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IMPACT OF WORLD BANK DEVELOPMENT PROJECTS ON SOCIO-ECONOMIC DEVELOPMENT IN KOGI STATE, NIGERIA

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Abstract

World Bank development projects are intended to advance socio-economic development through investment in employment creation, poverty reduction, institutional strengthening and improved service delivery. The extent to which such interventions actually generate sustainable employment depends, however, on how they are implemented, and in particular on the quality of financial management, institutional capacity and governance in the agencies that administer them. Limited empirical evidence exists on these implementation factors in Kogi State, Nigeria. This study examined the impact of World Bank development projects on socio-economic development in the state, assessing the effect of financial management practices on employment generation and job opportunities, and the influence of institutional capacity and governance mechanisms on the same outcome. A survey research design was adopted. The population comprised 88 staff of the Kogi State Ministry of Women Affairs and Social Development, and a census was taken; 81 questionnaires were correctly completed and returned, a response rate of 92.05 percent. The instrument recorded Cronbach alpha coefficients between 0.81 and 0.84, with an overall value of 0.82. Data were analysed using descriptive statistics and simple linear regression in SPSS version 17.0. Financial management practices exerted a positive and significant effect on employment generation ($\beta = 0.641$, $t = 12.853$, $p < 0.001$), explaining 42.0 percent of the variation in employment outcomes. Institutional capacity and governance mechanisms exerted a stronger effect ($\beta = 0.693$, $t = 14.403$, $p < 0.001$), accounting for 47.7 percent. That governance outperforms financial management is the substantive finding, since it indicates that the binding constraint on employment outcomes lies in administrative capability rather than in the handling of funds. The study concludes that development finance produces employment in proportion to the institutional capability of the agencies deploying it, and recommends sustained investment in staff competence, coordination and implementation oversight alongside continued strengthening of financial control.

Keywords: World Bank development projects; financial management practices; institutional capacity; governance mechanisms; employment generation; Kogi State

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1. Introduction

Development finance institutions have long treated employment creation as a principal channel through which investment translates into welfare improvement. World Bank projects in Nigeria have accordingly combined infrastructure investment, social protection and institutional reform with explicit employment objectives. Whether those objectives are realised depends less on the volume of finance committed than on the administrative machinery through which it passes.

This distinction is central to the present study. A development project is not self executing. Funds are disbursed through state ministries, applied by officials operating under particular procurement and reporting rules, and monitored by structures whose competence varies. Between the commitment of finance and the creation of a job lie a series of administrative acts, each of which can absorb, delay or redirect the intended effect. The analytically interesting question is therefore not whether development finance works in principle but which features of implementation determine whether it works in practice.

Two such features are examined here. **Financial management practices** encompass budgeting, disbursement control, procurement integrity, accounting and audit. They govern whether resources reach their intended application at the intended time. **Institutional capacity and governance mechanisms** encompass staff competence, administrative systems, coordination between agencies, transparency and implementation oversight. They govern whether the application, once funded, is well conceived and well executed.

The two are related but distinct, and the distinction carries a policy implication. Financial management failures are conventionally addressed through control: tighter procurement rules, additional audit requirements, more detailed reporting. Capacity failures are not remediable by the same instruments, and controls imposed on an agency that lacks capability may reduce its effectiveness further by consuming the administrative attention available. Establishing which constraint binds is therefore a precondition for designing a useful intervention.

Kogi State provides a suitable setting for this examination. The state has hosted a succession of externally financed development interventions administered through line ministries, and the Ministry of Women Affairs and Social Development has carried direct responsibility for programmes with employment and livelihood objectives. Its staff are therefore positioned to observe implementation at first hand.

The study examines the impact of World Bank development projects on socio-economic development in Kogi State, with the following specific objectives:

(i) to assess the effect of financial management practices on employment generation and job opportunities; and

(j) to examine how institutional capacity and governance mechanisms influence employment generation and job opportunities.

