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Breaking Nigeria's Vicious Cycle of Poverty: Building Effective and Efficient Institutional Capacity for Better Outcomes

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Abstract

Nigeria combines substantial natural and human resources with persistently high poverty. The 2022 Multidimensional Poverty Index shows that 133 million people (63 per cent of the population) are multidimensionally poor. Recent World Bank and IMF assessments confirm that monetary poverty and food insecurity remain elevated despite post-2023 macroeconomic reforms. This paper argues that weak institutional capacity is the critical missing link between reform and household welfare. Drawing on institutional economics, state-capacity theory and the capability approach, it conceptualises institutional capacity in five dimensions: administrative, technical, political, fiscal and coordination capacity. Using a structured integrative review of official statistics, multilateral reports, governance indicators and peer-reviewed studies, the analysis shows how capacity shortfalls sustain the poverty trap through implementation failures, leakages, weak service delivery and low public trust. Stronger capacity can convert stabilisation gains into improved human capabilities, productivity and resilience. The paper contributes an institutional-capacity transmission framework and concludes that macroeconomic stabilisation is necessary but insufficient. Sustained poverty reduction requires professional public administration, institutionalised social protection, stronger fiscal institutions and sequenced reforms that protect sub-national delivery capacity.

Keywords: Governance, Institutional Capacity, Nigeria, Poverty Reduction, State Capacity

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INTRODUCTION

Nigeria's development experience is marked by a persistent gap between aggregate economic potential and household welfare. The country possesses a large domestic market, substantial hydrocarbon revenues, extensive natural resources and a vibrant entrepreneurial sector. Yet poverty levels remain high, human-development outcomes are weak and regional disparities are pronounced (National Bureau of Statistics [NBS], 2022; World Bank, 2025b). Repeated development plans and reform episodes of successive poverty-reduction programmes such as NAPEP, NEEDS and the National Social Investment Programme have not produced commensurate reductions in deprivation (World Bank, 2024, 2025b). This raises a central question: why have policy reforms and public resources so often failed to translate into sustained improvements in living standards?

The scale of the challenge is clear. The National Bureau of Statistics (NBS, 2022) estimates that 133 million about 63 per cent of the population are multidimensionally poor in Nigeria. Deprivation is concentrated in rural areas (72 per cent) and northern states, with incidence ranging from 27 per cent in Ondo to 91 per cent in Sokoto (NBS, 2022). Recent assessments by the World Bank and the International Monetary Fund (IMF) indicate that post-2023 macroeconomic reforms have improved fiscal, external and monetary stability, yet household welfare gains remain limited (World Bank, 2025a, 2025b, 2026a; IMF, 2026). Poverty measured against the national line was reported at 63 per cent in the 2026 Article IV consultation, while approximately 27 million people remained food-insecure in late 2025 (IMF, 2026).

Economic stabilisation can restore fiscal balances and improve investment conditions. However, these effects reach households only through institutions capable of designing programmes, allocating funds, delivering services, regulating markets and coordinating action across tiers of government (Fukuyama, 2013; Andrews, Pritchett, & Woolcock, 2017). When those capabilities are weak, macro-level indicators may improve without producing rapid or equitable welfare gains (World Bank, 2025b). This paper therefore treats institutional capacity not as a background governance variable but as the central transmission mechanism linking policy intentions to development outcomes.

The argument builds on the classic vicious cycle of poverty (Nurkse, 1953) and contemporary poverty-trap theory (Barrett & Carter, 2013; Janz et al., 2023): low income constrains savings and investment; limited investment constrains productivity; poor health and education constrain human capital; and low productivity reproduces low income. In Nigeria this cycle is intensified by insecurity, inflationary shocks, demographic pressure, regional inequality and weak public institutions (World Bank, 2025b, 2026a).

Aim and Research Questions

The main research question guiding this study is: How can stronger institutional capacity help break Nigeria's vicious cycle of poverty by improving the transmission from policy reform and public resources to household-level development outcomes? To answer this overarching question, the study pursues four specific research questions:

1) What are the principal contemporary manifestations of the vicious cycle of poverty in Nigeria?

2) How do administrative, technical, political, fiscal and coordination capacities influence poverty outcomes?

3) Through which transmission mechanisms can stronger institutional capacity convert macroeconomic and social reforms into improved household welfare?

4) Which sequenced institutional reforms are most important for sustainable and inclusive poverty reduction? Corresponding research objectives are as follows:

i. to map contemporary manifestations of the poverty trap in Nigeria using recent multidimensional and monetary indicators;

ii. to analyse how the five dimensions of institutional capacity condition poverty outcomes;

iii. to identify the transmission mechanisms through which capacity converts reforms into household welfare; and

iv. to propose a sequenced set of institutional reforms for sustainable and inclusive poverty reduction.

Contribution of the Article

The article makes three contributions. First, it moves the discussion from broad institutional quality to functional institutional capacity by distinguishing five interdependent dimensions. Second, it links these capacities directly to the self-reinforcing mechanisms of the poverty trap rather than treating governance and poverty as merely correlated outcomes. Third, it develops an institutional-capacity transmission framework in which policy implementation, public financial management, service delivery, social protection, accountability and investment conditions mediate the relationship between reform and poverty reduction. The framework also incorporates feedback effects: better outcomes can strengthen public trust, revenue mobilisation, institutional learning and reform legitimacy.

