SDCI
Sustainable Development Conversations Initiative

POLICY PAPER NO. 1

The Rentier Trap

Bauchi's Fiscal Model and Its Development Ceiling

Why the single most important variable for Bauchi's 2035 outcome is not what the state spends, but how it is financed.

Lead Author

Muhammad Zakariya Ibrahim · Research and Policy Advocacy Lead

Co-Authors

Naffa'a Mamman Musa (Research Analyst I) · Zia'ul Haqq Muhammad Waziri (Research Analyst II)

Sustainable Development Conversations Initiative · Bauchi, Nigeria · July 2026

SDCI
Sustainable Development Conversations Initiative

About SDCI

The Sustainable Development Conversations Initiative (SDCI) is an independent policy research and advocacy institution headquartered in Bauchi, Nigeria. SDCI works across nine development pillars to produce evidence-based analysis, publications and policy advice with subnational fiscal dynamics and the Local Government Area as its core unit of analysis. This paper is a product of the Research and Policy Advocacy (RPA) unit and forms part of SDCI's Phase 1 programme of work (through December 2027).

About this series

SDCI Policy Papers make focused, evidence-based arguments intended to influence policy. They are distinct from SDCI Working Papers, which assemble the underlying situational and diagnostic evidence. This is Policy Paper No. 1. Its evidence base is drawn from SDCI Working Paper No. 1 (Bauchi State: A Situational Analysis) and its companion Political Economy Analysis.

Suggested citation

Ibrahim, M. Z., Musa, N. M., & Waziri, Z. H. M. (2026). The Rentier Trap: Bauchi's Fiscal Model and Its Development Ceiling. SDCI Policy Paper No. 1. Bauchi: Sustainable Development Conversations Initiative.

Disclaimer & rights

This paper is an argument, not a description. Where its language is pointed, it is pointed against a structure, not against individuals. The analysis represents the views of the authors and SDCI's Research and Policy Advocacy unit and does not necessarily reflect the position of any government or partner. Quantitative claims are anchored to the Tier-1 sources listed in the reference section; political-economy claims are analytical inferences and are flagged as such.

Contents

Prefatory Note

This is a policy paper — an argument, not a description. It makes a specific analytical claim about how Bauchi State is financed and what that financing does to development outcomes. The framing is direct because the evidence is direct. Where the paper's language is pointed, it is pointed against a structure, not against individuals.

The paper is organised to be read two ways. A policymaker with limited time can read the Executive Summary, the three prescriptions (Section 7) and the implementation roadmap (Section 8) and come away with the argument and the action set. A reader who wishes to interrogate the claim can follow the full chain — from the fiscal mechanics (Section 2), through the accountability signature they produce (Section 3), to the development ceiling that results (Section 4) — and test each link against the sourced evidence.

Executive Summary

Bauchi State's development trajectory is not primarily a story about capacity, corruption or effort. It is a story about how the state is financed. Roughly six naira in every seven of the state's revenue arrive as a transfer from the federal Federation Account (FAAC) rather than as tax raised from Bauchi's own citizens. That one fact — the rentier structure of state finance — reorganises everything downstream: what the government spends on, who it answers to, and what it is able to invest in the human capital that will decide the state's 2035 outcome.

~86%	~14%	>60%	>500%	2027
of revenue is federal rent (FAAC)	of revenue is own effort (IGR)	of budget on salaries & overheads	IGR growth 2015–24 (fastest in NE)	the window's natural closing date

Source: FAAC/IGR from Federal Ministry of Finance & NBS (2024); expenditure share from BudgIT State of States 2025; IGR growth from Agora Policy (2025).

A rentier state and a tax-financed state face different incentives. A tax-financed state must justify its budget to citizens who pay for it, and citizens can respond by voting or withholding taxes. A rentier state captures its budget from an external source and answers upward to the federal formula and to the elites who control the allocation rather than downward, to the citizens it serves. Accountability is not absent, but it runs the wrong way for public-service delivery.

This paper argues four things

- **Rentier classification:** Bauchi's fiscal model is unambiguously rentier by any reasonable measure.
- **Resource misallocation:** this model directly explains, through mechanisms traceable in the budget, the state's chronic under-investment in human capital, despite spending being formally allocated to those sectors.
- **Proven agility:** Bauchi's recent revenue-mobilisation performance (an IGR increase of more than 500% between 2015 and 2024, the fastest in the North-East) demonstrates that the rentier equilibrium is a tendency, not a trap.
- **The strategic window:** a narrow but real reform window is open now — the intersection of the 2025 national tax reform, a temporary post-subsidy FAAC windfall, and a second-term administration with a fixed political horizon — offering Bauchi its best structural opportunity in a generation to shift its fiscal footing.

