per capita and 0.8% of total budget in Ekiti State, to a high of US\$5.6 per capita in Kano State and 7.3% of the total budget in Bauchi State (see Figure 8). These differences could reflect the role State governments play in providing WASH services relative to private vendors<sup>27</sup>, the fiscal envelopes available to different governments as well as the priority they allocate to WASH. However, this is something that merits further exploration, although for some States and many local governments budgets are not publicly available (see Box 1).

*Figure 8 –WASH and WASH-relevant budget allocation by State Government (latest available budget year, US\$/capita and % of total budget)*

<sup>26</sup> This includes areas such as water resource management, environmental sanitation and protection

<sup>27</sup> State governments role in water provision ranges from <20% in states such as Abia, Borno and Kwara, to over 80% in Kaduna, Jigawa and Bayelsa. See <https://ieg.worldbankgroup.org/sites/default/files/Data/reports/ppar-nigeriawater-07122017.pdf>



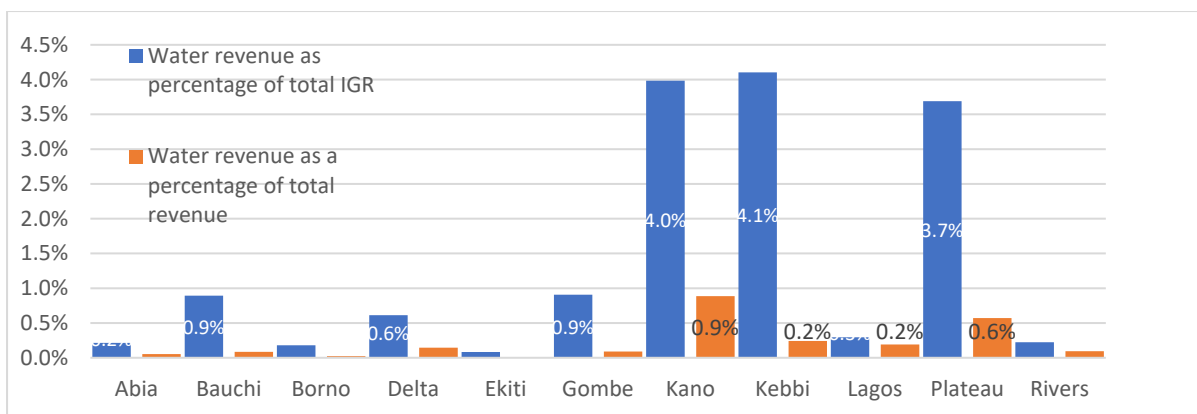
Source: Various State Government budget documents for financial years 2017 or 2018. Notes: WASH-relevant budgets include areas such as water resource management, environmental sanitation and protection. The States analysed were chosen based on the highest and lowest levels of poverty to provide a representative sample, where budget data was available.

State governments are also seemingly poor at cost recovery for WASH services. Figure 9 shows that water revenue in many States is only a small fraction of their total revenue received (e.g. including from FAAC) and as a percentage of what they generate internally (IGR). The 2017 GLAAS report survey has also suggested that cost recovery for operating and basic maintenance of WASH facilities is less than 50%, the lowest score available.<sup>28</sup> Poor cost recovery has also been highlighted by water boards and corporations, such as in Lagos State.<sup>29</sup>

*Figure 9 – State revenues from water supply as a percentage of internally generated revenue and total revenue (including transfers from Federal Government)*

<sup>28</sup> <https://apps.who.int/iris/bitstream/handle/10665/254999/9789241512190-eng.pdf;jsessionid=342951196D15430EB1B00C6F057AFB1F?sequence=1>

<sup>29</sup> <https://lagoswater.org/?p=3069>



Source: Various State government budget documents for financial year 2017 or 2018

### Box 1 - The need for greater transparency of government expenditure in Nigeria

Fiscal management and responsibilities for WASH occur across the three main tiers of Government (Federal, State and Local). This means that an accurate understanding of government WASH investment requires the availability of quality budgetary information at all these levels. Presently, the availability and quality of this information is very uneven. At the Federal level, although fiscal management reforms have and are taking place, the International Budget Partnerships open budget index score was only 17 out of 100, highlighting that the Government provides minimal budget information to citizens. From a WASH perspective although detailed budget allocation information was available for capital projects, there was no detail of actual spending or enough depth of information on recurrent expenditure.

A key challenge to implementing integrated or standardised public financial management systems in Nigeria, is the fiscal autonomy of the States under the constitution. This has led to a high degree of variance on their fiscal transparency and processes. Whilst many States like the Federal government are making reforms, such as improving budget availability and passing fiscal responsibility laws, the public availability and quality varies significantly. In addition, local government budget information is often not publicly available, although Kaduna State [open budget portal](#) provides a good example of timely publishing of both state and local budgets. The only available consolidated data on government spending is from the Central Bank's statistical database, gathered quarterly through a fiscal survey at all tiers of government. However, the published data only provides limited breakdown of spending on water supply at each level of government (as shown in Figure 7).

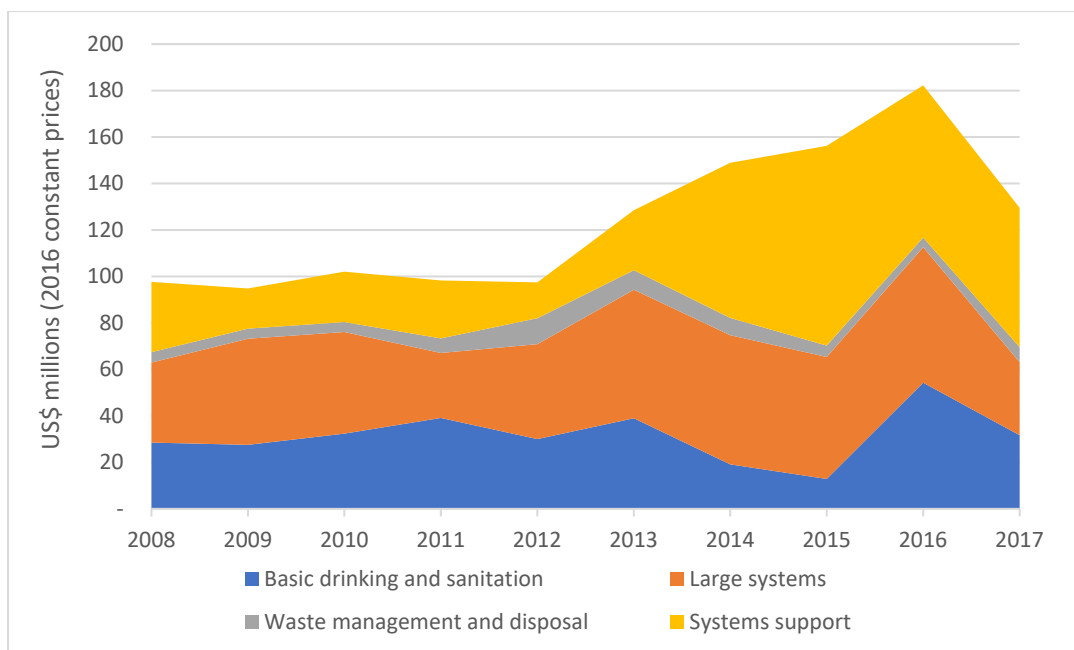
Whilst significant change may not be realised in the short term, it is encouraging that fiscal management reforms are being recognised as key to achieving developmental aims within strategic planning. For example, the national road map for eliminating open defecation in Nigeria calls for needs and program-based budgeting to help shape allocations according to priority areas. To facilitate change in fiscal transparency that is responsive to WASH it will be critical for key actors within the sector, state and non-state, to be

## 2.3 International public financing

### 2.3.1 Overview of water and sanitation specific Official Development Assistance (ODA) financing

Over the last decade Nigeria has seen considerable growth in aid or ODA reported to the water and sanitation sector. In 2008 total ODA to water and sanitation was US\$98mn. It rose to a peak in real terms of US\$182 million in 2016, before falling back in 2017 when US\$ 130million was disbursed (Figure 9). In 2017 Nigeria received the ninth highest ODA allocations to water and sanitation, accounting for 2% of total global ODA to this sector.

*Figure 10 – Water and sanitation aid disbursements by sub-sector (US\$ million, 2008 to 2017)*

