

Bauchi at the

Multipolar Crossroads

Absorptive Capacity, Fiscal Sovereignty, and the
Choice Between Economic Ascension and Extraction





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About SDCI

The Sustainable Development Conversations Initiative (SDCI) is an independent policy think tank headquartered in Bauchi State, Nigeria. SDCI builds the evidence base for accountable governance, fiscal transparency, and equitable development.

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EXECUTIVE SUMMARY

The question is not whether the world reaches Bauchi. It already has.

The report follows three transmission channels – critical mineral investment, security spillover and dollar-denominated debt – and tests whether Bauchi’s institutions can convert external pressure into durable local value.

Frame. The global order that governed trade, finance, and strategic influence for three-quarters of a century is fragmenting, and the fragments are already inside Bauchi State: a Chinese conglomerate’s \$50 million mining venture in Dass, armed groups displaced south-east from the Sahel into Ningi and Alkaleri, and a dollar-denominated external debt whose cost the state cannot negotiate – a position deepened in July 2026 when the state signed a further US\$91.6 million infrastructure loan with the ECOWAS Bank for Investment and Development (EBID), raising its external exposure to approximately US\$277 million.

Hinge. None of these forces will determine Bauchi’s trajectory. What will determine it is absorptive capacity – the state’s institutional ability to recognise, negotiate, and convert external resources and shocks into local prosperity rather than into extraction, leakage, or violence.

Approach. The argument uses a stratified method – moving explicitly between what is measured, what actually occurs, and the underlying mechanisms that produce both – and a comparative design confined, wherever a claim needs to be demonstrated rather than merely illustrated, to jurisdictions that hold Nigeria’s federal transfer formula, currency, and national tax architecture constant. Where a comparison cannot hold those constant – Botswana, Odisha, North Dakota – it is used only to illustrate a class of mechanism, and is labelled as such.

Finding. Nigeria sits near the bottom of the global value capture ladder: the oil sector accounted for roughly 88 per cent of 2024 export value – crude petroleum alone roughly 71 per cent – against under 3 per cent for manufactured goods, and the country’s Economic Complexity Index ranking places it among the ten least complex economies Harvard’s Growth Lab tracks. Bauchi reproduces this position in miniature – an economy with the highest labour-force participation rate in Nigeria (92.3 per cent) running alongside one of the country’s highest poverty rates (73.9 per cent) – while a poorer, harder-starting neighbour, Jigawa, generates nearly double its internally generated revenue under identical federal rules.



“Chaos, for Bauchi, is neither threat nor opportunity; it is a test of institutions.”

GLOSSARY

Institutions and terms

Absorptive capacity — the institutional ability of a jurisdiction to recognise, negotiate, assimilate, and convert external resources, investment, knowledge, and shocks into durable local prosperity rather than extraction, leakage, dependency, or violence (Chapter 04).

Amotekun — the Western Nigeria Security Network, a joint state-funded security outfit launched by six South-West Nigerian states in 2020, examined as a near-peer precedent for state-level security financing and its failure modes (Chapter 15).

BMCC Nigeria Limited — the joint venture between Bauchi State Government and China's Shandong Minsheng Group, incorporated in Dass LGA in late 2025 to develop tin and columbite deposits, with \$50 million in committed capital (Chapter 14).

BOJ ("Best of Judgement") assessment — a discretionary tax-assessment method used where verifiable taxpayer income records do not exist; the mechanism underlying the "bottom altitude" of resistance in Chapter 13.

CISF — India's Central Industrial Security Force, a specialist central police force protecting industrial and critical facilities, granted statutory enforcement authority over coal mines in June 2026; examined as an illustrative model for specialist mine-site security (Chapter 15).

COFER — the IMF's Currency Composition of Official Foreign Exchange Reserves database, the primary source for reserve-currency-share data cited in Chapter 05.

Debswana — the joint-venture diamond mining company owned 50-50 by the Government of Botswana and De Beers, examined in full in Chapter 08.

Economic Complexity Index (ECI) — Harvard Growth Lab's measure of the diversity and sophistication of a country's export basket, used as a proxy for accumulated productive knowledge (Chapter 03).

FAAC — the Federation Account Allocation Committee, the mechanism through which Nigeria's federally collected revenue is disbursed monthly to the federal, state, and local government tiers.

IGR — Internally Generated Revenue: revenue a Nigerian state or local government raises itself, as opposed to revenue received via federal transfer.

JIRS / JSIRS — the Jigawa State Internal Revenue Service, the consolidated single-authority revenue agency examined in Chapter 06.

KADIRS — the Kaduna State Internal Revenue Service, established by the Kaduna State Tax (Codification and Consolidation) Law, 2016, examined in Chapter 07.

Multiplex world — Amitav Acharya's term for a global order with many interconnected actors and no single directing pole, distinguished here from the narrower and less accurate "multipolar" framing (Chapter 01).

Petrodollar system — the arrangement, negotiated principally with Saudi Arabia from 1974, under which oil is priced and sold in US dollars, reconstructing global demand for the dollar after the 1971 end of gold convertibility (Chapter 05).

Rentier state — a state whose revenue derives predominantly from external rents (resource sales, transfers) rather than domestic taxation, and which therefore faces muted accountability pressure from its own citizens (Chapters 03, XII).

SFTAS — the World Bank's State Fiscal Transparency, Accountability and Sustainability programme (2018–2022), which found low-IGR, non-oil-cushioned Nigerian states best positioned to benefit from fiscal-transparency reform (Chapter 12).

Shah Commission — the Justice M.B. Shah Commission of Inquiry, appointed by the Government of India in 2010 to investigate illegal iron-ore and manganese mining, examined in full in Chapter 09.

Smile curve — Stan Shih's 1992 depiction of value-added concentrated at the design/R&D and branding/marketing ends of a product's value chain, with manufacturing in the middle capturing the least (Chapter 02).

State Police Service Commission — the oversight body established under Section 22 of Nigeria's 2026 State Police Bill in each state, responsible for recruitment, discipline, and accountability of officers below the rank of Commissioner (Chapter 15).

Tenement rating — the property tax that has, per Chapter 13, failed twice in Bauchi's fiscal history (late 1980s; 2011).

Treasury Single Account (TSA) — a consolidated government banking arrangement intended to prevent ministries and agencies from retaining collected revenue as informal working capital; the statutory fix for the "middle altitude" of resistance in Chapter 13.

Triffin dilemma — the structural tension, identified by Robert Triffin in 1960, between a reserve-currency issuer's domestic monetary interests and its obligation to supply the world with liquidity, examined in full in Chapter 05.

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A NOTE ON METHOD

Critical Realism and the Stratified Ontology

This report applies critical realism (Bhaskar, 1975; 1979) throughout, and its central device is a stratified ontology: reality is treated as having three distinct domains, with the analysis moving between them rather than resting in one. The practical implication is that a number never speaks for itself – every figure is traced to the mechanism that produced it, and every mechanism claim is anchored in a documented instance rather than asserted from theory alone.

The method's characteristic inference is retrodution – asking, given an observed effect, what structure or mechanism, if it existed, would produce exactly this pattern and not some other? Given Bauchi's low revenue despite adequate administrative channels and a fully engaged workforce, what underlying mechanism produces that pattern? The answer – the political economy of limited transparency and discretionary assessment at four named structural loci of institutional constraint – is the report's core finding, derived retroductively and then tested against documented instances in Bauchi's own record.

The Comparative Design

A retroductive test is only as strong as the confounds it controls. Comparing Bauchi to Jigawa and Kaduna isolates institutional performance as the residual explanatory variable because both peers share Bauchi's federal transfer formula, currency, and national tax architecture – nearly everything that could otherwise explain a revenue gap has been held constant. Comparing Bauchi to Botswana or Odisha cannot do this; those cases share none of Nigeria's macro-institutional context, so they are used only to illustrate a class of mechanism, never to demonstrate that the same mechanism operates in Bauchi with the same force.

Source Hierarchy

Every figure carries an implicit or explicit source tier. Primary statistical data (NBS, DMO, World Bank, IMF COFER) outranks press aggregation of that data, which outranks encyclopedic sources, which outranks self-interested reporting – a government's own account of its own reform's success. Figures in the last category are identified wherever they appear. Jigawa's and Kaduna's post-reform IGR figures are the principal instances: examined carefully in Chapters 06–10, they are real but carry the caveats of any self-report.

The Real

Underlying structures and generative mechanisms – constitutional allocation of solid minerals to the federal level; the political-economic incentive of property-owning elites to block a cadastre; the discretionary architecture of BOJ assessment.

The Actual

Events and outcomes that occur whether or not anyone measures them – the complete pattern of revenue collected and diverted across Bauchi's 20 LGAs in 2024, most of which never surfaces in any published dataset.

The Empirical

Underlying structures and generative mechanisms – constitutional allocation of solid minerals to the federal level; the political-economic incentive of property-owning elites to block a cadastre; the discretionary architecture of BOJ assessment.

Source Tier Hierarchy

- T1.** Primary statistical: NBS, DMO, World Bank, IMF COFER, Harvard Growth Lab, statutory text
- T2.** Press aggregation of T1 data (NBS figures via Punch, Nairametrics, etc.)
- T3.** Encyclopedic – used only for uncontested historical sequencing
- T4.** Self-interested reporting – a government's account of its own reform success. Always flagged at point of use.

"Every empirical claim is traceable to a mechanism at the real level, and every mechanism claim is anchored in a documented, actual-level instance rather than asserted from theory alone."

THE GLOBAL ORDER

The global order is the system of power, institutions, trade, finance, and security that shapes relations between states. Once dominated by a U.S.-led post-1945 framework, it is now becoming more fragmented and contested as new powers and alliances gain influence.



CHAPTER 01

The Returning Order 01

From the unipolar moment to the multiplex world

A subnational fiscal report does not usually begin with the structure of the international system. This one must, because the international system has arrived in Bauchi without waiting to be invited. The post-1945 order – the Bretton Woods institutions, the dollar’s reserve primacy, the American security umbrella, and the broadly liberal trading system layered on top of them – is not collapsing, but it is fragmenting, and three of its fraying threads run directly through the state’s mining ministry, its security, and its debt-service line.

It helps to be precise about what is actually changing, because the popular vocabulary of “multipolarity” is imprecise to the point of being misleading. Three distinct claims travel under that single word, and only two of them are true.

The first claim is about the distribution of power. The “unipolar moment” that followed the Soviet collapse – the roughly two decades in which the United States faced no peer competitor – has ended. The rise of China as a genuine economic and military rival, the return of Russia as a revisionist military actor, and the emergence of consequential regional powers (India, the Gulf states, Turkey, Brazil) have produced a system with several centres of gravity rather than one. This is real, and the international-relations literature has tracked it closely: the sharpest statement is Mearsheimer’s structural-realist account of the inevitable return of great-power competition, and the most useful corrective to crude “multipolarity” is Amitav Acharya’s concept of a multiplex world – not a tidy balance among a fixed number of poles, but a densely interconnected order with many actors, overlapping institutions, and no single director, in which regional dynamics matter as much as global ones. Bauchi lives in the multiplex world, not the textbook multipolar one: The forces shaping Bauchi extend well beyond Beijing and Washington. They include a Shandong-based conglomerate, mining interests from several countries, and bandit groups displaced into Bauchi’s forest areas by insecurity and counter-banditry operations farther west.

The second claim is about the mode of economic statecraft. The three-decade consensus that markets should be left to allocate globally – the “hyperglobalisation” Dani Rodrik anatomised and warned was politically unsustainable – has given way to the open return of industrial policy, subsidy competition, export controls, “friend-shoring,” and a scramble to secure critical-mineral supply chains. The United States, the European Union, and China are now all doing versions of what List and Hamilton prescribed two centuries ago: using state power to capture strategic links of the value chain rather than trusting comparative advantage to distribute them. For a territory sitting on tin, columbite, and the other inputs of that scramble, this is the single most consequential shift in the external environment, and it is the reason a joint venture in Dass is a node in a global contest rather than a local curiosity.

The third claim – the one that is not true – is about the monetary order, and it is worth separating from the other two. The narrative of imminent “de-dollarisation” circulates widely in commentary on multipolarity, but the data do not support it: the dollar’s share of allocated global foreign-exchange reserves has held at roughly 56–58 per cent through 2026 – a gentle decline from its 71 per cent peak in 2000, but nowhere near a regime change.

This matters for Bauchi specifically and concretely, and Chapter 05 is devoted to it in full, because the one thread of the fragmenting order the state most needs to change is the one that is changing least. These global shifts are not a backdrop against which Bauchi does its unglamorous fiscal work. They are transmission channels that have already reached the state, and whether they lift it or bury it will be decided by an institutional variable that has nothing to do with geopolitics and everything to do with tenement rating, remittance discipline, and contract negotiation. To see why, Chapter 02 sets out the structural framework that makes the terrain intelligible.

CHAPTER 02

The Ladder of Value Capture

02

Economic structure, value distribution, and the logic of ascension



Two centuries of political economy converge on a single structural insight: what a country does in the global division of labour determines how much of the value it contributes it is permitted to keep. The terms of that insight have been elaborated at every scale – from the international system down to the individual product chain – and the consensus across otherwise quarrelling schools is unusual: the extraction rung is not merely the lowest, it is self-perpetuating unless something deliberate breaks the cycle.

The classical case against the extraction rung

The foundational argument belongs to Friedrich List and Alexander Hamilton. List's National System of Political Economy (1841) and Hamilton's Report on Manufactures (1791) made the same case independently: a nation left as a supplier of raw materials to another's factories stays poor by design, because the gains from transforming raw material into manufactured goods – and from accumulating the knowledge and machinery that transformation requires – accrue to the nation that does the transforming.

Submission to comparative advantage, both argued, is a prescription for permanent peripherality: it locks a resource endowed economy into the rung with the lowest and most volatile returns and prevents the accumulation of productive knowledge that higher rungs require. The correct policy, on this reading, is not free trade but deliberate cultivation of higher value activity through protection, subsidy, and state direction – precisely the policy every economy that subsequently climbed the ladder pursued. This is not a heterodox argument in the contemporary literature; it is its starting premise. The developmental-state literature from Johnson's MITI and the Japanese Miracle (1982) onward, HaJoon Chang's Kicking Away the Ladder (2002), and Dani Rodrik's work on industrial policy all stand on this foundation. Chang's title captures the political irony with precision: the economies that climbed through industrial policy subsequently used their position in international institutions to deny the same tools to late developers, insisting on the free trade rules whose violation had been central to their own ascent.



Structural deterioration: the Prebisch–Singer hypothesis and dependency theory

The Prebisch–Singer hypothesis, developed independently by Raúl Prebisch and Hans Singer around 1950, supplied the mechanism that makes the extraction rung not merely low but actively deteriorating. The terms of trade for primary commodities tend to decline over time relative to manufactured goods: an economy that sells oil and buys machines finds that the exchange rate of its labour keeps worsening, so that running faster – extracting more, exporting more – does not close the gap. The income elasticity of demand for manufactures is higher than for primary goods; technological progress in the producing countries is captured by their own workers and shareholders rather than passed on through lower prices; and the market power of buyers in commodity markets structurally exceeds the market power of sellers, so productivity gains at the extraction end flow upstream rather than being retained at source.

Dependency theory extended this microeconomic observation into a structural account of the global system. Cardoso and Faletto's *Dependency and Development in Latin America* (1979), Samir Amin's work on unequal exchange, and Andre Gunder Frank's metropolis-satellite formulation argued that the deteriorating terms of trade were not a market imperfection to be corrected but a structural feature of how the international division of labour was organised – and, more unsettlingly, that the development of the core and the underdevelopment of the periphery were not separate processes but aspects of the same one. The extraction economy does not fail to develop; it is developed in a particular direction, toward supplying the inputs that richer economies need at the lowest possible cost.

World-systems theory: the sticky hierarchy

Immanuel Wallerstein's *The Modern World-System* (1974 onward) supplied the macro-level architecture. The world economy, on Wallerstein's account, is organised into a core that performs high-skill production, appropriates the bulk of surplus value, and commands finance and technology; a periphery that supplies raw materials and cheap labour; and a semi-periphery that mediates between the two and occupies an intermediate position. The central claim – and the one most directly relevant to Bauchi – is that the structure reproduces itself: peripheral position is sticky, not because peripheral economies lack resources or effort but because the relational logic of the system continuously reconstructs it. Core economies do not merely start ahead; they actively maintain the conditions of their advantage, including through the international rules and institutions they disproportionately design.

