

Nigeria

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Sovereign wealth in Nigeria

Nigeria has finally joined other nations with vast sovereign wealth fund (SWF) networks. It has established its own fund to operate in line with international best practices. The Nigerian Sovereign Investment Authority Act, 2011 (NSIA Act 2011) which establishes the Nigeria Sovereign Investment Authority (NSIA) has the principal aim of building a savings base for Nigerian citizens, enhancing the



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development of Nigerian infrastructure and providing stabilisation support in times of economic stress, among others.

The NSIA as the governing authority is empowered to make regulations and policies as it may determine to be most effective to

achieve the objective of the fund. It also has the power to invest in equity, debt, private equity, real estate, infrastructure, fixed-income securities and all other asset classes at the international and domestic level. Thus, the portfolio scope of the fund is subject to the assessment criteria, policies and procedures developed from time to time by the NSIA on the advice of its external asset managers.

The Act requires adherence with the Generally Accepted Principles and Practices developed by the International Working Group of Sovereign Wealth Funds, otherwise known as the Santiago principles. The Act reflects the legal propriety of the Nigerian SWF and is aimed at ensuring management independence and accountability, corporate governance, and transparency in the fund's transactions.

The policy purpose of the SWF is clearly defined. Its source as well as the general approach to withdrawals from the fund is also stated in the Act. The operational management of the NSIA implements the SWF's strategies in an independent manner and in accordance with clearly defined provisions of the Act. The Act also reflects

an intent to make investments on the basis of economic and financial considerations related to risk and return as encapsulated by the Santiago Principles.

Benefits

The fund creates savings for the Nigerian economy to aid the absorption of excess windfall of capital and protects the nation's wealth from erratic and sporadic spending.

The NSIA will authorise the funding of large-scale national infrastructure projects across regions. Likewise, when it invests, it will be able to accrue all the benefits of a large-scale investor.

The size and mandate of the NSIA will enable it to leverage choice international investments and recoup benefits.

The NSIA is seen as a key part of Nigeria's growth strategy. Considering the present overall economic capacity, the Nigerian government hopes that the SWF's efficient and transparent performance will shore up ratings from international rating agencies.

The NSIA's investments would be significant both in the medium and long term, as its investments will spur investments from domestic and international private sector companies, with a ripple effect on job creation, household wealth and increased welfare assistance for Nigerian citizens.

Nigeria as an oil- and natural resource-rich country recognises that these resources are finite, such that it is only logical to translate the resources into sustainable and lasting wealth. As an emerging market economy, there are legitimate reasons to provide Nigeria with the fiscal tools it needs to avoid unnecessary short-term recourse to loans in international capital markets and avoid international programme-based assistance.

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