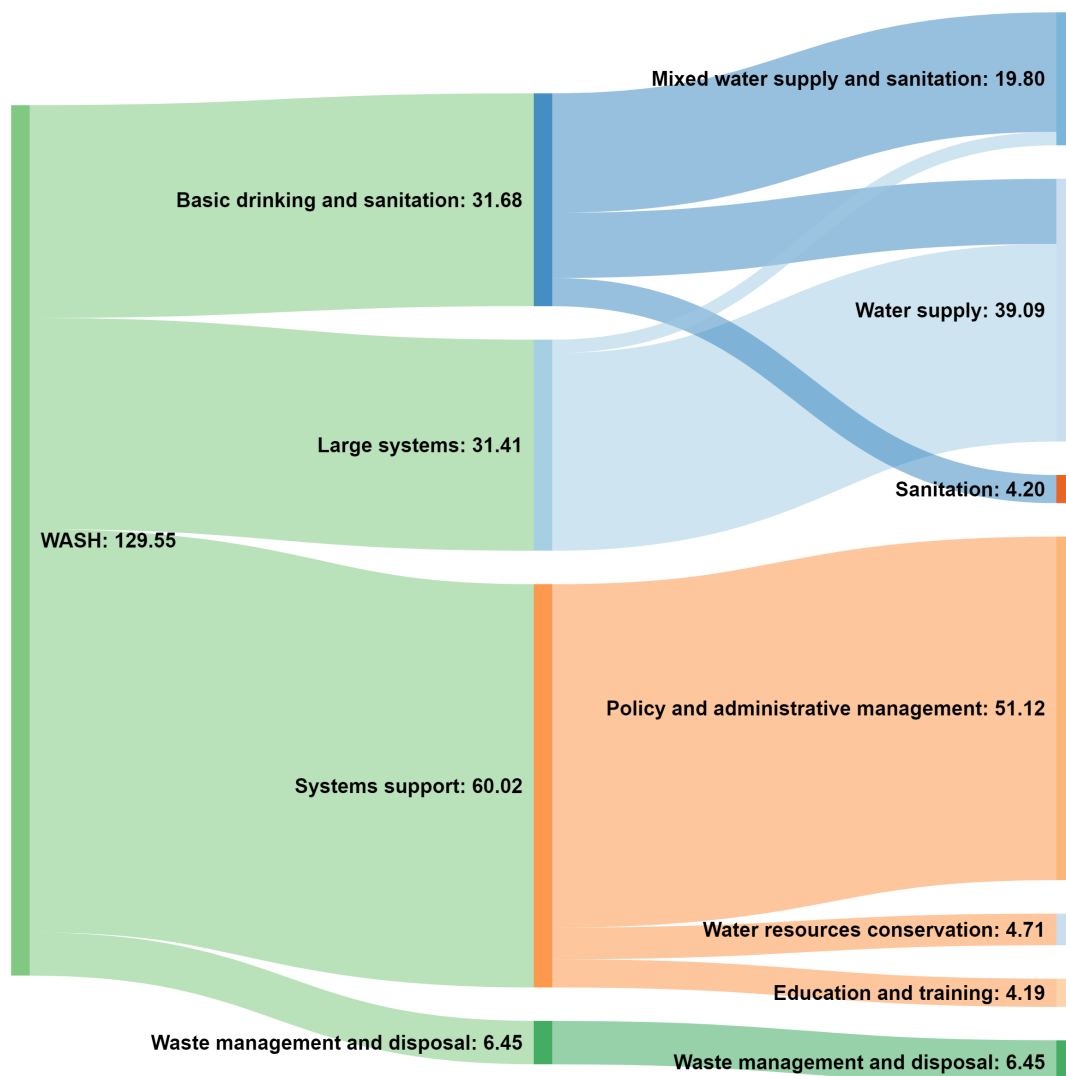


Source: OECD DAC credit reporting system

Figure 10 shows that the increase seen in water and sanitation ODA has come from increased disbursements in support systems, rather than investments in WASH systems. This could reflect the need to strengthen regulatory frameworks and WASH management structures in Nigeria. This is exemplified by the focus of the funding for support systems being predominantly concentrated on policy and administrative management (Figure 11).

The African Development Fund (26% of total), the World Bank (20%), EU institutions (21%), France (15%) and the UK (10%) are the major official donors to Nigeria, accounting for 92% of the total water and sanitation ODA provided in 2017. Regarding the modality of ODA and the channel of delivery, disbursements from the African Development Fund, the World Bank and France are predominantly in the form of concessional loans to the Government. EU institutions provided all of their support in grant form, splitting disbursements between the government and UNICEF, while the UK disbursed all of its funding to UNICEF in grant form.

Figure 11 – 2017 Snapshot of aid disbursements to water and sanitation (sub-sector and purpose codes, US\$ million)

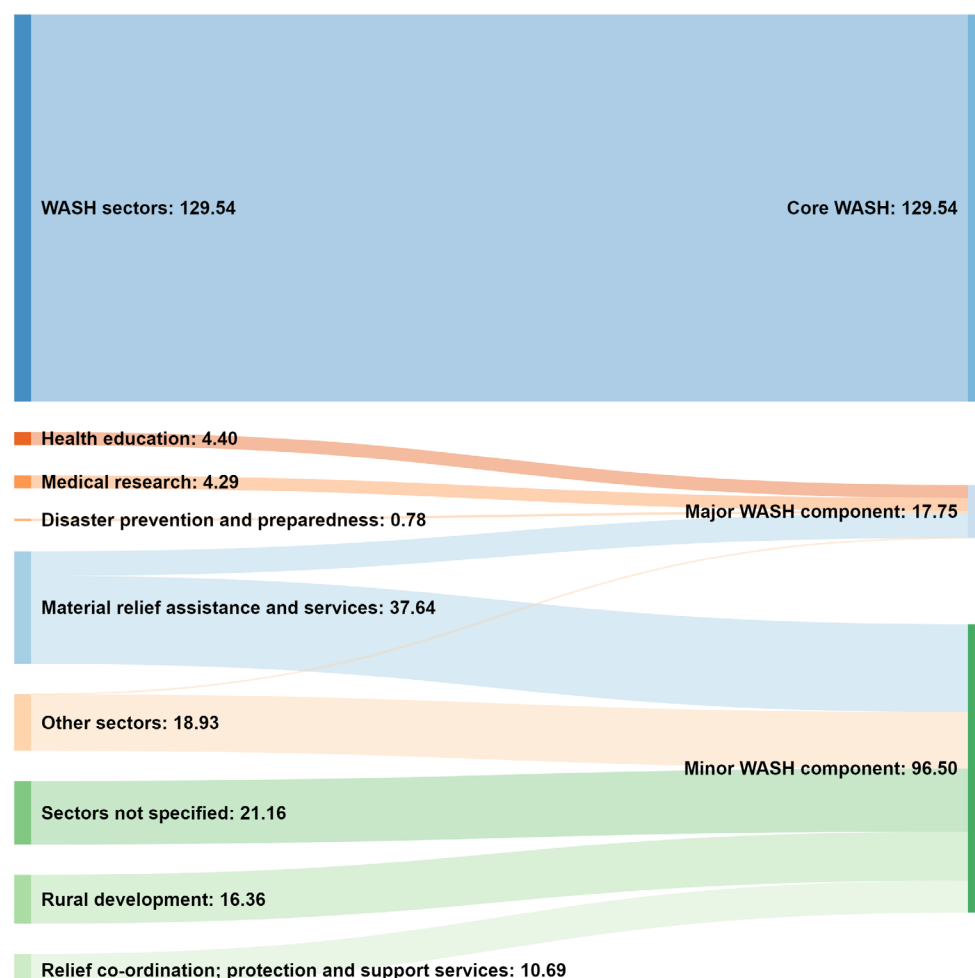


Source: OECD DAC credit reporting system

### 2.3.2 Wider potential international public financing to WASH

In addition to ODA disbursements specifically for WASH, there is also a significant proportion of ODA reported in other sectors, where WASH is a major or minor component. Figure 12 shows in 2017 that disbursements not coded as WASH made up a similar amount to those coded as WASH-specific. Typically, these projects with WASH-relevant funding were focused around emergency humanitarian relief in relation to the security situation in the North East, where 1.7 million people have been internally displaced, mostly living in Internally Displaced Persons (IDP) camps. This highlights the need for better reporting on ODA, so that either projects can be disaggregated into different purpose codes or a secondary purpose code could be applied so humanitarian funding could be disaggregated by the development-focused sector.

*Figure 12 – Aid funding for water and sanitation coded projects and others with a major or minor WASH component (2017 ODA disbursements, US\$ million)*

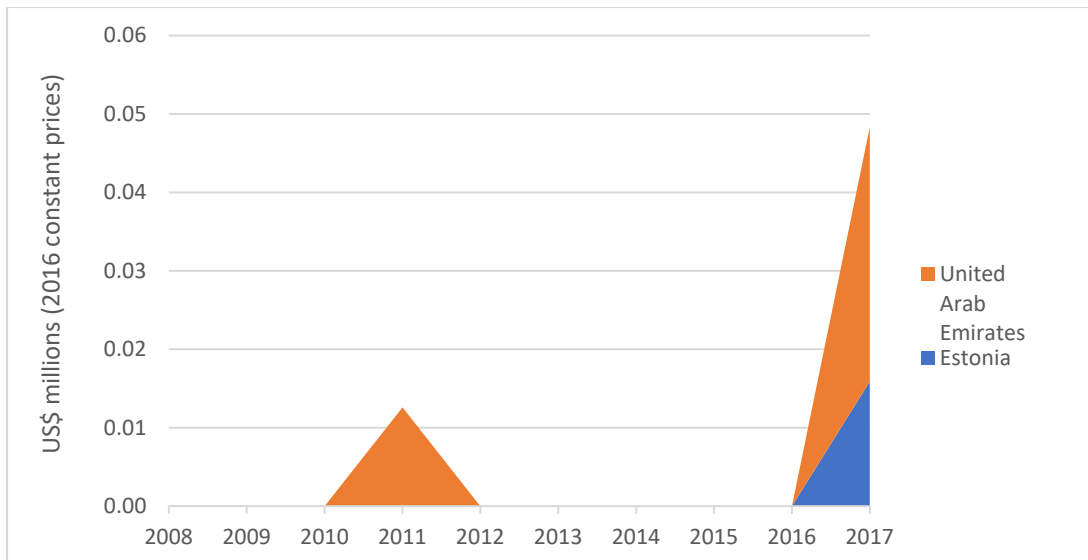


Source: OECD DAC credit reporting system

### 2.3.3 Review of non-DAC ODA flows, possible South-South cooperation and foundation support

Although Development Assistance Committee (DAC), bilateral donors and multilaterals provide the major share of ODA support, the United Arab Emirates and Estonia also report some water and sanitation ODA disbursements (see Figure 13).