What world-systems theory adds, beyond dependency theory's bilateral account, is the explicit recognition that semi-peripheral mobility is possible but exceptional and costly – and that it requires the kind of deliberate, sustained, politically contested state action that List and Hamilton prescribed. South Korea, Taiwan, and coastal China are the contemporary instances: each moved from peripheral extraction toward semi-peripheral and then core-adjacent production through state directed industrial policy, not through market integration alone.

Global value chains: who captures value, and how

Global value chain analysis – Gary Gereffi's framework from the 1990s onward, developed with Raphael Kaplinsky's work on economic rents – translates the macro hierarchy into the level of individual industries and products, answering the question of who captures the value along a chain and through what mechanisms. Gereffi's distinction between buyer-driven chains (where lead firms like major retailers or consumer brands dictate terms to a fragmented supplier base) and producer-driven chains (where capital-intensive manufacturers control the critical nodes) identifies the locus of power in each case and the terms on which subordinate positions can be renegotiated.

Kaplinsky's rent framework is particularly relevant to an extractive economy negotiating with foreign capital. Rents – returns above competitive levels – accrue at the nodes that are scarce, proprietary, or protected: a patented technology, a controlling equity stake, a brand, a certification that controls market access. An economy with only a resource to sell holds one such node; the question is whether it can, through contract design, equity participation, and local content requirements, capture rents at additional nodes before the resource is exhausted. Botswana's diamond governance model, examined in Chapter 08, is the regional example of a state that negotiated progressively toward more of those nodes over time. Odisha's experience, examined in Chapter 09, is the counter-example of a state whose constitutional constraints prevented it from holding the valuation and royalty-setting nodes that mattered most. The smile curve – drawn by Acer's founder Stan Shih in 1992 and subsequently validated empirically – renders the same insight graphically. Plot value-added against position in a product's chain and the result is a U-shape: high at the upstream end (research, design, intellectual property), high at the downstream end (brand, marketing, after-sales services), and lowest at the middle, where physical assembly and extraction occur. The practical implication is that the activities with the highest labour content and the lowest environmental and social returns are precisely the ones with the lowest value capture – and that the rents flow to the ends of the chain, which are typically controlled by firms based in core economies.

Economic complexity and the logic of productive knowledge

The most powerful recent formalisation of the value-capture hierarchy is Ricardo Hausmann and César Hidalgo's economic-complexity framework, developed through Harvard's Growth Lab and presented in *The Atlas of Economic Complexity* (2011). The framework's central claim is that what a country exports reveals the productive knowledge embedded in its economy – the capabilities, tacit skills, and institutional know-how required to make those things – and that this knowledge base, not endowments, geography, or governance scores alone, determines what a country can learn to make next and therefore how fast it will grow.

The Economic Complexity Index derived from this framework predicts long-run growth more reliably than conventional measures precisely because it captures the structure of what an economy knows, not merely what it currently earns. The framework carries a specific implication for extraction economies: they tend to have low complexity scores not because they are poor but because extraction requires and accumulates relatively little transferable productive knowledge. A country that exports crude oil or unprocessed minerals every year does not, through that activity, build the engineering, logistics, financial, or design capabilities that would let it export something more complex next decade – which is why high commodity dependence is associated in the data with stagnant or declining complexity, not convergence toward it.

Erik Reinert's *How Rich Countries Got Rich ... and Why Poor Countries Stay Poor* (2007) makes the same point in terms of returns to scale: extraction operates under diminishing returns (each additional tonne costs more to produce), while manufacturing and knowledge activities operate under increasing returns (each additional unit of production generates learning and scale economies that reduce future costs). Development, on this account, is the transition from the first class of activities to the second.





Market power and financial power: the command axes

The value-creation spectrum – extraction, production, knowledge – is crossed by two axes of systemic power that determine how much of the value created at each rung can be retained by those who create it. The first is market power: the leverage that comes from controlling demand or access to markets large enough that suppliers cannot afford to lose them. The United States and the European Union exercise this leverage through their consumer markets, their regulatory standards, and their preferential trade architectures; China exercises a version of it through its position as the dominant buyer of global commodity output. An economy with no comparable leverage – a small, single-commodity exporter – is a price-taker at every node it occupies. The second axis is financial power: the leverage that comes from controlling capital, credit, and above all the reserve currency. Barry Eichengreen’s *Exorbitant Privilege* (2011) anatomises the advantages the reserve-currency issuer commands – cheaper borrowing, insulation from its own currency risk, and the ability to use the financial infrastructure that dollar dominance requires as a sanctions weapon. Matthew Klein and Michael Pettis’s *Trade Wars Are Class Wars* (2020) extends the analysis to show how surplus and deficit positions in the global economy are not symmetric:

the economy that runs the structural deficit and issues the reserve currency captures the “exorbitant privilege”, while surplus economies and commodity exporters bear the adjustment costs. For Bauchi, these command axes are not abstractions: the state borrows in a currency it cannot issue, sells a commodity whose price it cannot set, and operates within a federal architecture whose fiscal rules it did not design. Chapter 05 returns to the dollar mechanism specifically, because it is the one element of this structure that is not currently changing. Taken together, this body of literature produces a coherent and mutually reinforcing account of value capture in the international economy: a hierarchy of activities ordered by their returns and the knowledge they accumulate; a structural tendency for the hierarchy to reproduce itself through the operation of trade, finance, and power; mechanisms at the product-chain level through which rents are distributed toward the most powerful nodes; and axes of systemic command – market power and financial power – that determine whether the gains from moving up the hierarchy can be retained or are recaptured by the core. Nigeria’s position within this structure, and Bauchi’s position within Nigeria’s, are the subject of the next section.

CHAPTER 04

The Machinery of Ascension

04

What it actually takes to climb

The romantic view of development holds that a territory rises when it discovers resources, attracts investment, or catches a lucky external break. The historical record says almost the opposite. The economies that climbed the value-capture ladder in the twentieth century – Japan, South Korea, Taiwan, Singapore, and later coastal China – did so through a combination of coercive institutional discipline and relentless, unglamorous information work, sustained across decades and against the short-term interests of powerful domestic actors. Resources helped least; institutions helped most. That machinery is the standard against which Bauchi’s fiscal reforms should be measured, and it reframes those reforms as the local edge of a large and well-documented global pattern.

The developmental-state record

The foundational account is Chalmers Johnson’s MITI and the Japanese Miracle (1982), which showed that Japan’s ascent was directed by a competent, insulated economic bureaucracy that picked strategic sectors and disciplined private firms toward them. Alice Amsden’s Asia’s Next Giant (1989) on South Korea and Robert Wade’s Governing the Market (1990) on Taiwan generalised the finding: these states did not merely provide subsidies and protection – every failing state does that – they attached reciprocal conditions to support and enforced them. Amsden’s central mechanism is “discipline”: subsidies were contingent on export performance, and firms that did not meet targets lost their support. The state, in other words, could credibly punish its own clients. Peter Evans’s Embedded Autonomy (1995) names the delicate institutional condition that makes this possible: a bureaucracy connected enough to business to have good information (“embedded”), but independent enough not to be captured by it (“autonomous”). Too little embeddedness and the state flies blind; too little autonomy and it becomes a vending machine for rents.

The developmental state lives in a narrow band between the two, and most states fail to reach it not because they lack resources or plans but because they cannot hold that band against the structural challenges and institutional adjustment pressures.

The uncomfortable corollary – and the reason this section connects directly to Bauchi’s “four altitudes” in Chapter 13 – is that climbing requires the state to manage distributional effects and institutional realignment within its governing coalition. Chang’s Kicking Away the Ladder documents this at the level of nations and history; Acemoglu and Robinson’s Why Nations Fail (2012) frames it as the difference between “inclusive” and “extractive” institutions, and stresses that extractive institutions persist precisely because they enrich the elites with the power to change them.

There is no version of the climb in which established arrangements can be difficult to change without addressing distributional effects, transition costs, and stakeholder incentives. This is not a moral observation; it is a design constraint, and a governance report that ignores it is prescribing to institutions that may face significant implementation constraints.

The data work – the part nobody romanticises

Underneath every developmental state is an apparatus most development narratives skip entirely: the machinery of seeing. A state cannot tax what it cannot measure, cannot discipline firms whose performance it cannot observe, cannot negotiate a mineral contract whose value it cannot independently estimate, and cannot climb a product ladder it has never mapped. James Scott’s Seeing Like a State

(1998) made the general point that legibility – cadastres, censuses, standardised measures, registers – is the precondition of state action of any kind; the developmental-state literature adds that legibility is also the precondition of state capacity to add value.

Concretely, the data work of ascension includes: a cadastre and property register (without which land cannot be taxed or used as collateral); a tax payer identification system and reliable income records (without which taxation defaults to negotiation and discretion); statistical capacity – a functioning census, national accounts, labour and price surveys – without which policy is flown blind; and, in the modern version, economic-complexity and product space mapping of the kind Hausmann and Hidalgo pioneered, which lets a government identify the “adjacent possible” The more complex products a

territory’s existing capabilities put within reach – and target them deliberately rather than hoping for diversification. This is slow, expensive, technically demanding, and politically resisted work, precisely because legibility removes the discretion and limited transparency that can preserve established discretion. It is also non-optional. Every one of Bauchi’s fiscal reforms discussed in Chapter 13 – the GIS property register, the single revenue authority, the taxpayer-ID system, the Treasury Single Account – is, at bottom, a piece of this legibility apparatus.

Absorptive capacity, defined



The concept originates in the innovation literature:

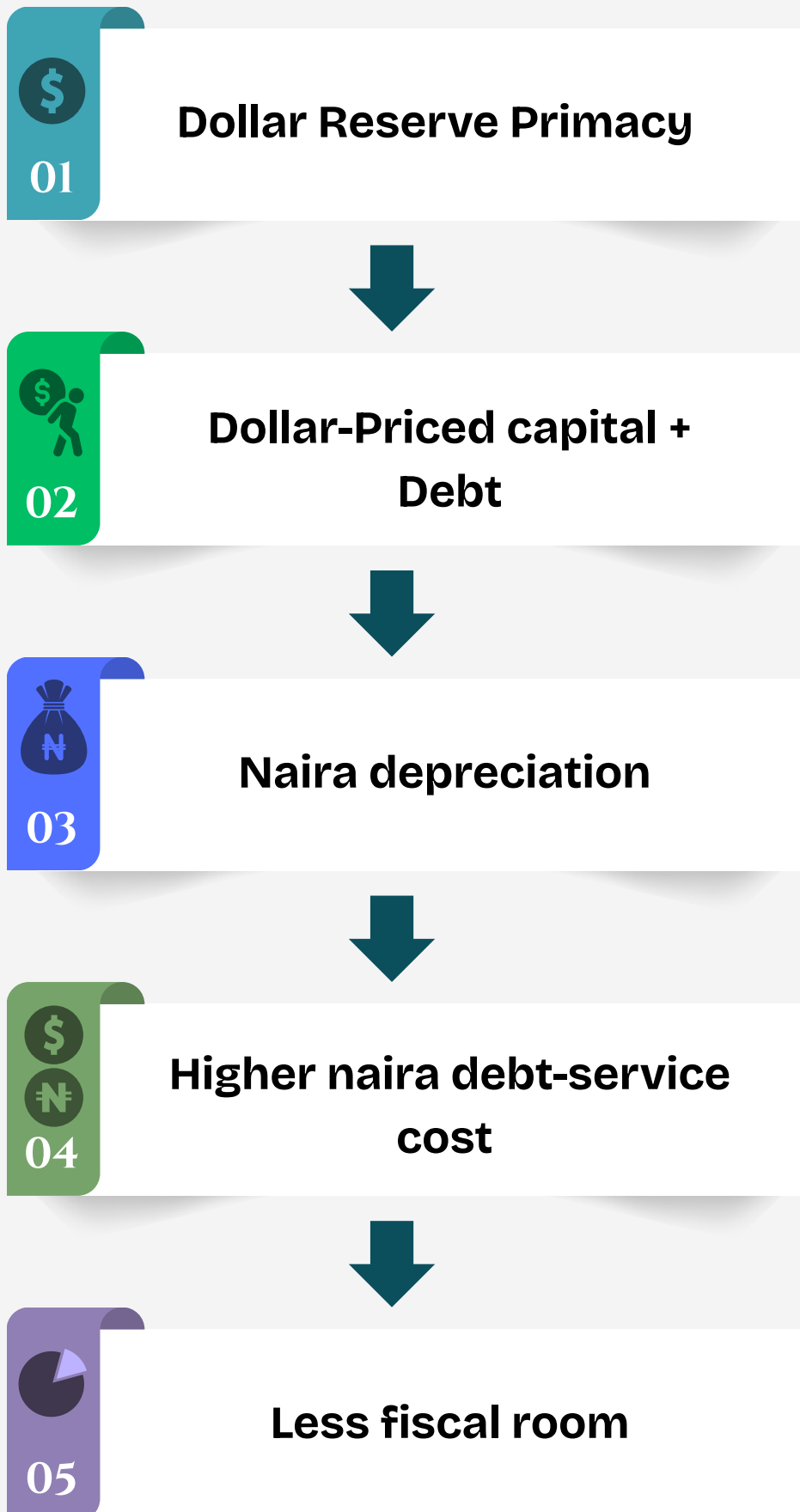
Cohen and Levinthal (1990) defined a firm’s absorptive capacity as its ability to recognise the value of new external information, assimilate it, and apply it to productive ends – and crucially showed that this ability depends on prior related knowledge, so that capacity begets capacity and its absence compounds.

Zahra and George (2002) later distinguished potential absorptive capacity (the ability to acquire and assimilate) from realised absorptive capacity (the ability to transform and exploit), a distinction that maps almost exactly onto Bauchi’s situation: the state has ample potential – resources, a fully engaged workforce, external interest – and weak realisation. Lifted from the firm to the state, absorptive capacity is the institutional ability of a jurisdiction to recognise, negotiate, assimilate, and convert external resources, investment, knowledge, and shocks into durable local prosperity rather than into extraction, leakage, dependency, or violence. It is what lets one government turn a \$50 million mining venture into equity, jobs, and revenue while another turns the identical venture into an enclave that exports value and leaves tailings. One caveat belongs with the definition. “Absorptive capacity,” used at the state level, bundles several distinct capabilities that do not always co-vary:

revenue administration (the capacity to tax), contract-negotiation capability (the capacity to strike good terms with external partners), security provision (the capacity to hold territory), and the political will to exercise any of them against entrenched interests. A jurisdiction can be strong on one and weak on another – competent at collecting market levies yet unable to negotiate a mining offtake, or administratively capable yet subject to constitutional, fiscal, administrative, or incentive constraints. They are treated here as facets of a single underlying institutional capacity because in Bauchi’s case they fail together and for a common reason – the political economy of limited transparency and discretionary assessment analysed in Chapter 13. The concept is best held as a bundle rather than a monolith: its strength lies in tracing the same generative mechanism across multiple facets of institutional failure, rather than collapsing them into a single composite score. One further thread demands attention before the view from Bauchi comes into focus: the one strand of the fragmenting order that is not, in fact, fragmenting, and that binds every fiscal number in Chapters 11–18 regardless of how well Bauchi performs on all the others.

How dollar exposure reaches Bauchi

05



57.13%
US dollar share of global FX
reserves, IMF COFER 2026Q1

Every other external force discussed above is negotiable in principle: the terms of a mining joint venture can be renegotiated, a security posture can be built, a tax law can be rewritten. Bauchi's exposure to the US dollar cannot be negotiated by Bauchi, by Nigeria, or realistically by any single government acting alone – and understanding why requires walking through a monetary architecture that was built eight decades ago,

broke once already, and has proven far more durable than the “de-dollarisation” commentary of the multipolar moment suggests. Bauchi's external debt (~US\$186 million; Chapter 12) and Nigeria's naira, which has weakened sharply against the dollar in recent years, are downstream of every mechanism described below.