2. Literature Review

2.1 Development Projects and Employment Outcomes

The proposition that development finance raises employment is intuitive but conditional. Evidence from sub-Saharan Africa indicates that the effect of external development financing depends on contextual factors including macroeconomic conditions, institutional quality and the design of the intervention itself. Where these conditions are unfavourable, finance may be disbursed in full without producing the employment effects projected at appraisal.

This conditionality is the point at which implementation variables enter the analysis. If the relationship between finance and employment were direct, the relevant policy variable would be the quantum of investment. Because it is mediated, the relevant variables are those governing the mediation.

2.2 Financial Management Practices

Financial management practice in public projects encompasses budget preparation and execution, disbursement control, procurement, accounting and audit. Its contribution to development outcomes operates through two channels. The first is allocative: sound financial management directs resources to their intended use rather than to leakage or to unplanned substitution. The second is temporal: it determines whether funds are available when the activity they finance is scheduled, which matters for employment outcomes because interrupted projects shed workers and rehiring carries cost.

2.3 Institutional Capacity and Governance Mechanisms

Institutional capacity refers to the ability of an organisation to perform the functions assigned to it, encompassing staff competence, systems, coordination and oversight. Governance mechanisms refer to the arrangements by which that performance is directed and held to account, including transparency, participation and implementation supervision.

North (1990) argued that institutions constitute the rules shaping economic exchange, and that differences in institutional quality explain persistent differences in development outcomes more satisfactorily than differences in resource endowment. Acemoglu and Robinson (2012) developed a related argument about the primacy of institutional arrangements in determining whether investment generates broad based prosperity. Applied to project implementation, both suggest that the administrative environment is not a contextual nuisance but a principal determinant of what finance accomplishes.

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2.4 Theoretical Framework

The study is anchored on Institutional Theory, developed by Meyer and Rowan (1977) and advanced by DiMaggio and Powell (1983). The theory holds that organisations operate within an institutional environment whose rules, norms and expectations shape their structures and behaviour, and that organisational survival depends on legitimacy within that environment as well as on technical efficiency.

The basic assumption of the theory, for present purposes, is that the success of programmes depends on the strength of the institutional arrangements through which they are delivered. Development projects administered through state ministries operate within existing governance structures, inherit their administrative routines, and are constrained by their capacity. Where those arrangements are robust, projects are implemented as designed; where they are weak, implementation diverges from design regardless of the adequacy of financing.

Scott (2014) identifies regulative, normative and cultural-cognitive pillars through which institutions exert influence, which is useful here because it distinguishes formal rules from the professional norms and shared understandings that determine whether rules are actually followed. This distinction anticipates one of the findings reported below, namely that governance quality contributes more to employment outcomes than financial control alone.

A recognised criticism of Institutional Theory is that it may place excessive weight on formal structure and underestimate the role of individual agency, resource availability and political contingency. Organisations with apparently sound institutional arrangements may still fail where political interference redirects resources or where leadership is weak. This criticism is acknowledged in the interpretation of the findings.

3. Methodology

3.1 Design, Population and Response

A survey research design was adopted to examine the impact of World Bank development projects on socio-economic development in Kogi State, with emphasis on financial management practices, institutional capacity, governance mechanisms and employment generation. The population comprised 88 staff of the Kogi State Ministry of Women Affairs and Social Development, the agency with direct responsibility for administering the relevant programmes. Because the population was small and fully enumerable, a census was taken rather than a sample.

Of the 88 questionnaires distributed, 81 were correctly completed and returned, a response rate of 92.05 percent. All subsequent analysis is based on these 81 responses. A response rate at this level substantially reduces the risk of non response bias, which is a material advantage of surveying a defined institutional population rather than a dispersed one.

3.2 Instrument and Reliability

Data were collected through a structured questionnaire measured on five point agreement scales, with ten items for each construct. Internal consistency was assessed using Cronbach alpha, reported in Table 1.

Table 1: Reliability of the research instrument

Construct	Number of items	Cronbach alpha
Financial management practices (FMP)	10	0.82
Institutional capacity and governance mechanisms (ICGM)	10	0.81
Employment generation and job opportunities (EGO)	10	0.84
Overall reliability	**30**	**0.82**

Note. Source: authors' analysis, SPSS version 17.0.