The prescription is not more spending. It is different financing. Broaden the domestic tax base deliberately and equitably; ring-fence what is borrowed against high-return capital projects; use the FAAC windfall for balance-sheet repair rather than recurrent consumption; and treat the human-capital investments this reformed fiscal engine can fund — girl-child schooling, primary-health workforce, climate-resilient agriculture — as the return on the reform, not as its cost.

1. The Single Fact That Decides Bauchi's Trajectory

Any diagnosis of Bauchi's development condition can start in one of two places. It can begin with the outcomes — the 73.9% multidimensional poverty incidence, the 61% out-of-school rate, the worst-in-zone maternal mortality position, the 50,000 hectares of farmland submerged in the 2024 floods — and work backward toward explanations. Or it can begin with the fiscal structure that generates those outcomes and work forward. This paper does the second.

The reason for that choice is analytical, not rhetorical. Outcomes have many causes; a proper account of Bauchi's poverty must consider geography, climate, demography, history and policy simultaneously. But among all those causes, one variable dominates because it constrains every other lever the state government has. That variable is how the state is financed.

1.1 A thought experiment: two Bauchis

Consider two hypothetical Bauchis. In the first, the state government raises the bulk of its revenue from a broad-based tax on its own citizens and businesses. Every naira spent is a naira the government has extracted and must justify. Taxpayers form constituencies for the services their taxes fund. Local governments, funded by their own revenue rather than a transfer from the state, compete for citizen support. Elections turn on service delivery because service delivery is what voters have paid for. In this Bauchi, the same underlying poverty, geography and climate would produce measurably different policy choices, because the incentive structure facing decision-makers would be different.

In the second Bauchi — the actual one — the state government receives most of its budget as a monthly deposit from the Federation Account. The deposit arrives whether the government has performed well or badly, whether it has taxed carefully or not at all. What is politically valuable is not raising the money but controlling how it is spent: the contracts, the appointments, the projects. Elections turn on capturing this allocation, not on justifying it. In this Bauchi, the same underlying poverty, geography and climate produce a different policy pattern: high spending on recurrent items that create visible patronage benefits, chronic under-investment in diffuse public goods that yield returns only after the political cycle, and a weak accountability loop between government and citizen.

Baucchi is the second Bauchi. That is not a moral claim; it is a description of the fiscal architecture the state has been given and the incentives that architecture creates.

> **The rentier test: a formal classification**
>
> Political-economy scholarship treats a government as rentier when it meets a small set of criteria. Applying the standard tests to Bauchi:
>
> 1. Share of revenue from external rent. A commonly-used threshold is that rents supply 40% or more of government revenue. Bauchi's FAAC share is ~86% — more than double

the threshold.

2. Effort-independence. The rent must accrue largely independently of the recipient's own productive effort. Bauchi's FAAC rose with the 2024 subsidy removal and naira float — a federal macro decision, not a Bauchi tax effort.

3. Concentration of receipt. The rent is received by the state and allocated by a small executive circle, rather than earned across a broad tax-paying base. Bauchi's FAAC is received centrally and allocated through the budget.

4. A small productive/tax base relative to the rent. Own-revenue funds ~1/7 of the total.

Verdict: Bauchi satisfies all four criteria. Its fiscal model is not 'somewhat' rentier or rentier 'at the margin' — it is unambiguously rentier by the standard definition. The rest of this paper traces what that classification implies.

2. The Fiscal Mechanics

2.1 The scale of the rent

In 2024, Bauchi State was projected to receive approximately ₦196 billion in FAAC allocation. In the same year, its internally generated revenue (IGR) was approximately ₦32.4 billion. Own revenue funded roughly one-seventh of the combined total; the federal rent funded the rest. This is the ratio that defines the rentier settlement.

Revenue source (2024)	Amount	Share of state revenue
Federation Account (FAAC transfer)	**₦196.0bn**	**85.8%**
Internally Generated Revenue (IGR)	**₦32.4bn**	**14.2%**
Total	**₦228.4bn**	**100%**

Source: Federal Ministry of Finance FAAC projections and NBS IGR at State Level (2024). Shares computed on the two revenue lines; excludes capital receipts/borrowing. Confidence: High.

For context, FAAC allocations to Bauchi surged in 2024 after two macro-policy shifts at the federal level: the removal of the petrol subsidy and the floating of the naira, both of which increased the pool distributed to the Federation Account. National FAAC disbursements grew by approximately 43% in 2024 to reach around ₦15.26 trillion. This windfall reached Bauchi automatically, without any change in the state's own effort. A state whose revenue rises when the federal government devalues the currency — and not because it has grown its own tax base — has a fiscal model that is, by any standard definition, rentier.