Bretton Woods and the birth of the reserve-currency problem

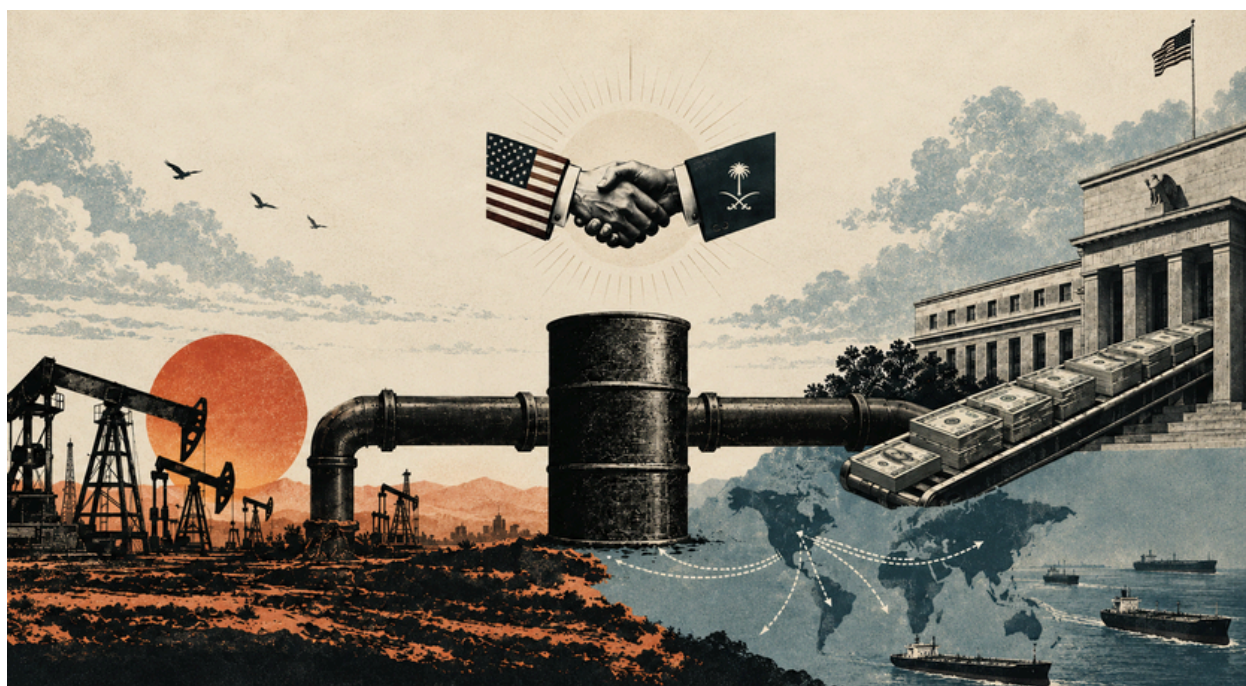


In July 1944, representatives of 44 Allied nations met at Bretton Woods, New Hampshire, to design the postwar monetary order. The system they built pegged major currencies to the US dollar at fixed rates, and pegged the dollar itself to gold at \$35 an ounce – the dollar was, in effect, “as good as gold,” and every other currency was pegged to the dollar rather than to gold directly. This gave the United States a unique role: as the only currency directly convertible to gold, the dollar became the world's working reserve asset, the currency central banks held to settle trade and defend their own pegs. That role created a structural problem identified by the Belgian-American economist Robert Triffin in the late 1950s and formalised in his 1960 book *Gold and the Dollar Crisis* – a problem now known as the Triffin dilemma. For the world to have enough dollars to conduct trade and hold as reserves, the United States had to run persistent balance-of-payments deficits, sending more dollars out into the world than it took in. But every dollar sent abroad was a liability the United States had, in principle, promised to redeem in gold at \$35 an ounce – and the more dollars accumulated abroad, the less plausible that promise became, since the US gold stock did not grow to match.

Triffin testified to Congress in 1960 that this contradiction would eventually force a choice: either the United States constrained its deficits and starved the world of the dollars global trade needed, or it kept supplying dollars and let confidence in gold convertibility erode until the system broke. He predicted the second outcome. He was right. By the late 1960s, foreign-held dollar claims far exceeded the US gold stock – a gap widened considerably by the fiscal cost of the Vietnam War and Great Society spending, which pushed more dollars into circulation without a matching increase in gold reserves. European central banks, led by France under Charles de Gaulle, began converting dollar reserves into gold at the fixed rate, draining the US gold stock further.

On 15 August 1971, President Richard Nixon suspended the dollar's convertibility into gold – the “Nixon Shock” – ending the Bretton Woods system outright rather than managing its slow unwind. The dollar was no longer pegged to anything physical; it became, and remains, a pure fiat currency, its value set by markets rather than a fixed gold weight.

The petrodollar system: rebuilding demand for a currency backed by nothing



Severing gold convertibility solved the Triffin dilemma's proximate crisis but left an open question: why would the rest of the world continue to hold and transact in a currency no longer backed by anything tangible? The answer, negotiated over 1974–1975 between the Nixon and Ford administrations and Saudi Arabia (and extended informally across OPEC), is what is now called the petrodollar system. In exchange for US security guarantees – military protection, arms sales, and diplomatic backing for the Saudi royal family – Saudi Arabia agreed to price and sell its oil exclusively in dollars and to recycle its resulting oil revenues into US Treasury securities and other dollar assets. Because oil is the single most universally traded commodity, and because OPEC's members broadly followed Saudi Arabia's pricing convention, this arrangement meant that every oilimporting country in the world – regardless of its politics or its relationship with Washington

– needed to hold dollars simply to buy energy. Demand for the dollar was re-manufactured, this time through the oil market rather than through a gold peg. The petrodollar arrangement did not resolve the Triffin dilemma so much as relocate it. The United States still had to run current-account deficits to supply the dollars the world's oil trade required, and it has done so, with only brief interruptions, ever since; the US goods trade deficit now runs on the order of a trillion dollars a year.

What changed is that the underlying anchor shifted from a finite, auditable metal to a renewable political relationship – the willingness of oil producers and, more broadly, of the world's trading nations to keep transacting and holding reserves in dollars. That willingness has, so far, proven remarkably durable, for reasons the next two subsections make concrete.

Reserve-currency privilege and the mechanics of dollar power



Holding the world's primary reserve currency confers what French finance minister Valéry Giscard d'Estaing called, in the 1960s, an “exorbitant privilege” – a phrase Barry Eichengreen used as the title of his 2011 account of the dollar's rise, fall, and endurance. The privilege operates through several concrete channels, each directly relevant to a government like Bauchi's that borrows in the currency without issuing it.

Seigniorage and cheap borrowing. Because the rest of the world wants to hold dollar assets as reserves, the United States can borrow more cheaply than its fiscal position alone would justify – foreign central banks are, in effect, permanently willing lenders. No other government enjoys this at anything like the same scale. Insulation from its own currency risk. A government that borrows in a currency it does not issue – as Bauchi does, in its ~\$186 million external debt (rising to approximately \$277 million once the July 2026 EBID facility is drawn) – bears the full risk of that currency's movement against its own.

The United States, borrowing in the currency it issues, bears none of the equivalent risk; a weaker dollar even reduces the real burden of its own dollar-denominated debt. This asymmetry is the whole of Bauchi's currency problem in miniature: the naira can weaken against the dollar for reasons that have nothing to do with Bauchi State's fiscal management, and the state's debt-service cost in naira terms rises anyway.

SWIFT and the sanctions weapon. The Society for Worldwide Interbank Financial Telecommunication (SWIFT) is the messaging network that underpins most cross-border bank transfers; because the dollar dominates that traffic, and because major SWIFT-connected banks are themselves exposed to the US financial system, the United States can exclude a country's banks from SWIFT or freeze its dollar-clearing access as an instrument of foreign policy. Iran, and more recently a set of major Russian banks following the 2022 invasion of Ukraine, have been cut off from SWIFT or from dollar clearing as sanctions instruments – a capability without a real analogue for any other reserve-adjacent currency, because no other currency sits at the centre of as much global clearing activity. This is the geopolitical face of reserve-currency status: the same infrastructure that makes the dollar convenient to hold makes it a lever the issuing country can pull against others. Global liquidity in a crisis. Because so much of the world's trade, debt, and commodity pricing is dollar-denominated, a global liquidity crisis – a financial shock, a pandemic, a war – tends to increase demand for dollars specifically (“flight to safety”), which can strengthen the dollar and tighten dollar-funding conditions for everyone else precisely when they can least afford it. Emerging-market and frontier borrowers, including Nigeria and its constituent states, are structurally on the receiving end of this dynamic rather than able to trigger or moderate it.

What the data actually show



Commentary on multipolarity frequently treats “**dedollarisation**” as an accomplished or imminent fact. The data available through 2026 do not support this. The IMF’s Currency Composition of Official Foreign Exchange Reserves (COFER) database – the most authoritative source on this question, because it aggregates actual central-bank reserve holdings rather than sentiment or forecasts – shows the dollar’s share of allocated global reserves at roughly 56–58 per cent through 2026 – with raw readings in 2025 of roughly 56–58 per cent depending on exchange-rate adjustments – down from a 71 per cent peak around 2000 and essentially flat over the past several years and still more than three times the share of its nearest rival, the euro. The decline that has occurred has been gradual and has flowed disproportionately into nontraditional reserve currencies (the Australian and Canadian dollars, the renminbi in small amounts) and into gold, rather than consolidating around any single dollar successor. No currency – not the euro, not the renminbi, not any BRICS proposal –

currently has the combination of open capital markets, rule-of-law credibility, deep and liquid government-debt markets, and network externalities in trade invoicing that reserve-currency status requires. China’s own capital controls, in particular, are widely judged in the monetary-economics literature to be incompatible with full renminbi internationalisation as currently structured. The evidence therefore requires a distinction among the three claims that travel under the banner of multipolarity.

The power-distribution and economic-statecraft claims hold; the monetary claim does not – the data diverge sharply from the de-dollarisation rhetoric. In Chapter 12, Bauchi’s currency exposure is accordingly treated as a constant rather than a shock – not a new multipolar force reaching the state, but the one part of the old order that is not currently fragmenting, reaching the state as an unchanging constraint precisely because it has not changed.

What this means, concretely, for Bauchi



Bauchi's roughly **US\$186 million** external debt is owed in a currency the state cannot issue, cannot influence the value of, and cannot hedge at any meaningful scale – the tools available to sophisticated sovereign treasuries (currency swaps, forward contracts on sovereign debt) are not realistically available to a Nigerian subnational government. When the naira depreciates against the dollar – as it did sharply through 2023–2024 amid the removal of fuel subsidies and the unification of Nigeria's exchange-rate windows – the naira cost of servicing that debt rises mechanically, regardless of anything Bauchi's own revenue service does. This is not a hypothetical: national public debt figures, most of which are also dollar- or foreign-currency-denominated at the federal level, ballooned through 2024 in naira terms for exactly this reason, and the same arithmetic applies,

at Bauchi's smaller scale, to its own external obligations. The strategic implication is not that Bauchi should attempt to insulate itself from a monetary order no subnational government can meaningfully influence – that is not a live option. It is that every fiscal reform discussed in Chapter 12 has to be sized against a debt-service line that can move independently of Bauchi's own performance, for reasons originating in a 1944 conference and a 1974 oil deal rather than in anything the state controls. A revenue system that closes the IGR gap with Jigawa still has to run fast enough to outpace a currency risk it did not create and cannot hedge. This is the Sum of what reaches Bauchi from the world is new and negotiable; the dollar mechanism is old, structural, and not subject to state-level remedy.

COMPARATIVE CASES

Two Nigerian near-peers test institutional explanations under shared federal rules. Three distant cases illustrate specific mechanisms: resource bargaining, governance failure and the limits of windfall analogies.



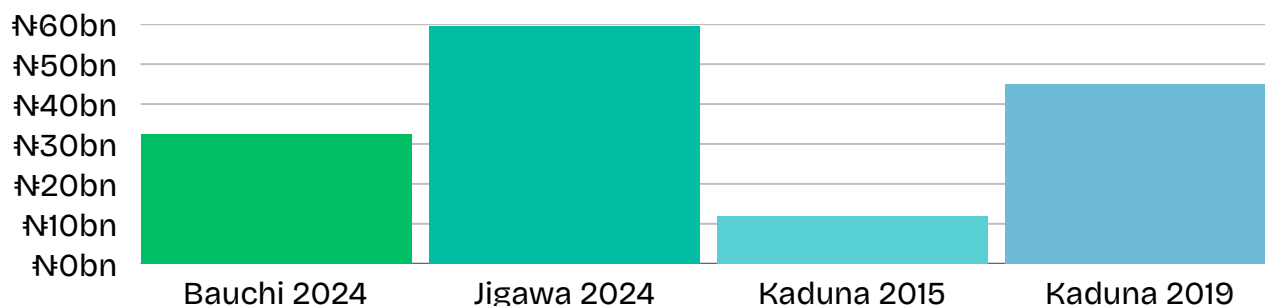
CHAPTER 06

Jigawa

Anatomy of a near-peer

06

State IGR comparison



Jigawa is the cross-sectional near-peer; Kaduna is the before-and-after statutory reform case. The report treats them as evidence of institutional possibility, not as identical models.

What Jigawa is, and why the comparison controls what it claims to control

Jigawa State was created in 1991 by the military government of Ibrahim Babangida, carved out of the northern half of the old Kano State. It is, by nearly every conventional development indicator, a harder starting position than Bauchi: more rural, less industrially diversified, with a smaller and less varied mineral base, and a population historically among the poorest and least urbanised in Nigeria's North-West geopolitical zone. If mineral endowment, urbanisation, or historical development trajectory explained Bauchi's fiscal underperformance, Jigawa should underperform Bauchi by a wide margin.

It does not – and because both states operate under the identical Nigerian federal structure (the same VAT-sharing formula, the same FAAC disbursement mechanism, the same naira, the same constitutional division of tax powers between federal and state government, the same national Finance Acts and, since 2025, the same federal tax-reform package), the comparison isolates institutional and administrative performance about as cleanly as a subnational comparison can.

The institutional architecture: from Board to Service

For most of its history, Jigawa's revenue administration operated through the Jigawa State Board of Internal Revenue, established under the “ensuring the effectiveness and optimum collection of all taxes and penalties due to the state government” – a Board acting, in the state's own description, as an agent of the Ministry of Finance rather than as an independent revenue authority. This architecture has since been superseded. Under the Jigawa State Revenue Administration Law, the state consolidated revenue administration under a single statutory agency, the Jigawa State Internal Jigawa State Laws Cap 12 of 1992

(as amended in 1993). The Board's statutory functions, set out in Part III, Sections 8–15 of that law, centre on Revenue Service (JIRS), explicitly mandated to “assess, collect, manage, and account for all Internally Generated Revenue” under one roof – the same single-authority design principle (discussed in Chapter 07) that drove Kaduna's 2016 reform. JIRS states its own consolidation logic explicitly: to “enhance efficiency, block leakages, strengthen enforcement, and improve taxpayer compliance”.

The 2025–2026 reform wave

Jigawa’s most recent reform activity sits inside a broader northern Nigerian pattern. Following the federal government’s 2025 tax-reform package under President Bola Tinubu, Jigawa joined Plateau, Kogi, Nasarawa, and Kwara States – coordinated through the Joint Revenue Board (JRB) – in passing a Harmonised Taxes and Levies Bill, designed, per the JRB’s own account, to streamline tax processes, eliminate multiple taxation, and outlaw the use of roadblocks for tax and levy collection – a provision structurally identical to Kaduna’s 2016 ban on cash collection at informal checkpoints, and aimed at the same “patronage networks and informal levies” structural locus of institutional constraint documented in Bauchi (Chapter 13).

In parallel, JIRS has moved to digitise informal-sector collection: in mid-2026 the Service inaugurated a digital platform to automate revenue collection from the livestock, grains, and haulage trades – sectors that in Bauchi remain governed by the discretionary, cash-based “Best of Judgement” assessment identified as the fourth structural locus of institutional constraint. JIRS’s Executive Chairman, Dr Nasir Sabo, stated at the platform’s launch that Jigawa’s IGR rose from ₦27.5 billion in 2023 to ₦62.6 billion in 2024 “following digital reforms introduced by the state”.

A source-tier discipline note

This last figure requires a flag. The ₦62.6 billion comes directly from the revenue service’s own executive chairman, describing his own service’s performance – a self-reported figure that should not carry the same weight as an NBS series. It is also not fully consistent with the figure used elsewhere here, drawn from press aggregation of NBS data: Agora Policy’s November 2025 review, itself built on NBS’s Internally Generated Revenue at State Level series, put Jigawa’s 2024 IGR at ₦59.46 billion against Bauchi’s ₦32.43 billion. The two figures – ₦62.6 billion (self-reported, JIRS) and ₦59.46 billion (NBS-derived, via Agora Policy) – are close enough to represent the same

underlying reality but are not identical, which is itself informative: even a state whose reform programme is working well produces self-reported figures that drift from the independently compiled series, and both numbers should be held as materially consistent rather than verified against each other line by line. Wherever the Bauchi–Jigawa comparison is load-bearing (Chapter 12), the analysis uses the NBS-derived figure rather than the self-reported one, to ensure the comparison rests on the most conservative available estimate.