Organisation of the Study

The remainder of the paper is organised as follows. Section 2 reviews the theoretical and empirical literature and identifies research gaps. Section 3 outlines the methodology. Section 4 presents contemporary evidence on poverty and institutional capacity in Nigeria. Section 5 analyses how capacity shortfalls sustain the vicious cycle of poverty. Section 6 develops the institutional transmission model and testable propositions. Section 7 discusses challenges to capacity development. Section 8 offers sequenced policy recommendations. Section 9 discusses the findings in relation to existing studies and positions the contribution to knowledge. Section 10 concludes and outlines directions for future research.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Institutions, State Capacity and Development

Institutional economics emphasises that development depends on formal and informal rules that shape expectations, structure incentives and reduce or increase transaction costs (North, 1990). Acemoglu et al. (2001), Acemoglu and Robinson (2010) and Acemoglu and Robinson (2012) extend this argument by distinguishing inclusive from extractive institutional

arrangements and showing how political and economic institutions shape long-run prosperity. Yet institutional quality and institutional capacity are not identical. Quality refers broadly to the rules, constraints and governance environment; capacity concerns whether public organisations possess the administrative, technical, fiscal and political ability to perform their functions effectively.

State-capacity literature places implementation at the centre of development. Evans (1995) highlights the importance of capable, relatively autonomous but socially embedded bureaucracies. Fukuyama (2013, 2014) separates the quality of government from the scope of government and stresses execution as a central dimension of governance. Andrews et al. (2017) warn against reforms that reproduce organisational forms without developing actual problem-solving capability. Dincecco (2017) and related work underscore fiscal and administrative capacity as foundations for development. Grindle (2004) emphasises "good enough governance" as a pragmatic pathway for poverty reduction and reform in developing countries. Taken together, these contributions establish that capable public organisations are necessary for converting policy into outcomes.

Capability, Poverty and the Institutional Channel

The capability approach broadens poverty beyond low income to deprivation in substantive freedoms and functionings (Sen, 1999). From this perspective, institutional performance matters because public systems determine whether fiscal resources translate into education, healthcare, nutrition, safety, mobility and livelihood opportunities. A government may raise revenue or announce a social programme, but the effect on poverty depends on whether institutions can identify and reach beneficiaries, deliver payments, deploy teachers and health workers, and monitor outcomes in order to learn and improve. This link between state capacity and human capabilities provides the bridge between institutional theory and poverty reduction.

Empirical Evidence from ECOWAS and Nigeria

Empirical studies generally support an institutional–poverty link, although the magnitude and relevant dimensions vary. Kehinde et al. (2023) analyse the nexus between growth, institutional quality and poverty in Nigeria. Across ECOWAS countries, Ahmed et al. (2023) find that better institutional quality is associated with a lower poverty index over 1984–2018. Nigeria-specific work confirms heterogeneity across institutional dimensions. Yakubu and Aladejare (2024) examine growth, external debt, institutional quality, poverty and inequality using ARDL techniques. Akande et al. (2024) show that institutional quality and financial inclusion matter for short-run poverty reduction but are insufficient for long-run alleviation. Amos et al. (2025), using quantile regression for 1990–2022, report a robust association between weak institutions and poverty. Okwor et al. (2026), applying an ARDL framework for 1996–2023, find differentiated effects across governance dimensions, with rule of law emerging as a particularly reliable poverty-reducing factor.

Two implications follow. First, composite governance indices may conceal substantial differences among capacity dimensions. Second, statistical associations do not fully explain the mechanisms through which institutions improve household welfare. The present study therefore focuses on functional transmission pathways connecting public-sector capability to poverty dynamics.

Nigeria's Poverty-Reduction Programmes and Institutional Bottlenecks

Nigeria has implemented successive poverty-reduction and social-investment programmes, including NAPEP, NEEDS, the National Social Investment Programme (NSIP), N-Power, conditional cash transfers, school-feeding initiatives and more recent emergency household-support measures. These programmes addressed genuine welfare deficits. Implementation, however, has been constrained by inadequate beneficiary identification, uneven sub-national capacity, payment-system challenges, fragmented mandates, political interference, weak monitoring and fiscal sustainability concerns. World Bank (2024) analysis of the 2024 cash-transfer response illustrates the institutional nature of the problem: a large-scale programme targeting 15 million households required stronger delivery systems and faster implementation to cushion reform-related price shocks.

Research Gap and Contribution

Four gaps motivate this study. First, much quantitative research relies on composite governance indices even though individual capacity dimensions may operate differently. Second, relatively little work maps institutional capacity onto the self-reinforcing mechanisms of poverty—human-capital deprivation, low income, low investment, low productivity, weak social protection and intergenerational disadvantage. Third, Nigeria's federal structure raises under-examined issues of implementation across federal, state and local institutions, where formal policy may be national but delivery capability is highly uneven. Fourth, the post-2023 reform period creates a contemporary puzzle: macroeconomic indicators have improved while household welfare remains under pressure. This paper fills these gaps by disaggregating capacity into five functional dimensions, linking each to poverty-trap mechanisms, emphasising sub-national transmission, and analysing the reform–welfare disconnect with recent evidence.