*Figure 13 – Non-DAC aid disbursements to water and sanitation (US\$ million, 2008 to 2017)*



Source: OECD DAC credit reporting system

In addition, the Islamic Development Bank (ISDB) has recently invested in the WASH sector in Nigeria. The Bank provided a loan of US\$ 52 million as part of a jointly-funded Zaria Water Supply Expansion Project in Kaduna State, as well as an investment in the Ilesa Water Supply and Sanitation Project in Osun State.<sup>30</sup> No disbursement information is available, however.<sup>31</sup>

## 2.4 Other identified financing – international/domestic private financing

### 2.4.1 Review of available data on household/domestic private investment on WASH

As outlined in Section One private vendors and operators play a significant role in the delivery of water supply and sanitation services in Nigeria. The size of their role and impact varies considerably depending on the context, with the informal sector growing to address demand in States or cities, where government services have low coverage levels or have not kept pace with growing populations. Figure 13 shows for example that State coverage for water supply is high in States such as Kaduna and Jigawa (over 80% of the population). It is low however in Benué and Plateau (below 20% of the population), leaving a relatively larger role for the informal private sector in water provision. It is a similar situation for Rivers State, where government services for both water and sanitation have low coverage levels. FSM services in Port Harcourt, the capital city, are dominated by private faecal sludge exhauster trucks (locally referred to as sewage trucks), which empty containment facilities at residences, businesses, institutions (churches, schools, hospitals) and government buildings.<sup>32</sup>

However, the Government conducts minimal monitoring of private operators and a key concern is the lack of regulation relating to the quality of water provided or the safety of the

<sup>30</sup> [https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Nigeria - AR - Zaria Water Supply Expansion and Sanitation Project .pdf](https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Nigeria_-_AR_-_Zaria_Water_Supply_Expansion_and_Sanitation_Project.pdf)

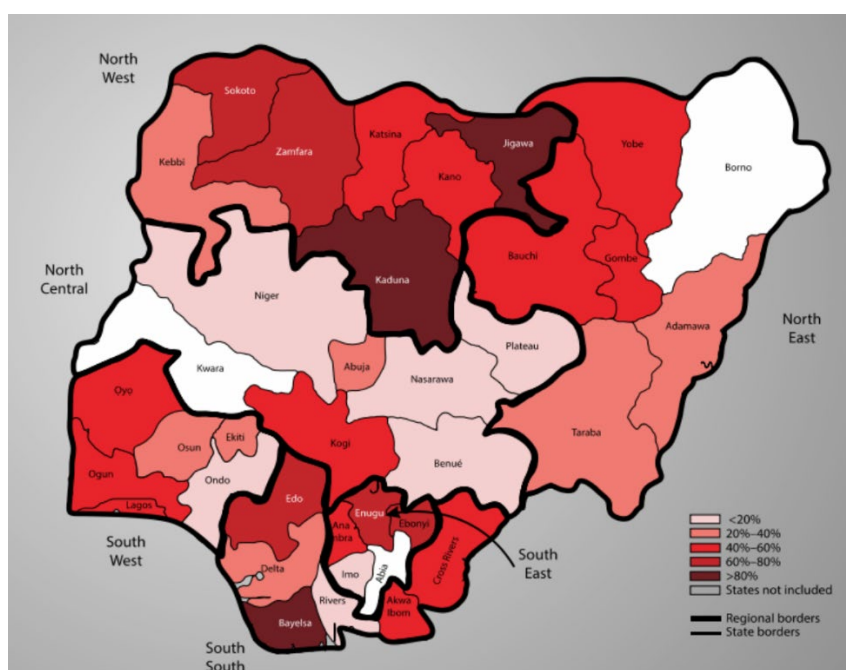
<sup>31</sup> <https://www.isdb.org/projects/ilesa-water-supply-and-sanitation-project>

<sup>32</sup> The Association of Exhauster truck Operators (ASTO) was established in 2008 and currently has approximately 57 members who, between them, manage over 100 trucks. The large size of this sector is likely a result of the high coverage of underground faecal sludge containment in Port Harcourt and the requirements for frequent emptying, due to both the use of flush toilets and infiltration by ground water. <http://documents.worldbank.org/curated/en/731661522102870635/pdf/Deliverable-1-1.pdf>

disposal of faecal sludge into the environment. Cost is also a concern, especially for the poor.<sup>33</sup>

A recent study reviewing private water vendors in Kano State has recommended that the government should recognise their role, integrate them within the planning and regulatory frameworks and thereby formalise their role in water supply.<sup>34</sup> The study has also highlighted the significant financial cost to households from buying water from private vendors, which were recorded at a factor of 28 times (wet season) to 40 times (dry season) the cost of supply from the Kano State Water Board. This is despite the fact that households stated that a key reason not to use public supply was that the cost was higher than their willingness to pay.

*Figure 13– State water authority coverage varies significantly across Nigeria*



Source: National Water Sector Reform Project, World Bank Group, Independent Evaluation Group, 2017

In addition to paying for water supply, the government expects households largely to bear the cost of installing household toilets, estimated to cost a total of NGN 855.5 billion (US\$3.4 billion) in rural areas.<sup>35</sup> Although no data exists for the household spending on sanitation services, a previous study found that residents in Ilorin, Kwara State were willing to pay US\$24/year for waste management services.<sup>36</sup> The World Bank has also estimated the cost to remove faecal sludge from pit latrines or septic tanks in Port Harcourt to be around 20,000 Naira (US\$79), with private vendors reporting they do not operate in poorer areas due to

<sup>33</sup> Most poor consumers accessing SWA-provided water do so through standpipes or public taps, some of which charge lower tariff and others do not charge at all. A flat tariff for a connected customer can be as low \$1.20 a month. Those relying on alternative can pay a bulk rate between \$3 to \$8 per cubic meter. Customers cope by purchasing water in small volumes – usually 20 litre plastic cans - that retail for \$0.15–0.25. The resulting expenditure is estimated at 20 percent of typical household incomes (Olajuyigbe & Fasakin, 2010).

<http://documents.worldbank.org/curated/en/187701499877134252/pdf/115782-PPAR-P071075-PUBLIC.pdf>

<sup>34</sup> The role of water vendors in water service delivery in developing countries: a case of Dala local government, Kano, Nigeria. Appl Water Sci (2017) 7:1191–1201

<sup>35</sup> PEWASH 2016-2030 programme document

<sup>36</sup> <https://tspace.library.utoronto.ca/bitstream/1807/63340/1/st13042.pdf>

household's inability to pay.<sup>21</sup> The significant burden placed on households to cover the cost of water and sanitation puts into question the ability to pay, especially for the poorest and most vulnerable in society. There also remain substantial data gaps on these issues across the country as a whole.

#### 2.4.2 Extent of other forms of international private development support to WASH, including role of foreign direct investment

Nigeria is one of the highest recipients of **remittances** in the world. Following the recession in 2014 there was a significant increase in remittances sent from abroad. In 2015, N4,017 billion (US\$ 21 billion) was recorded as inflows into the country, a figure which grew significantly to N 6,666.7 billion (US\$ 22 billion) in 2017. Remittances in 2017 were five times larger than the total received from ODA. Although it is not possible to estimate how much this income is used by households to invest in WASH, a 2015 study found that almost three quarters (74.3%) are used for household consumption, on aspects such as education and health expenditure.<sup>37</sup> However, evidence also suggests that remittances are predominantly not received by the poorest in society, which should be an important policy consideration for the government.<sup>38</sup>

Regarding other forms of international private finance, **Foreign Direct Investment (FDI)** in the WASH sector is not thought to be significant, with only one project reported in the last ten years. This was as an equal equity joint venture in 2014 between the companies Hylux and the Toloram group based in Singapore, which created the Yew Water Company in Nigeria. The company was established to develop membrane-based water plants, with the investment estimated at US\$125 million.<sup>39</sup> However, in 2018 Hyflux reported the termination of the joint venture and that the Yew Water Company had remained dormant throughout its existence.<sup>40</sup> Some of the challenges facing private investment in the WASH sector in Nigeria have been identified as tariffs and affordability constraints, poorly developed local capital markets and a lack of funds at decentralised level.<sup>41</sup>

#### 2.4.2 Other forms of innovative financing for the WASH sector

**Public-Private Partnerships** are seen by both the Federal and State governments as an ideal opportunity to increase private sector investment in the WASH sector. However, there are currently only a few examples of Public Private Partnerships (PPPs) in operation. These were facilitated by the World Bank and involved very little investment or risk to the firms engaged in undertaking the activities.<sup>42</sup> There have been a number of challenges regarding the establishment of PPPs within the WASH sector. These include a lack of legal and regulatory frameworks for the establishment of PPPs at the Federal and State level, as well as issues relating to the building of an enabling environment for private sector development, such as security and governance and access to credit. Domestic Non-Governmental Organisations (NGOs) have raised concerns over the privatisation of water through PPP

<sup>37</sup> Dynamics of remittance utilization by Nigerian households, William M. Fonta, Elias T. Ayuk, Jude O. Chukwu, Onyukwu E. Onyukwu, Cletus C. Agu, Innocent O. Umenwa, 2015.

<sup>38</sup> Analysis of the impact of remittance poverty and inequality in Nigeria, 2008.

<sup>39</sup> FDI Markets from Financial Times Ltd

<sup>40</sup> [http://investors.hyflux.com/newsroom/20181214\\_150132\\_600\\_WLA8G49IDI1W60HT.1.pdf](http://investors.hyflux.com/newsroom/20181214_150132_600_WLA8G49IDI1W60HT.1.pdf)

<sup>41</sup> <https://washmatters.wateraid.org/blog/the-perennial-hope-private-sector-investment-in-wash-in-nigeria>, Michael Ojo, 2016.

<sup>42</sup> <https://ieg.worldbankgroup.org/sites/default/files/Data/reports/ppar-nigeriawater-07122017.pdf>

projects, and this is another reason why other sectors such as transport and power have received more interest from private companies and investors.<sup>43</sup>

The Federal Government has recently started to explore the use of **green and climate bonds** to help finance renewable energy, water resources and agriculture. In 2018 it successfully issued a green bond of US\$ 30million, with the proceeds funding solar energy projects. It has received a US\$ 100 million financing commitment from the Green Climate Fund for investment in solar energy.<sup>44</sup> The Government is also planning to issue a second green bond of US\$ 41million, with some of the proceeds earmarked to be targeted towards water resource development.<sup>45</sup>

Nigeria also receives funding for WASH projected **corporate philanthropy**. Although it is difficult to quantify the extent of this support, there is evidence of both international and domestic companies investing in WASH as a part of their corporate social responsibility projects. For example, Coca-Cola through its RAIN project details three projects in Nigeria where it has constructed water supply systems<sup>46</sup> and Fidelity Bank has funded 400 water supply projects, principally in orphanages and schools<sup>47</sup>.

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<sup>43</sup> See for example the International Finance Corporation's approach in Lagos State.

