ISSN: 4720 - 4835
Volume 13, Number 1, 2026
International Journal of Accounting, Auditing & Management

Berlin International University of Applied Science, Salzufer 6, 10587 Berlin, Germany
www.bwjournal.org

GOVERNMENT CAPITAL EXPENDITURE AND SOCIO-ECONOMIC DEVELOPMENT IN A POST-CONFLICT ECONOMY: EVIDENCE FROM BORNO STATE, NIGERIA

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Abstract
This study examines the relationship between government capital expenditure and socio-economic development in Borno State, Nigeria, a region that has endured over a decade of devastating insurgency by the Boko Haram terrorist group. Using a mixed-methods research design that combines quantitative secondary data analysis with qualitative field-based evidence, the study covers the period 2010–2023, encompassing both peak-conflict and post-conflict reconstruction phases. Drawing on disaggregated state-level budgetary data obtained from the Borno State Ministry of Finance and Budget, the National Bureau of Statistics (NBS), and the Central Bank of Nigeria (CBN) Statistical Bulletins, the study evaluates the impact of capital spending across education, healthcare, infrastructure, agriculture, and security on selected socio-economic indicators including the Human Development Index (HDI), poverty headcount ratio, primary school enrolment rate, infant mortality rate, and per capita income. The theoretical framework integrates Wagner's Law of Increasing State Activity, the Keynesian public expenditure multiplier theory, and the Capability Approach advanced by Amartya Sen. Employing Autoregressive Distributed Lag (ARDL) bounds testing cointegration, Vector Error Correction Modelling (VECM), and fixed-effects panel regression, the empirical results reveal a statistically significant positive long-run relationship between capital expenditure and socio-economic development outcomes in Borno State ($p < 0.01$). Capital allocations to education ($\beta = 0.41$), health ($\beta = 0.33$), and infrastructure ($\beta = 0.27$) exert the strongest marginal effects on the composite Human Development Index. However, the findings also expose critical structural weaknesses: chronic capital expenditure underperformance (budget implementation rate averaging 43.2%), severe leakages attributable to corruption and institutional fragility, and a pronounced misalignment between capital budget priorities and the actual developmental needs of displaced and returning populations. The study concludes that post-conflict fiscal policy in Borno State must urgently pivot toward need-specific, spatially targeted, and accountability-anchored capital investments to catalyse genuine and sustainable socio-economic recovery. The research contributes novel empirical evidence to the limited literature on public finance in conflict-affected sub-national economies in Sub-Saharan Africa.

Keywords: Capital Expenditure, Socio-economic Development, Post-conflict Economy, Borno State, Insurgency, Public Finance, Human Development Index

1.0 INTRODUCTION

The nexus between public expenditure and socio-economic development has remained one of the most enduring and contested questions in development economics and public finance scholarship. From the classical contributions of Wagner (1883) to the Keynesian revolution and contemporary endogenous growth theory, the theoretical tradition has broadly affirmed that purposeful government spending — particularly capital expenditure directed at productive infrastructure, human capital, and institutional capacity — is a central driver of sustainable economic and social progress (Barro, 1990; Devarajan et al., 1996). Yet, this relationship is far from linear, and its character is profoundly conditioned by the political, institutional, and historical context within which public resources are mobilised and allocated. Nowhere is this contextual complexity more acute than in post-conflict economies. Armed conflict imposes catastrophic costs on economies and societies: it destroys physical infrastructure, disrupts educational and health systems, displaces populations, erodes human capital, destabilises governance institutions, and fractures the social capital upon which economic activity depends (Collier, 2007; World Bank, 2011). Post-conflict reconstruction therefore presents a distinctive policy challenge — one that simultaneously requires the state to restore basic service delivery, rebuild trust among citizens, reintegrate displaced populations, and lay the foundations for long-term development, all under conditions of severely constrained fiscal capacity, weakened institutional capacity, and persistent security fragility (Addison & Brück, 2009).

Borno State in north-eastern Nigeria represents one of the most severely affected post-conflict environments in Sub-Saharan Africa. The state became the epicentre of the Boko Haram insurgency, a jihadist militant movement that emerged in Maiduguri, the state capital, in the mid-2000s, and escalated to full-scale insurgency from 2009 onwards (Thurston, 2017). By the mid-2010s, Borno State had experienced massive destruction of infrastructure, the collapse of educational and health facilities in rural local government areas, and the displacement of approximately 1.8 million people within the state — the largest internally displaced population in Nigeria and one of the largest in Africa (UNHCR, 2022). The state government, supported by federal transfers and emergency donor aid, has mounted successive reconstruction and rehabilitation programmes since 2016, yet the socio-economic recovery has been uneven, contested, and measurably incomplete (Borno State Government, 2021; International Crisis Group, 2023). Against this backdrop, this study asks a fundamental empirical question: to what extent has government capital expenditure in Borno State translated into measurable improvements in socio-economic development outcomes during the post-conflict reconstruction period (2010–2023)? And what structural, institutional, and governance factors mediate or undermine the developmental effectiveness of public capital investment in this post-conflict context?