What the case demonstrates

Held against Bauchi, Jigawa demonstrates three things with reasonable confidence, because the federal variables are controlled: that a harder starting position does not determine a worse fiscal outcome; that consolidating collection under one statutory authority is a design choice available to any Nigerian state under identical federal law, not a Jigawa-specific advantage; and that the same “roadblock” and cash-collection loopholes identified in Chapter 13 as politically protected in Bauchi have, in Jigawa, been the direct target of recent legislation.

What the case does cannot establish with the same confidence is the precise magnitude of Jigawa’s IGR growth, which remains dependent on which source (self-reported or NBS-derived) is used, and by how much a Bauchi reform modelled on Jigawa’s would close the gap. The direction of the finding is solid; the precise scale depends on which source is used, and the analysis claims no more than the evidence supports.

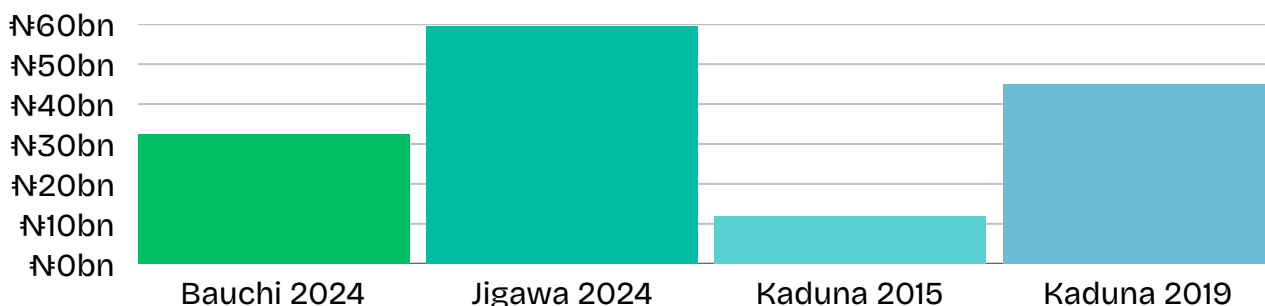
CHAPTER 07

Kaduna

Anatomy of a reform law

07

State IGR comparison



Jigawa is the cross-sectional near-peer; Kaduna is the before-and-after statutory reform case. The report treats them as evidence of institutional possibility, not as identical models.

What Kaduna is, and why it controls for the same confounds as Jigawa

Kaduna State, like Bauchi, is a large, populous northern Nigerian state with no significant oil wealth, a substantial agricultural base, and – prior to its 2016 reform – a fiscal profile that closely resembled Bauchi’s today: monthly IGR under ₦1 billion as of 2015. Kaduna is therefore not merely a “successful state” cited for its results; it is a before-and-after case within a single jurisdiction, which is analytically stronger than a cross-sectional comparison, because it removes even the residual differences between two different states’

populations, geographies, and political histories. The question Kaduna answers is not “does a betterendowed state out-earn Bauchi” but “what specifically changed when one state, starting from roughly Bauchi’s position, decided to fix its revenue administration” – and because Kaduna operates under the same federal architecture as Bauchi throughout, the change can be attributed to the 2016 law with more confidence than almost any other comparison available.

The statute itself

The reform instrument was the Kaduna State Tax (Codification and Consolidation) Law, 2016 (Law No. 3 of 2016), later repealed and re-enacted in expanded form as the Kaduna State Tax (Codification and Consolidation) Law, 2020. The 2016 law did four things, each of which maps directly onto one of the “four structural loci of institutional constraint” identified in Bauchi in Chapter 13. It established a single revenue authority. The law created the Kaduna State Internal Revenue Service (KADIRS) and its governing Board, and – critically – Section 3(2)(b) and (c) of the law gave KADIRS the statutory mandate to collect and enforce payment of taxes, levies, fees, and rates owed not just to the state treasury directly but to every ministry, department, agency, and local

government in the state. This is the direct statutory fix for the “MDA float” altitude documented in Bauchi (Chapter 13): rather than trusting each ministry to remit revenue it collects on the state’s behalf, the law places collection and enforcement authority for that revenue in a single, centralised body accountable for the total.

It criminalised informal cash collection and roadblock levies, removing the mechanism through which motor-park and market-association intermediaries in a state like Bauchi retain a negotiated share of collections as a informal revenue-sharing arrangement – the third structural locus of institutional constraint.

It expanded the tax base into sectors previously outside formal assessment. The 2020 amendment specifically extended coverage to private education, hotels, event centres, and restaurant consumption – sectors where revenue previously moved almost entirely outside the formal system – with the tax base defined as the total fees or costs payable, not a negotiated estimate, directly displacing “Best of Judgement” discretion in those sectors. It provided for relief only through a defined administrative channel – the Kaduna Geographic Information Service Director-General may grant partial relief only to specified categories (non-profit community/charitable use, government-owned property used non-commercially) – closing off the informal, case-by-case negotiation that BOJ assessment otherwise permits.

Results, and their limits

Under this framework, Kaduna’s annual IGR rose from ₦11.8 billion in 2015 to ₦44.9 billion by 2019 – a roughly fourfold increase in four years – with the state’s revenue service subsequently targeting ₦20 billion per month. The law has continued to generate enforcement activity into the present: in August 2024, KADIRS’s Executive Chairman Jerry Adams publicly invoked Section 3(2)(b) and (c) directly to order the state’s Geographic Information Service, Water Administration Corporation, Water Regulatory Commission, and Environmental Protection Agency to forward all outstanding nontax liabilities owed by the Kaduna Electricity Distribution Company for enforcement – and KADIRS separately sealed the electricity distributor’s headquarters over a ₦600 million unpaid tax liability the same week. This is not a law that produced a one-time revenue jump and then went quiet; nearly a decade after enactment, it is still the active legal basis for enforcement action against major commercial entities, which is itself evidence the “middle altitude” fix (MDA and enterprise remittance discipline) has institutionalised rather than lapsed.

The same evidentiary discipline applies here. The two endpoint figures – ₦11.8 billion (2015) and ₦44.9 billion (2019) – are independently corroborated by the NBS ‘Internally Generated Revenue at State Level’ series, which the KADIRS executive chairman cited directly in public remarks (Daily Trust, May 2020, records the NBS-validated figures verbatim). The post-2019 trajectory (₦45 billion annual target, ₦20 billion monthly target) rests primarily on KADIRS’s own reporting through government-aligned outlets (TheCable, BusinessDay, Daily Post, Blueprint) and has not been independently reconciled against NBS’s state-level series line by line. What is independently corroborated by NBS’s own IGR-at-state-level series is the direction and rough order of magnitude of Kaduna’s improvement – Kaduna appears consistently among Nigeria’s top-performing non-oil states across the period in the NBS series – which is sufficient to support the qualitative claim made here (a single consolidating law produced a large, sustained revenue increase) without requiring the precise self-reported figures to be taken as verified fact.

What the case demonstrates

Kaduna demonstrates, with more confidence than any other single comparison here, that the specific mechanism Bauchi’s own two failed property-tax attempts have been missing – a single authority with cross-agency enforcement power, criminalised informal collection, and a defined (not discretionary) relief channel – is not a theoretical

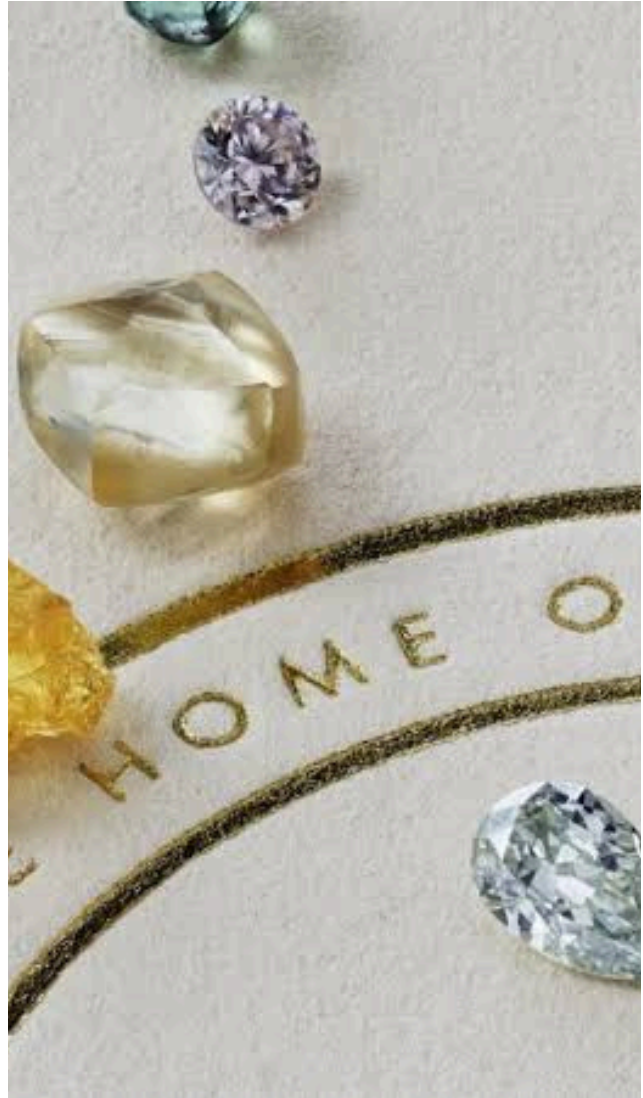
prescription but a design that has operated successfully under identical Nigerian federal law for close to a decade. It is the strongest available evidence, within the near-peer comparative pool, that Bauchi’s four structural loci of institutional constraint are addressable by statute rather than by waiting for a change in the state’s underlying political economy.

CHAPTER 08

Botswana + Debswana

Anatomy of a resource joint venture

08



What this case is, and what it is not

Botswana is a sovereign nation with its own currency, central bank, constitutional order, and sixty years of continuous multi-party parliamentary government since independence in 1966 – none of which Bauchi has or could have as a Nigerian state. Bauchi's mining sector will not and should not be expected to resemble Botswana's; the confounds are too large for the comparison to demonstrate anything about Bauchi specifically. What Botswana

illustrates – cleanly, and in a way no Nigerian state-level case can, because no Nigerian state has ever held direct equity in a resource joint venture at this scale or over this duration – is the mechanism Chapter 14 needs made concrete: how the sequencing and structure of a government's equity stake in a resource joint venture determines, over decades, how much of the resource's value the government actually captures.

The history, in full



Bechuanaland, the British protectorate that became Botswana at independence in 1966, was among the poorest territories on the African continent at independence, with almost no infrastructure and an economy centred on cattle. In 1967, a year after independence, De Beers discovered a kimberlite pipe at what became the Orapa mine – a discovery commemorated to this day on the reverse of the Botswana 20-pula banknote. On 23 June 1968, De Beers and the government of Botswana formed the De Beers Botswana Mining Company as a joint venture; it was renamed Debswana Diamond Company (Pty) Ltd in 1992.

The equity structure evolved in stages rather than being fixed at the outset, and the staging matters. At formation, the Botswana government held a 15 per cent stake, based on the government's legal right, as sovereign, to acquire equity in mineral development on discovery. Orapa was commissioned in 1971; a fourth mine discovery in 1972 gave the government the leverage to renegotiate its position, and by 1975 – with the commissioning of the Letlhakane mine – ownership of Debswana was formally equalised at 50–50 between the Government of Botswana and De Beers, a position that has persisted structurally to the present. The Jwaneng mine, commissioned in

1982 and by the late 1990s responsible for nearly 60 per cent of Debswana's revenue from only 40 per cent of its production, was licensed on a profit split of 75 per cent to the Government of Botswana and 25 per cent to De Beers – richer terms than the base equity split, reflecting the government's increased negotiating leverage as the scale of the resource became clear.

Governance, not just equity, is where the structure earns its reputation. Debswana's board has an equal number of shareholder representatives from each side, and – critically – board decisions require unanimity, which means neither party can be structurally outvoted on major decisions. Beyond the joint-venture level, the Government of Botswana separately holds two seats and a 15 per cent shareholding on the board of De Beers itself, the parent company – a stake that gives Gaborone visibility into, and some influence over, De Beers's global marketing and pricing decisions, not merely the extraction operation inside Botswana's borders. The IMF's own account of this arrangement credits it explicitly with reducing the risk of transfer pricing – the practice by which a resource company can under-declare the value of what it extracts by selling to a related entity at an artificially low price – because dealing through a single, well understood joint venture with government board representation makes that kind of manipulation far harder to conceal.



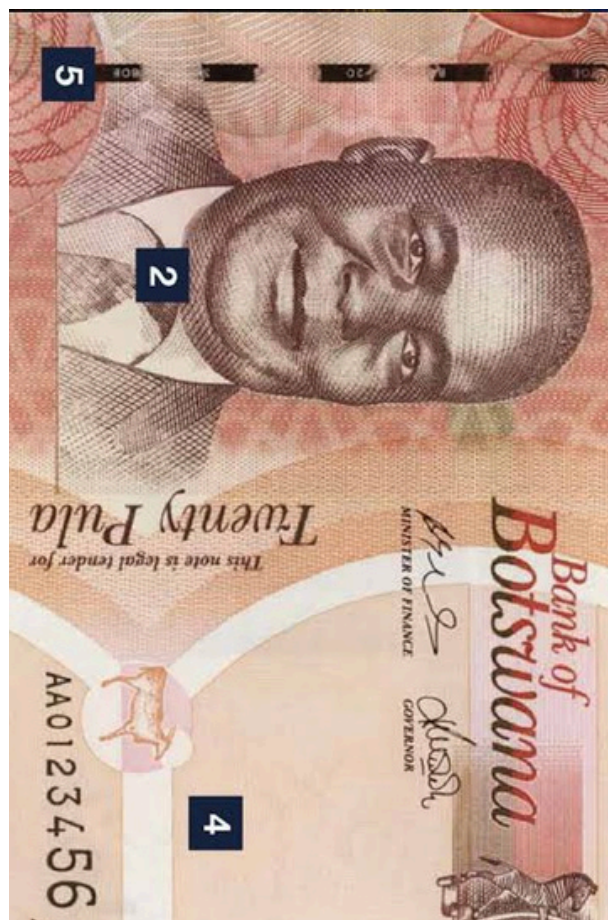
The complication a fair account must include

A critical realist standard applies here as much as anywhere in this analysis: retrodution requires checking the mechanism against the full actual record, not only the parts that flatter the case. The equity structure above, taken alone, implies Botswana captured half of Debswana's value from 1975 onward. The diamond allocation – the physical share of rough diamonds each party was entitled to receive and independently market – tells a more complicated story. Despite the 50–50 equity split agreed in 1975, Botswana's allocation of the diamonds Debswana produced remained capped at 25 per cent for fifty-six years, with De Beers retaining the right to market and sell the government's share alongside its own through De Beers's Diamond Trading Company – a single-channel marketing arrangement dating to the original 1969 agreement. Only in February 2025, as part of a renegotiated ten-year sales agreement (in talks since 2018, and with negotiations extending through 2023–2024 before being concluded under President Duma Boko), did Botswana's allocation rise from 25 to 50 per cent, alongside a mining-licence extension to 2054 (from a prior 2029 expiry) and a commitment from De Beers of an initial 1 billion pula (~\$75 million) into a new Diamonds for Development Fund, with further contributions

over ten years potentially totalling 10 billion pula (~\$750 million). This is a materially important correction to any simplified telling of the Botswana story, included here rather than smoothed over. Even the case most frequently cited as the gold standard of resource-governance sequencing took fifty-six years to fully equalise the government's practical share of output with its formal equity share – a reminder that “negotiate ownership before the mine matures” (the prescription in Chapter 14) describes a starting position, not a guarantee that the terms achieved at that starting position will be favourable in every dimension from day one. Botswana's government captured substantial value from 1975 onward regardless – the 50–50 equity, the unanimous-board-decision veto, the De Beers board seats, and the Jwaneng profit split all mattered independently of the marketing-allocation question – but the marketing channel itself remained a point of continued negotiation for over half a century, and Botswana's own commentary describes “deep chasms of discontent” beneath the outwardly stable partnership.