<sup>44</sup> <https://www.greenclimate.fund/countries/nigeria>

<sup>45</sup> <https://www.independent.ng/nigeria-targets-agric-power-with-proceeds-of-n15bn-green-bond/>

<sup>46</sup> <https://www.coca-colacompany.com/rain/rain-map>

<sup>47</sup> <https://csr.fidelitybank.ng/projects/>

## Section 3 – Financing and needs

### 3.1 Overview of national level WASH financing needs

The financial requirement of implementing WASH includes the full costs of achieving universal access to safe drinking water (target 6.1), achieving universal access to adequate sanitation and hygiene (target 6.2) by 2030 and achieving an end to open defecation by 2025. Section Two presents historical WASH funding from government resources and ODA, at approximately \$500m per year, however whether this scale of financing is sufficient requires a comprehensive understanding of the cost of fulfilling these goals and targets. This section examines existing costing estimates of implementing WASH in Nigeria and compares these against the scale of financing already committed by both government and international partners.

Based on two separate methodologies of costing, current estimates of the level of financing required to implement SDG 6.1 and 6.2 in Nigeria range from \$11.1bn (Sustainable Development Solutions Network, SDSN) to \$15.3bn (World Bank) per year (Figure 14). Notably this range incorporates costs according to different definitions: the higher estimate by the World Bank (2016) considers the full public and private capital and operating expenditure to fulfil the goal, whereas the lower estimate by SDSN (2018) covers only estimated required government (public) expenditure. The capital component of the World Bank estimate is approximately 65%. Figure 14 also outlines Federal government costings estimates from the 2017 National Integrated Infrastructure Master Plan and the 2019 National Action Plan. These are both significantly lower than the World Bank's estimates, although the NAP only focuses on government capital investments.

Although there is significant uncertainty in such national-level estimates (see Box 2), all figures represent a significant gap between what is needed and the current levels of financing (US\$468 million). This gap is also outlined in the 2019 GLAAS report, which reports the financing sufficiency of committed WASH plans. The 2019 report identifies that the cost requirements of WASH for Nigeria are not yet supported by adequate financing, with sufficiency of less than 50% for all WASH subsectors (Figure 15).

*Figure 14 – Various annualised cost estimates of fulfilling SDG 6.1 and 6.2 in Nigeria<sup>48</sup>*

| WASH costing  | Methodology type                    | Cost type                   | Average annual cost (2016 USD) |
|---|-------------------------------------|-----------------------------|--------------------------------|
| World Bank (Hutton and Varughese, 2016) <sup>49</sup> | Intervention based needs assessment | Total capital and recurrent | US\$15.3bn                     |

<sup>48</sup> Implementing SDG 6.1 and 6.2 includes the cost of delivering a safely-managed drinking water service located on premises, available, when needed and free from contamination, a safely-managed sanitation service, where open defecation is ended and excreta safely disposed of in situ or treated off-site, and a hand-washing facility with soap and water.

<sup>49</sup> Estimate is based on intervention cost of attaining and maintaining universal coverage of safe water and sanitation services, ending open defecation and achieving access to basic hygiene.

|  |  |                               |            |
|--|--|-------------------------------|------------|
| SDSN (Sachs, et al., 2018) <sup>50</sup>   | Cross-sectional international assessment | Government expenditure        | US\$11.1bn |
| The National Integrated Infrastructure Master Plan (NIIMP), 2017                 | Not known                                | Government capital investment | US\$3.6bn  |
| National action plan for the revitalisation of Nigeria's WASH sector (NAP), 2019 | Not known                                | Government capital investment | US\$5.3bn  |

## Box 2 – Data challenges with national WASH costings

The task of estimating international and national-level costings for meeting WASH targets is substantial and challenging. Two key approaches to calculate national WASH costs are intervention needs-based assessments and cross-sectional assessments. Interventional assessments examine existing levels of WASH needs and estimate the direct costs associated with implementing complete coverage of services, whereas cross-sectional assessments analyse spending in economies which have achieved complete WASH coverage and apply these to economies without complete coverage. Both methods may be characterised as macroanalysis, which examine economy-wide costs but by this nature contain significant data uncertainties.

An interventional analysis approach relies on a large number of input parameters—unit costs, coverage, technology choices and population projections to name a few—each with their own individual uncertainties and assumptions; indeed, the technical paper of the World Bank's 2016 WASH costing report notes that “estimates reported in this study should be used with caution” for this very reason. The paper further recommends that when undertaking national costings using the method, locally informed unit costs, technology mixes and delivery mechanisms should be used where available. Comparatively, a cross-sectional analysis is inherently broad in scope and favours generality and ubiquity over precision and accuracy. As few individual parameters are considered, the approach is a useful tool in providing a “ballpark” estimate.

Macroanalyses such as these are forced to generalise beyond what may be considered at a microplanning level; for example, specific local economies of scale, frictional distances, uptake behaviour and political barriers are all significant variables in local-level costing considerations, but at a national-level are impractically difficult to quantify and consider. As noted by the World Bank, the possibility for local costings exercises to feed into national-level models is one approach which reduces generalisations required for a macroanalysis.

Figure 15 – GLAAS 2019 financing sufficiency report

| WASH sector  | Locality | Sufficiency of financing to reach national targets |
|--------------|----------|--|
| Water supply | Urban    | Less than 50%                                      |
|              | Rural    | Less than 50%                                      |
| Sanitation   | Urban    | No data  |
|              | Rural    | Less than 50%                                      |

<sup>50</sup> Estimate is based on the scale of a 'SDG-compatible' budget, which is defined by government sector spending as a proportion of GDP.

|         |          |               |
|---------|----------|---------------|
| Hygiene | National | Less than 50% |
|---------|----------|---------------|

Source: UN-Water Global Analysis and Assessment of Sanitation and Drinking-Water GLAAS 2019 Report

### 3.2. Localised costings approaches: findings and opportunities to inform national costings estimates

Given some of the challenges and data assumptions behind national level WASH costings undertaken in Nigeria, there is potential for local level WASH costings exercises to provide additional insights, which can inform national level costings exercises.

An examination of Nigeria's own national costing estimates undertaken by the PEWASH programme strategy provides for locally-informed unit costs and technology priorities. For example, while improved pit latrines are often the most common intervention for ending open defecation—particularly in rural areas—PEWASH identifies that Nigeria's technology priority for ODF is the installation of household toilets in both urban and rural communities, the cost of which should be borne by the households themselves. As such, the unit cost of household toilets must be considered when costing ODF. The PEWASH further identifies that software costs (programme management, behaviour change, capacity development etc.) associated with water supply schemes are expected to be double the previously modelled estimate.

The work of the PEWASH programme has informed the development of the NAP. . The costings for the NAP detail not just the national investment required, but also disaggregate this by State. Using the budget data from Section Two shows large variations in the current yearly State spending and what capital investment is required under NAP (Figure 16). Budgets range from 5 to almost 50 times less than is required, highlighting again the large overall financing gap. This State-level costing data has the potential to support sub-national WASH planning and implementation processes.

*Figure 16 – Estimated State Government WASH budget allocations vs yearly estimated capital investment required*

| State   | Budget (US\$mn) | Estimated yearly capital investment required (US\$mn) | Total budget as % of annual requirement |
|---------|-----------------|---|---|
| Abia    | 8               | 113   | 6.8                                     |
| Bauchi  | 30              | 249   | 12.0                                    |
| Borno   | 17              | 193   | 9.0                                     |
| Delta   | 8               | 157   | 5.4                                     |
| Ekiti   | 2               | 99  | 2.5                                     |
| Gombe   | 15              | 100   | 15.3                                    |
| Kano    | 73              | 392   | 18.7                                    |
| Kebbi   | 22              | 140   | 15.7                                    |
| Lagos   | 25              | 441   | 5.8                                     |
| Plateau | 12              | 133   | 9.1                                     |
| Rivers  | 10              | 224   | 4.7                                     |

Source: Various State government budget documents for financial year 2017 or 2018. Costing estimates within the National Action Plan for Revitalisation of the Nigeria's WASH Sector.

The financial and political devolution of States in Nigeria make an examination of State-level infrastructure plans another useful tool to inform the implementation costs of WASH. State infrastructure plans are part of Nigeria's wider National Integrated Infrastructure Master Plan (NIIMP). In particular, the average numbers of users per utility and state-specific

technological choices may be better identified from this locally-informed planning. For example, the infrastructure plan of Kaduna State<sup>51</sup>, one of the most populous Nigerian states, identifies that the actual number of users of urban potable water supply schemes is 43% lower than the estimates of capacity prior to installation. This prompts a revision of the modelled estimates of users served by urban water schemes, as it suggests that estimates of the capacity of these urban water supply schemes have a significant optimism bias. (see Section 3.3 below).

### 3.3. Updated costing estimates for Universal WASH access in Nigeria, using national and local costing approaches

The approach of the World Bank (2016) represents the most comprehensive international tool for estimating the intervention cost of fulfilling SDG 6.1 and 6.2. The study examines the cost of implementing WASH in 140 countries, disaggregated across urban and rural areas, and uses a methodology which examines pairwise technologies in the provision of basic water supplies and both basic and safely managed sanitation. The final figures include estimates for capital expenditure, capital maintenance, operating costs and other costs. In the case of Nigeria, the total estimate of achieving complete coverage of safe water and sanitation, including ending open defecation by 2025 and implementing basic hygiene is approximately \$199bn over the period 2017-2030.<sup>52</sup>

However, the international scope of this method means that it is likely national-level detail is lost. For this reason, the World Bank method has been packaged into a costing tool for use by governments and NGOs: the Sanitation and Water for All (SWA) tool encourages users to replace the default values for coverage, technologies and unit costs with locally-informed data in order to derive more accurate national level costings.

This section presents a further estimate, similarly, based on the SWA tool, utilising locally informed unit costs from Section 3.2, more recently available population projections from World Population Prospects 2018 and JMP's 2017 coverage estimates. Furthermore, the methodology of the tool is modified to reflect the differing technology priorities in urban and rural areas, and to incorporate the concept of basic-to-safe technology displacement. Several significant changes are therefore introduced into this process: for example, there is a higher number of unserved urban population than originally considered, implementation of basic water supply is considered only an immediate aim in rural areas, and basic water supply and sanitation infrastructure is replaced by safe technologies when introduced.