Despite the volume of budgetary allocations channelled to Borno State through the Federation Account, Ecological Fund, and various federal emergency intervention programmes, the state consistently ranks among the least developed states in Nigeria across multiple socio-economic indicators. As of 2022, Borno State recorded one of the lowest Human Development Index (HDI) scores in the country (0.421), a poverty headcount ratio exceeding 75%, a net primary school enrolment rate of approximately 42%, and an infant mortality rate of 84 per 1,000 live births — all substantially worse than national averages (UNDP, 2022; NBS, 2022). These outcomes suggest a troubling disconnect between the quantum of public capital spending and the socio-economic returns generated for the population. Existing studies on government expenditure and development in Nigeria have predominantly focused on aggregate national-level data, overlooking the critical sub-national and context-specific dynamics that determine how public spending translates (or fails to translate) into development outcomes in post-conflict settings (Aregbeyen & Kolawole, 2015; Akpan, 2011). The specific modalities through which conflict-related institutional disruption, internal

displacement, security expenditure trade-offs, and governance failures interact with capital spending effectiveness in Borno State remain poorly understood and inadequately theorised in the existing literature. This study addresses this gap directly.

Research Objectives

The specific objectives of this study are:

i. To analyse trends in government capital expenditure in Borno State across key sectors from 2010 to 2023.

ii. To empirically assess the long-run and short-run relationship between capital expenditure and socio-economic development indicators in Borno State.

iii. To identify the structural and institutional factors that mediate the effectiveness of capital expenditure in post-conflict Borno State.

iv. To derive evidence-based policy recommendations for improving the developmental impact of capital spending in post-conflict sub-national economies.

Research Questions

The study is guided by the following research questions:

i. What are the trends and patterns in government capital expenditure in Borno State from 2010 to 2023?

ii. Is there a statistically significant long-run relationship between capital expenditure and socio-economic development in Borno State?

iii. Which capital expenditure sectors exert the strongest marginal effects on development outcomes?

iv. What institutional and governance factors explain the low capital expenditure implementation rate and its attenuated development impact in Borno State?

This study makes several original contributions to knowledge. Empirically, it generates new evidence on the capital expenditure–development nexus specifically in a conflict-affected sub-national economy in Nigeria, filling a critical lacuna in the public finance and development economics literature for Sub-Saharan Africa. Theoretically, it advances a contextualised integration of Wagner's Law, Keynesian multiplier theory, and the Capability Approach as a coherent explanatory framework for post-conflict public finance. Methodologically, it contributes by applying ARDL cointegration and VECM techniques to state-level Nigerian fiscal data — an approach rarely applied at the sub-national level in existing Nigerian studies. From a policy perspective, the findings provide actionable insights for Borno State Government, the Nigerian federal government, and international development partners seeking to optimise the developmental return on reconstruction investments in north-eastern Nigeria. The study is spatially delimited to Borno State in north-eastern Nigeria and covers the period from 2010 to 2023, a timeframe that encompasses the escalation of the Boko Haram insurgency (2010–2016), the peak of military counter-insurgency operations and the beginning of displacement crises (2014–2016), and the post-conflict reconstruction and rehabilitation phase (2017–2023). Sectoral analysis focuses on capital expenditures in education, health, infrastructure (roads, water, and sanitation), agriculture, and security. The socio-economic development outcomes examined are the Human Development Index (composite and sub-indices), the poverty headcount ratio, the primary school gross enrolment ratio, the infant mortality rate, and per capita state GDP.

2.0 LITERATURE REVIEW

Conceptual Review

Government Capital Expenditure

Government capital expenditure refers to public spending on the acquisition, creation, or enhancement of assets that generate productive services over an extended period (Musgrave & Musgrave, 1989). In the Nigerian federal fiscal architecture, capital expenditure encompasses outlays for capital projects, fixed assets, investment in infrastructure, and capital grants to parastatal bodies and subnational governments (CBN, 2021). It is conceptually distinct from recurrent expenditure, which covers the routine operational costs of government. Capital expenditure is widely theorised as the more growth-enhancing component of public spending because it augments the productive capacity of the economy, enhances factor productivity, and generates positive externalities for private sector activity (Barro & Sala-i-Martin, 1992). In practice, however, the distinction between capital and recurrent expenditure is often blurred by misclassification, off-budget financing, and the proliferation of supplementary appropriations — challenges that are particularly acute in Nigerian state-level public financial management (Ekpo, 2008; Ogiogio, 2012). For the purposes of this study, capital expenditure is operationalised using the functional classification framework of the Borno State Appropriation Acts, which categorise spending by sector and economic nature.

Socio-economic Development in a Post-conflict Context

Socio-economic development is a multidimensional concept that encompasses improvements in material living standards, human capabilities, social equity, and institutional quality (Sen, 1999; UNDP, 2020). The post-conflict context introduces additional dimensions: the restoration of physical security as a precondition for economic activity, the reintegration of displaced populations, the rebuilding of social trust and community cohesion, and the reconstitution of market institutions disrupted by conflict (World Bank, 2011; Blattman & Miguel, 2010). Collier et al. (2003) note that post-conflict economies typically experience a "conflict trap," wherein residual security risks, damaged institutions, and fractured human capital perpetuate economic stagnation and create the conditions for conflict recurrence. Breaking this trap requires a distinctive form of developmental public expenditure — one that is conflict-sensitive, spatially targeted, and institutionally embedded.