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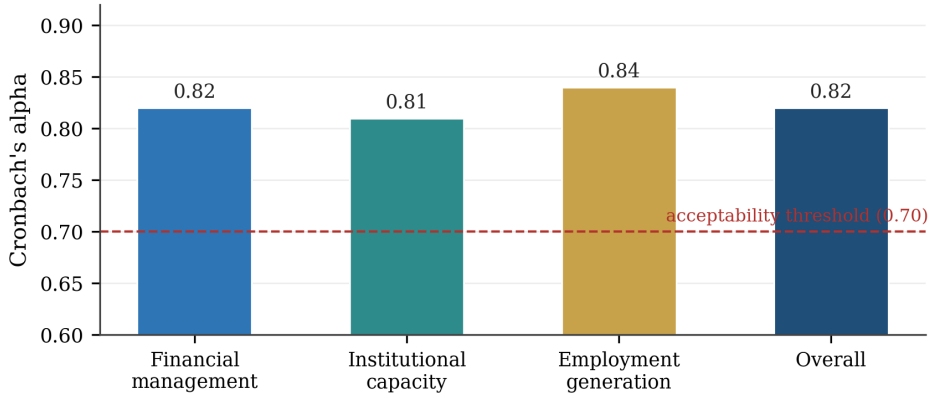


Figure 1: Cronbach alpha coefficients for each construct against the conventional acceptability threshold of 0.70. All three scales and the overall instrument exceed it.

3.3 Model Specification

Two simple linear regression models were estimated, corresponding to the two objectives:

$$EGO_i = \beta_0 + \beta_1 FMP_i + \varepsilon_i \quad (1)$$

$$EGO_i = \beta_0 + \beta_2 ICGM_i + \varepsilon_i \quad (2)$$

where *EGO* denotes employment generation and job opportunities, *FMP* financial management practices and *ICGM* institutional capacity and governance mechanisms for respondent *i*; β_0 is the constant and ε_i the error term. Variance inflation factors were computed to assess collinearity between the two predictors.

4. Results

4.1 Descriptive Statistics

Table 2 reports descriptive statistics. Financial management practices recorded the highest mean at 3.68, followed by institutional capacity and governance at 3.58 and employment generation at 3.57. All lie above the scale midpoint but by a narrower margin than is typical in such studies, indicating qualified rather than enthusiastic agreement. Variance inflation factors of 1.84 and 2.06 are well below the conventional threshold of 10, confirming that collinearity between the predictors does not threaten estimation.

Table 2: Descriptive statistics and collinearity diagnostics

Variable	Obs	Mean	Minimum	Maximum	Std. deviation	VIF
Financial management practices (FMP)	81	3.68	1.00	5.00	0.72	1.84
Institutional capacity and governance (ICGM)	81	3.58	1.00	5.00	0.73	2.06
Employment generation and job opportunities (EGO)	81	3.57	1.00	5.00	0.74	–
Overall	**81**	**3.61**	**1.00**	**5.00**	**0.73**	–

Note. Source: authors' analysis, SPSS version 17.0.