The updated analysis suggests that the cost of implementing universal coverage of safe water supply is higher than the World Bank estimate (see Figure 17). The cost of safely managed sanitation is also significantly higher. The main drivers of these increases are higher than predicted unit and software costs and a greater unserved urban population. The estimated total cost of achieving SDG 6.1 and 6.2 is approximately \$281.9bn (2016 prices) over the 2017-2030 period—an average annual total cost of \$21.6bn, with a capital component for new and replacement infrastructure of \$12bn. This annualised capital and

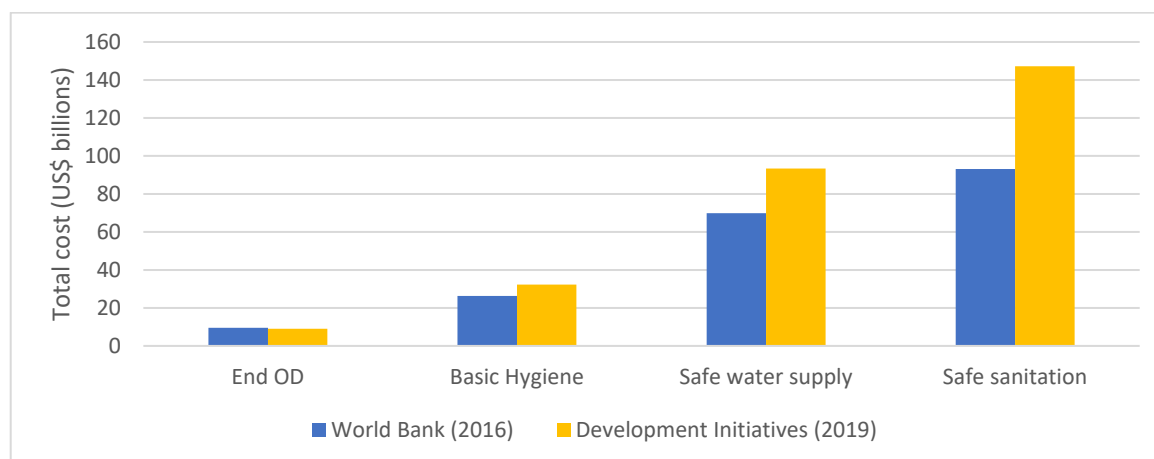
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<sup>51</sup> [http://kasupda.kdsg.gov.ng/wp-content/uploads/2018/07/KADIMP-Book\\_email-2.pdf](http://kasupda.kdsg.gov.ng/wp-content/uploads/2018/07/KADIMP-Book_email-2.pdf)

<sup>52</sup> The original World Bank model estimated the total cost for the period 2015-2030—for a final value of \$229.6bn. The figure presented is produced from the average annual requirement over the period 2017-2030. Values are in constant 2016 prices; an annual discount rate of 5% is assumed for the model.

maintenance cost is equivalent to an average projected GDP commitment of 2.2%, which is slightly above the level of government investment suggested by SDSN for an ‘SDG-compatible’ budget (\$11.1bn).<sup>53</sup>

*Figure 17 – Revised costing estimate is higher than the World Bank model*



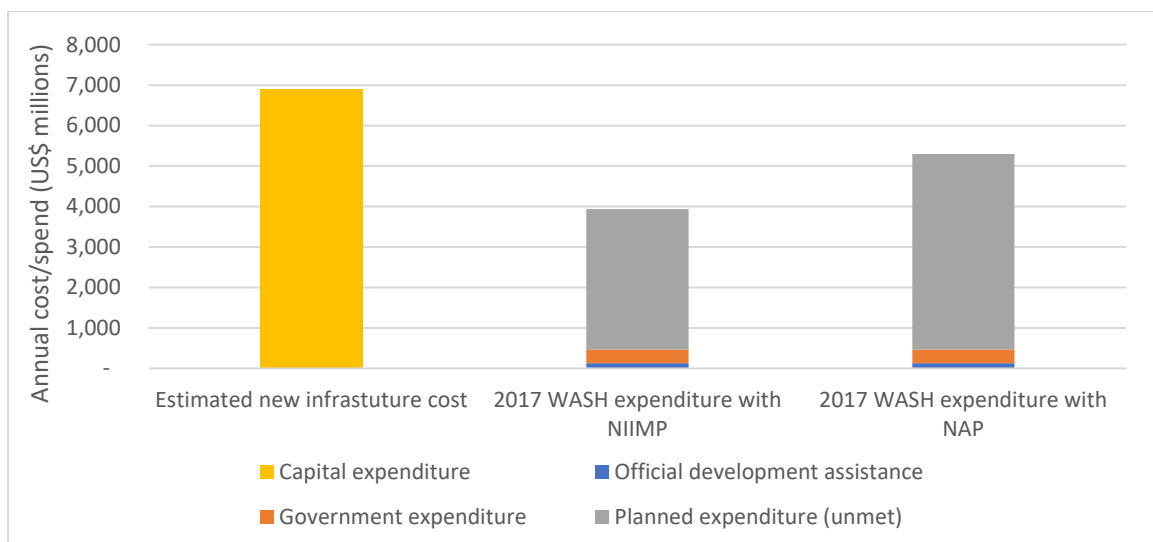
| Cost type                            | Average annual cost (2016 USD) |                |                   |                 |                 |
|--------------------------------------|--------------------------------|----------------|-------------------|-----------------|-----------------|
|                                      | ODF                            | Basic hygiene  | Safe Water supply | Safe Sanitation | Total           |
| <b>Capital: total infrastructure</b> | \$0.6bn                        | \$1.7bn        | \$2.8bn           | \$6.8bn         | <b>\$12bn</b>   |
| <i>new infrastructure</i>            | <i>\$0.4bn</i>                 | <i>\$0.3bn</i> | <i>\$2bn</i>      | <i>\$4.2bn</i>  | <i>\$6.9bn</i>  |
| <i>replacement infrastructure</i>    | <i>\$0.1bn</i>                 | <i>\$1.4bn</i> | <i>\$0.8bn</i>    | <i>\$2.7bn</i>  | <i>\$5.1bn</i>  |
| <b>Operations and maintenance</b>    | \$0.08bn                       | \$0.7bn        | \$4.3bn           | \$4.4bn         | <b>\$9.6bn</b>  |
| <b>TOTAL</b>                         | <b>\$0.6bn</b>                 | <b>\$2.5bn</b> | <b>\$7.2bn</b>    | <b>\$11.3bn</b> | <b>\$21.6bn</b> |

Source: Authors' calculations, The Costs of Meeting the 2030 Sustainable Development Goal Targets on Drinking Water, Sanitation, and Hygiene, World Bank Technical Paper 103171, World Population Prospects 2018, JMP 2017 and national sources.

Given the costing exercise undertaken, it is clear that the gap between current financing and projected need is acute: even when considering the best possible scenario that all operating expenditure and capital maintenance are entirely covered by household contributions and private investment, the remaining average annual capital outlay for new infrastructure in achieving universal WASH is \$6.9bn per year up to 2030. This minimum requirement may be contrasted with Nigeria's WASH spending in 2017—official development assistance of \$130m and government expenditure of \$338m—which reveals a gap of \$6.5bn. If in fact planned NIIMP or NAP investment were met a gap would still exist (Figure 18), highlighting the need for additional investment outside of public funding. The need to ensure new investments are climate-resilient will also add to the gap.

*Figure 18 – Annual capital cost estimates vs 2017 WASH expenditure*

<sup>53</sup> The total average annual requirement of \$21.6bn is equivalent to 3.9% of Nigeria's projected annual GDP; the total capital requirement for new and replacement infrastructure of \$12bn is equivalent to 2.2%; the capital requirement for new infrastructure only of \$6.9bn is equivalent to 1.2%.



Source: Authors' calculations based on Costs of Meeting the 2030 Sustainable Development Goal Targets on Drinking Water, Sanitation, and Hygiene, World Bank Technical Paper 103171, OECD CRS database, 2017 Annual Reports, Central Bank of Nigeria (State, Local and non-wash Federal government expenditure) and Budget appropriation bills 2017, Federal Ministry of Finance (Federal government WASH expenditure).

## Section 4 – Opportunities and challenges

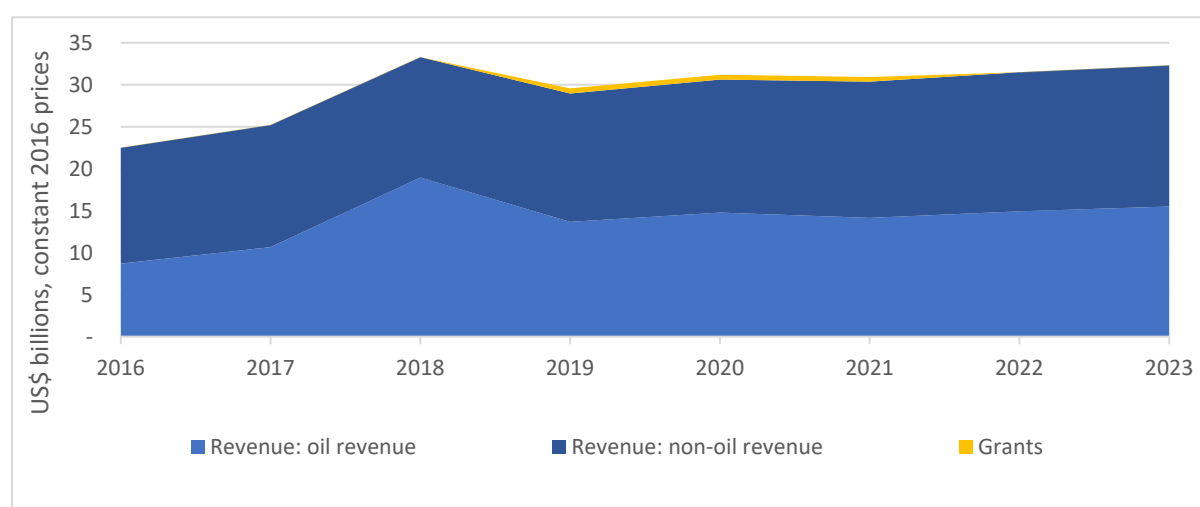
### 4.1 Opportunities and challenges to scaling up WASH sector financing

The previous section outlined the stark differences between the present level of funding for WASH and the estimates of what is required to achieve universal access by 2030. Whilst new technologies and approaches may bring the financing requirement down, other factors, including the negative impacts of climate change and agricultural and industrial pollution to water resources will add to costs. Despite these uncertainties, the scale of the financing gap brings into focus the urgent need to raise additional resources. The following looks at different types of development finance sources and assesses the opportunities and challenges in scaling up funding.