Theoretical Approach and Integrated Framework

This study adopts an integrated theoretical approach grounded in two complementary bodies of theory. The first is institutional economics and state-capacity theory (North, 1990; Evans, 1995; Fukuyama, 2013), which explain how formal and informal rules structure incentives and why capable public organisations are required for effective implementation. The second is the capability approach (Sen, 1999), which shifts the evaluative focus from income alone to substantive freedoms and functionings and thereby clarifies why institutional performance matters for human development. These foundations are further informed by developmental-state reasoning and contemporary governance scholarship.

The resulting causal sequence is: institutions and state capacity → policy implementation and resource allocation → public services, social protection and investment conditions → human capabilities and productivity → household income and resilience → poverty reduction. Feedback effects from better outcomes can strengthen legitimacy, compliance and institutional learning. Figure 1 presents the Institutional-Capacity Transmission Framework developed for this study.

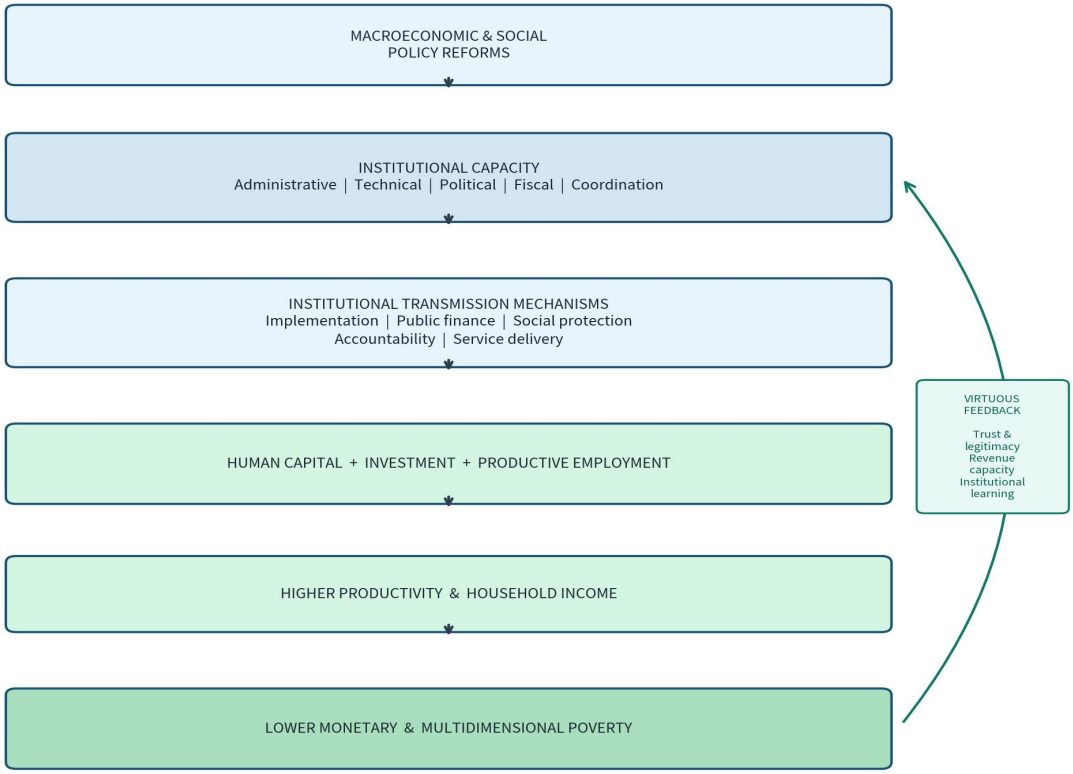


Figure 1: Institutional-Capacity Transmission Framework

Source: Author's conceptualisation, integrating North (1990), Evans (1995), Sen (1999), Fukuyama (2013) and the contemporary evidence from Nigeria's reforms.

METHODOLOGY

Research Design

The study adopts a structured integrative review and systematic secondary-data synthesis. This design is preferred to a conventional systematic review because the evidence base is deliberately heterogeneous. Peer-reviewed studies, official statistics, governance datasets, programme evaluations and multilateral country assessments are combined to analyse mechanisms rather than to estimate a pooled effect size. The design is therefore qualitative and theory-guided. At the same time, it remains empirically anchored in documented indicators and programme evidence.

Evidence Identification and Selection

Evidence was selected in four categories: (1) Nigerian official statistics and surveys; (2) World Bank, IMF and other multilateral assessments; (3) governance and institutional datasets; and (4) peer-reviewed empirical literature on institutions, poverty, social protection and inclusive growth. Evidence published from 2018 to 2026 was prioritised. Earlier classic sources were retained where needed for theoretical foundations. Searches combined terms such as Nigeria, poverty, multidimensional poverty, institutional quality, state capacity, government effectiveness, social protection, public financial management, governance, human capital and inclusive growth. Sources were included when they provided direct evidence on at least one of

the five capacity dimensions or one of the poverty-transmission mechanisms identified in the framework.