The Pula Fund

Alongside the equity structure, Botswana built a sovereign savings vehicle: the Pula Fund, created in 1994, co-owned by the Botswana government and the Bank of Botswana (the central bank) and managed with the central bank's technical independence – a design feature the IMF's own account credits as material to the fund's credibility. It held approximately \$4.1 billion in assets as of mid-2022. The Pula Fund is structurally analogous to what Chapter 14 explicitly declines to recommend as a near-term prescription for Bauchi (the North Dakota comparison, Chapter 09 below) – but it is worth noting as the natural long-run destination of a resource-revenue stream if Bauchi's mining sector ever reaches a scale where a savings vehicle, rather than current fiscal need, becomes the binding constraint. At Bauchi's current scale – a state derivation share of a national solid minerals sector generating roughly ₦70 billion across all 36 states in 2025 – that point is not remotely close.



What the case illustrates for Bauchi

Botswana illustrates three mechanisms, at the level of class rather than of magnitude, that Bauchi's own BMCC negotiation (Chapter 14) can be checked against: that equity percentage alone does not determine value capture – the marketing and offtake channel matters as much as the ownership split, and can lag it for decades; that governance structure (unanimous board decisions, crossdirectorships into the parent company) can extract information and influence advantages independent of the equity number; and that a government's

negotiating position strengthens as the scale of the resource becomes clearer, which argues for structuring initial agreements – including BMCC's – with explicit renegotiation triggers rather than locking in day-one terms for the life of the concession. None of this licenses a claim about what Bauchi's mining sector will look like in fifty years; it licenses a specific, narrow set of questions directed at the BMCC joint venture's actual terms, which remain unpublished (Chapter 14).



CHAPTER 09

Odisha

Anatomy of a governance failure

09

Why this case sits between “near-peer” and “distant”

Odisha is an Indian state, not a Nigerian one, and shares none of Nigeria’s federal transfer formula, currency, or tax architecture – it is, in comparative terms, a distant case. But it shares something Botswana does not: a constitutional structure in which the central government, not the state, holds primary legislative authority over mineral resources, with the state government participating through leases, royalties, and revenue-sharing arrangements it does not fully control – a structural parallel to Nigeria’s exclusive legislative list placing solid minerals under federal rather than state authority (Chapter 14). Odisha is therefore a stronger illustrative case than Botswana for the governance failure mode that matters most for Bauchi: not the absence of equity, but the capture of the leasing and royalty process itself by a small number of politically connected actors, inside a constitutional structure that limits how much the state government can independently correct.



The scale of the finding

Odisha holds a large share of India’s iron ore, bauxite, and chromite reserves – Deutsche Bank analysts estimated the state’s contribution at 45– 50 per cent of India’s iron-ore output during the period in question. In November 2010, the Government of India appointed the Justice M.B. Shah Commission of Inquiry to investigate illegal mining of iron and manganese ore across several mineral-rich states, with Odisha as one of its principal subjects. The Commission’s findings, tabled in India’s Parliament in 2013–2014, documented illegal extraction of iron and manganese ore valued at approximately ₹59,203– 60,000 crore (roughly \$8–9 billion at contemporaneous exchange rates) over the period examined – with the Commission recommending that this amount be recovered from the mining

companies involved and directed toward development in the most heavily affected districts, Keonjhar and Sundargarh. The Commission’s report named the mechanism, not merely the outcome, at the level of specificity a mechanism claim requires. Royalty rates were set too low and left unrevised for years past their scheduled review – Odisha’s government had proposed a 25 per cent royalty on the value of ore, a proposal the central government did not adopt, and a separate state proposal for a mineral resources rent tax was dismissed outright by the Centre, which under India’s constitutional structure holds the power to set royalty rates nationally regardless of state preference. The consequence, documented in the report’s own figures, was a direct transfer of value from the state

average profit per tonne of iron ore rose from ₹139.78 in 2001–02 to ₹3,237.64 by 2010–11 – a more than twenty-fold increase in per-tonne profit margin over a decade in which royalty rates barely moved. The report also documented a freight-fraud mechanism: mining companies exploited Indian Railways' differential freight scheme, which charged lower rates for ore declared as being for domestic use, by falsely declaring export-bound ore as domestic traffic to capture the lower rate before re-routing it for export – a scheme substantial enough that in 2011 alone the South Eastern Railway issued demand notices worth ₹1,874 crore to fourteen companies for freight-charge evasion. The Commission's report explicitly found that "most of the mining activity in the state between 2008 and 2011 was carried out with political patronage and defied laid-down rules," and named major national mining and steel



groups – including Tata Steel, the Steel Authority of India (SAIL), Jindal Steel and Power (JSPL), and the Aditya Birla Group – as having unlawfully extracted minerals during the period under review, while noting that most of these companies disputed the findings and argued that royalties already paid under decades-old leases (some dating to 1994) should not be revisited retroactively.

The failure has not stopped



What makes Odisha a genuinely useful illustrative case, rather than a historical curiosity, is that the mechanism the Shah Commission identified – value capture through manipulation of the measurement and declaration process, rather than through outright unlicensed extraction – has continued in a new form since. India's Comptroller and Auditor General reported in 2024 that Odisha had lost approximately ₹22,392 crore to a distinct but related practice: ore-grade manipulation, in which leaseholders under-declare the quality (iron content) of extracted ore to reduce their royalty liability, since royalty is assessed partly on declared grade. Reporting on the practice notes that where roughly 83 per cent of mined ore was of 62–65 per

cent iron content, declaring a lower grade by even 5 percentage points could yield an additional ₹1,000–6,000 profit per tonne, with the effect compounding at a 10-point misdeclaration. The mechanism has changed in its specific technical form – from unlicensed extraction and freight fraud in the 2008–2011 period to grade misdeclaration in the 2020s – but the underlying structure is identical: a state government with constitutionally limited authority over royalty-setting, and correspondingly limited leverage to close a loophole once industry has learned to exploit it, because the rate-setting power sits with a different level of government than the one bearing the revenue loss.



What the case illustrates for Bauchi

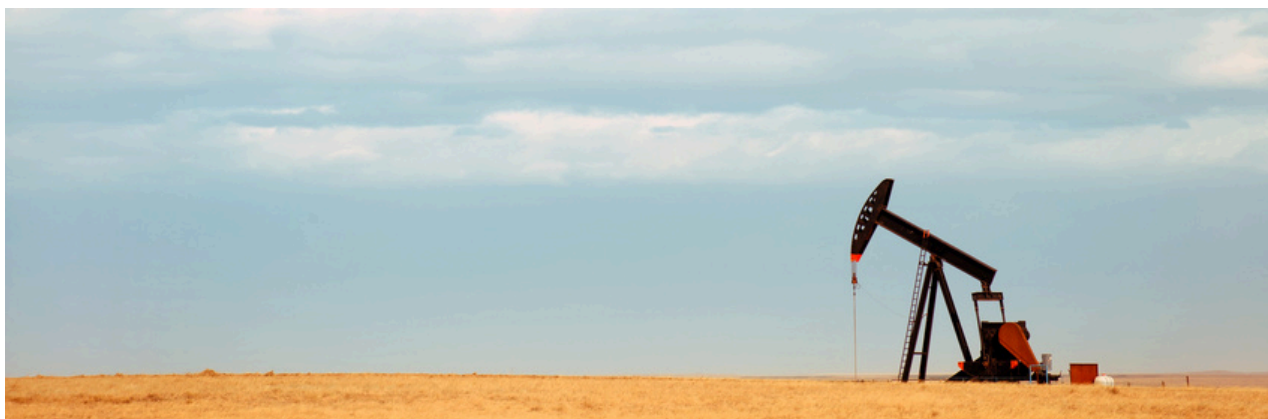
Odisha illustrates, with unusual clarity, the governance failure mode that matters most for a state government that participates in resource extraction through federal-constrained mechanisms rather than full ownership: the state can hold a large share of the physical resource and still be structurally unable to prevent value capture by well-resourced private actors, because the instruments that would close the gap – royalty rates, valuation methodology, audit capacity – sit partly or wholly outside the state's own control. For Bauchi, operating under Nigeria's exclusive legislative list for solid minerals (Chapter 14), the parallel is direct: derivation-linked revenue and joint-venture equity are the tools available to a state government in this constitutional position, and Odisha demonstrates what happens when the tools that remain unavailable – independent royalty-setting, unilateral audit and valuation authority – are the ones a sophisticated private counterparty is best positioned to exploit. The lesson is not that Bauchi's BMCC venture will fail in the way Odisha's leases did; it is that the specific vulnerability Odisha exposes – measurement and declaration capture, rather than headline royalty rates – is exactly the kind of technical detail an equity stake and a published contract can protect against, and its absence cannot.

CHAPTER 10

North Dakota

A category boundary, not a template

10



The Bakken shale boom transformed North Dakota from a low-population agricultural state into one of the fastest-growing oil producers in the United States within roughly a decade (2006–2015), and the state’s policy response – a constitutionally protected sovereign-wealth vehicle, the North Dakota Legacy Fund, established by voter referendum in 2010 and funded by a mandatory 30 per cent set-aside of oil and gas extraction and production tax revenue, with principal locked from withdrawal until 2017 and thereafter subject to a supermajority legislative vote – is frequently cited in Nigerian resource-governance commentary as a template. That model does not transfer to Bauchi, for reasons the constitutional and fiscal record makes concrete.

The Legacy Fund model presupposes a windfall of a specific scale and a specific ownership structure: a genuine, large, sustained resource-tax revenue stream, arising under a constitutional order (US federalism) in which the state, not the federal government, holds primary legal authority over mineral taxation within its own borders. Neither condition holds for Bauchi. Constitutionally, solid minerals sit on Nigeria’s exclusive legislative list – the federal government, not the state, holds primary authority over the sector, and Bauchi participates through joint-venture equity and derivation-linked allocations rather than direct mineral-tax ownership (Chapter 14 develops this in full).

And in scale, the entire federation-wide solid minerals revenue pool for all 36 Nigerian states combined was just over ₦70 billion in 2025 – a genuine improvement on the ₦16 billion recorded in 2023, but a total smaller than the annual IGR gap between Bauchi and a single better-performing peer state (Jigawa, Chapter 06). There is no windfall of Bakken scale arriving for Bauchi to discipline with a constitutional savings mechanism, and building policy architecture around a windfall that the underlying constitutional and market structure does not make available would be solving a problem Bauchi does not yet have, at the cost of attention to the problems – Chapters 06, VII, and XIII’s four altitudes – that it does have.

The correct use of the North Dakota case is therefore not as a template to adopt but as a category boundary: it marks the point at which a resource-revenue stream becomes large and stable enough that a windfall-discipline vehicle is the binding policy question, and it establishes, by contrast, that Bauchi’s mining sector is nowhere near that point. The Botswana and Odisha lessons – negotiate ownership, marketing rights, and audit access before the mine matures – remain applicable to Bauchi today; the North Dakota lesson becomes applicable only if and when Bauchi’s derivation-linked mining revenue reaches an order of magnitude closer to its own annual budget than to a rounding error within it.

THE VIEW FROM BAUCHI

The abstract theory becomes a fiscal, institutional and security diagnosis: a highly engaged labour force, weak own-source revenue, rising debt exposure, opaque mining terms and a reform sequence constrained by political economy.



CHAPTER 11

What the Numbers Say

Bauchi's assets and the conversion gap

11

THE CONVERSION GAP

92.3%

labour-force participation

73.9%

multidimensional poverty

High participation beside high poverty is the report's sharpest indicator that effort is not being converted into household income, formal value or public revenue at the rate the labour input would imply.

Bauchi possesses many of the foundational assets a transformation would require. It occupies roughly 49,119 km² – about 5.3 per cent of Nigeria's landmass and the fifth-largest state by area – and carries a population most recently estimated at around 8.3 million on projections linked to the National Population Commission, though the state government's own materials cite a lower figure of roughly 7.5 million. Because Nigeria has not conducted a full census since 2006, every figure above that year's count of 4.68 million is a projection rather than a count, and the range should be read with that caveat rather than resolved to a false precision. The state is positioned as a gateway to Nigeria's North-East, has extensive agricultural land producing millet, sorghum, maize, rice, cassava, cotton, and groundnuts, and holds a documented mineral endowment – gold, coal, iron ore, columbite, tantalite, limestone, kaolin, gypsum, and marble among them – across most of its twenty local government areas, with more than seventeen active mining titles issued and agreements with partners from roughly five countries. These are the assets. On the value-capture ladder of Chapter 02, note what kind of assets they are: they are, almost without exception, extraction-rung and low-production-rung assets. That is not a reason to dismiss them, but it is the frame within which their potential must be read – potential that, absent the institutional capability to capture it, remains what Zahra and George would call unrealised.

The state's own output data confirm the gap: on the most recent broadly cited estimate, Bauchi's GDP of roughly ₦2.63 trillion (about US\$6.5 billion) ranks 22nd of Nigeria's 36 states, and its GDP per capita of approximately US\$840 ranks 29th – below the national average of approximately US\$1,200 and below peers such as Kaduna (US\$1,112, rank 11th) and Kano (US\$674, rank 13th), though above Jigawa (approximately US\$483), a comparison that matters for the fiscal argument that follows.

The sharpest single illustration of the gap is not fiscal at all. According to the National Bureau of Statistics' 2023 Labour Force Survey, Bauchi recorded a labour-force participation rate of 92.3 per cent – the highest of any state in Nigeria, against a national average of 76.3 per cent. On the NBS/UNDP framework, Bauchi's multidimensional poverty rate stood at 73.9 per cent in the 2022 Multidimensional Poverty Index. Set the two side by side: Bauchi has, on paper, close to the most fully engaged working-age population in the country and one of the highest poverty rates in the country, simultaneously. That is not a labour-supply problem. It is a fuel-and-tank problem – an economy running near-maximum human effort through an engine that converts almost none of it into household income, formal revenue, or measurable output. In the vocabulary of Chapter 02, it is an economy trapped in diminishing-returns activity: effort rises, and it does not compound. Every other figure below is downstream of that one.

CHAPTER 12

The Fiscal Baseline

12

The peer that proves the gap is administrative

FISCAL SNAPSHOT

₦32.43bn 2024 IGR actual	₦44.2bn 2024 debt-service line	₦63.55bn 2026 independent revenue target	₦877.05bn 2026 approved budget incl. opening balance
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The 2026 revenue target is a budget assumption, not an achieved outturn. The editorial report separates targets, stocks, flows and signed facilities throughout.

Bauchi’s fiscal vulnerability demonstrates the institutional-underperformance thesis with unusual clarity. State-level internally generated revenue (IGR) totalled approximately ₦32.4 billion in 2024, while domestic debt stood at roughly ₦144 billion at the end of that year – rising to about ₦158 billion by September 2025, a 9.9 per cent increase in nine months that left Bauchi the fifth most indebted state in Nigeria on the domestic side alone – a domestic debt stock that, divided across the state’s population of approximately 8.3 million, translates to roughly ₦17,300 per person, equivalent to more than four years of the per-capita IGR the state collects. On top of a domestic debt position sits an external debt position of approximately US\$186 million at end-2024 (the figure whose currency exposure Chapter 05 examines in full) – a position that rose to an anticipated approximately US\$277 million following the US\$91.63 million EBID facility signed in July 2026. Debt servicing consumed ₦44.2 billion in 2024 – confirmed in Bauchi State’s own Q4 2024 Budget Performance Report and subsequently reported by Sahara Reporters (April 2025) – a figure that by itself exceeded the state’s entire annual IGR by roughly a third. Bauchi’s own revenue base could not have covered its 2024 debt-service bill without federal transfers. On 29 July 2026, the state signed a further financing agreement with the ECOWAS Bank for Investment and Development (EBID): US\$91.63 million for the Bauchi State Transport Infrastructure Financing Programme,

covering the construction and rehabilitation of 24 strategic roads and bridge projects. The facility was secured after 18 months of negotiations and is backed by a Federal Government guarantee – meaning Abuja is effectively standing behind Bauchi’s repayment, underscoring the dependency the report’s fiscal argument identifies. When drawn, the facility raises Bauchi’s external debt from approximately US\$186 million to approximately US\$277 million, a 49 per cent increase in a single transaction. The investment is directed at transport infrastructure for agricultural connectivity – improving logistics for existing low-production-rung activity rather than building capacity at higher rungs of the value-capture ladder. Roads connecting farmers to markets are genuine capital formation; they do not, by themselves, move the state’s productive base toward the higher-complexity activities that would generate the durable, self-reinforcing IGR growth the absorptive-capacity argument describes. The critical open question is whether improved connectivity translates into measurably expanded taxable activity or primarily serves FAAC-transfer-funded recurrent spending: that is an empirical question the state’s own monitoring will need to answer. What the deal confirms immediately is that Bauchi’s dollar-denominated external exposure – in a currency it cannot issue, under a guarantee architecture it does not control – has grown substantially, making the dollar-mechanism argument of Chapter 05 more pressing, not less.