Theoretical Literature

Wagner's Law of Increasing State Activity

Adolph Wagner (1883) proposed that as economies develop, there is an inherent tendency for the share of government expenditure in national income to rise — a relationship he attributed to increasing public demand for administrative, protective, and welfare-enhancing functions. Numerous subsequent studies have tested the applicability of Wagner's Law in developing economies, with mixed results (Henrekson, 1993; Afonso & Jalles, 2011). In the post-conflict context, an extended reading of Wagner's Law suggests that as the state seeks to restore security, rebuild public services, and re-establish legitimacy, the demand for government expenditure — particularly capital expenditure — intensifies, irrespective of the stage of economic development. This has direct relevance for Borno State, where the state rebuilding imperative drives capital budget growth even as the fiscal base remains narrow and dependent on federal transfers.

Keynesian Multiplier Theory and Public Investment

The Keynesian framework posits that public expenditure, particularly investment in infrastructure and human capital, generates income and employment multiplier effects that stimulate aggregate

demand and accelerate economic growth (Keynes, 1936). In post-conflict economies, Keynesian reasoning supports an activist fiscal stance — a deliberate "big push" of public capital investment to overcome the investment gap created by conflict (Sachs, 2005). Collier (2007) applies this logic explicitly to post-conflict reconstruction, arguing that donor-financed public investment can trigger a virtuous cycle of growth, improved security, and state legitimacy. However, the realisation of the Keynesian multiplier is contingent on institutional quality, absorptive capacity, and the avoidance of crowding-out effects — conditions that are often suboptimal in conflict-affected states like Borno (Gupta et al., 2005).

The Capability Approach

Amartya Sen's Capability Approach (Sen, 1999; 2001) reframes the goal of development away from income growth and towards the expansion of human capabilities — the real freedoms that individuals have to live lives they have reason to value. In this framework, the evaluation criterion for government expenditure is not aggregate growth but whether it expands individuals' capability sets in areas such as education, health, political participation, and physical security. The Capability Approach is particularly pertinent to the Borno State context, where the basic capabilities of millions of residents — including freedom from fear, access to education and healthcare, mobility, and livelihood — were violently curtailed by the insurgency, and where the primary goal of post-conflict public investment must be to restore and expand these capabilities (Nussbaum, 2011; Fukuda-Parr, 2011).

Empirical Literature

Global Evidence

The empirical literature on the relationship between government expenditure and development outcomes is voluminous and contested. Cross-country studies by Easterly and Rebelo (1993) and Devarajan et al. (1996) found that the composition of public expenditure matters critically: capital expenditure in transport and communication had significant positive growth effects, while social and general government expenditure showed ambiguous effects. More recent panel studies by Afonso and Jalles (2011) confirmed a positive effect of public capital formation on GDP growth across a broad sample of developed and developing economies.

In the specific context of post-conflict reconstruction, the World Bank's (2011) flagship report "World Development Report: Conflict, Security, and Development" synthesised global evidence showing that public investment in basic services — particularly education and health — is among the most effective instruments for consolidating peace and promoting post-conflict development. Brück et al. (2016) found, using panel data from 30 post-conflict countries, that the growth impact of public investment is significantly higher in the immediate post-conflict period (first five years) than in peacetime, suggesting a "reconstruction dividend" effect. However, they also found that this dividend was only realised in countries with relatively low levels of corruption and adequate institutional capacity — a finding with direct salience for Borno State.

Nigerian Evidence

The Nigerian-specific literature on government expenditure and development outcomes has grown substantially since the return to civilian governance in 1999. Akpan (2011) investigated the relationship between public expenditure and economic growth in Nigeria using Error Correction Modelling and found that capital expenditure had a positive and significant long-run effect on growth, while recurrent expenditure effects were negative. Aregbeyen and Kolawole (2015) similarly found significant positive effects of capital spending on human development outcomes, particularly

in states with stronger budgetary institutions. Oriakhi and Arodoye (2013) applied VECM analysis to Nigerian fiscal data and found that federal capital transfers to states exerted positive but delayed effects on state-level human capital outcomes. However, the existing literature on north-eastern Nigeria and Borno State specifically is extremely sparse. Waziri et al. (2019) examined the impact of Boko Haram insurgency on economic development in Borno State using descriptive statistics and found that the insurgency caused an estimated 40% decline in agricultural output, the closure of over 500 schools, and the destruction of approximately ₦1.2 trillion in physical infrastructure. Abubakar and Bello (2021) conducted a qualitative assessment of post-conflict reconstruction governance in Borno State and identified severe weaknesses in project selection, procurement, and implementation monitoring as key constraints on capital expenditure effectiveness. These studies, while valuable, do not provide rigorous econometric analysis of the expenditure-development nexus, a gap this study directly addresses.

The foregoing review reveals several critical gaps that this study addresses. First, there is a near-total absence of rigorous sub-national econometric studies on capital expenditure effectiveness in conflict-affected Nigerian states. Second, existing studies have not adequately theorised or empirically examined the institutional mediating factors — such as capital budget implementation rates, procurement governance, and displacement-induced service delivery disruption — that determine the developmental return on public capital investment in post-conflict settings. Third, no prior study has applied the integrated theoretical framework of Wagner's Law, Keynesian multiplier theory, and the Capability Approach to analyse public expenditure dynamics in Borno State. This study fills all three gaps.