Analytical Procedure

Evidence was coded thematically against five capacity categories of administrative, technical, political, fiscal and coordination capacity and six transmission channels: policy implementation; public financial management; public-service delivery and human capital; social protection; investment and employment; and accountability/trust. Official and multilateral sources were triangulated with peer-reviewed results. Conflicting estimates were not averaged mechanically; differences in poverty line, methodology and observation period were identified and interpreted. Table 1 summarises the evidence and coding framework.

Table 1: Evidence and Analytical Coding Framework

Evidence category	Principal sources	Capacity dimension	Analytical use
Poverty and welfare	NBS; World Bank; IMF	Outcome measure	MPI, monetary poverty, food insecurity, spatial inequality
Governance and institutions	WGI; peer-reviewed studies	Administrative / political /technical	Government effectiveness, rule of law, corruption, implementation
Fiscal system	World Bank; IMF; budget assessments	Fiscal	Revenue mobilisation, deficit, expenditure quality, debt constraints
Social protection	World Bank; programme reports	Administrative / technical / coordination	Targeting, delivery, coverage, institutionalisation
Human capital	NBS; World Bank; development reports	Administrative / technical	Education, health, nutrition, early childhood capability
Sub-national governance	Official / programme evidence	Coordination / fiscal / administrative	Federal–state–local implementation differences

Note: Sources compiled by the authors from NBS (2022), World Bank (2024, 2025a, 2025b, 2026a), IMF (2025, 2026) and peer-reviewed studies cited in the text. Table summarises the coding framework used for thematic analysis.

Limitations

Three limitations are acknowledged. First, institutional capacity is partly latent and cannot be fully captured by a single indicator. Second, annual monetary poverty observations are incomplete, requiring careful use of modelled estimates and projections. Third, the study explores plausible mechanisms and convergent evidence rather than claiming causal identification. These limitations are addressed through source triangulation, explicit differentiation of evidence types and disaggregation of institutional capacity rather than reliance on a single composite score.

POVERTY AND INSTITUTIONAL CAPACITY IN CONTEMPORARY NIGERIA

Multidimensional and Monetary Poverty

The NBS (2022) Multidimensional Poverty Index remains the most comprehensive national benchmark. It reports a national incidence of 63 per cent (133 million people) with an intensity of deprivation of 40.9 per cent. Poverty is embedded in access to employment, health, education, living standards and public infrastructure. Incidence is substantially higher in rural than urban areas and is concentrated in northern states.

In recent years monetary poverty has been pressured by inflation, currency adjustments, insecurity, slow per capita growth and food-price shocks. Estimates must be interpreted carefully because institutions use different poverty lines and modelling approaches. The IMF (2025) staff report cited a 2024 poverty estimate of 46 per cent under one measure, while the 2026 Article IV communication reported 63 per cent using the national poverty line (IMF, 2026). The common conclusion is that poverty remains very high despite improved macroeconomic indicators. Table 2 summarises selected indicators.

Table 2: Selected Poverty and Reform Indicators

Indicator	Recent evidence	Interpretation
Multidimensional poverty	63% / 133 million people (NBS, 2022)	Deep non-income deprivation; strong spatial inequality
Rural multidimensional poverty	72% (NBS, 2022)	Delivery capacity at local and rural level is critical
Fiscal deficit	5.4% of GDP (2023) → 3.0% (2024) (World Bank, 2025a)	Macroeconomic/fiscal improvement creates potential policy space
Poverty, national line	63% reported in IMF 2026 Article IV	Household welfare remains under severe pressure
Food insecurity	27 million people estimated in late 2025 (IMF, 2026)	Social protection and food-system resilience remain urgent

Note: Compiled by the authors from NBS (2022), World Bank (2025a) and IMF (2026). Different poverty lines and methodologies explain apparent differences in levels; the directional conclusion of persistently high poverty is consistent across sources.

The Reform–Welfare Disconnect

The period since 2023 provides a clear test of the paper's central proposition. Consolidated revenues rose significantly in 2024, and the fiscal deficit fell from 5.4 per cent of GDP in 2023 to 3.0 per cent in 2024 (World Bank, 2025a). Macroeconomic reforms improved foreign-exchange market operations and fiscal outcomes. However, the October 2025 Nigeria Development Update noted that these improvements did not translate into improved living standards, with food inflation and vulnerability remaining severe (World Bank, 2025b). The April 2026 update similarly reported improved macroeconomic stability alongside household incomes that had not fully recovered and persistently high poverty (World Bank, 2026a).

This divergence is consistent with an institutional transmission gap. Fiscal improvement creates policy space, but whether that space reduces poverty depends on the quality of expenditure, implementation capability, beneficiary identification, procurement,

intergovernmental coordination and the capacity to deliver education, health, infrastructure and social protection. Macroeconomic stabilisation therefore creates an opportunity for poverty reduction; it does not automatically produce it.

Institutional Capacity in Critical Sectors

Fiscal capacity remains constrained by historically low revenue mobilisation, debt-service pressures and the need to improve expenditure effectiveness. Recent rises in federation revenues improve the opportunity set, but developmental impact depends on transparent budgeting, credible execution and allocation to high-return human-capital and infrastructure priorities.