The dependency cycle follows directly: low IGR leads to high dependence on federal transfers, which yields limited fiscal autonomy, which permits only reduced development investment, which produces weak private-sector growth, which keeps the tax base narrow, which sustains low IGR. This is the rentier dynamic of Chapter 03, reproduced at the subnational scale: a government funded from the centre rather than by its own residents, and therefore under muted pressure to build the machinery that would tax them.

Chapter 06 set out Jigawa in full – its institutional architecture, its 2025–2026 reform wave, and the explicit source-tier discrepancy between its self-reported and NBS-derived IGR figures. Using the more conservative, NBS-derived figure, Jigawa generated ₦59.46 billion in IGR in 2024, nearly double Bauchi's ₦32.43 billion, despite a starting position that is by most measures harder than Bauchi's: more rural, less diverse mineral base, and no significant advantage in any structural variable this comparison does not already hold constant. Expressed in per-capita terms, the contrast sharpens further. Bauchi's ₦32.43 billion in IGR across a population of approximately 8.3 million yields roughly ₦3,904 per person per year in ownsource revenue – less than the cost of a single local bus fare, collected by the state from each of its residents over an entire year. Against Bauchi's estimated GDP of ₦2.63 trillion, that represents an IGR-to-GDP ratio of approximately 1.2 per cent. Functioning subnational fiscal systems typically collect between 3 and 8 per cent of state GDP in own-source revenue; Jigawa, starting from a lower GDP base of approximately ₦1.8 trillion, achieves a ratio closer to 3.3 per cent. The gap is not between a rich state and a poor one. It is between a state that has built the institutions to capture a reasonable share of its own economic output and one that has not. If mineral endowment or agrarian structure explained Bauchi's fiscal weakness, Bauchi should out-earn Jigawa comfortably. It does not. A USAID-commissioned on-site assessment of BIRS's operational environment, conducted in 2023 under the State Accountability, Transparency and Effectiveness (State2State)

Activity, confirms this diagnosis from the inside. The assessment found that Bauchi's revenue service already possesses the basic ICT infrastructure for substantially higher collection: a functioning Integrated Tax Administration System (ITAS) covering registration, filing, assessment, and payment; 280 computers across 299 staff (94 per cent penetration); automated payment gateways (Remita, eTransact, Pay Direct); and a working vehicle-registration system linked to taxpayer identification. The binding constraints identified were not hardware or institutional capability but integration, adoption, and the governance changes required to move from a mixed manual-automated process to fully electronic operations. Officers in the Ministry of Lands and Housing who participated in the assessment put potential property tax revenue at up to ₦20 billion annually – a figure that independently corroborates the tenement-rate reform argument in Chapter 13. The assessment's evidence, from inside the institution, independently validates what the comparative fiscal data show from the outside: the capacity for reform exists; the question is whether the political economy will deploy it.

One qualification belongs here. The Jigawa contrast holds the national variables constant, but it does not perfectly hold security exposure constant – Chapter 15 documents a real and specific insecurity problem in Bauchi's forest LGAs that Jigawa does not face to the same degree. If insecurity is itself an absorptive-capacity drain – and the argument here is precisely that it is – then some fraction of the Bauchi-Jigawa IGR gap could reflect a worse security environment rather than purely worse revenue administration. Two considerations bound how large that fraction can plausibly be. First, Bauchi's insecurity is concentrated in specific rural LGAs (Ningi, Toro, Alkaleri) that are not the state's revenue centres; the bulk of IGR potential sits in Bauchi metropolis and the commercial corridors, which are not the flashpoints. Second, and more decisively, the two pieces of evidence that follow – the local-government revenue anomaly and the twice-failed property tax (a revenue stream the Ministry of Lands and Housing assessed at up to ₦20 billion annually, per the 2023 USAID/ State2State ICT assessment) – point at

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Second, and more decisively, the two pieces of evidence that follow – the local-government revenue anomaly and the twice-failed property tax (a revenue stream the Ministry of Lands and Housing assessed at up to ₦20 billion annually, per the 2023 USAID/ State2State ICT assessment) – point at administration and political will directly, from inside Bauchi’s own numbers, where no security variable is doing the explanatory work. The gap, then, is predominantly administrative rather than purely structural; security is a real but secondary factor, and the qualification sharpens rather than weakens the central finding. Two interior data points sharpen the diagnosis. First, Bauchi’s twenty Local Government Revenue Committees reportedly generated a combined ₦7.5 billion in 2024 – reportedly the highest localgovernment-level IGR total of any state that year, on figures sourced to state government reporting that await independent reconciliation against the NBS LGA revenue series. That figure sits oddly beside the state tier’s comparatively weak ₦32.4 billion. Bauchi’s local governments appear to be generating a comparatively strong share of internally generated revenue relative to the state-level revenue system, which means the capacity constraint is not evenly distributed across the fiscal architecture but concentrated at a specific institutional level – a far more tractable problem than a state-wide capacity deficit would be, and one that no security explanation touches. Second, Bauchi recorded the highest IGR growth rate of any North-East state between 2020 and 2024 – 148.7 per cent, against a regional low of 62.7 per cent in Yobe. This is genuine progress and should be stated plainly rather than buried under the debt numbers. It is also not sufficient: 148.7 per cent growth on a roughly ₦13 billion base still lands well behind Jigawa’s absolute total, which is to say Bauchi has been closing the gap from underneath rather than catching up to it – growth rate and adequacy are different questions.

The federal-level evidence points the same way. The World Bank’s December 2025 assessment of its State Fiscal Transparency, Accountability and Sustainability (SFTAS) programme – which ran from 2018 to 2022 and lifted the average share of IGR in state revenue nationally from 19.6 to 29.2 per cent – found that the states best positioned to respond to fiscal-transparency reform were precisely the low-IGR, non-oil-cushioned states with the least room to coast on federal allocations. That is Bauchi’s exact profile. The finding is, in effect, a prediction that Bauchi is structurally well-placed to benefit disproportionately from exactly this reform – not despite its weak starting position but because of it.

Chapter 07 set out Kaduna in full – the specific statutory provisions of its 2016 and 2020 tax laws, and their continued enforcement use as recently as 2024. The headline result bears repeating in this context: Kaduna’s monthly IGR stood at less than ₦1 billion in 2015, closely resembling Bauchi’s fiscal position today; a single consolidating law took its annual IGR from ₦11.8 billion in 2015 to ₦44.9 billion by 2019.

Bauchi’s 2026 budget cycle is a live test of whether these lessons have been absorbed. When Governor Bala Mohammed presented a ₦878.2 billion budget in November 2025, the Speaker’s own remarks – cited in the Assembly’s passage of the reduced ₦877 billion appropriation – flagged concern over the realism of the IGR projections underpinning it, specifically citing anticipated disruption from the federal government’s 2025 tax reform. A legislature publicly doubting its own executive’s revenue assumptions is not a crisis; it is exactly the institutional friction a functioning fiscal system should produce, and its presence is a modestly encouraging sign that Bauchi’s oversight architecture is not simply rubber-stamping optimistic numbers. It is also, as Chapter 17 argues, a clue about who might actually force reform.

CHAPTER 13

Four Structural Loci of Institutional Constraint

13

Why the fiscal gap is not yet bridged

POLITICAL - ECONOMY MAP

Four structural loci of institutional constraint

ALTITUDE	BENEFICIARY	MECHANISM
Top	Property-owning elites, disproportionately holding political influence	Blocking enactment or enforcement of tenement rating so no cadastre is created
Middle	MDAs (ministries, departments, agencies)	Collecting revenue on the state's behalf and delaying remittance, using the float as informal working capital
Lower-middle	Patronage networks (transport unions, market associations)	Collecting levies directly at motor parks and markets, remitting only a negotiated fraction
Bottom	Administrative discretion within the revenue system	"Best of Judgement" discretionary assessment, where incomplete records can create risks of inconsistent assessment or informal negotiation

Institutional reform is not merely a technical challenge; it is a political-economy challenge. To say that fragmented systems persist because they benefit actors who operate amid limited transparency is true but not, on its own, useful – it names the disease without saying where in the body it lives. There are at least four distinct altitudes at which resistance to fiscal consolidation operates in a state like Bauchi, each with a different beneficiary and a different fix. This is the local, granular instance of the general truth established in Chapter 04: climbing requires the state to act against its own coalition. Each altitude below is stated with an actor, a channel, and a documented instance – the three elements that distinguish a mechanism claim from an assertion.

At the top: elites and property tax. Tenement rating – the property tax that in almost every functioning subnational fiscal system anchors local revenue – has, per an academic assessment of Bauchi's own Board of Internal Revenue, at no point in the state's history been successfully administered. A proposal was drafted in the late 1980s; another attempt was made in 2011. Both were abandoned, and the study attributes the failure explicitly to a lack of political will rather than to inadequate records or technical incapacity – the latter present, but secondary.

Property-owning elites, disproportionately likely to hold political influence in the same jurisdictions where their properties would be assessed, have every reason to prefer that no formal cadastre exists. This is the closest thing to a documented, named-mechanism failure in Bauchi's fiscal history, and it belongs at the centre of any serious reform proposal rather than in a footnote. In the middle: MDAs and float. Ministries, departments, and agencies routinely collect revenue on the state's behalf and delay remittance to the treasury, using the interim float as informal working capital – and Bauchi's own reform documents implicitly acknowledge this by making "blocking leakages" and consolidating collection under a single authority the centrepiece of every reform pitch.

A Treasury Single Account closes this gap on paper; it closes it in practice only if every collecting agency is actually forced onto it – which is precisely what Kaduna's 2016 law achieved by statute (Chapter 07), and precisely the enforcement question Bauchi's political leadership must be willing to answer, since the agencies in question report to that same leadership. Below that: patronage networks and informal levies. Motor parks, markets, and similar high-cashturnover sites are frequently controlled by quasi official associations – transport unions, market associations – that collect levies directly

from operators and remit only a negotiated fraction to the treasury, retaining the remainder as the material basis of a patronage economy that supplies political-mobilisation capacity at election time. Formalising this revenue means dismantling an income stream that funds a parallel political structure – not simply installing a point-of-sale terminal. Both Jigawa’s 2026 Harmonised Taxes and Levies law and Kaduna’s 2016 statute target this exact mechanism by name, prohibiting roadblock and informal-cash-collection practices through statutory enforcement that sustain it (Chapters 06, VII) – which means the fix at this altitude is, again, not novel but proven under identical federal law.

At the bottom: revenue officers and discretion. In the absence of complete taxpayer records – which Bauchi, like most Nigerian states, still lacks at scale – tax officers fall back on “Best of Judgement” (BOJ) assessment: an estimate made where verifiable income data do not exist. BOJ is a legitimate and necessary tool where records genuinely do not exist. It is also, in practice, a source of negotiating leverage for the assessing officer, who can set an estimate high and discount it for a side payment, or set it low for a taxpayer willing to pay informally for the favour. A tax payer identification system closes exactly this discretion, digitisation may also encounter internal resistance where it reduces administrative discretion, rather than from taxpayers. Jigawa’s 2026 digital platform for informal-sector collection (Chapter 06) is a live, contemporaneous example of a near-peer state attacking precisely this altitude. These four altitudes explain why the “fiscal intelligence system” prescription, though correct, is insufficient on its own.

A GIS-based property register does nothing if the elites it would tax have already ensured, twice, that the underlying law is never enforced; a Treasury Single Account does nothing if the agencies feeding it are not compelled onto it; a digital levy-collection app does nothing if established intermediary arrangements are not incorporated into the transition plan; and a taxpayer-ID system does nothing if implementation does not address the institutional incentives associated with existing discretion.

Kaduna’s 2016 law worked, where two Bauchi property-tax attempts failed, precisely because it attacked the mechanism at all four altitudes simultaneously – single collecting authority, criminalised cash collection, eliminated multi-agency roadblocks – rather than only introducing new technology at the top.

Where to start – because political capital is finite. Political capital is finite, and the four altitudes cannot all be attacked at once. Sequencing matters, and it is not obvious. The instinct is to start at the top, with property tax, because it is the largest structural prize and the clearest test of political will. But it is also the hardest – twice failed, elite-blocked, and slow to yield revenue even when it works – which makes it the worst possible first move: a reform that spends maximum political capital for delayed, contested returns and, if it fails a third time, discredits the whole agenda. A more defensible sequence starts where the ratio of yield to resistance is highest and builds the credibility and the data that harder fights require:

First, the plumbing that creates no new losers and generates the data everything else needs: consolidate collection under a single revenue authority and enforce the Treasury Single Account on MDAs, following the KADIRS statutory template of Chapter 07 almost verbatim. This attacks the “middle altitude,” where the beneficiaries are agencies rather than politically mobilised constituencies, and it produces the remittance and transaction records that later reforms depend on.

Second, formalise the high-cash informal levies (motor parks, markets), following the Jigawa and Kaduna roadblock criminalisation model – but paired with a visible reinvestment of the proceeds into the same sites (drainage, security, sanitation), so the reform buys a constituency rather than only making enemies of the patronage networks it displaces.

Third, and only once the revenue authority has demonstrated competence and built the cadastre quietly in the background, attempt tenement rating – now backed by a track record, a data base, and a coalition of citizens who have seen collection translate into service. Property tax should be the culmination of the reform sequence, not its opening bid.

This sequence should be calibrated against Bauchi’s specific political map, but it converts the four-altitudes diagnosis from a static description of resistance into an ordered plan of attack, drawing on two working templates – Kaduna’s and Jigawa’s – operating under the exact same federal constraints Bauchi faces.

CHAPTER 14

Governance + Resources14

What the state is negotiating right now

QUESTIONS THE BMCC AGREEMENT MUST ANSWER

Equity split	Board rights	Offtake rights
Pricing / valuation	Audit access	Transfer pricing safeguards
Local content	Renegotiation triggers	Resource governance

The report identifies the unpublished BMCC shareholding and commercial terms as the single highest-value research gap.

The same principle applies to natural resources: mineral wealth does not become a development asset simply because it exists, and the terms on which extraction is negotiated matter more than the fact of the endowment. This is the Gereffi point from Chapter 02 made concrete – whether Bauchi sits in a buyer-driven chain that dictates terms to it or captures a genuine share depends on the contract, not the geology. Here Bauchi has a live case rather than a hypothetical. In late 2025, the state government and China’s Shandong Minsheng Group launched BMCC Nigeria Limited, a joint venture co-owned by the state and the Chinese investor, to develop tin and columbite deposits in Dass Local Government Area, with Shandong Minsheng committing \$50 million – part of a wider set of mining agreements with partners from roughly five countries.

Chapters 08 and IX set out, in full, the two cases against which this arrangement should be checked: Botswana’s Debswana partnership, and Odisha’s mining-lease and royalty regime. The two illustrate opposite outcomes from structurally similar starting

points – a subnational or national government holding a stake or a constitutionally limited claim on a resource jointly developed with an external, technically and financially sophisticated partner. Botswana’s sequencing (equity secured early, board veto rights, cross-directorship into the parent company) captured substantial value across five decades, even though its practical diamond marketing allocation lagged its formal equity share for fifty-six of those years – a caution against assuming any single agreement, however favourable on paper, is self-executing without continued vigilance over the channels (marketing, valuation, audit) that operate alongside the headline equity number. Odisha’s experience shows the opposite failure mode with unusual precision: a state government with a large physical resource endowment and only partial constitutional authority over the instruments – royalty rates, grade valuation, audit capacity – that determine how much value it actually captures, resulting in a documented, named-actor pattern of underpayment that has evolved in technical form (from unlicensed extraction and freight fraud in 2008–2011 to ore-grade manipulation by 2024) precisely because the underlying constitutional asymmetry was never corrected.

2008–2011 to ore-grade manipulation by 2024) precisely because the underlying constitutional asymmetry was never corrected.

The single most consequential fact for Bauchi's future is not yet public: the actual equity, offtake, and revenue-sharing terms of the BMCC joint venture. The entire Botswana-versus-Odisha question turns on it. That absence is itself the finding, not a gap to be papered over with a rhetorical question. If the terms are favourable and transparent, BMCC is a template; if they are not, it is a warning; and if they cannot be found at all – if neither the equity split nor the beneficiaries of Bauchi's seventeen-plus other active titles are published anywhere a citizen could check – then the opacity is itself the story, and the highest-value outstanding research task is concrete: obtain, through the state's own disclosure or a freedom-of-information request, the BMCC shareholding agreement and the register of mining-title holders, and publish an independent assessment of the terms against the Debswana and Odisha benchmarks specifically – checking not only the headline equity percentage (the Botswana lesson) but the marketing, valuation, and audit channels through which value can leak independent of that percentage (the Odisha lesson). Absorptive capacity, in the contract-negotiation sense defined in Chapter 04, is measured precisely here – and it cannot be assessed, let alone improved, while the numbers remain unseen.