#### 4.1.1 Domestic public resources

Section Two outlined how the fall in global oil prices has had a substantial impact on domestic public resources in Nigeria. Over the medium term to 2023 there is not expected to be significant growth, with non-grant revenue only increasing in real terms from US\$25.2 billion in 2017 to US\$32.3 billion in 2023. The small increase is projected to come mainly from increased oil revenue given the recovery in global prices, with non-oil revenue also increasing, but not significantly (see Figure 18).

Figure 18 – *Domestic public resources are not set to increase significantly in Nigeria*



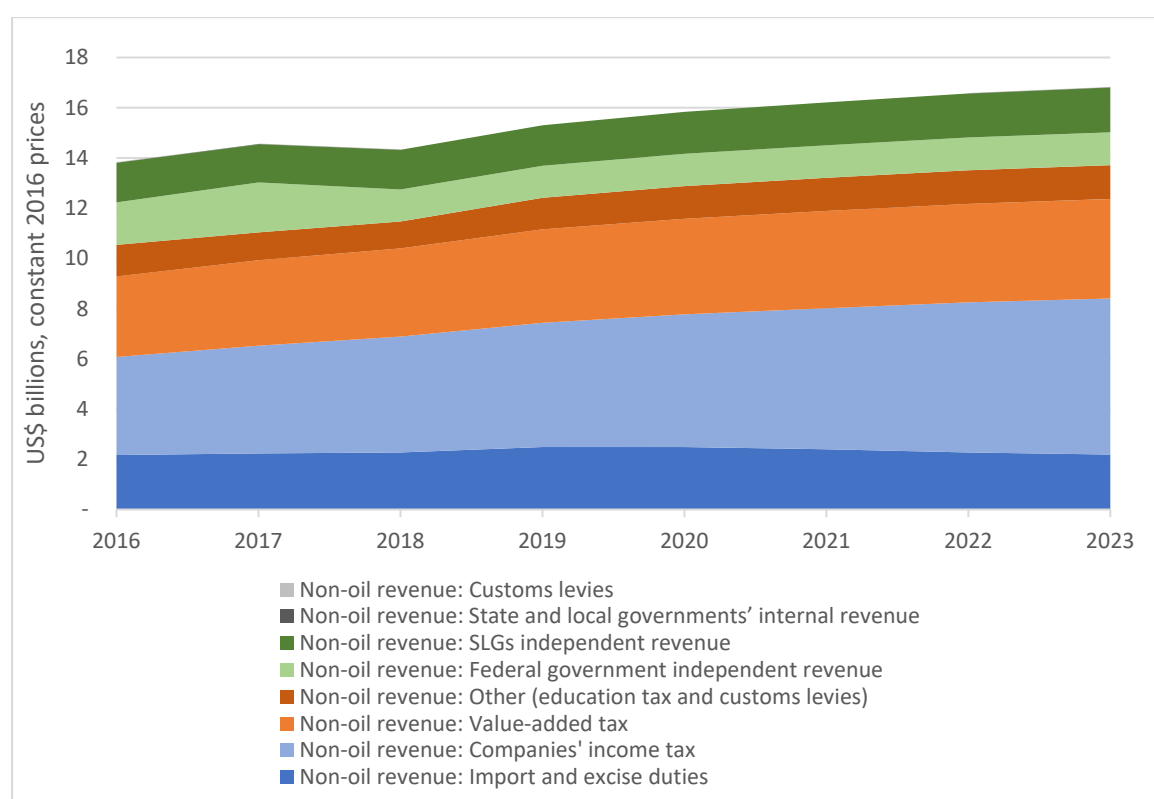
Source: IMF 2019 Article IV Staff Report

Although there are projected increases in non-oil domestic public resources, both Federal and State governments are facing difficulties in achieving this. For example, in 2017 the Federal Government, which is responsible for collection of the key forms of taxation (e.g. income taxes, VAT and import and excise duties) raised only 80% of planned non-oil revenue. The country has one of the lowest ratios of non-oil revenue to GDP in world, estimated at 3.6% in 2018. The IMF has estimated that there is some potential to raise tax to GDP ratios, for example through reforms to the VAT regime. To support increased domestic revenue mobilisation the Federal Government has recently launched the Strategic Revenue Growth Initiative (SRGI), which sets out key thematic areas for improvements. However,

governments in Nigeria are currently constrained by the enabling environment to increase it significantly.

The enabling environment covers a broad number of areas, including low trust in government (including high corruption perception and their perceived ability to deliver services) leading to poor taxpayer compliance, a large proportion of the economy that is informal in nature, low levels of state accountability and weak judicial frameworks. Therefore, whilst there is significant potential to increase domestic public resources in Nigeria, substantial reforms would need to be implemented before the governments could potentially feasibly grow domestic public resources beyond certain limits.<sup>54</sup>

Figure 19 – Non-oil revenue by type 2008 to 2023 (US\$ billion, 2016 constant prices)



Source: IMF 2019 Article IV Staff Report

With constraints on the overall level of domestic public resources, the other opportunity to increase financing for WASH is to increase the proportion of the budget allocated to this sector. As outlined in Section Two, spending on water supply accounts for only 0.7% of total government expenditure. This is very low by international standards and highlights a lack of political will to invest significantly in the sector. This is particularly the case for State governments who are primarily responsible for WASH and receive the majority of revenue from the Federal Government in unallocated form. Any reprioritisation of expenditure towards WASH would greatly boost funding for universal access, with the sector seemingly aligned well with the Economic Recovery and Growth Plan (ERGP).

<sup>54</sup> Some interesting ideas for reform of the Federal/State funding relationship are set out in the following article. <https://www.stearsng.com/article/explainer-how-the-nigerian-government-is-funded>

A further step that can support the efficiency of government spending and the sustainability of services would be to enable Local Governments additional flexibility for spending on the maintenance of water and sanitation facilities. WaterAid research in Kirfi Local Government Area in Bauchi State identified a government restriction to spend a minimum of 70% of the budget on capital investments. This placed a constraint on the funds available for maintaining facilities.

In addition, prioritising spending in other sectors aligned to the ERGP like electricity would have benefits to WASH funding, such as reducing water board expenses. However, a key issue for the Government in Nigeria is that its current fiscal position is weak. It has borrowed significantly over recent years and the ECA was used to maintain expenditure levels during the recession. The consequence of this is Federal Government spending on interest payments on debt is due to rise from 22% of total expenditure in 2017 to 41% in 2021, which will likely further constrain funding across economic and social sectors.

Therefore, a central priority for the Governments will have to be a bold and ambitious approach for the SRGI. The phasing out of fossil fuel subsidies and the implementation of a carbon tax present major opportunities in this context. A carbon tax applied to the International Oil Companies, could raise significant funds for the WASH sector, support environmental remediation in the Niger Delta, as well as facilitate the global transition to low- or zero-carbon.<sup>55</sup> Nigeria has significant opportunity in terms of hydro-electricity and solar power, and as the world seeks to effect a transition to a low-carbon economy, Nigeria needs to intensify its efforts to diversify the economy from its heavy dependence on oil and gas, and establish consistent and reliable renewable energy for its economy, including the energy needed for sustainable WASH.

#### 4.1.2 ODA and other public international financing

Section 2.3 outlined how ODA funding for water and sanitation in Nigeria declined in 2017 compared to 2016. This reflects a wider pattern, with net ODA globally falling for the first time in 5 years in 2017<sup>56</sup>, and falling again in 2018.<sup>57</sup> In addition, WASH ODA fell as a proportion of total ODA, from 4.4% in 2014 to 3.5% in 2017. Another challenge for Nigeria is the movement to reprioritise ODA towards least developing and low incomes countries, as shown by the World Bank, which is one of their key disbursers of WASH ODA (see Figure 20).

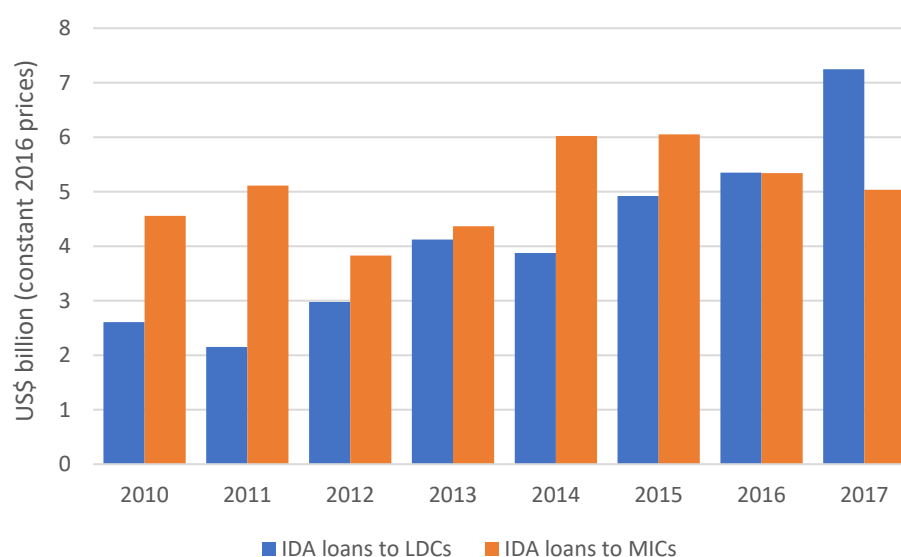
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<sup>55</sup> Mineral Rights to Human Rights, WaterAid 2018.