The 2024 reform-response intervention targeted 15 million households with temporary cash support. Effective poverty mitigation depended on identification systems, administrative coordination, payment mechanisms and delivery speed. Social-protection capacity has expanded through the National Social Register and cash-transfer architecture, yet uneven implementation reveals the gap between programme conception and delivery capability. World Bank (2025b) recommends institutionalising regular, domestically financed transfers to create a shock-responsive safety net—pointing directly to administrative, fiscal and coordination capacity.

Access to education, health and other public infrastructure remains central because weak public-service capacity reproduces low human capital. The 2026 Nigeria Development Update documents persistent gaps in nutrition, health, early learning and caregiving and places early childhood development at the centre of long-run inclusive growth (World Bank, 2026a). Human-capital spending must therefore be matched by systems that integrate services, target households and monitor outcomes.

Sub-national capacity is decisive. Nigeria's federal structure places major service-delivery responsibilities at state and local levels, where fiscal resources, technical expertise, administrative systems and accountability vary widely. A uniform national policy can produce geographically unequal outcomes when delivery capability differs. This helps explain spatial concentration of poverty and underscores the need for continuous capacity-building beyond federal ministries.

Institutional Capacity and the Vicious Cycle of Poverty

Figure 2 presents a revised depiction of the vicious cycle of poverty adapted to the Nigerian context. Weak institutions, insecurity and external shocks intensify multiple stages of the cycle rather than functioning as a single additional step.

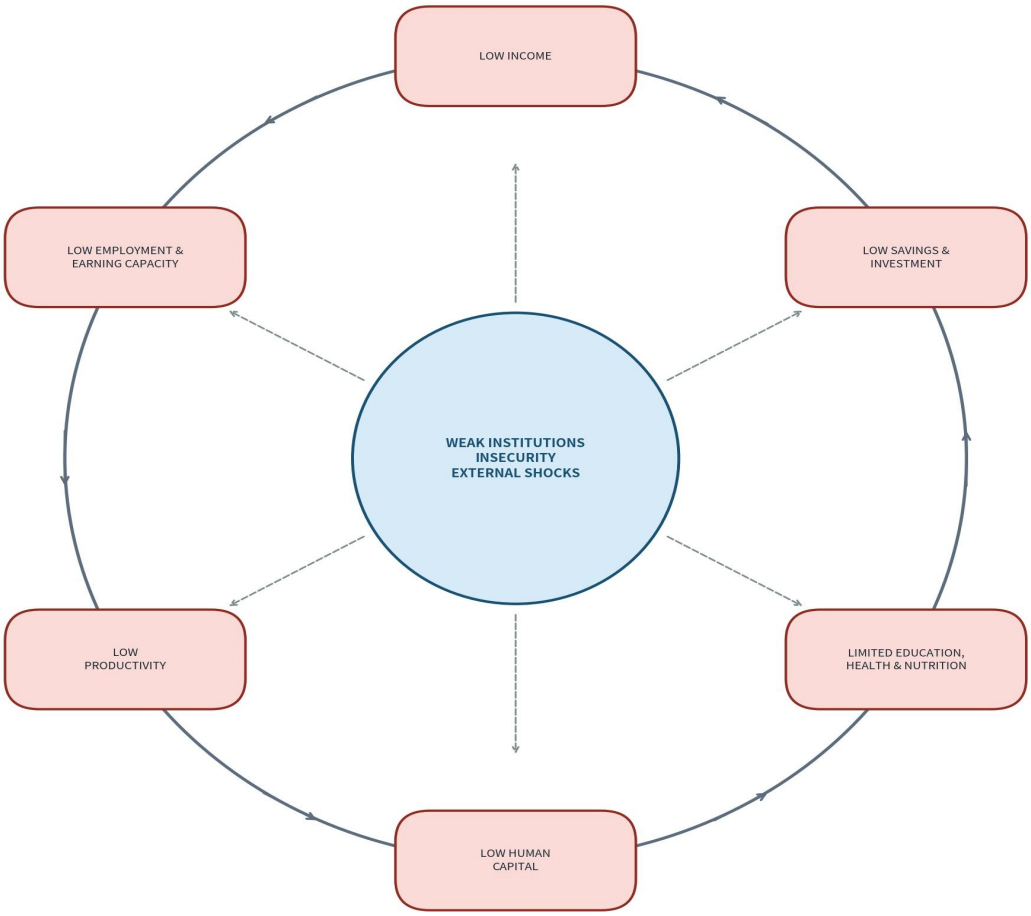


Figure 2: Vicious Cycle of Poverty in Nigeria

Source: Author's conceptualisation. Adapted from Nurkse (1953). Weak institutions, insecurity and external shocks intensify multiple stages of the cycle rather than functioning as a single additional step.

Administrative and Technical Capacity: From Policy to Delivery

Administrative capacity determines whether policy intentions become operational programmes with clear responsibilities, staffing, procedures, monitoring and accountability. Technical capacity supplies the specialised knowledge, data systems and analytical capability needed to identify problems and adapt implementation. Weakness in either dimension creates an implementation gap: resources may be budgeted, but services fail to reach intended users or produce expected outcomes. These capabilities are especially important for beneficiary registries, payment platforms, school and clinic management, procurement, programme evaluation and the integration of administrative data.