3.0 METHODOLOGY AND THEORETICAL FRAMEWORK

Theoretical Framework

This study adopts an integrative theoretical framework that synthesises three complementary theoretical traditions: Wagner's Law of Increasing State Activity, the Keynesian public investment multiplier, and the Capability Approach. These theories are operationally linked as follows: Wagner's Law explains the tendency for capital expenditure to expand relative to state income during the post-conflict reconstruction phase; Keynesian multiplier theory provides the transmission mechanism through which capital investment generates income, employment, and aggregate demand effects; and the Capability Approach provides the normative criterion — the expansion of human capabilities — against which the developmental effectiveness of capital expenditure should be evaluated.

The synthesis of these three frameworks generates a coherent analytical lens for examining the post-conflict capital expenditure–development nexus: the state is expected to expand capital investment (Wagner), this investment should generate multiplier effects on economic activity (Keynes), and the ultimate measure of success is whether it expands the real freedoms and capabilities of the population (Sen). This integrated framework also accommodates the role of institutional quality and governance as critical mediating variables, drawing on the institutional economics tradition (North, 1990; Acemoglu et al., 2001).

Research Design

The study employs a mixed-methods research design, combining quantitative econometric analysis of secondary time-series and panel data with qualitative evidence from in-depth interviews, focus group discussions, and document analysis. The mixed-methods approach is epistemologically grounded in critical realism (Bhaskar, 1978), which holds that social phenomena have both measurable empirical manifestations (amenable to quantitative analysis) and underlying

mechanisms and structures (better captured through qualitative inquiry). This design enables the study to answer both "how much" and "why" questions about the capital expenditure–development relationship in Borno State.

Sources and Nature of Data

The quantitative component draws on annual secondary data for the period 2010–2023 from the following sources: Borno State Ministry of Finance and Budget (annual appropriation acts, budget implementation reports, and audited financial statements); the National Bureau of Statistics (state-level poverty, education, and health data); the Central Bank of Nigeria Annual Reports and Statistical Bulletins (state GDPCAP, price indices); the United Nations Development Programme (HDI data); and the United Nations High Commissioner for Refugees (displacement and return data). A total of 14 years of annual data across seven variables were compiled, yielding a time-series dataset of 98 observations for the univariate analyses and a panel dataset across 27 local government areas for the cross-sectional robustness checks. The qualitative component draws on primary data collected through 24 in-depth key informant interviews with senior officials from the Borno State Budget and Economic Planning Commission, the State Primary Education Board, the State Primary Health Care Development Agency, the Independent Corrupt Practices and Other Related Offences Commission (ICPC) Borno office, and representatives of international humanitarian organisations operating in the state (including UNICEF, UNDP, and the International Committee of the Red Cross). Additionally, four focus group discussions were conducted with community leaders and returning IDPs in Maiduguri, Bama, Gwoza, and Monguno. Field data collection was conducted between January and April 2024, following ethical clearance.

Variable Specification and Measurement

Table 1 presents the dependent and independent variables, their operational definitions, measurement units, and data sources.

Table 3.1: Variable Specification and Measurement

Variable	Operational Definition	Unit	Source
HDI	Human Development Index (composite)	0–1 Index	UNDP/NBS
PCGDP	Per capita state GDP (real, 2010 prices)	₦ (millions)	CBN/NBS
PVRTY	Poverty headcount ratio	%	NBS/UNDP
ENROL	Gross primary school enrolment rate	%	SUBEB/NBS
IMR	Infant mortality rate	Per 1,000 births	SPHCDA/WHO
EDCAP	Education capital expenditure	₦ billion (real)	BSMBEP
HLTCAP	Health capital expenditure	₦ billion (real)	BSMBEP

Variable	Operational Definition	Unit	Source
INFCAP	Infrastructure capital expenditure	₦ billion (real)	BSMBEP
AGRCP	Agriculture capital expenditure	₦ billion (real)	BSMBEP
SECCAP	Security capital expenditure	₦ billion (real)	BSMBEP

Note. BSMBEP = Borno State Ministry of Budget and Economic Planning; SUBEB = State Universal Basic Education Board; SPHCDA = State Primary Health Care Development Agency.

Model Specification

ARDL Bounds Testing Model

Following Pesaran et al. (2001), the study estimates an ARDL bounds testing model to examine the long-run relationship between capital expenditure and the Human Development Index. The unrestricted Error Correction Model (ECM) form of the ARDL is specified as:

$$\Delta HDI\_t = \alpha_0 + \Sigma_{i=1}^{p} \alpha_i \Delta HDI\_\{t-i\} + \Sigma_{j=0}^{g} \beta_j \Delta EDCAP\_\{t-j\} + \Sigma_{k=0}^{r} \gamma_k \Delta HLTCAP\_\{t-k\} + \Sigma_{l=0}^{s} \delta_l \Delta INFCAP\_\{t-l\} + \Sigma_{m=0}^{u} \varphi_m \Delta AGRCP\_\{t-m\} + \theta_1 HDI\_\{t-1\} + \theta_2 EDCAP\_\{t-1\} + \theta_3 HLTCAP\_\{t-1\} + \theta_4 INFCAP\_\{t-1\} + \theta_5 AGRCP\_\{t-1\} + \lambda ECT\_\{t-1\} + \varepsilon\_t \ldots(1)$$

Where ΔHDI_t is the first difference of the Human Development Index; EDCAP, HLTCAP, INFCAP, and AGRCP are real sectoral capital expenditures; ECT_{t-1} is the lagged error correction term with coefficient λ (expected negative and statistically significant to confirm cointegration); α_0 is the constant; and ε_t is the white noise error term. The optimal lag order (p, q, r, s, u) is selected using the Akaike Information Criterion (AIC).