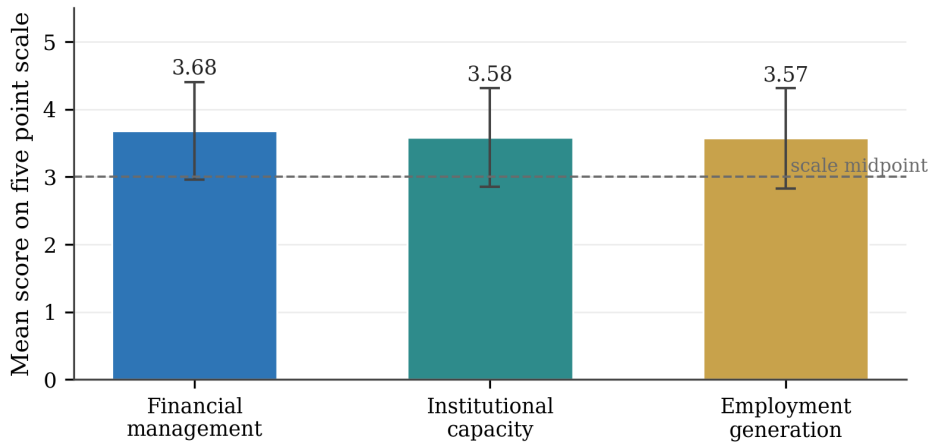


Figure 2: Mean scores with standard deviation bars for the three constructs. The margins above the scale midpoint are modest, indicating qualified agreement that implementation conditions are satisfactory.

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4.2 Correlation Analysis

Table 3 reports the correlation matrix. Both predictors correlate positively and significantly with employment generation at the one percent level, and institutional capacity and governance shows the stronger association (r = 0.691) relative to financial management practices (r = 0.648).

Table 3: Correlation matrix of study variables

Variable	FMP	ICGM	EGO
FMP	1.000		
ICGM	0.562**	1.000	
EGO	0.648**	0.691**	1.000

*Note. ** correlation significant at the 0.01 level, two tailed. N = 81. Source: authors' analysis, SPSS version 17.0.*

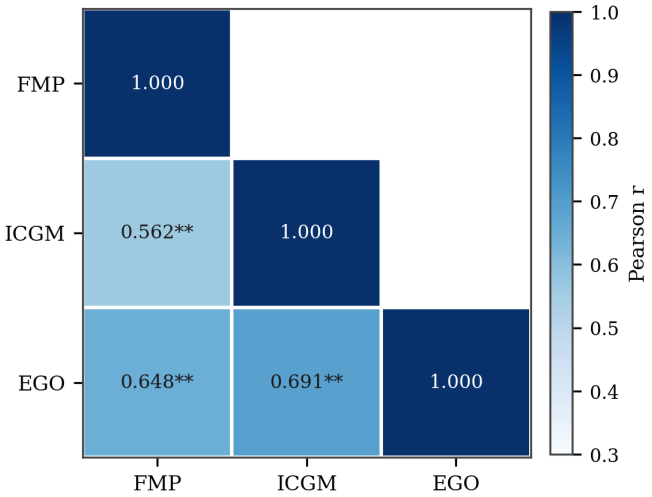


Figure 3: Correlation matrix of study variables. Institutional capacity and governance shows the stronger bivariate association with employment generation.

4.3 Regression Results

Table 4 reports the two regression models. Both are highly significant and both predictors carry substantial positive coefficients.

Table 4: Regression results for the determinants of employment generation

Model	Predictor	Coefficient (β)	Std. error	*t* value	Sig.	*R*	R^2	*F* statistic
Model 1	Constant	1.214	0.214	5.673	0.000	0.648	0.420	165.21
	FMP	0.641	0.050	12.853	0.000			
Model 2	Constant	1.087	0.192	5.661	0.000	0.691	0.477	207.44
	ICGM	0.693	0.048	14.403	0.000			

Note. Dependent variable: employment generation and job opportunities. N = 81. Source: authors' analysis, SPSS version 17.0.

Model 1 shows that financial management practices exert a positive and significant effect on employment generation (β = 0.641, t = 12.853, $p < 0.001$), explaining 42.0 percent of the variation in employment outcomes.

Model 2 shows that institutional capacity and governance mechanisms exert a stronger effect (β = 0.693, t = 14.403, $p < 0.001$), accounting for 47.7 percent of the variation. On both the coefficient and the explanatory power, governance outperforms financial management.