Fiscal Capacity and the Quality of Public Spending

Fiscal capacity has both revenue and expenditure dimensions. A government must mobilise sufficient resources, but poverty reduction also depends on whether it allocates and executes those resources effectively. High debt-service costs, weak budget credibility, procurement inefficiency and leakage can crowd out developmental expenditure. Recent revenue gains therefore become poverty-reducing only when translated into reliable investment in human

capital, infrastructure and social protection. This distinction helps explain why fiscal stabilisation and poverty reduction can move at different speeds.

Political Capacity, Accountability and Elite Capture

Political capacity refers to the ability to build coalitions for reform, sustain credible commitments, resist capture and maintain policy continuity. Capacity-building often redistributes discretion and rents; consequently, reform can generate resistance from actors who benefit from weak accountability. Political interference in staffing and procurement, and inadequate beneficiary selection and enforcement, reduce both effectiveness and legitimacy. Anti-corruption institutions are essential, but their impact depends on operational independence, resources, legal enforcement and the credibility of sanctions.

Coordination Capacity in a Federal System

Poverty is multidimensional and cannot be addressed by isolated sectoral programmes. It requires an integrated policy regime that improves education, health, nutrition, social protection, employment, infrastructure and security. Nigeria's federal structure disperses responsibility across ministries, agencies and tiers of government. Coordination capacity involves the ability to harmonise mandates, share data, standardise key processes, allocate responsibilities and resolve implementation bottlenecks. Weak coordination produces duplication in some areas, gaps in others and uneven sub-national delivery.

Social Protection, Resilience and Intergenerational Poverty

Social protection should function as a capability-preservation mechanism, not merely a consumption-smoothing device. Inadequate, poorly targeted or irregular transfers may provide temporary relief but do not prevent households from selling productive assets, reducing food intake or withdrawing children from school after shocks. Regular, predictable and institutionalised systems can safeguard current consumption and protect future productive capacity. Interventions must be deliberately linked to health, education, skills and livelihoods if they are to break, rather than merely alleviate, the cycle of poverty.

Investment, Employment and Productive Opportunity

Regulatory unpredictability, corruption, contract-enforcement problems, infrastructure bottlenecks and insecurity raise transaction costs and suppress productive investment. Stronger institutions increase predictability, reduce uncertainty and help firms generate productive employment. Ultimately, income growth and jobs at scale are required for sustained exit from poverty. The institutional route therefore entails providing effective public goods and creating an enabling environment for productive enterprise.

Trust and the Virtuous Feedback Loop

Trust is both an outcome and an input of institutional capacity. Low trust reduces willingness to comply with taxes and regulations and undermines the legitimacy of reforms. Corruption, repeated policy failure and poor service delivery erode confidence. This dynamic can be reversed through visible service improvements and fairness, which strengthen compliance, civic engagement and the political sustainability of reforms. The feedback loop turns institutional capacity into a cumulative development process rather than a static characteristic.

From Constraint To Catalyst: An Institutional Transmission Model

Figure 3 summarises how stronger institutional capacity influences poverty through six proximate channels: policy implementation and coordination; public financial management; social protection; human-capital services; the investment climate and employment; and accountability/anti-corruption. Sub-national capacity is treated as an enabling layer because many poverty-relevant services are delivered below the federal level. The expected outcome is not a rapid or mechanical reduction in poverty, but a higher probability that public resources and reforms will produce sustainable increases in capability, productivity and resilience.