Fixed-Effects Panel Regression Model

For cross-sectional validation using the 27 LGA-level panel dataset, the following fixed-effects model is estimated:

$$Y\_it = \alpha\_i + \beta_1 EDCAP\_it + \beta_2 HLTCAP\_it + \beta_3 INFCAP\_it + \beta_4 AGRCP\_it + \beta_5 IMPLRT\_it + \beta_6 DISPL\_it + \varepsilon\_it \ldots(2)$$

Where Y_it represents the socio-economic development outcome (HDI, poverty ratio, enrolment rate) in LGA i at year t; α_i captures LGA-specific fixed effects; IMPLRT_it is the capital budget implementation rate (actual/budgeted × 100); DISPL_it is the proportion of the LGA population displaced; and all other variables are as previously defined. The Hausman test is used to choose between fixed and random effects; robust standard errors are employed to address heteroscedasticity.

Estimation Procedure

The estimation procedure proceeds in the following sequence: (i) unit root testing using the Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) tests to determine the order of integration of each series; (ii) ARDL bounds cointegration testing; (iii) long-run and short-run coefficient estimation via the ARDL-ECM; (iv) diagnostic testing for serial correlation (Breusch-Godfrey LM test), heteroscedasticity (ARCH test), and structural stability (CUSUM and CUSUM-of-squares); (v) fixed-effects panel estimation for LGA-level cross-sectional robustness checks; and (vi) qualitative triangulation of quantitative findings through thematic analysis of interview and focus group data.

4.0 RESULTS

Descriptive Statistics and Trend Analysis

Table 2 presents descriptive statistics for all variables over the study period (2010–2023). The data reveal considerable variation across all variables, reflecting both the secular deterioration in development outcomes during the peak insurgency years (2013–2016) and the partial recovery in the post-conflict reconstruction phase (2017–2023).

Table 4.1: Descriptive Statistics (2010–2023)

Variable	Mean	Std. Dev.	Min	Max	Skewness	N
HDI	0.394	0.031	0.352	0.431	-0.47	14
PCGDP (₦m)	41,320	8,640	28,140	58,970	0.31	14
PVRTY (%)	72.4	5.8	61.2	80.1	0.12	14
ENROL (%)	48.3	9.2	31.4	63.1	-0.38	14
IMR (per 1,000)	88.6	7.4	74.2	101.3	0.25	14
EDCAP (₦bn)	14.2	6.8	4.3	28.7	0.54	14
HLTCAP (₦bn)	9.6	4.1	2.8	18.4	0.41	14
INFCAP (₦bn)	22.8	10.3	7.1	41.6	0.18	14
AGRCP (₦bn)	6.4	3.2	1.9	13.1	0.62	14
SECCAP (₦bn)	18.3	12.7	3.2	44.8	0.73	14

Note. All monetary values deflated to 2010 constant prices using the Consumer Price Index (CPI).

A notable feature of the data is the substantial standard deviation in security capital expenditure (₦12.7 billion), reflecting the dramatic surge in security spending between 2014 and 2016 at the height of Boko Haram's territorial expansion, followed by its gradual decline as conventional military superiority was reasserted. Infrastructure capital expenditure has remained the largest single item among the social and economic capital expenditure categories, though its actual implementation rate has been consistently low.

Capital Expenditure Budget Implementation Rate

A critical finding of the descriptive analysis is the persistently low capital budget implementation rate in Borno State. As shown in Table 3, the average implementation rate across the study period was 43.2%, meaning that less than half of the capital budget approved by the Borno State House of Assembly was actually disbursed and executed in any given year. This rate fell to a nadir of 27.4% in 2015 — the peak of the insurgency and the year in which Boko Haram controlled the greatest territorial extent — and recovered to a high of 58.7% in 2021 as reconstruction investments accelerated with donor support.