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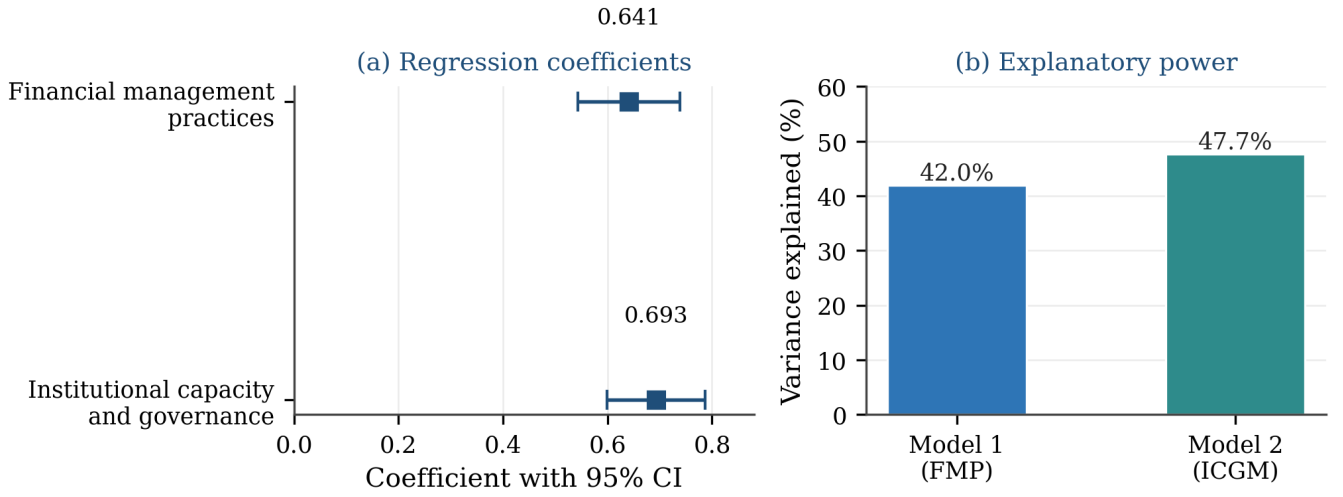


Figure 4: Comparison of the two models. Panel (a) shows the regression coefficients with 95 percent confidence intervals; panel (b) the proportion of variance each model explains. Institutional capacity and governance leads on both measures.

5. Discussion of Findings

5.1 Financial Management and the Transmission of Finance

Financial management practices exert a positive and significant effect on employment generation, explaining 42.0 percent of the variation. The result confirms that how money is handled, and not merely how much is committed, determines development outcomes. Sound budgeting, disbursement control and procurement integrity ensure that resources reach their intended application at the time the activity requires them, and interrupted or diverted funding produces interrupted or diverted employment.

This finding is consistent with the broader proposition that public financial management strengthens development outcomes by raising the efficiency with which public resources are converted into services. It also qualifies a simpler view sometimes implicit in development advocacy, namely that the constraint on employment creation is the availability of finance. On the present evidence a substantial portion of the variation in employment outcomes is traceable to administrative practice within agencies that are receiving the same finance.

Contrary evidence should be acknowledged. Research on development finance in sub-Saharan Africa has found that financial investment alone does not reliably produce employment, because the effect depends on macroeconomic conditions, labour market structure and the design of the intervention. The present finding does not contradict this; it identifies financial management as one necessary condition among several rather than as a sufficient one.

5.2 Why Governance Outperforms Financial Control

The more consequential finding is comparative. Institutional capacity and governance mechanisms explain 47.7 percent of the variation in employment outcomes against 42.0 percent for financial management, a difference of 5.7 percentage points, and the coefficient is correspondingly larger (0.693 against 0.641). Governance is the stronger determinant.

The ordering is interpretable, and Institutional Theory anticipates it. Financial management is principally a control function: it prevents resources being lost or misapplied. Governance and capacity are principally a productive function: they determine whether the activity financed is well designed, properly coordinated and competently supervised. Control protects the value of an intervention; capacity creates it. A ministry with impeccable financial controls and weak administrative capability will disburse funds correctly against a poorly conceived programme, and the accounts will be clean while the employment effect is small.

Scott (2014) distinguishes regulative institutions, which operate through rules and sanction, from normative and cultural-cognitive institutions, which operate through professional standards and shared understanding. Financial management practice corresponds closely to the first; capacity and governance draw on all three. That the broader construct carries the larger coefficient is consistent with North's (1990) argument that the institutional environment, rather than any single rule set within it, accounts for persistent differences in development performance.