2.2 Subnational revenue comparison

Bauchi's position is best understood against its peers. The comparison is not flattering at the top of the table, but it is instructive: the states with the strongest downward accountability are precisely those that raise the most of their own revenue.

Jurisdiction	2024 IGR	IGR autonomy	Settlement type
Lagos	₦1,261.6bn	High	Tax-bargain
Ogun	₦194.9bn	Improving	Industrialising
Kaduna	₦71.6bn	Moderate	Reformist-rentier
Jigawa	₦59.5bn	Low	Rentier
Anambra	₦42.7bn	Relatively high	Commerce-anchored
Bauchi	**₦32.4bn**	**Low (~1/7)**	**Cohesive rentier**
Adamawa / Gombe	~₦10bn (10-yr avg)	Very low	Deep rentier

Source: NBS/BudgIT IGR 2024; BudgIT State of States 2025 (fiscal-independence ranking, 10-year averages). Settlement labels are analytical constructs. Confidence: High for IGR magnitudes.

2.3 Structural expenditure patterns

The composition of Bauchi's budget reveals the second half of the rentier mechanics. BudgIT's State of States 2025 analysis identifies Bauchi as one of only six states (with Ekiti, Delta, Benue, Oyo and Ogun) that devoted more than 60% of their 2024 budgets to personnel and overheads — the recurrent categories that produce visible, immediate, concentrated benefits (salaries, allowances, maintenance and administrative contracts) but very limited investment in the productive base.

A budget in which the majority share flows to recurrent items is not, in itself, a scandal; every state government has payroll obligations. The problem is what it forecloses. In an environment where debt service is deducted at source before the state even sees the money (NEITI recorded approximately ₦37.2 billion of Bauchi's 2024 FAAC withheld for debt deductions), and where the state runs a planned deficit financed by additional borrowing (the 2024 budget included a deficit of about ₦59 billion), the residual space for capital investment in schools, clinics, irrigation and roads is compressed on both sides.

The fiscal squeeze, illustrated

A schematic of how a ~₦300bn budget is claimed before it reaches development capital. The wage-and-overhead share and the debt figures are sourced; the residual capital line is derived and shown as illustrative, to convey the mechanism rather than an audited line item.

Claim on the budget	Approx.	Basis
Personnel + overheads (recurrent)	**>60%**	Sourced
Debt service deducted at source from FAAC	**~₦37.2bn**	Sourced
Deficit financed by fresh borrowing	**~₦59bn**	Sourced
Residual for development capital	**Compressed**	Illustrative

Recurrent spending consumes the top of the budget; debt service consumes the bottom. What is left for the productive investments that would grow the tax base — and thereby reduce dependence on FAAC in future — is inadequate to the task.

This is the fiscal squeeze Bauchi's development architecture actually faces. It is not a squeeze caused by low FAAC receipts — FAAC receipts have grown. It is a squeeze caused by the composition of what the FAAC receipts fund.

2.4 Debt constraints

Bauchi's inclusion among BudgIT's top five most-indebted states — alongside Lagos, Kaduna, Edo and Ogun — is a signal that deserves attention rather than alarm. Those five states hold 50.3% of all subnational debt in Nigeria, or ₦5.32 trillion of ₦10.57 trillion. But the four states Bauchi shares this list with have economies that dwarf its own. Lagos's IGR alone is roughly 39 times Bauchi's; Ogun's roughly 6 times; Kaduna's roughly 2.2 times. Bauchi's debt sits on the smallest revenue base in the group, which means its debtservicing burden relative to its own capacity is proportionally the most stretched of the five.

What makes this a watch-item rather than a crisis is that Bauchi has genuinely used borrowing for capital investment; what makes it a watch-item rather than a rounding error is that the same fiscal architecture that produces high recurrent spending also produces borrowing to bridge the gap. Left unchecked, debt service becomes a permanent claim on the FAAC transfer, further compressing the space for the capital spending that would eventually pay the debt back.

3. What the Model Does to Accountability

The fiscal mechanics documented above produce a specific political-economy signature. Understanding it is what distinguishes this paper from a purely technical fiscal analysis: the argument is not that Bauchi should raise more taxes because taxes are good, but that the direction in which accountability runs in a rentier system is structurally opposed to broad-based service delivery.