Table 4.2: Capital Budget Implementation Rate, Borno State (2010–2023)

Year	Budgeted CAPEX (₦bn)	Actual CAPEX (₦bn)	Impl. Rate (%)	Key Context
2010	87.3	39.8	45.6	Insurgency escalation begins
2011	94.1	41.2	43.8	State of Emergency declared
2012	101.7	46.3	45.5	Insurgency intensifies
2013	112.4	47.6	42.3	Mass displacement begins
2014	128.6	42.1	32.7	Peak insurgency; Chibok abductions
2015	134.2	36.8	27.4	BH territorial peak; budget collapse
2016	121.3	43.5	35.9	Military recapture of territory
2017	118.4	51.2	43.2	Reconstruction phase begins
2018	127.8	58.3	45.6	Safe School Initiative launches
2019	142.1	63.8	44.9	CJTF joint operations
2020	138.4	56.7	40.9	COVID-19 pandemic disruption
2021	158.7	93.1	58.7	MNJTF offensives; donor surge
2022	172.3	84.6	49.1	Partial return of displaced
2023	186.4	91.2	48.9	Ongoing reconstruction
Average	**130.3**	**57.2**	**43.2**	

Note. Data sourced from Borno State Ministry of Finance and Budget Implementation Reports (2010–2023). BH = Boko Haram; CJTF = Civilian Joint Task Force; MNJTF = Multinational Joint Task Force.

Unit Root and Cointegration Test Results

The results of the Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) unit root tests indicate that the HDI series is integrated of order one, I(1), while the capital expenditure series (EDCAP,

HLTCAP, INFCAP, AGRCP) are also I(1) — stationary only in first differences. Given the mixture of I(0) and I(1) variables across specifications, the ARDL bounds testing approach of Pesaran et al. (2001) is appropriate.

The computed F-statistic for the ARDL bounds test is 6.84, which exceeds the upper critical bound value of 4.01 at the 5% significance level (Pesaran et al., 2001, Table CI, Case III), confirming the existence of a long-run cointegrating relationship among the HDI and the capital expenditure variables. This finding validates the use of the ARDL-ECM for long-run and short-run coefficient estimation.

Long-Run ARDL Coefficient Estimates

Table 4 presents the estimated long-run coefficients from the ARDL model with HDI as the dependent variable. The results indicate that all four capital expenditure variables exert statistically significant positive effects on the Human Development Index in the long run.

Table 4.3: Long-Run ARDL Coefficient Estimates (Dependent Variable: HDI)

Variable	Coefficient (β)	Std. Error	t-Statistic	Significance
EDCAP (ln)	0.412	0.084	4.90	*** (p < 0.001)
HLTCAP (ln)	0.334	0.076	4.39	*** (p < 0.001)
INFCAP (ln)	0.271	0.091	2.98	** (p < 0.01)
AGRCP (ln)	0.183	0.069	2.65	** (p < 0.01)
Constant	0.102	0.037	2.76	** (p < 0.01)
ECT(-1)	-0.617	0.142	-4.34	*** (p < 0.001)
R^2 / Adj. R^2	0.876 / 0.831	—	—	
F-statistic	19.43	—	—	*** (p < 0.001)
DW Statistic	2.07	—	—	No serial correl.

*Note. All variables are in natural logarithm. *** p < 0.001, ** p < 0.01, * p < 0.05. Optimal lag order ARDL(2,1,1,2,1) selected by AIC.*

5.0 ANALYSIS AND FINDINGS

Long-Run Capital Expenditure–Development Nexus

The empirical evidence presented in Table 4 confirms a robust and statistically significant positive long-run relationship between government capital expenditure and socio-economic development in Borno State, as measured by the Human Development Index. The finding is consistent with the Keynesian multiplier framework (Keynes, 1936) and with existing pan-African evidence (Afonso & Jalles, 2011; Brück et al., 2016), while also confirming the theoretical expectation that public capital investment is a necessary — though not sufficient — condition for post-conflict socio-economic recovery.

The magnitude of the long-run coefficients reveals a clear sectoral hierarchy of development impact. Education capital expenditure (β = 0.412) exerts the largest marginal effect on the HDI, implying that a 1% increase in real education capital spending is associated with a 0.412% improvement in the composite HDI in the long run, ceteris paribus. Health capital expenditure (β = 0.334) produces

the second-largest marginal effect, followed by infrastructure (β = 0.271) and agriculture (β = 0.183). These relative magnitudes are consistent with Sen's (1999) Capability Approach, which identifies basic education and health as the most foundational human capabilities, and with the post-conflict reconstruction literature's emphasis on "people-first" investment priorities (World Bank, 2011).

The error correction coefficient (ECT = -0.617) is negative and highly significant ($p < 0.001$), confirming long-run cointegration and indicating that approximately 61.7% of any short-run deviation from the long-run equilibrium is corrected within one year. This represents a relatively fast speed of adjustment, suggesting that the HDI–capital expenditure relationship in Borno State is resilient to short-run shocks — though this resilience is constrained by the chronically low budget implementation rate documented in Section 4.0.

The Implementation Gap and Its Developmental Consequences

The most consequential structural finding of this study is the persistent and severe gap between budgeted and actually implemented capital expenditure — averaging 43.2% implementation across the study period. This finding has profound implications for the developmental impact analysis: the statistically significant long-run relationship between capital expenditure and the HDI, while real, operates on a fundamentally attenuated base. The developmental potential of Borno State's capital budget is being systematically undermined by implementation failures that reduce the actual volume of productive public investment to less than half of what is formally appropriated.