The policy implication is specific and runs against a common reflex. Where development projects underperform, the standard response is to tighten financial controls: additional approval stages, more detailed reporting, further audit. The present findings suggest that this addresses the weaker of the two constraints, and that where capacity is the limiting factor such measures may be actively counterproductive, since compliance work consumes the administrative attention that capacity constrained agencies have least of.

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5.3 The Modest Means and What They Indicate

A feature of the descriptive results deserves comment. All three constructs recorded means between 3.57 and 3.68 on a five point scale. These sit above the midpoint, but only modestly, and the employment generation construct recorded the lowest of the three. Respondents are institutional insiders reporting on their own ministry, a position that would ordinarily generate favourable assessment. That their assessment is qualified rather than favourable carries more weight than a comparable figure from external respondents would.

Read alongside the regression results, the descriptive pattern suggests a system performing adequately rather than well, in which both constraints are partially binding. This is consistent with the finding that neither predictor alone explains more than half the variance.

5.4 Limitations

Several limitations qualify these findings. The study surveyed staff of a single ministry, so the results characterise the implementation environment of that agency and should not be generalised to all channels through which development finance reaches Kogi State. Both predictors and the outcome were measured perceptually from the same respondents, which raises the possibility of common method variance; employment outcomes measured from programme records would provide a stronger test than staff assessment of those outcomes. Respondents were reporting on the performance of their own institution, which may produce either favourable bias or, among frustrated staff, the reverse. The two predictors were estimated in separate models rather than jointly, so the reported effects are total rather than unique, and given their correlation of 0.562 the explained variances cannot be summed. Finally, with 81 observations the study is adequately powered for the simple models estimated but not for multivariate analysis with controls.

6. Conclusion and Recommendations

This study examined the impact of World Bank development projects on socio-economic development in Kogi State, focusing on the implementation factors that mediate between development finance and employment outcomes. Financial management practices exerted a positive and significant effect, explaining 42.0 percent of the variation in employment generation. Institutional capacity and governance mechanisms exerted a stronger effect, accounting for 47.7 percent.

The study concludes that development finance generates employment in proportion to the institutional capability of the agencies that deploy it. Finance is a necessary input, and sound financial management is necessary to protect it, but neither is sufficient. Where administrative capability, coordination and oversight are weak, additional finance and additional control produce documentation rather than jobs. The practical consequence is that capacity building should be treated as a component of project design rather than as a residual activity funded from what remains after the substantive interventions have been costed.

The following recommendations are made.

1. **Invest in institutional capacity as a project component.** Government and implementing agencies should provide continuous training for project staff in planning, procurement, monitoring and evaluation, and should budget for it explicitly within project design rather than treating it as overhead.

2. **Strengthen coordination between implementing bodies.** Since governance carried the larger coefficient, mechanisms that improve coordination between ministries, local government and programme units should take priority over further elaboration of internal controls.

3. **Maintain financial management improvements without over-controlling.** Existing budgeting, disbursement and audit practice should be sustained, but additional compliance requirements should be assessed against the administrative capacity available to discharge them.

4. **Establish outcome monitoring rather than disbursement monitoring.** Reporting should track employment created and sustained rather than funds disbursed, so that implementation quality becomes visible to oversight bodies.

5. **Retain institutional memory across project cycles.** Staff trained under one project should be retained within the implementation function, since capacity accumulated and then dispersed at project close yields no benefit to subsequent interventions.

Informed Consent

This study involved human participants who completed a structured questionnaire. Participation was entirely voluntary, respondents were informed of the purpose of the study, and responses were anonymised and reported only in aggregate.

Conflict of Interest

The authors declare that there are no known conflicts of interest associated with this publication. The research was conducted in the absence of any commercial or financial relationship that could be construed as a potential conflict of interest.

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Authors Contributions

Aliyu Abdulazeez: conceptualisation, development of the research framework, data collection and drafting of the initial manuscript. **Peter Ugbedeojo Nelson:** supervision, methodology validation, analytical review, review and editing, final approval of the manuscript.

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