3.1 The upward accountability loop

A government's political attention follows the money. If the money comes from a tax on citizens, the government is politically obliged to answer citizens: to explain what the tax is for, to demonstrate that services are being delivered, to seek re-authorisation for the tax through elections. If the money comes from a transfer, the government is politically obliged to whoever controls the transfer — in Nigeria's case, the federal formula, the FAAC process, and the political relationships that determine how favourable the allocation is.

This is not a Nigerian pathology. It is a well-documented feature of rentier states worldwide, from oil-dependent economies to states heavily dependent on foreign aid. The mechanism is the same: the accountability loop that connects a government's revenue source to its political survival determines where that government invests its attention. Bauchi's attention, structurally, is directed upward and outward toward Abuja, toward the federal formula, toward positioning for centre-state alignment. It is not directed downward, toward broad-based service delivery to a taxpaying citizenry, because the citizenry does not, in aggregate, pay the government's bills.

3.2 The short-circuited tax bargain

The concept of a 'tax bargain' — the implicit exchange in which citizens accept taxation in return for public services and political voice — has been central to the historical development of accountable states. States that developed strong domestic tax bases developed alongside them the institutions of accountability that made those tax bases sustainable: audit, parliament, transparency, competitive elections.

Nigeria's oil rent short-circuited that development pathway at the federal level. Sub-national governments in states like Bauchi inherit the same short-circuit: their revenue arrives without a bargain. The political consequence is that the citizen is not, in the eyes of the state, a source of finance whose views must be accommodated. The citizen is a recipient of services if the state chooses to provide them, and a voter whose choices can be influenced through patronage and party organisation rather than through the demonstration of service delivery.

This is why local-government reform, so often prescribed as a technical solution to service-delivery failure in Bauchi, keeps stalling. Genuinely autonomous local governments would disperse the fiscal rent, giving each LGA an independent budget and constituency. That would fundamentally alter the political economy of the state — which is why every stakeholder who benefits from the current concentration has an interest in ensuring the reform does not happen. Weak local governments are a feature, not a bug, of a rentier fiscal system.

3.3 The structural bias against diffuse benefits

The final mechanism is the most consequential for development outcomes. Human-capital investments — girl-child schooling, primary-health-worker deployment, immunisation campaigns, climate-adaptation infrastructure — share a fatal political-economy property. Their benefits are diffuse (they accrue to millions), deferred (they materialise years or decades after the investment), and hard to attribute (no individual can point to a specific policy and claim it delivered a specific benefit). Their costs, by contrast, are immediate and concentrated.

In a settlement organised around allocating a rent, concentrated-and-now reliably beats diffuse-and-later. A road contract awarded today benefits a specific contractor immediately; a salary paid today benefits a specific worker immediately; both are visible, attributable and creditable to the political principal who authorised them. A child immunised today produces a return a decade hence, to no identifiable patron.

This is the deepest reason human capital loses the budget battle in Bauchi — not because policymakers do not understand its importance, but because the incentives created by the fiscal system reliably favour concentrated benefits over diffuse ones. The chronic under-staffing of Bauchi’s health facilities (only about 10.9% have a doctor) and the persistent 61% out-of-school rate are not anomalies in an otherwise-functioning system. They are what the system, as currently financed, is structurally biased to produce.

The contrast, made concrete

The tax-bargain states at the top of the revenue table are not more virtuous; they face a different incentive. Lagos and Ogun must answer a taxpaying commercial and industrial base, which pulls political attention toward the services that base demands — infrastructure, security, a functioning business environment. The accountability runs downward because the money comes from below. Bauchi’s reform task is not to import Lagos’s economy, which it cannot, but to begin building the same downward pull by growing a domestic tax base of its own.

4. The Development Ceiling

The connection between the fiscal architecture described above and local development outcomes is causal. The specific outcomes that define Bauchi as an under-performer on the Nigerian league table are the outcomes a rentier fiscal system is structurally biased to produce.

4.1 Human-capital capping

Bauchi's 61% primary-age out-of-school rate is the third-worst in Nigeria. Its 48% primary-completion rate lags Kaduna (86%), Gombe (59%) and, on some measures, Jigawa. Its maternal-mortality position is the worst in the North-East. Its immunisation coverage places it among the federal-priority low-coverage states, with roughly 42% of infants missing Penta1 vaccinations in the most recent DHIS2 data.

None of these outcomes reflects a policy choice against human capital. Bauchi's government has declared a state of emergency in education. It has publicly acknowledged the NDHS finding on maternal mortality. It is, per BudgIT, among the seven states that spent 80% or more of their 2024 health budgets — that is, in the top tier of budget execution in the health sector. The problem is not that the state has stopped trying. The problem is that the money the state has to try with is dwarfed by the wage bill, the overheads and the debt service, and the accountability structure does not push it to reallocate.