One caution matters here. It would be a mistake to frame Bauchi's mining position the way North Dakota's Bakken-era policymakers framed theirs – building a constitutionally protected savings mechanism, of the kind North Dakota's Legacy Fund represents (examined in full in Chapter 10), to discipline an incoming resource windfall before it arrives. There is no windfall coming to discipline. Solid minerals sit on Nigeria's exclusive legislative list, meaning the federal government, not the state, holds primary constitutional authority over the sector; states participate through joint-venture structures and derivation-linked allocations rather than direct ownership – structurally the same constitutional asymmetry Odisha operates under, which is precisely why Odisha, not North Dakota, is the more relevant caution. And the scale is modest: total federation revenue from Nigeria's entire solid minerals sector across all 36 states was just over ₦70 billion in 2025 – up sharply from ₦16 billion in 2023, a genuine federal-level reform success, but a number smaller than the annual IGR gap between Bauchi and a single better-performing peer. Whatever Bauchi's eventual derivation-linked share of that national total turns out to be, it will not be a fiscal transformation on its own. The Botswana and Odisha lessons still apply – negotiate ownership, marketing rights, and audit access before the mine matures, not after – but the mechanism to import is contractual discipline in specific joint ventures like BMCC, not a sovereign-wealth vehicle for a windfall the constitutional and market structure of Nigerian mining does not make available to any single state.



CHAPTER 15

Security as a Capacity Test

15

Not a backdrop

FROM TERRITORIAL PRESENCE TO SPECIALIST MINE-SITE ENFORCEMENT

Territory

Local intelligence, forest access, community trust

Specialisation

Mining law, title verification, ore and logistics knowledge

Oversight

Independent complaints, discipline, financing and command rules

The report uses Amotekun as a Nigerian near-peer for funding and governance lessons, while South African and Indian cases illustrate specialist mining-security functions.

Economic opportunity without security capacity can become a vulnerability, and this is not abstract for Bauchi in mid-2026. The state has three documented banditry flashpoints – the Burra-Lame forest area of Ningi LGA, the mountainous terrain of Toro LGA, and areas in and around Alkaleri LGA near Yankari – and in each the pattern reported by local and national press is the same: displacement of armed groups from military operations further west. Ningi’s own local-government chairman raised the alarm in 2021 over roughly 5,000 displaced bandits from Zamfara settling in the Lame/Burra Game Reserve; a July 2026 SBM Intelligence security assessment explicitly attributes continuing risk in Dass, Alkaleri, and Ningi to military operations in Zamfara, Kaduna, and Katsina pushing armed groups into Bauchi’s border territory; and Governor Bala Mohammed himself, responding to attacks in Alkaleri’s Dajin Madam forest in early 2026, described the areas as “ungoverned spaces” and said bandits fleeing North-West operations had regrouped there, recruiting locally, including

individuals previously involved in illegal mining. The emergence of insecurity around resources does not require a centralised external conspiracy: displacement from neighbouring states’ counter-banditry operations, combined with under-governed forest terrain and the same illegal-mining economy discussed above as an opportunity, is a sufficient and sufficiently documented mechanism on its own.

The framing matters. Security here is not a backdrop to the fiscal argument; it is another facet of the same absorptive-capacity variable. A state that cannot hold territory cannot tax it, cannot govern the mining economy within it, and cannot convert the assets inside it into anything but a prize for whoever is armed. This is why insecurity qualifies the Jigawa comparison (Chapter 12) and why it cannot simply be added to the fiscal analysis as a separate problem: it is the security-provision facet of the capacity bundle defined in Chapter 04, and it fails for the same governance reasons the fiscal facets do.

What the 2026 State Police bill actually does

september 2026 Update

The constitutional process moved after this section was written.

The House's June version was later rescinded in favour of the President's executive proposal; the House passed the executive State Police bill on 23 July 2026.

Subsequent Presidency updates state that the constitutional amendment still requires the state-assembly stage before it can take effect, while a separate National Policing Bill is being developed to set recruitment, training, oversight, funding and readiness standards. Read the paragraphs below as the report's July snapshot, followed by this later legislative update.

The instrument that converts this from an abstract option into a concrete one is the Constitution of the Federal Republic of Nigeria (Alteration)(State Police) Bill, 2026 – a 26-clause executive bill, transmitted by President Bola Tinubu, that passed the House of Representatives on 11 June 2026 (289 votes to 4) and the Senate on 24 June 2026 (84 of 109 senators), and now requires ratification by two-thirds of Nigeria's 36 state assemblies plus presidential assent before taking effect. The bill alters Sections 214, 215, and 216 of the 1999 Constitution to end the six-decade constitutional monopoly of the single Nigeria Police Force, replacing it with two constitutionally recognised structures: a Federal Police Service and, in each state that establishes one, a State Police Service.

The mechanics matter more than the headline, because they determine whether a Bauchi State Police Service would be a genuine security asset or a new patronage instrument – precisely the distinction running throughout this analysis between institutions that build absorptive capacity and those that simply relocate rent-seeking to a new address.

Command and appointment. Clause 17 provides that the State Police Service is headed by a Commissioner of Police appointed by the state governor, on the recommendation of the restructured National Police Council, subject to confirmation by the State House of Assembly, and subject to national minimum qualifications set by an Act of the National Assembly. Section

17(10), as reported through the Senate's passage, protects the Commissioner from arbitrary removal – a direct check on the most obvious abuse risk, a governor firing a Commissioner who refuses an improper directive.

A dedicated oversight body. Section 22 establishes a State Police Service Commission in each state, headed by a chairman, empowered to recommend candidates for Commissioner to the National Police Council, to appoint, promote, transfer, and discipline all officers below the rank of Commissioner, and to perform ongoing oversight, complaints-handling, and accountability functions. This is the body that would sit, in Bauchi's case, between the Governor's political authority and the day-to-day operational conduct of any officers assigned to protect a mining site or patrol the Burra-Lame forest.

Explicit prohibitions on abuse. The bill as passed forbids governors from directing state police to target specific individuals, political parties, associations, or groups, and separately forbids the use of police powers for partisan or electoral intimidation – provisions written directly against the most commonly cited fear of state policing in Nigeria, that a State Police Service becomes a governor's private enforcement arm rather than a public-safety institution.

Federal intervention as a backstop. Under Section 15(10)(a), the Federal Police Service may intervene where there is an actual or imminent breakdown of

public order that a State Police Service is unable or unwilling to contain, alongside other enumerated triggers reported through debate (serious humanrights abuses, partisan intimidation, threats to national security, or administrative and financial collapse of the state service, or at the Governor's own request). Section 17(8) allows unlawful directives to be reviewed while preserving the ordinary jurisdiction of the courts. Procedurally, any federal intervention must be authorised in writing by the President, must specify its grounds, geographic area, functions, and duration, must be notified within 48 hours to the Governor, the State Assembly Speaker, the National Police Council, and the National Assembly, and – if extended beyond the statutory period – requires Senate approval and remains subject to judicial review. The gap a careful reading exposes. Commentary following the bill's passage – most pointedly an analysis published through PRNigeria and PM News in late June 2026 – has flagged that the State Police Service Commission's composition is left largely to future legislation rather than fixed in the

constitutional text itself: the Executive Bill specifies only “a chairman and such number of other persons as may be prescribed by an Act of the National Assembly,” in contrast to an earlier House proposal that would have written in specific seats for the Nigerian Bar Association, the Nigeria Union of Journalists, organised labour, and traditional rulers.

This is not a small drafting detail. It is the single variable that will determine whether Bauchi's own State Police Service Commission is a genuinely independent check or a body the Governor can staff entirely with allies – and it is a variable Bauchi's own State House of Assembly, not the National Assembly, will substantially control once implementing legislation reaches Bauchi's own statute book. Given this report's own finding (Chapter 06) that Bauchi's Assembly has already shown a capacity for independent scrutiny – publicly questioning the executive's 2026 IGR projections – the Commission's composition is a concrete, trackable test of whether that same institutional muscle extends to security oversight.

The near-peer precedent already running: Amotekun

Nigeria does not need to imagine what a stateadjacent security force looks like in practice, because one has been operating for six years. In January 2020, the six South-West states – Lagos, Ogun, Oyo, Ondo, Osun, and Ekiti – jointly launched the Western Nigeria Security Network, codenamed Amotekun (“leopard” in Yoruba), coordinated centrally through the DAWN Commission in Ibadan but funded and commanded separately by each state, with each state's Commissioner of (federal) Police formally overseeing the outfit to keep it inside the existing constitutional settlement, since, at launch, dedicated state police did not yet exist. Amotekun is the clearest available near-peer illustration of the mine-site security mechanism proposed below, because it shares Nigeria's federal constitutional constraints, its naira-denominated state budgets, and its patronage-prone political economy – the same near-peer discipline applied to Jigawa and Kaduna (Chapters 06, VII) holds here too, and the lessons transfer with unusual directness.

The results are genuinely mixed, and the mixture is instructive rather than damning. On the credit side: the United Nations marked 7 July as World Amotekun Day in recognition of the network's contribution to regional security, and independent reporting through 2026 describes “robust” intelligence-sharing and joint operations with the police, the military, and the Department of State Services, with community members continuing to supply the outfit with local intelligence – precisely the terrain-knowledge and language advantage a federal police force recruiting nationally cannot easily replicate, and precisely the deficit Governor Bala Mohammed's own “ungoverned spaces” language points to in Bauchi's forest LGAs. On the debit side, the funding record is the more important lesson for this report's purposes, because it is a fiscal failure mode, not a security one, and it maps directly onto the four structural loci of institutional constraint already documented in Bauchi's own revenue system (Chapter 13).

Amotekun branch through its own discretionary state security trust fund rather than through a fixed statutory levy, and the resulting funding has been wildly uneven and, in most states, inadequate: Ekiti budgeted ₦1.45 billion for its trust fund in 2021, rising to ₦2.8 billion by 2024, while Osun's Amotekun operation had, as of a 2022 quarterly review, no dedicated budget line at all, with total documented spending on uniforms, kits, motorcycles, and technical support running to a few hundred thousand naira for the entire quarter. An investigative analysis published in 2026 found that five of the six participating states lacked the fiscal discipline to fund the outfit at a level consistent with their own public commitments. The consequence, reported consistently by security analysts and Amotekun's own personnel through 2026, is an operational force asked to confront "heavily armed criminal elements" while explicitly denied access to sophisticated weaponry comparable to that issued to the federal police, Civil Defence, or military – a mismatch between mandate and means that a funding structure resting on annual discretionary appropriation, rather than a fixed statutory formula, makes almost inevitable in exactly the years a state's budget is under the debt-service strain this report documents for Bauchi (Chapter 12).

The transferable lesson is precise, and it is a fiscal lesson before it is a security one: a state security institution funded through a discretionary trust fund, subject to the same annual appropriation politics as everything else in the four-altitudes analysis, will be systematically underfunded relative to its mandate – not because the mandate is wrong, but because underfunding a security trust fund carries none of the immediate, visible political cost that underfunding, say, civil-servant salaries does. If Bauchi's own State Police Service is funded the way most Amotekun branches have been funded, the same failure mode should be expected by default. The corrective, discussed below, is to attach any mining-site security function specifically to a fixed, statutory revenue line rather than to the general discretionary security budget – precisely the "plumbing before enforcement" sequencing logic that governs Bauchi's tax reforms as well (Chapter 13).



Securing the mining sites specifically: two working models

Amotekun addresses general territorial security; it says nothing specific about protecting mineral sites, mining-company personnel, and the BMCC joint venture and Bauchi's seventeen-plus other active titles from the illegal-mining economy Governor Bala Mohammed has already linked to the same armed groups displaced into Bauchi's forests. Two international models, neither of them a Nigerian state, are illustrative here in the same sense Botswana and Odisha are illustrative for the fiscal argument (Chapter 08, IX) – they demonstrate nothing about Bauchi specifically, but they show what a specialised mineral-site security function looks like once a jurisdiction decides general policing is not enough.

South Africa's SAPS–Department of Mineral Resources joint unit. Facing an illegal-mining crisis the Minerals Council South Africa estimated at costing the industry roughly R49 billion in a single year (2019), and losses of some seven tonnes of gold annually to unlicensed extraction, South Africa's mining and police ministries announced in 2022 the creation of a "multi-disciplinary unit" jointly staffed between the South African Police Service and the Department of Mineral Resources and Energy, explicitly designed around the recognition that ordinary police officers are not equipped with the specific legal and technical knowledge – mining law, ore identification, licence verification – needed to act effectively against organised, often heavily armed illegal-mining operations.

Civil-society commentary at the time pressed the point that general police, however willing, are routinely “bamboozled by legal counterclaims and regulatory loophole-jumping” that a mining-literate specialist unit would not be. India’s Central Industrial Security Force, and its 2026 extension to mining enforcement. The CISF, a roughly 170,000-strong Central Armed Police Force established by a 1969 Act of the Indian Parliament specifically to guard industrial and critical facilities – nuclear plants, currency presses, power stations, airports – has, as recently as June 2026, been granted statutory enforcement authority specifically over coal mines: authorised CISF officers can now search vehicles and premises suspected of concealing illegally extracted coal and file complaints directly before competent courts, rather than the previous arrangement, under which CISF personnel could only detain suspects and hand

them to local police – a process the coal mafia the force was created to counter had learned to exploit through procedural delay. This is directly relevant to the Odisha case examined in Chapter 09: it is India’s own, current-year policy response to precisely the ore-declaration and illegal-extraction mechanisms the Shah Commission and the 2024 CAG report documented, and it demonstrates the same lesson drawn from the Odisha case – that a specialist enforcement body with direct legal authority over the specific technical domain of mining closes a gap that generalist police, however numerous, structurally cannot.

A concrete proposal for Bauchi



Taken together with the four-altitudes sequencing logic already developed in Chapter 13, three specific, near-term implementation steps follow for Bauchi, once the State Police Service Commission's implementing legislation reaches the state's own Assembly.

First, do not fund a mining-security function out of the general, discretionary security vote. Amotekun's central lesson is that discretionary trust-fund financing produces chronic, uneven underfunding precisely when budgets are tight – which, per Chapter 12, is Bauchi's permanent condition given a debt-service line already exceeding annual IGR. A dedicated, statutorily fixed levy on the mining sector itself – a small, transparent percentage of the derivation-linked mining revenue discussed in Chapter 14, ringfenced by statute rather than appropriated annually – would fund the specific function of securing mining titles without competing, in the yearly budget cycle, against salaries, debt service, and every other claim on the general account.

Second, build the mining-security function as a specialised unit within the State Police Service, not a generalist patrol. Both illustrative models above point the same direction: South Africa's answer to illegal mining was not simply "more police" but police trained specifically in mining law and ore verification, paired with the ministry that issues and tracks titles; India's answer was to give an existing specialist industrial-security force direct legal authority over the specific commodity being stolen. For Bauchi, this argues for a small, dedicated minerals-security desk inside the incoming State Police Service – ideally co-staffed or at minimum co-trained with the state's mining licensing authority, so that officers securing a site can also verify, in real time, whether the operation they are

looking at holds a valid title – which converts a pure security function into a legibility function as well, in exactly the sense Chapter 04 identifies as the precondition of state capacity generally.

Third, treat the State Police Service Commission's composition as the accountability variable to watch, not an afterthought. Because the enabling constitutional text leaves the Commission's membership to future legislation, and because Bauchi's own State Assembly – not the National Assembly – will substantially decide what that legislation says once ratification is complete, the single most consequential near-term securitygovernance question is whether Bauchi's implementing law seats independent members (the Bar, civil society, traditional institutions) on its State Police Service Commission or leaves the body composed entirely of gubernatorial appointees. This is a testable, trackable legislative fact, not a matter of speculation, and it belongs on the same public scorecard as the four fiscal altitudes (Chapter 13) and the BMCC mining terms (Chapter 14).