<sup>56</sup> <http://devinit.org/wp-content/uploads/2019/01/Final-ODA-data-for-2017-%E2%80%93-persistent-trends-raise-concerns.pdf>

<sup>57</sup> <http://www.oecd.org/newsroom/development-aid-drops-in-2018-especially-to-neediest-countries.htm>

Figure 20 – IDA has moved away from lending to MICs in favour of LDCs



Source: OECD Credit Reporting System

Given the constrained nature of domestic public resources, it is essential that levels of ODA funding are not only maintained but increased substantially. Therefore, the Federal Government needs to continue to make the case for development partners to invest in WASH for Nigeria. An example of this working in practice is the establishment of the PEWASH programme, which links performance to financing and outlines a role for development partners. This led to WASH donors recently committing an additional US\$700 million through to 2030.<sup>58</sup> In the same way the proposed National WASH Fund may also further incentivise development partners to support the sector further.

Regarding other international public financing, it will be essential to explore opportunities for other development partners or funds in concessional forms, as the government's current fiscal position will make it difficult to look to finance WASH through non-concessional means unless there is a significant return on investment. Climate finance linked to WASH may be one such area to explore further, as Nigeria is only the 33<sup>rd</sup> largest recipient of climate funding, and support has so far largely been directed at renewable energy through the Green Climate Fund<sup>59</sup> and Clean Technology Fund.

#### 4.1.3 Domestic private and households

Section Two highlighted the very low levels of revenue received for WASH services and as a result the low levels of cost recovery for providing those services. This shows that Water Boards and Agencies could be doing more to recover costs from customers and encouraging new customers to utilise their services.<sup>60</sup> The Government also expects that households will invest in safely managed sanitation facilities, a process that has shown can be aided in Nigeria using sanitation marketing to bring the private sector and household

<sup>58</sup> <https://punchng.com/wash-to-fund-water-sanitation-programmes-in-nigeria-with-7bn/>

<sup>59</sup> <https://www.greenclimate.fund/projects/fp104>

<sup>60</sup> For example the Abuja Water Board recently established a task force to support recovery debts owed.

together.<sup>61</sup> However, it is not clear the extent to which households can significantly increase investments in WASH beyond current levels, particularly the poorest households.

In addition, although private vendors are largely informal and unregulated, they have provided water supply and faecal sludge management services to citizens in the absence or in preference over public supply. Given the scale of private vendors, in certain States and localities within them, and growing urban populations, then it is likely their investments in the sector will increase. This therefore provides another avenue to the Government looking for wider investment in WASH.

Although there are opportunities to increase both household and private vendor investment in WASH, the government could help support the growth in several ways:

- i) **Understand role of private vendors and formalise their involvement in WASH service delivery** – better monitoring and evaluation would help better understand the scale and nature of private vendors and also assess issues around water quality and faecal sludge disposal. Given that private vendors will likely continue to play an important role, the government could do more to engage with them, understand their needs and look to formalise them within the sector.
- ii) **Better understand households' status and WASH needs** – to enable greater cost recovery, governments could look to understand why households do not choose to register for public WASH services. In addition, they could facilitate greater investment in sanitation facilities through employing community led-total sanitation (CLTS) programmes and sanitation marketing.
- iii) **Support the poorest households and private sector to invest in WASH services** – in addition to promoting WASH facilities, the government could also actively support the poorest households, where the biggest gaps in improved WASH facilities and available funding exist, either through transfers to them or through subsidies for certain WASH products.

#### 4.1.4 Wider innovative finance

As highlighted in Section 2, **PPPs** have been explored in Nigeria, although there are no significant examples where the private sector has made significant investments or undertaken substantial risk and only one project is listed as being under development by the Federal Government<sup>62</sup>. Both Federal and State Governments have shown a clear interest in developing PPPs within the WASH sector to facilitate greater private sector investment.<sup>63</sup> Given this interest by governments and through other countries like Pakistan where PPPs have been implemented, this financial mechanism does provide a potential opportunity for increased investment in WASH. However, the lack of a clear regulatory framework for its implementation and challenges with the enabling environment means that significant

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<sup>61</sup> <https://www.ifs.org.uk/uploads/publications/bns/BN183.pdf>

<sup>62</sup> Owena Multi-purpose Dam water supply, <http://www.icrc.gov.ng/projects/ppp-projects-pipeline/>

<sup>63</sup> Lagos State has demonstrated its interest in this form of financing, however PPPs in the water sector have faced strong opposition from domestic NGOs.

progress needs to be made in this area before PPPs can become a viable financing solution for the WASH sector.

**Corporate philanthropy and donations from the diaspora** could be another way to generate increased funding for the WASH sector. However, research has shown that due to the perceived lack of trust in government, corporate philanthropy at present in Nigeria is targeted principally on areas of interest to companies, rather than in projects developed in collaboration and coordination with the State.<sup>64</sup> Building trust will also be key if the Government seeks to raise funding from the Nigerian diaspora. Pakistan has recorded some success in raising diaspora funds through its 'donate for dams' programme. A perception of the ability to deliver projects in an efficient, transparent and accountable way is a key factor in people's willingness to donate.

## 4.2 Making most effective and efficient use of financing

The previous sections of the case study have outlined the significant challenges Nigeria faces if it is to achieve universal access by 2030, reflecting the scale of needs and the estimated gap in financing to be able to deliver and maintain the required WASH facilities. In addition to mobilising substantial increases in funding the sector, careful consideration needs to be made into how the current and future funding for WASH can be used in ways that are most efficient and effective. This is both in terms of using financial resources according to their comparative advantage and building an enabling environment and financing framework with which to achieve this.

There are major inefficiencies in the way that Nigeria uses the funds available to the sector. The World Bank reports that execution of the Federal budget often suffers from significant delays and deviations. The budget system provides a high degree of discretion to the Accountant General's Office and problems with timely budget approvals and cash management affect capital budgets in particular. There are also inefficiencies at state level: data from the Nigeria States' Fiscal Database indicate that the average actual State expenditure for Housing and Community Affairs (which includes water supply) ranged from 46 percent to 62 percent of the approved budget between 2008 and 2013.<sup>65</sup> The 2019 Global Analysis and Assessment of Sanitation and Drinking Water (GLAAS) records that the three largest water utilities in Nigeria average 55% Non-Revenue Water.<sup>66</sup>

### 4.2.1 Discussion on comparative advantage of financing types

Based on the findings from Section One, the greatest gap in achieving universal WASH coverage in Nigeria is meeting the needs of the poorest in society in certain geographic areas. Given this, the challenge will be achieving the necessary financing not only to deliver WASH facilities, but also to maintain and manage them effectively and efficiently. The major measurable investments in WASH in Nigeria are from domestic public resources and ODA.

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<sup>64</sup>

<http://repository.essex.ac.uk/18830/1/Corporate%20Social%20Responsibility%20in%20Challenging%20and%20Non-Enabling%20Institutional%20Contexts.pdf>

<sup>65</sup> <http://documents.worldbank.org/curated/en/747151554485134566/pdf/Nigeria-Biannual-Economic-Update-Water-Supply-Sanitation-and-Hygiene-A-Wake-up-Call.pdf>

<sup>66</sup> [https://www.who.int/water\\_sanitation\\_health/publications/glaas-report-2019/en/](https://www.who.int/water_sanitation_health/publications/glaas-report-2019/en/)

As these are public sources of finance, they have the potential to be redistributive in nature, with resources targeted to locations and communities where the need is greatest.

Despite this potential, the Federal Government, States, Local Government Areas and donors seek to maximise the value for money they can achieve from limited funds. This often means balancing the needs of the poorest, most vulnerable or marginalised alongside considerations of how to use resources to have a positive impact on the highest numbers of people. In addition, governments also have political decision-making in mind, which can influence funding allocation decisions. However, where possible the redistributive nature of public funding needs to be central in planning processes, as does the means it is raised through taxation and cost recovery mechanisms. In this way the Government can ensure that its actions are consistent with the progressive realisation of the human rights to water and sanitation, with costs of access which are affordable and tax regimes that do not adversely impact the poorest in society.

Unlike public funding, private funding tends not to be redistributive in nature. For example, although the Government is looking at opportunities to increase private investment, with potential to look at PPPs, there is an increasing body of evidence that challenges the ability of public-private financing approaches to deliver in the public interest.<sup>67</sup> This is particularly in terms of its impact on the poorest and most vulnerable and of unequal risk sharing between private and public actors. It also raises questions about the assumed substitutability of private finance in the provision of essential public services such as WASH. However, although private vendors in Nigeria may act in similar ways, their customers tend to be the poorest in society who do not have piped supplies or affordable access to pit emptying services. Formalisation of their role, combined with more effective regulation, is therefore likely to benefit consumers. Larger scale PPPs may be potential vehicles for increased finance for the sector, however, it is vital that their value for money is assessed over the full life-cycle of the project as well as their suitability for providing access to poor and vulnerable communities at affordable rates.

#### 4.2.2 Drawing from the institutional structure and available financing sections, highlight certain challenges where financing is not utilised effectively

Section One also drew attention to the significant challenges within the WASH sector, covering a range of areas such as a weak regulatory framework, poor political will, and lack of coordinated planning, implementation and management. Although since 2016 the Federal Government has made significant efforts to make progress and shown clear political commitment to universal access, by producing strategies, policies and plans like PEWASH, and State Governments like Kaduna have attempted to align to it, the actual tangible change in building these support systems for WASH sector development has not yet been seen. This is highlighted by the fact that donors are targeting a significant amount of WASH ODA at support systems. Having effective frameworks in place to guide financing is a critical component to the effective and efficient use of financing, so progress on this is essential.

Constitutionally States have a significant level of autonomy from the Federal Government, which means that they are not required to align closely with national WASH policies and

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<sup>67</sup> E.g. <https://eurodad.org/files/pdf/1546956-history-repeated-how-public-private-partnerships-are-failing-.pdf>

strategies produced. Nevertheless, for Federal plans to be effective, it is important that more States align and coordinate with them<sup>68</sup>. In addition, given the current significant role of private vendors, bringing them into plans, policies and strategies may lead to better regulation, help refine them and make them more effective and participatory. Lastly, given that several Ministries for whom WASH is not a principal focus nevertheless have a role both in the successful delivery and financing of WASH, it is important that reforms and improvements are cross-governmental. These include Ministries of Economic Planning and Budgets, Finance Ministries, as well as Ministries of Health, Education, Environment and Physical Planning. If these Ministries also improve their processes and structures (such as public financial management) and better coordinate with the WASH sector, this will also help shape more efficient and effective WASH financing.