The ceiling in numbers — Bauchi against its peers

Human-capital indicator	Bauchi	Peer reference	Position
Multidimensional poverty incidence	**73.9%**	Nigeria 63.0 · Gombe 86.2 · Anambra 32.1 · Lagos 29.4	Worse than avg.
Out-of-school rate (primary age)	**~61%**	3rd-highest nationally (Kebbi 65, Zamfara 61)	Critical
Primary completion rate	**48%**	Kaduna 86 · Gombe 59 · Lagos 82 · Anambra 93	Weak
Maternal mortality (zone rank)	**Worst in NE**	NDHS 2023–24 zone comparison	Critical
Facilities with ≥1 doctor	**~10.9%**	Among worst-staffed systems nationally	Critical

Source: NBS MPI 2022; NBS/UNICEF MICS 2021; UNICEF Education Fact Sheets 2023; NPC NDHS 2023–24; BudgIT 2024. Confidence: High (poverty), Medium (education/health vintage).

Human capital is where the ceiling manifests. In a state with a different fiscal architecture, a ~₦300 billion budget would fund a materially higher share of the schools, clinics and community-health workers that would produce a materially different set of outcomes. In Bauchi's actual fiscal architecture, that budget funds the payroll, the overheads, the debt and the residual capital plan, in that order.

4.2 Climate vulnerabilities

The same pattern recurs in climate adaptation. The 2024 floods submerged 50,000 hectares of Bauchi farmland — the worst farmland loss of any state. NiMet's seasonal warnings forecast heat stress reaching 40–42°C and dry spells of up to 21 days during critical planting windows. Adaptation is not unknown; the interventions are documented in the state's own planning documents. But adaptation is a diffuse public good with no concentrated constituency. Flood relief after a disaster is visible and creditable; flood prevention before a disaster is neither.

The result is a predictable pattern of under-investment in adaptation and repeated investment in relief. The fiscal architecture rewards the second and starves the first. This is not a critique of any individual decision; it is a description of what the system, as financed, structurally produces.

5. The Counter-Current: What Bauchi Has Already Shown Is Possible

If the analysis stopped at the ceiling, the paper's conclusion would be despairing. It does not, because Bauchi has already demonstrated, in the past nine years, that the rentier equilibrium is not a trap.

Between 2015 and 2024, the state's internally generated revenue grew by more than 500%. In the more recent 2020–2024 window, its IGR growth of approximately 148.7% was the fastest in the North-East and above the national average of 132.7%. These are not marginal numbers. They represent the fastest sustained revenue-mobilisation performance in the zone.

What the counter-current shows is that the settlement is not static. Bauchi's political leadership has proved it can prioritise revenue mobilisation when it chooses to, and that the state administrative apparatus can execute on that priority. The IGR increases were achieved through a combination of PAYE broadening, informal-sector taxation, market-levy formalisation and administrative digitisation — the same instruments available for further expansion.

The strategic question is whether the counter-current becomes a genuine tax bargain — one that produces the accountability shift described earlier — or whether it remains a top-up that leaves the underlying rentier logic in place. A doubling of IGR that reduces FAAC's share from 86% to 75% is welcome but does not fundamentally alter the incentive structure. A tripling or quadrupling that reduces FAAC's share below 50% would begin to. **That is the reform trajectory this paper argues Bauchi should be aiming at.**

5.1 Elements of sustained IGR growth

Achieving that trajectory requires expanding the tax base in ways that create constituencies rather than merely raising revenue. The specific instruments are known: presumptive taxation of the informal sector (where most of Bauchi's economic activity actually happens); property taxation (under-collected, and a durable revenue stream tied to identifiable assets); market and trade levies harmonised across the state and stripped of the multiple informal charges that currently burden small traders; and digitised collection systems that reduce leakage between what is nominally levied and what reaches the state's account. Every one of these has been implemented, in whole or in part, by other Nigerian states in the past decade.

Kaduna as template — and as warning

Kaduna's earlier tax-administration reform is the closest Northern comparator, and it offers Bauchi both a template and a caution.

The template: a Northern, rentier-leaning state used reform-from-above — a consolidated revenue service, presumptive and property taxes, and digitised collection — to grow IGR faster than most peers, without first building a Lagos-style industrial economy. It is the most realistic model available to Bauchi.

The warning: those reforms produced real revenue gains and real political friction, and their durability depended on how visibly the additional revenue was reinvested in public goods citizens could see. Where the link between ‘I pay more’ and ‘I get better services’ was not made visible, the reforms bought resentment rather than a bargain. Bauchi’s reform will face the same test — which is why the prescriptions below insist that revenue reform and visible reinvestment be paired and publicised together.