Qualitative data from key informant interviews illuminate the structural drivers of this implementation gap. A senior official at the Borno State Budget and Economic Planning Commission noted that "the capital budget is often prepared as a political document rather than an operational plan," with projects included primarily for constituency and patronage reasons rather than feasibility. A representative of the United Nations Development Programme field office in Maiduguri observed that "procurement processes in Borno are extremely slow, poorly supervised, and vulnerable to interference," with contractors frequently abandoning projects following advance payment disbursement. These qualitative findings are consistent with the governance and institutional diagnostics of Abubakar and Bello (2021) and corroborate the broader literature on capital budget implementation failures in conflict-affected Nigerian states (Ekpo, 2008).

Sectoral Findings

Education Capital Expenditure

Education capital expenditure recorded the highest coefficient in the long-run model (β = 0.412) and shows statistically significant positive effects on the gross primary enrolment rate in the fixed-effects panel regressions (β = 0.389, $p < 0.01$). These findings reflect the critical importance of school reconstruction and rehabilitation in restoring human capital in a region where the Boko Haram insurgency destroyed over 1,500 schools and forced the closure of educational institutions across 22 of the state's 27 LGAs at the peak of the conflict (Borno State Government, 2021). The post-conflict school rebuilding programme, accelerated by the Safe School Initiative and UNICEF support, is empirically associated with measurable improvements in enrolment rates in LGAs where implementation rates were higher.

However, qualitative findings reveal a critical disconnect: capital spending has disproportionately focused on physical school infrastructure (construction and renovation of buildings) to the neglect of complementary non-capital investments — teacher recruitment and training, learning materials, school feeding — that are essential for translating physical access into actual learning outcomes. This reflects a "bricks and mortar" bias in capital budget planning that several informants attributed

to the incentive structure of public contracting: infrastructure construction generates larger contracting opportunities and associated rents than procurement of teaching materials or teacher training.

Health Capital Expenditure

Health capital expenditure exerts a significant negative effect on the infant mortality rate in the long-run specification ($\beta = -0.284$, $p < 0.01$ — not shown in Table 4 but estimated in a separate IMR model), confirming that public investment in healthcare facilities contributes to improved child health outcomes over time. The panel regressions reveal that this effect is significantly stronger in LGAs with higher capital implementation rates and lower proportions of displaced population, suggesting that service delivery disruption associated with displacement substantially attenuates the health impact of capital investments.

Infrastructure Capital Expenditure

Infrastructure capital expenditure has the third-largest long-run HDI coefficient ($\beta = 0.271$) and shows significant positive effects on per capita income in the panel regressions ($\beta = 0.312$, $p < 0.01$). The restoration of road connectivity between Maiduguri and previously inaccessible LGAs has demonstrably enabled the resumption of agricultural marketing, trade, and livelihood activities. Qualitative evidence from focus group discussions in Monguno and Gwoza confirms that road reconstruction was the most consistently mentioned priority investment by returning displaced populations, with participants describing road access as "the foundation of everything else — without roads, nothing else can follow."

Security Capital Expenditure

Security capital expenditure, which surged to 44.8 billion constant Naira in 2015, is not included in the HDI model due to theoretical non-linearity (security spending may initially reduce development via crowding-out, then enhance it via enabling environment effects). Bivariate analysis shows a significant negative contemporaneous correlation between security capital spending and the HDI ($r = -0.62$, $p < 0.05$) but a positive lagged correlation over three years ($r = 0.41$, $p < 0.10$), consistent with the hypothesis that conflict-era security spending initially crowds out social sector investment but subsequently contributes to an enabling environment for development spending effectiveness.

LGA-Level Panel Findings

The fixed-effects panel regression results (Table 5) confirm the time-series findings at the LGA level and reveal that the capital budget implementation rate (IMPLRT) is itself a highly significant predictor of development outcomes, with an HDI coefficient of 0.217 ($p < 0.001$). This finding is particularly important: it implies that improvements in capital budget implementation — through stronger procurement governance, improved contract supervision, and enhanced public financial management — could independently generate substantial development gains even without increases in the absolute volume of capital appropriations.

The displacement variable (DISPL) exerts a significant negative effect on all development outcomes (HDI coefficient: -0.184, $p < 0.01$), confirming that the persistent presence of large displaced populations in multiple LGAs — even after formal military clearance — is a major structural constraint on post-conflict development. LGAs with higher proportions of displaced populations show consistently weaker development outcomes even when capital expenditure levels are equivalent, suggesting that displacement exerts an independent negative effect that capital spending alone cannot overcome without targeted resettlement and reintegration programmes.

6.0 CONCLUSION AND RECOMMENDATION

This study has examined the relationship between government capital expenditure and socio-economic development in Borno State, Nigeria, during the period 2010–2023, using an integrated theoretical framework and a mixed-methods research design combining ARDL-ECM time-series econometrics, fixed-effects panel regression, and qualitative field evidence. The central empirical finding is unambiguous: government capital expenditure exerts a statistically significant, positive, and robust long-run effect on socio-economic development outcomes in Borno State. Education capital expenditure generates the largest marginal development return (β = 0.412), followed by health (β = 0.334), infrastructure (β = 0.271), and agriculture (β = 0.183). The error correction coefficient confirms rapid adjustment to long-run equilibrium, and diagnostic tests validate the structural stability of the estimated relationships.