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<sup>68</sup> For example, only 12 states so far have shown an interest in the PEWASH programme.

## Section 5 – Conclusions and recommendations

The National Action Plan provides a critically important opportunity for Nigeria. It represents a recognition by the Federal Government that the water, sanitation and hygiene sector is in a state of crisis, and that a failure to address the current situation will have dire consequences for the nation. It is also a clear representation of the political will at the Federal level to act decisively to tackle the emergency.

This case study identifies many of the challenges faced by the sector. They include the coherence of national strategies and policies, the quality of public financial management, the capability and efficiency of key institutions at national, federal and local level, human resource constraints and issues concerning the broader enabling environment.

Addressing all of these will be important if the National Action Plan is to deliver the results needed to put the country on track to achieve its goals of universal access to water, sanitation and hygiene by 2030.

The multiple reforms required are achievable. They will require leadership driving through the reforms and closely monitoring the changes in performance across the sector. This leadership should coordinate the relevant bodies and build a culture of learning and adaptation as it reviews progress and verification reports.

Central to this leadership is the issue of financing, however.

The case study has highlighted several different dimensions to this, and these inform our recommendations below.

- **A substantial improvement in data availability is needed to drive better decision-making** – poor data quality and low levels of transparency on the needs, budgets and spending for WASH, hinder effective decision-making by both state and non-state actors. A clearer understanding of the location and status of WASH facilities aligned to the SDGs can support more robust costings exercises, budget allocations and operations and maintenance expenditure. Federal, State and Local governments all need to be more transparent about their WASH investments, a process that could be aided by the Central Bank publishing relevant detail in their quarterly fiscal surveys. Nigeria should also participate as a case study country in the WHO-led TrackFin initiative.
- **A major effort is needed to strengthen the financial absorption of available funds** – capacity limitations, lack of transparency, delay in the release of resources from Federal Government to States, weak procurement protocols and inflexible conditions are all barriers to financial absorption. At State-level, in-year adjustments are also often made without formally updating the budget, making it difficult to predict the availability of funds against the approved budget.<sup>69</sup> All three tiers of government need to work closely together to improve performance and ensure that all available funds are used and contribute effectively to the Action Plan's goals. The new WASH

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<sup>69</sup> World Bank, Biannual Review, 2019

Fund provides a good opportunity to strengthen the coordination of the different sources of funds and improve financial absorption in the sector.

- **There needs to be a ten-fold increase in public funding for WASH** – the updated figures for our analysis suggest that the total average annual requirement for achieving SDG targets 6.1 and 6.2 is US\$ 21.6 billion, equivalent to 3.9% of Nigeria's projected annual GDP. This includes the capital requirement for new and replacement infrastructure of \$12 billion and US\$ 9.6 billion for operations and maintenance. These figures contrast with the current levels of public funding from Government and donors: US\$468 million and US\$392 million in 2017 and 2018 respectively.<sup>70</sup> Households, remittances and private finance can all help bridge the financing gap, but with 53.5% of the population living in extreme poverty, there are clear limitations to this. Small, incremental changes in public funding to the sector will have only a marginal impact and would be inconsistent with the change sought through the National Action Plan. A ten-fold increase from current levels—from government and donors—would be a serious first step in addressing the shortfall, however.
- **The increase in public funding for WASH should be part of a sustained drive to strengthen DRM and create a far stronger public sector** - current levels of government revenue to GDP in Nigeria are too low to sustain an effective public sector. General government revenue as a percentage of GDP was only 4.8% in 2016. Although this has since climbed to over 8% in 2018, it remains one of the lowest in Africa and the world. There is increasing evidence that countries with tax revenues below 15 per cent of GDP have difficulty funding even basic state functions. The Government should create more fiscal space by deepening and broadening the tax base from current levels and setting out a bold and ambitious agenda for the Strategic Revenue Growth Initiative. This should include the phasing out of fossil fuel subsidies and the implementation of a carbon tax (see below).
- **There should be a strengthened role for civil society in the WASH sector and delivery of the NAP** – there is an important role for Civil Society Organisations to engage in the WASH sector, to hold the Government to account on its national commitments, including tracking budgets. There is also a strong argument to create a pool of WASH experts to service the sector and support delivery of the NAP.
- **There should be a strong emphasis in the NAP on equity, consistent with water and sanitation as human rights** – the case study highlights how States such as Enugu and Bayelsa have low access to improved water services compared with Imo and Rivers, and how there are wide disparities in access to both water and sanitation between Local Authorities in Kaduna State. There are also major inequalities by subsector, by rural and urban area, by gender, disability, income and wealth. These inequalities require focus and attention if the Government is to meet its obligations as duty-bearer for the human rights to water and sanitation and achieve its desired goals. Strategies and targeting of finance that focuses on the geographical areas

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<sup>70</sup> US\$392 million in 2018 (of which, US\$354 million government and US\$38 million ODA) and US\$ 468 million in 2017 (\$130m and government expenditure of \$338m and US\$130 million in ODA).

most in need and most vulnerable populations are likely to deliver the biggest impact in terms of health and well-being. In urban contexts, the city-wide inclusive urban sanitation is a call to action to develop inclusive strategies and programmes to reach the most vulnerable, especially women and children.<sup>71</sup>

- **Government and donors should urgently address the sustainability challenges facing the sector.** More than 38 per cent of improved water points and around 46 per cent of all water schemes in Nigeria are non-functional. Nigeria also underperforms in terms of most water-utility service indicators, in comparison with African and global utilities.<sup>72</sup> There are also significant concerns about the sustainability of disposal of excreta from on-site sanitation locations by the private sector.<sup>73</sup> These low levels of functionality and sustainability are characteristic of a broader sector that is unable to recover costs of services efficiently. A focus on the sustainability of interventions through affordable and efficient tariffs is vital to ensure the long-term sustainability of services.
- **Investments and reform in the wider enabling environment will also be vital for the success of the NAP** – it is highly unlikely that the NAP will succeed in the absence of sustained reform to the wider policy and enabling environment. There are several issues that present challenges to the WASH sector. For example, unstable electricity supply is leading to increased costs and reduced water supply provision and efficiency of services. Sector finances are frequently managed via manual and paper systems, rather than electronic ones. A major shift to electronic financial management would reduce dependence on petty cash, reduce corruption risk and improve efficiency. Judicial and regulatory frameworks are posing limitations on the development of potential forms of financing for WASH (e.g. microfinance, bonds, or PPPs which deliver value for money), the involvement of the private sector in water supply and FSM, and taxpayer compliance. Opportunities for the private sector throughout the sanitation value chain could be encouraged. Currently the private sector is principally involved in containment and emptying, whereas the government could enhance the conditions for private sector involvement in terms of treatment and safe reuse and disposal. Larger corporations, such as those in the food and beverage sector, should not only be encouraged and regulated to reduce water pollution and manage a sustainable water footprint, but also to provide funding for the WASH sector through their Corporate Social Responsibility budgets. Therefore, the government's commitment to making improvements and investment in this wider enabling environment will be critical to success within the WASH sector.
- **Success of the NAP requires effective coordination within the WASH sector and across other relevant sectors** – the WASH sector in Nigeria is made up of a significant number of state and non-state actors, which makes coordination between them essential for effective and efficient financing and improved sector performance. At the Federal level a number of dialogue mechanism between the government and development partners have helped aid coordination. However, vertical coordination

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<sup>71</sup> See for example: <http://pubdocs.worldbank.org/en/589771503512867370/Citywide-Inclusive-Sanitation.pdf>

<sup>72</sup> World Bank, Biannual Economic Update, 2019.

<sup>73</sup> *ibid*

between government tiers remains a challenge, partly due to the constitutional framework that grants states significant autonomy. In addition, the private sector remains uncoordinated with government, despite playing a key role in water supply and sanitation services. Therefore, it is essential that through the process of developing the national action plan, that coordination and dialogue is at its heart. To generate a sustained impact, the WASH sector must be fully coordinated with the interventions and programming of associated sectors, such as public health, education, urban and rural development, environment, and governance.<sup>74</sup>

- **The long-term health of the WASH sector is dependent on the global transition to a low-carbon economy** — countries in Africa are amongst the most vulnerable to the effects of climate change, due to uneven access to safe water and sanitation, dependence on rain-fed agriculture, and high levels of poverty which all make it harder to withstand climate stress. Nigeria has significant opportunity in terms of hydro-electricity and solar power, and as the world seeks to effect a transition to a low-carbon economy, Nigeria needs to intensify its efforts to diversify the economy from its heavy dependence on oil and gas, and establish consistent and reliable renewable energy for its economy, including the energy needed for sustainable WASH. WaterAid is calling for a global phasing out of fossil fuel subsidies and implementation of a carbon tax. Action along these lines in Nigeria, including a carbon tax applied to the International Oil Companies, could raise significant funds for the WASH sector, support environmental remediation in the Niger Delta, as well as facilitate the global transition to low- or zero-carbon.<sup>75</sup> Donors and international organisations need to support Nigeria in this transition, and refrain from lending and profiting on the basis of continuing and unsustainable exploitation of its oil and gas reserves.
- **The Government should seek to secure significant amounts of climate finance for the WASH sector** – in 2018 it successfully issued a green bond of US\$ 30 million, with the proceeds funding solar energy projects. It has received a US\$ 100 million financing commitment from the Green Climate Fund for investment in solar energy. Providing access to safe water, sanitation and hygiene is one of the most important interventions for building resilience to the threats posed by climate change. With over 150 million without access to safe water, Nigeria, alongside other vulnerable Sub-Sahara African countries, should be a priority for the climate change adaptation finance pledged in recent UN Conferences.

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<sup>74</sup> World Bank, Biannual Review, 2019.

<sup>75</sup> Mineral Rights to Human Rights, WaterAid 2018.



WaterAid/Simi Vijay

WaterAid is an international not-for-profit, determined to make clean water, decent toilets and good hygiene normal for everyone, everywhere within a generation. Only by tackling these three essentials in ways that last can people change their lives for good.