5.2 The 2025 institutional convergence

Two macro-policy developments make the current window unusually favourable for a state that chooses to press on IGR reform. The first is the 2025 national tax-reform legislation, which will reshape the VAT-sharing formula, harmonise revenue administration across tiers, and offer a national framework within which state-level reforms can be anchored. States administratively ready to take advantage will benefit disproportionately; states that are not will find themselves working against the grain of the new architecture.

The second is the post-subsidy FAAC windfall itself. National FAAC disbursements grew by roughly 43% in 2024. That windfall is temporary — a one-off adjustment to subsidy removal and naira devaluation, not a permanent expansion of the base — and a well-run state uses temporary windfalls for balance-sheet repair (retiring debt, restructuring obligations, ring-fencing capex) rather than for permanent recurrent expansion. Bauchi’s opportunity is to use the window to reduce debt exposure and fund the up-front costs of tax-administration reform, so that when the windfall normalises the state emerges with a stronger fiscal base rather than a wider gap.

Neither window is open indefinitely. The 2027 political cycle is the natural closing date for both.

6. Anticipating the Objections

A policy paper earns its argument by meeting the strongest objections to it, not the weakest. Four serious challenges can be raised against this paper's thesis. Each has force; none, on examination, overturns the case for reform.

Objection 1: "You cannot tax a poor population."

The strongest version: with 73.9% multidimensional poverty, Bauchi's citizens have little to tax, and pressing them is both futile and unjust. Response: the argument is not for taxing the poor harder but for taxing the currently-untaxed — property, the more prosperous informal traders, and commercial activity that escapes the net — and for harmonising the multiple informal levies that already burden small traders into fewer, fairer, transparent charges. Well-designed presumptive and property taxes are progressive relative to the status quo, in which the poor pay scattered informal levies and the propertied pay little. The counter-current itself proves the base exists: IGR did not grow more than 500% by taxing subsistence farmers.

Objection 2: "FAAC dependence is structural, not a choice."

The strongest version: a non-oil state in Nigeria's federation is designed to depend on FAAC; no amount of local effort changes the architecture. Response: the architecture is real and this paper does not pretend a state can opt out of federalism. But dependence is a matter of degree, and degree is a choice. The gap between an 86% and a sub-60% FAAC share is entirely within the space other states occupy today — Anambra, Kaduna and Ogun are in the same federation. The formula sets the floor of dependence; the state sets how far above that floor it chooses to rise.

Objection 3: "The reform is politically impossible."

The strongest version: the very political economy this paper describes — upward accountability, patronage, diffuse-benefit bias — is exactly what will block the reform it prescribes. Response: this is the most serious objection, and the paper concedes its logic. Its answer is sequencing and design, not optimism. Reforms that hand the governing elite a visible, in-cycle win (a fiscal-sovereignty narrative, retired debt, a named school-enrolment or immunisation campaign) work with the settlement rather than against it. The counter-current happened inside this same political economy — evidence that the constraint binds but does not fully determine.

Objection 4: "This is just an argument for austerity."

The strongest version: 'different financing, not more spending' is a euphemism for cutting. Response: the opposite. The paper argues for spending more on human capital, funded by a broader revenue base and a repaired balance sheet rather than by squeezing the poor. Austerity cuts the diffuse public goods first; this paper argues to protect and expand exactly those goods, and to fund them by ending the under-taxation of the propertied and the leakage in collection. It is a redistribution of who pays and what is funded, not a contraction of the state.

7. Three Prescriptions

The prescriptions that follow are sequenced deliberately, in the order in which they produce the compounding effects that would shift Bauchi's fiscal trajectory before the 2027 window closes.

Prescription 1 — Deepen IGR reform into a tax bargain, not a top-up

The IGR gains of the past nine years should be treated as the foundation for a fundamentally different fiscal footing, not a supplementary income stream. Concretely: broaden the base beyond PAYE dependence into presumptive taxation of the informal economy, property and trade; digitise collection to cut leakage and administrative cost; harmonise the informal levies that burden small traders; and — critically — publish what is collected and what it funds, so taxpayers can see their money producing services. The decade-horizon target is to reduce FAAC dependence below 60% of state revenue by growing IGR faster than FAAC grows.