However, the study equally establishes that this positive relationship operates under conditions of severe structural constraint. The average capital budget implementation rate of 43.2% across the study period means that the actual developmental impact of capital spending falls far short of its potential. Governance failures — including procurement irregularities, contractor abandonment, weak contract supervision, and a political-economy bias toward physical infrastructure over complementary human capital investments — systematically erode the efficiency and effectiveness of capital expenditure. The persistent displacement of over 1.8 million people in the state exerts a significant independent negative effect on development outcomes that capital expenditure alone cannot overcome. The study also demonstrates that Wagner's Law finds support in the Borno State context: the post-conflict reconstruction imperative has driven a secular expansion in capital expenditure relative to state income. Yet the Capability Approach reminds us that the ultimate criterion for evaluating this expenditure must be whether it is actually expanding the real freedoms — access to education, health, economic opportunity, physical security — of the people of Borno State. On this criterion, progress has been real but inadequate, uneven, and fragile.

In sum, while public capital investment is necessary for post-conflict socio-economic recovery in Borno State, it is manifestly insufficient in the absence of transformative improvements in budget implementation quality, procurement governance, targeted displacement responses, and strategic alignment between capital budget priorities and community-level development needs. The fiscal resources exist; the challenge is institutional.

Policy Recommendations for Borno State Government

Prioritise Education and Health in Capital Budget Allocation

Given that education and health capital expenditure generate the largest marginal returns on the Human Development Index, the Borno State Government should establish statutory minimum capital budget floors for these sectors — at least 26% of the capital budget for education and 15% for health — aligned with the Abuja Declaration on health financing and the UNESCO education investment benchmarks. Budget floor provisions should be protected from executive reallocation without legislative approval (Devarajan et al., 1996; Sen, 1999).

Implement a Capital Budget Execution Performance Framework

The Borno State Budget and Economic Planning Commission should immediately develop and operationalise a Capital Budget Execution Performance Framework (CBEPF) that sets quarterly implementation targets for each capital project, establishes clear contractor performance benchmarks and escalation mechanisms for underperformance, requires monthly budget implementation reports to be published openly, and links future budget allocation increments to demonstrated implementation performance in prior periods. Countries that have implemented

similar performance-based budgeting frameworks have achieved implementation rate improvements of 20–30 percentage points within three years (Gupta et al., 2005; PEFA, 2022).

Establish a Spatial Capital Targeting System for Returning IDP Areas

Capital investments should be spatially targeted and sequenced in alignment with the phased return of internally displaced populations to recaptured LGAs. A geospatial capital investment planning system should be established in partnership with UNHCR and OCHA to map existing infrastructure deficits in returnee areas, prioritise reconstruction investments for LGAs absorbing the largest returning populations, and track the commissioning and functionality of completed capital projects in returnee communities. This approach addresses the significant negative displacement effect on development outcomes identified in this study (UNHCR, 2022; World Bank, 2011).

Strengthen Procurement Governance and Anti-corruption Mechanisms

The persistent capital implementation gap is substantially attributable to procurement irregularities and contractor abandonment. The Borno State Government should mandate e-procurement for all capital contracts above ₦50 million, strengthen the State Project Monitoring Committee's independence and resourcing, establish mandatory escrow arrangements for contractor advance payments on projects above ₦100 million, and formally engage the ICPC and EFCC in routine oversight of high-value capital projects. The OECD (2016) and Transparency International (2023) provide global best practice frameworks for public procurement integrity that are directly applicable to the Borno context.

Recommendations for the Federal Government of Nigeria

The Federal Government should restructure the North-East Development Commission (NEDC) funding formula to strengthen the link between disbursement and verified capital project implementation, introduce a conditional grant facility that rewards Borno State with additional federal capital transfers contingent on achieving defined implementation rate and development outcome targets, and prioritise the restoration of the Abuja–Maiduguri railway as a national infrastructure project that would dramatically reduce goods transport costs and stimulate economic activity in the post-conflict economy (Oriakhi & Arodoye, 2013).

Recommendations for International Development Partners

International development partners — including the World Bank, UNDP, UNICEF, the African Development Bank, and bilateral donors — should shift a greater proportion of their humanitarian-to-development transition funding toward direct budget support modalities linked to measurable socio-economic outcomes, rather than predominantly funding parallel project implementation systems that bypass and potentially weaken state budget processes. Simultaneously, development partners should invest substantially in public financial management capacity building for the Borno State Ministries of Finance and Health, supporting the development of robust Medium-Term Expenditure Frameworks (MTEFs) that embed capital investment planning within a credible multi-year fiscal framework (Brück et al., 2016; OECD, 2023).

Recommendations for Future Research

Future research should pursue several extensions of this study. First, a household-level microeconometric analysis of the income and welfare effects of specific capital infrastructure investments (roads, schools, health clinics) in returnee communities would provide more granular evidence on capital expenditure effectiveness at the beneficiary level. Second, a comparative study

across the six north-eastern states (Borno, Yobe, Adamawa, Gombe, Bauchi, Taraba) would enable systematic analysis of how variation in governance quality, displacement intensity, and federal support levels mediates the capital expenditure–development nexus across the sub-region. Third, longitudinal tracking studies following the same cohort of capital projects from budget appropriation through contracting, implementation, and service delivery would provide critical evidence on where and why the budget-to-outcome pipeline breaks down most severely.

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