A state police force, and a mining-security function built within it, funded on top of a debt-servicing burden that already exceeds annual IGR, is itself an absorptive-capacity test of the kind described throughout this report: a new external possibility – created, in this case, not by a foreign investor or a global mineral scramble but by Nigeria's own constitutional reform process – that will be converted into public safety and secured mining revenue, or into a new leakage, depending entirely on the same institutional variables (dedicated statutory funding, specialist rather than generalist capacity, and a genuinely independent oversight body) that have determined every other outcome examined in this report.

CHAPTER 16

The Multipolar Frame, Sharpened

16

What changes, what persists, and what Bauchi can control

Chapters 01–05 argued that the fragmenting global order reaches Bauchi through specific transmission channels. That claim is shown at work below, including the place where it is weaker than the rhetoric of multipolarity would suggest.

The mineral scramble is load-bearing, and it is not a future scenario. It is BMCC Nigeria Limited, incorporated in Dass in late 2025 with \$50 million of Shandong Minsheng capital and Bauchi State equity alongside it – one node in a set of agreements with partners from roughly five countries. This is what multipolar competition for critical minerals looks like at the subnational level: not a headline in Washington or Beijing but a jointventure registration in a local government area most outsiders have never heard of. Africa holds roughly 30 per cent of the world’s proven critical mineral reserves and captures, by recent estimates, around 10 per cent of the value they generate – a gap that exists at every scale from the continental to the individual title, and one Bauchi’s own BMCC and seventeen-plus other titles will either narrow or reproduce depending on the governance questions of Chapter 14. Here multipolarity is doing real explanatory work: without great-power competition for these specific inputs, there is no Chinese conglomerate in Dass, and the terms Bauchi can command are directly shaped by whether it is one buyer among several or a captive supplier to one.

The Sahel realignment is load-bearing too. It is the reason Ningi’s chairman was raising alarms about 5,000 displaced fighters as early as 2021, and the reason SBM Intelligence’s desk was still tracking spillover into Dass and Alkaleri in July 2026. French withdrawal from the Sahel, the rise of Wagner and its successor Africa Corps, and the resulting expansion of JNIM and Islamic State Sahel Province in the vacuum did not stop at Nigeria’s northwestern border; the same displacement dynamic that pushed insurgent and banditry pressure south east from Mali and Niger has, at a smaller and more localised scale, pushed bandit groups into Bauchi’s forest reserves.

A state police service, built well, is Bauchi’s most direct available response to a security dynamic whose origin lies well outside its borders – a textbook instance of a global realignment converting into a local absorptive capacity test. The currency constant is the honest exception, and Chapter 05 exists precisely to keep the frame credible. Here the multipolar narrative and the data part ways. The dollar’s share of global foreignexchange reserves has held at roughly 56–58 per cent through 2026 – a gentle decline from its 71 per cent peak in 2000, but nowhere near the “dedollarisation” that circulates in commentary on multipolarity, for the structural reasons Chapter 05 sets out in full: Triffin’s original dilemma, the petrodollar system’s reconstruction of dollar demand after 1971, and the seigniorage, borrowing-cost, and sanctions advantages reserve-currency status still confers. Bauchi’s \$186 million external debt is denominated in that currency, and its cost in naira rises and falls with an exchange rate the state has no influence over whatsoever – a fact that ballooned national public-debt figures through 2024 as the naira weakened and that will do the same to Bauchi’s obligations in any future depreciation, regardless of how well its domestic revenue reforms perform. This thread is not multipolar change reaching Bauchi; it is the absence of change – the one part of the old order that has not fragmented – reaching Bauchi as a constraint it cannot negotiate.

This distinction disciplines the frame. Two of the three threads – the mineral scramble and the Sahel spillover – are genuine consequences of a shifting order, and for them “multipolarity” is the right and load-bearing concept. The third is the opposite: a persistence, not a shift. The correct reading is therefore not that “multipolarity determines Bauchi’s fate” but that Bauchi sits at the intersection of external forces it does not control – some of them new and multipolar, one of them old and stubbornly unchanged – and its trajectory will be set by its capacity to negotiate the new ones and absorb the constant one, not by the forces themselves. That is the claim the evidence actually supports.

CHAPTER 17

Who Moves First?

The change-agent problem

17

NO SINGLE ACTOR CAN CARRY THE REFORM ALONE

Executive

formal authority to enact

Legislature

oversight + political cost

Research / civil society

external legibility + scorecards

Federal / external anchors

standards + conditional incentives

Every section above converges on a single uncomfortable point, and it is the point most governance papers evade. The diagnosis is an institutional-incentive and implementation problem: property tax fails because property-tax reform has distributional effects for property-owning stakeholders; MDA float persists because the agencies operate through established reporting and remittance procedures that would need to be aligned with a Treasury Single Account; established levy arrangements may support stakeholder and political-mobilisation incentives; BOJ discretion creates institutional incentives that a replacement system would need to address. At every altitude, the beneficiary of the status quo is connected to, or is, the actor who would have to dismantle it. This is not incidental to Bauchi; Chapter 04 established it as the general condition of the climb, and Acemoglu and Robinson's central claim is precisely that extractive institutions persist because they enrich the people with the power to change them.

The evasion to avoid is diagnosing a political-will problem and then prescribing as though will were freely available – to hand the state executive a technically excellent roadmap while having already demonstrated why that executive faces powerful incentives not to follow it. A prescription addressed to an actor the analysis has shown will not move is

not a plan; it is a wish. If the reformer must act against the reformer's own coalition, who is the reformer?

Four candidate change-agents exist, and they are not equally promising.

The state executive is the actor with the formal power to enact every reform and the actor with the least incentive to enact the hardest ones. But “least incentive” is not “no incentive,” and the developmental-state record (Chapter 04) is precisely a record of executives who chose the long game – usually because a crisis, a fiscal cliff, or a credible external anchor made the status quo more dangerous to them than reform. Bauchi's debt trajectory (servicing already exceeding IGR, domestic debt rising 9.9 per cent in nine months) is exactly the kind of slow-burning fiscal cliff that can, in time, flip an executive's calculus – reform becomes self-interested when the alternative is insolvency. The executive is the necessary enactor; it is rarely the initiator.

The legislature is the most under-rated actor in this analysis, and the report has already seen it move. The Bauchi House of Assembly's public scepticism

about its own executive's IGR projections (Chapter 12) is not decorative; it is an oversight institution doing the one thing that can raise the political cost of fiscal fiction. A legislature that demands published mining-title terms, that conditions appropriation on remittance discipline, and that makes the Treasury Single Account a matter of public record shifts the incentive structure the executive faces. It cannot enact the reforms, but it can make not enacting them expensive. Civil society and the research-and-advocacy sector – the position of an institute such as SDCI – cannot enact or compel anything. What it can do is supply legibility from outside when the state will not supply it from within: obtain and publish the BMCC terms, independently verify the Kaduna and Jigawa revenue figures against NBS totals (the same source discipline Chapters 06 and VII apply throughout), track FAAC disbursements against LGA-level outcomes, and turn the four-altitudes diagnosis into a public scorecard that names which altitude is being reformed and which is being protected. The developmental-state literature's "embedded autonomy" has an analogue here: an independent institute embedded enough in the state's data to be credible, autonomous enough not to be captured, can manufacture the external accountability pressure that a rentier fiscal structure does not generate internally. In this role,

an institute is not a commentator on the reform but a component of it. The federal centre and external anchors – the World Bank's SFTAS-style conditional programmes, the 2025 tax reform, the constitutional amendments on state policing – supply the fourth lever: they change the external environment so that reforms the state would not undertake unprompted become the path of least resistance or the condition of a needed transfer. Chang's warning applies (external conditionality can also kick the ladder away), but the SFTAS finding that low-IGR states respond best to exactly this pressure suggests that, used well, the anchor is an ally of the reformer rather than a substitute for one. The realistic theory of change, then, is not "the governor should act." It is a coalition across altitudes and actors: an external accountability sector that makes the hidden legible, a legislature that converts that legibility into political cost, a federal anchor that tilts the incentives, and – at the moment the fiscal cliff makes the long game the safe game – an executive that enacts. The role of an independent research institution in this coalition is not to exhort the executive but to build the legibility and the public scorecard that make the other actors' moves possible: making the hidden visible, creating the external accountability pressure that a rentier fiscal structure does not generate from within.

CHAPTER 18

The Pit or the Ladder

18

Conclusion

THE CHOICE FRAME

THE PIT

Opaque contracts. Low-value extraction. Weak revenue capture. Security gaps. Debt pressure that outruns own-source revenue.

THE LADDER

Transparent terms. Better value capture. Institutional legibility. Sequenced revenue reform. Specialist security with accountable oversight.

In the emerging world order, chaos is neither inherently a threat nor inherently an opportunity – it is neutral, and its neutrality is the whole point. The same fragmenting order that put \$50 million of Chinese mining capital into Dass also pushed armed groups into the BurraLame forest; the same critical-mineral scramble that could fund a climb up the value ladder could equally deepen an extraction enclave that exports value and leaves tailings. For Bauchi, this moment will become either a ladder toward economic ascension or a pit of continued extraction – and which one it becomes will be determined not by the resources, the geography, or the external interest, all of which the state already has, but by the strength of its institutions: its absorptive capacity, tested in real time by a Chinese mining venture in Dass, a security spillover from the Sahel, and a currency it does not control and, per Chapter 05, realistically cannot. The evidence that the choice is genuinely open, and genuinely institutional, is entirely domestic. A local-government revenue system that already outperforms its own state tier; a neighbouring, poorer state that earns nearly double Bauchi's IGR under the identical federal rules, and whose own most recent reform wave (Chapter 06) targets precisely the mechanisms Bauchi has not yet touched; a further neighbour whose single 2016 tax law, examined statute by statute in Chapter 07, lifted revenue fourfold in four years and remains the active legal basis for enforcement action a decade later; and a World Bank finding that predicts states with exactly Bauchi's profile respond best to precisely this reform – all of it exists inside Bauchi's own record and its immediate neighbourhood, not imported from Botswana, Odisha, or North Dakota.

The distant cases matter for a narrower reason: not because Bauchi will resemble them, but because each isolates a mechanism – sequencing and marketing-channel vigilance from Botswana, the danger of constitutionally limited royalty and audit authority from Odisha, the category error of over-scaling a windfall-savings response from North Dakota – that the BMCC negotiation and Bauchi's broader mining portfolio can be checked against today, while the terms are still being set. What has been missing is not opportunity, assets, or even a proven template. It is the willingness to spend political capital against the four structural loci of institutional constraint, in a defensible sequence, for long enough to outlast the next election cycle – and a coalition of actors, beyond the executive alone, prepared to make that expenditure the path of least resistance. Absorptive capacity is not a general virtue to be cultivated against some future opportunity. It is the specific, present-tense capacity to negotiate the BMCC joint venture on Debswana terms rather than Odisha terms – checking the marketing and audit channels, not only the equity percentage – to build a state police service that displaces the bandits in the Burra-Lame forest rather than becoming a new patronage line, and to keep closing the Jigawa gap one enforcement altitude at a time, using the Kaduna statute as a template rather than a slogan – starting not with the property tax that has failed twice, but with the plumbing that builds the data and the credibility a third attempt will require. The global order has already arrived in Bauchi. Whether it finds a ladder or a pit is, still, the state's own decision to make.

APPENDIX • CHRONOLOGY

Timeline of referenced events

1791	Alexander Hamilton's Report on Manufactures argues for state cultivation of manufacturing over reliance on rawmaterial export.	2013–2014	Shah Commission reports tabled in India's Parliament; ₹59,203–60,000 crore in illegal extraction documented.
1841	Friedrich List's National System of Political Economy makes the equivalent case for the German states.	9 January 2020	Six South-West Nigerian states launch the Western Nigeria Security Network ("Amotekun").
1944	Bretton Woods Conference establishes the dollar-gold-anchored postwar monetary order.	2015	Kaduna State's monthly IGR stands at under ₦1 billion — the pre-reform baseline.
1950	Prebisch and Singer independently publish the terms-of-trade hypothesis underlying dependency theory.	2016	Kaduna State Tax (Codification and Consolidation) Law enacted, establishing KADIRS as sole revenue-collecting authority.
1960	Robert Triffin publishes Gold and the Dollar Crisis, identifying the Triffin dilemma; testifies to US Congress.	2018–2022	World Bank's SFTAS programme runs, lifting average state IGR share nationally from 19.6% to 29.2%.
1966	Botswana (formerly the Bechuanaland Protectorate) gains independence.	2019	Kaduna's annual IGR reaches ₦44.9 billion, roughly a fourfold increase from 2015.
1967	De Beers discovers the Orapa kimberlite pipe in Botswana.	2020	Kaduna's tax law re-enacted in expanded form, extending coverage to education, hospitality, and entertainment sectors.
1968	De Beers Botswana Mining Company formed (23 June); Government of Botswana holds an initial 15% stake.	2021	Ningi LGA chairman raises alarm over ~5,000 bandits displaced from Zamfara into the Lame/Burra Game Reserve.
1969	Debswana's predecessor joint venture incorporated; single-channel diamond marketing agreement begins (Botswana's allocation capped at 25% of output).	2022	Nigeria's Multidimensional Poverty Index records a 73.9% rate for Bauchi State.
1971	Orapa Mine commissioned; Nixon suspends dollar-gold convertibility (15 August), ending Bretton Woods.	2023	NBS Labour Force Survey records Bauchi's 92.3% labour-force participation rate, the highest of any Nigerian state; Nigeria's federal solid-minerals revenue reaches ₦16 billion.
1974–75	US–Saudi petrodollar arrangement negotiated, re-anchoring global dollar demand after the gold peg's collapse.	2024	Bauchi's IGR reaches ₦32.4 billion against Jigawa's (NBS-derived) ₦59.46 billion; Bauchi debt-service (₦44.2bn) exceeds annual IGR; India's CAG reports ₦22,392 crore Odisha loss to ore-grade manipulation (reported 2024–25); Nigeria's federal solid-minerals revenue reaches ₦38 billion.
1975	Debswana equity equalised at 50–50 between the Government of Botswana and De Beers, following the Letlhakane mine commissioning.	August 2024	KADIRS publicly invokes its statutory cross-agency enforcement power against Kaduna's electricity distribution company.
1982	Jwaneng mine commissioned in Botswana, licensed on a 75:25 profit split favouring the Government of Botswana.	February 2025	Botswana and De Beers sign a renegotiated 10-year agreement raising Botswana's diamond allocation from 25% to 50% and extending mining licences to 2054.
1991	Jigawa State created from the northern portion of Kano State.	Late 2025	BMCC Nigeria Limited (Bauchi State / Shandong Minsheng Group) incorporated in Dass LGA with \$50 million in committed capital; Bauchi's ₦878.2bn 2026 budget presented and reduced to ₦877bn amid legislative scepticism over IGR projections; Nigeria's federal solid-minerals revenue exceeds ₦70 billion.
1992	Debswana Diamond Company (Pty) Ltd formally named; independently managed from this point.	January 2026	Jigawa and four North Central states begin domesticating the federal 2025 tax reform via a Harmonised Taxes and Levies Bill.
1994	Botswana's Pula Fund established, co-owned by government and the Bank of Botswana.	Early 2026	Governor Bala Mohammed describes Alkali's Dajin Madam forest as an "ungoverned space" following bandit attacks.
1998 (2001–02 baseline)	Odisha iron-ore royalty rates fixed at levels not substantially revised for a decade; per-tonne profit for private miners begins rising sharply.	11 June 2026	Nigeria's House of Representatives passes the State Police (Sixth Alteration) Bill, 289 votes to 4.
2006	Nigeria's most recent full national census.	24 June 2026	Nigeria's Senate passes the State Police Bill, 84 of 109 senators; both chambers' texts now proceed to state-assembly ratification; India's CISF granted statutory enforcement authority over coal mines.
2010	Government of India appoints the Justice M.B. Shah Commission to investigate illegal iron-ore and manganese mining, including in Odisha; North Dakota's Legacy Fund established by voter referendum the same year.	July 2026	SBM Intelligence's West Africa security report tracks continuing spillover into Dass, Alkali, and Ningi.
		29 July 2026	Bauchi State and the ECOWAS Bank for Investment and Development (EBID) sign a US\$91.63 million financing agreement in Lomé, Togo, for the Bauchi State Transport Infrastructure Financing Programme: construction and rehabilitation of 24 strategic roads and bridge projects. The facility, backed by a Federal Government guarantee, raises Bauchi's external debt from ~US\$186 million to ~US\$277 million when drawn.

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The global order has already arrived in Bauchi.

The unresolved question is whether the state's institutions can recognise, negotiate and convert external resources and shocks into durable local prosperity – rather than extraction, leakage, dependency or violence.