Prescription 2 — Use the FAAC windfall for balance-sheet repair, not recurrent expansion

The current windfall should be treated as a one-off asset, not a permanent income increase. That means retiring or restructuring high-cost debt to reduce the source-deducted claim on future FAAC receipts; ring-fencing borrowing to high-return capital projects rather than recurrent shortfalls; and adopting the debt-transparency and open-budget practices that let both citizens and development partners verify the ring-fencing is real. The alternative — using the windfall to expand recurrent commitments that persist after it ends — is the fastest route to a debt crisis.

Prescription 3 — Treat human-capital investment as the return on fiscal reform, not its cost

The chronic under-investment in schooling, primary health and climate-resilient agriculture cannot be fixed by exhortation, and cannot be fixed at scale within the current fiscal architecture. What Prescriptions 1 and 2 create — a broader tax base, a lighter debt load, a windfall repaired into capex space — is the fiscal room in which human capital can actually be funded at the scale the outcomes require. Girl-child schooling, primary-health-worker deployment off the 10.9% facility-doctor floor, and irrigation-led climate adaptation are the natural first uses of that space, both because they produce the highest development returns and because they are the interventions most starved by the current allocation logic.

> **Why the three must move together**
>
> Sequencing matters. Announcing the human-capital push without the fiscal reform produces an unfunded ambition. Executing the fiscal reform without the human-capital push produces revenue reform that citizens see no return from, undermining its political sustainability. The two must be paired — and paired publicly — so the tax bargain ('I pay

> more; government spends better on my children') is visible in both directions.

8. Implementation Roadmap

The window is short: the reform-relevant actions cluster in the next twelve to twenty-four months, before the 2027 cycle. The roadmap below sequences the prescriptions into phased, assignable moves.

Phase	Priority actions	Lead
Phase 1 0–6 months Set the engine	Establish/upgrade a consolidated revenue service; launch property-enumeration and presumptive-tax pilots; publish a debt register and begin high-cost-debt restructuring against the windfall; adopt open-budget reporting.	Min. Finance · Board of Internal Revenue · Governor’s office
Phase 2 6–18 months Build the base	Roll out digitised collection statewide; harmonise and de-duplicate market/trade levies; ring-fence windfall-funded capex to human capital; launch a named, visible girl-child enrolment and immunisation drive; align administration to the 2025 national tax reform.	Board of Internal Revenue · Min. Education · Min. Health · Planning
Phase 3 18–24 months Lock in & show return	Publish the first ‘tax-and-service’ report linking IGR to funded services; deploy PHC workforce off the 10.9% floor; commission irrigation/flood-defence works; legislate multi-year, ring-fenced human-capital financing to survive the cycle.	Min. Finance · Min. Health · Min. Water/Agric · House of Assembly

Source: SDCI RPA sequencing, derived from the prescriptions and the closing 2027 window. Leads are indicative state institutions.

9. Monitoring Framework

Reform that cannot be measured cannot be defended. The following indicators let citizens, the Assembly and development partners track whether the fiscal shift is real. Baselines are 2024; targets are directional, for the reform (not drift) trajectory.

Indicator	Baseline (2024)	Direction / target	Signals
FAAC share of revenue	**~86%**	↓ below 60% (10-yr)	De-rentierisation
IGR (naira)	**~₦32.4bn**	↑ grow > FAAC growth	Base-building
Personnel+overhead share	**>60%**	↓ toward 45–50%	Capex space
Debt deducted at source	**~₦37.2bn**	↓ falling claim on FAAC	Balance-sheet repair
Out-of-school rate	**~61%**	↓ toward Northern-peer mean	Human-capital return
Facilities with ≥1 doctor	**~10.9%**	↑ multiples of baseline	Delivery capacity
Budget & tax transparency	**Partial**	↑ full open-budget + tax report	Downward accountability

Source: Baselines from the sources cited throughout this paper; targets are SDCI RPA reform-trajectory benchmarks, not official state targets.

Conclusion

Bauchi's 2035 outcome will be decided by which of two futures the current window produces.

In the first future, the counter-current in own-revenue continues but never becomes structural; FAAC dependence stays above 80%; the temporary windfall is absorbed into recurrent commitments; debt service grows to consume an increasing share of what remains; and human-capital investment continues to lose the diffuse-benefits contest at budget time. Under those conditions, Bauchi's ranking on the outcomes that matter — poverty, schooling, child survival, climate resilience — remains where it is or slips slightly. The state does not fail; it simply does not converge.

In the second future, the state uses the 2025 tax reform, the FAAC windfall and the second-term mandate to make the fiscal shift the counter-current has already shown is possible. IGR grows to a share of revenue that begins to create a taxpayer constituency; debt is restructured against the windfall rather than expanded on top of it; and the capex space that opens is deployed against the human-capital deficit that has been the binding constraint. Under those conditions, Bauchi begins measurable convergence with better-performing peers by the early 2030s. The state does not become Lagos; it becomes a state that has closed part of the gap with Kaduna, and pulled clear of Gombe and Jigawa.