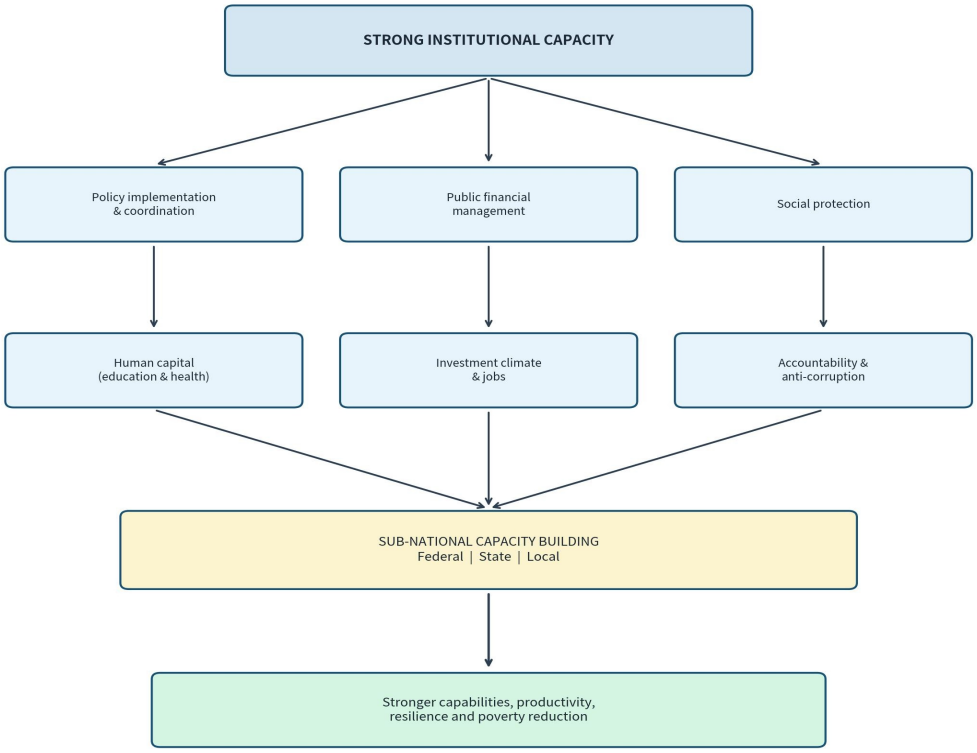


Figure 3: Institutional Capacity and Pathways to Poverty Reduction

Source: Author's construct (2026).

Testable Propositions

Table 3 presents five propositions that can guide future empirical work. Each links a capacity dimension to a mechanism and suggests indicative measures.

Table 3: Institutional-Capacity Propositions for Future Empirical Testing

Proposition	Mechanism	Indicative empirical measures
P1: Administrative capacity improves poverty-policy effectiveness	Better implementation, staffing, monitoring and beneficiary delivery	Government effectiveness; programme coverage; execution rates
P2: Fiscal capacity strengthens poverty reduction when	More reliable and better-targeted social/human-capital spending	Revenue/GDP; budget execution; social spending; debt service

expenditure quality is high		
P3: Technical capacity increases the conversion of spending into capability gains	Data, evaluation, digital delivery and specialist skills improve targeting and learning	Statistical capacity; digital ID/registry coverage; M&E systems
P4: Political and accountability capacity reduce leakage and capture	Credible rules and enforcement increase allocative efficiency	Rule of law; control of corruption; audit/procurement indicators
P5: Coordination capacity is especially important in high-deprivation sub-national areas	Integrated federal–state–local delivery addresses multidimensional poverty	Intergovernmental implementation measures; state-level service indicators

Note: Propositions derived by the authors from the theoretical framework and Nigerian evidence reviewed in Sections 2–5. Intended to guide future empirical testing rather than as confirmed causal claims.

Challenges to Institutional Capacity Development

Political Economy and Vested Interests

Institutional reform can threaten established patterns of discretion, patronage and rent extraction. Designing technical reforms is therefore insufficient without a political strategy that builds constituencies for better performance. Reform coalitions that include professional groups, business associations, civil society, development partners and reformist officials can help sustain change. Early, visible improvements can also generate political returns that make reform more durable.

Fiscal Constraints and Competing Priorities

Capacity-building requires sustained financing for professional staff, information systems, local implementation, evaluation and organisational development. Governments may prefer immediately visible spending over investment in institutions when fiscal resources are scarce or political horizons are short. This preference can be self-defeating because weak systems reduce the returns to later expenditures. Capacity should therefore be treated as productive public investment rather than administrative overhead.

Human Resources, Brain Drain and Organisational Incentives

Skills shortages in public financial management, statistics, digital systems, regulation, programme evaluation and sector management weaken implementation. Training alone cannot resolve the problem when recruitment, career progression, remuneration and performance incentives remain weak. Sustainable reform requires merit-based staffing, professional career structures, better deployment and protection of technical functions from excessive politicisation.

Insecurity and Fragility

Insecurity displaces staff, disrupts schools and clinics, raises logistics costs and diverts fiscal resources. It also weakens the social contract and reduces the feasibility of routine administration. Capacity-building in conflict-affected areas must therefore be combined with improved security, community trust and locally adaptive delivery arrangements.

Path Dependence and Reform Reversal

Institutions are path-dependent: routines, expectations and informal norms can survive formal restructuring. Repeated policy reversals generate scepticism among civil servants, citizens and investors. Reform durability therefore depends on institutionalisation—embedding successful practices in law, budgets, professional norms, data systems and organisational routines so that they outlast individual office-holders.

Policy Recommendations

The following sequenced recommendations follow from the analysis:

1. Pair macroeconomic reform with an explicit institutional-capacity strategy. Every major reform should identify the administrative, technical, fiscal and coordination capabilities required for implementation and household transmission, and capacity milestones should be monitored alongside macroeconomic indicators.

2. Professionalise and protect core public-service functions. Strengthen merit-based recruitment, specialised career tracks, performance management and continuity in technical positions, especially in planning, statistics, public finance, procurement, digital systems and evaluation.

3. Institutionalise evidence-based policymaking. Make monitoring and evaluation a routine component of major programmes; improve administrative-data interoperability; publish implementation dashboards; and use evaluation findings to redesign underperforming interventions.

4. Convert fiscal gains into high-quality development spending. Protect priority expenditure on primary healthcare, basic education, nutrition, social protection and infrastructure, and strengthen procurement, budget execution, audit and transparency.

5. Build a permanent, shock-responsive social-protection architecture. Move from episodic emergency transfers toward predictable, domestically financed and scalable systems linked to robust social registries, digital identification and payment infrastructure.

6. Prioritise sub-national capacity. Use differentiated technical assistance, fiscal incentives and transparent performance benchmarks for states and local governments, especially in high-poverty regions.

7. Strengthen accountability and anti-capture safeguards. Increase transparency in procurement and public expenditure, protect audit and enforcement institutions, reduce discretionary processes through digitalisation, and publish programme-level performance data.

8. Sequence reforms and lock in successful practices. Begin with feasible high-impact capabilities, demonstrate early gains, then institutionalise them through law, budgets, procedures and professional norms to reduce reversal risk.

9. Integrate human-capital delivery across sectors. Follow a life-course approach linking maternal health, early childhood development, nutrition, schooling, skills and social protection, with shared data and coordinated delivery.

10. Build reform legitimacy through visible service improvements. Communicate objectives transparently, publish measurable results, and ensure that citizens can observe improvements in service quality, fairness and access. Treat trust as a development asset that must be cultivated and institutionalised.

DISCUSSION

The evidence supports a precise interpretation of Nigeria's poverty challenge. Weak institutions alone do not generate poverty, nor can strong institutions immediately eliminate the effects of insecurity, global price shocks, demographic pressure or low productivity. Rather, institutional effectiveness and efficiency condition the success of virtually every major anti-poverty instrument. Fiscal reforms require expenditure capability; social protection requires identification and payment capability; human-capital investment requires service-delivery capability; private investment requires regulatory and legal capability; and decentralisation requires coordination across national and sub-national levels.

This interpretation is consistent with, and extends, existing empirical findings. Studies such as Ahmed et al. (2023), Amos et al. (2025) and Okwor et al. (2026) document statistical associations between institutional quality and poverty outcomes across ECOWAS and Nigeria. The present analysis aligns with those results in confirming that weaker institutions are associated with worse poverty outcomes. It diverges from purely correlational approaches, however, by specifying the functional channels ; implementation, public financial management, service delivery, social protection, investment climate and accountability through which capacity affects household welfare. It also diverges from composite-index studies by disaggregating capacity into five dimensions that may operate differently across contexts and time periods, and by emphasising sub-national delivery as a critical binding constraint in a federal system.

The post-2023 reform episode reinforces the argument. Macroeconomic stabilisation has been necessary and has produced measurable improvements in fiscal and external indicators (World Bank, 2025a, 2025b, 2026a). Yet household welfare remains under pressure. Strong institutions are required to shorten the duration and severity of adjustment, protect vulnerable groups and reallocate fiscal gains toward productivity-enhancing public goods. When institutions are weak, more of the adjustment burden falls on individuals and households, and the conversion of reform gains into inclusive growth is delayed.

The paper's central contribution is therefore conceptual and practical. Conceptually, it advances an institutional-capacity transmission framework that links five capacity dimensions to the mechanisms of the poverty trap and incorporates feedback from outcomes to legitimacy and learning. Practically, it identifies sequenced reform priorities that treat capacity not as one item on a long list of policies but as the infrastructure that determines whether those policies work as designed.

CONCLUSION

Nigeria's persistent poverty cannot be explained solely by global economic conditions, resource scarcity or macroeconomic instability. The deeper problem is the incomplete conversion of policy, revenue and reform into reliable services, productive opportunity, human capabilities and household resilience. Improving institutional capacity for effectiveness and efficiency is central to that conversion process.

Administrative, technical, political, fiscal and coordination capacity operate through identifiable channels: implementation, public financial management, social protection, human-capital provision, investment conditions and accountability. When these capacities are weak, poverty becomes self-reinforcing through low productivity, limited access to services, vulnerability to shocks and intergenerational deprivation. When they improve, the same channels can generate a virtuous cycle of higher capability, productivity, trust, revenue capacity and institutional learning.

Although recent reforms have delivered meaningful macroeconomic improvements, poverty and food insecurity remain uncomfortably high. The policy lesson is not to abandon stabilisation but to complete it institutionally. Reform gains must be transmitted through capable public institutions, high-quality spending, professional service delivery, permanent social-protection systems and effective sub-national governance. Efficient and effective institutional capacity is therefore not one item among many poverty policies; it is the infrastructure that determines whether those policies succeed. Section 10.1 outlines limitations and directions for future research, including empirical tests of the five capacity propositions, process-tracing of specific programmes, and comparative sub-national analysis.

Limitations and Directions for Future Research

As mentioned in Section 3.4, limitations in the analysis stem from the partially latent nature of capacity, the incomplete nature of the annual poverty series, and the absence of causal identification. There are several ways through which future research may further the research agenda. Firstly, testing the five propositions listed in Table 3 using disaggregated measures of capacity, administrative data at the program level, and sub-national differences may improve causal inference. Secondly, process-tracing using mixed methods approaches for specific programs (such as cash transfers and early childhood programs) may help to understand the mechanisms behind implementation success or failure. Thirdly, comparative analysis between Nigerian states or different large federal systems in sub-Saharan Africa may be useful to understand which capacity factors are binding under different political and fiscal contexts. Lastly, longitudinal studies that investigate the feedback effects from improved service delivery to public trust and reform legitimacy may test the virtuous cycle in the framework.

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Conflict of Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

AI Disclosure

All conceptual arguments, literature interpretation, data synthesis, analytical claims and conclusions are the original work of the authors, who take full responsibility for the content of the manuscript.

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