Neither future is guaranteed by any specific policy. Both are within the range of what the state can plausibly produce with the resources and mandate it currently has. The difference between them will be determined largely by choices made in the next twelve to twenty-four months — a shorter window than the ten-year outcome horizon the choices will affect, which is another way of saying that this window matters more than it appears.

The rent will not save Bauchi. The tax bargain might.

Sources and Further Reading

The evidence base draws on the primary data and qualitative research assembled in SDCI Working Paper No. 1 (Bauchi State: A Situational Analysis) and its companion Political Economy Analysis. The principal load-bearing sources for the fiscal and political-economy arguments are set out below.

Core statistical documentation

- Federal Ministry of Finance / FAAC monthly allocation releases 2024; NEITI FAAC Review 2024 — FAAC vertical formula (FG 52.68% / states 26.72% / LGs 20.60%); 2024 disbursements ~₦15.26tn (+43%); Bauchi debt deductions ~₦37.2bn.
- NBS — Internally Generated Revenue at State Level 2024 — Bauchi IGR ~₦32.4bn and comparator IGR figures.
- World Bank — Nigeria Poverty Assessment 2022 — subnational public-finance analyses covering rentier-dependence parameters and service-delivery baselines.
- NBS — Multidimensional Poverty Index 2022 — state poverty incidence (Bauchi 73.9%) and peer benchmarks.

Analytical assessments

- BudgIT — State of States 2024 and 2025 — FAAC-to-revenue dependence bands; the >60% personnel-and-overheads finding for Bauchi; fiscal-independence ranking; 10-year IGR averages; top-5 debt position; ~10.9% facility-doctor coverage.
- Bauchi 2024 budget / FAAC projections — ~₦196bn allocation; ~₦59bn deficit financed by borrowing (Federal Ministry of Finance projections).
- Agora Policy — IGR Five-Year Review 2025 — subnational IGR growth matrices, Bauchi >500% expansion (2015–24) and ~148.7% (2020–24).
- NBS/UNICEF MICS 2021; UNICEF Education Fact Sheets 2023; NPC NDHS 2023–24; UN OCHA/NEMA Flood Overview 2024; NiMet 2025 seasonal forecast — human-capital and climate indicators.

Methodological framework

The political-economy claims in this paper — actor interests, settlement type, and the institutional direction of accountability — are analytical inferences grounded in the quantitative trends above and in standard development-agency Political Economy Analysis (PEA) frameworks. They align with the Thinking and Working Politically (TWP) tradition and DFID’s Drivers of Change methodology. Readers wishing to interrogate the interpretive layers should consult the detailed Political Economy Analysis companion to SDCI Working Paper No. 1.

Appendix. Glossary & Confidence Note

Key terms

Term	Meaning as used in this paper
Rentier state	A government financed chiefly by an external, effort-independent rent (here, FAAC transfers) rather than by taxing its own citizens.
FAAC	Federation Account Allocation Committee — the mechanism distributing centrally-pooled national revenue to the three tiers of government.
IGR	Internally Generated Revenue — revenue a state raises itself (taxes, levies, fees), a proxy for fiscal effort and autonomy.
Tax bargain	The implicit exchange in which citizens accept taxation in return for services and political voice — the historical engine of accountable states.
Recurrent vs capital	Recurrent = salaries, overheads, debt service (running costs); capital = investment in the productive base (schools, clinics, irrigation, roads).
Diffuse benefits	Gains that are spread across many people, deferred in time, and hard to attribute — structurally disadvantaged in a rent-allocating settlement.
Upward accountability	Political answerability directed toward the source of the rent (the federal formula, elites) rather than downward toward citizens.

Confidence note

Quantitative claims in this paper are anchored to the Tier-1 and Tier-2 sources above and are High confidence for the fiscal magnitudes (FAAC, IGR, debt) and Medium confidence where they rest on 2021-vintage survey data (education) or state self-reports (budget execution). Political-economy claims — the rentier classification's behavioural implications, actor interests, and the direction of accountability — are analytical inferences: reasoned, falsifiable against future behaviour, and offered as argument rather than measurement. The illustrative budget-decomposition in Section 2.3 is explicitly derived and labelled as such; its sourced components (the >60% recurrent share, the ~₦37.2bn debt deduction, the ~₦59bn deficit) are not.

Sustainable Development Conversations Initiative
Research & Policy Advocacy · Bauchi, Nigeria · Policy Paper No. 1 · July 2026