



A LEGAL APPRAISAL OF THE MANAGEMENT AND CONTROL OF SOVEREIGN WEALTH FUND IN LIGHT OF THE EXCESS CRUDE ACCOUNT

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Abstract

This paper examined the legal framework and management of Nigeria's Sovereign Wealth Fund in comparison to the Excess Crude Account. Using a doctrinal research methodology, the paper analyzed relevant statutes, including the Nigerian Sovereign Investment Authority (NSIA) Act 2011 and the 1999 Constitution. The paper found that while the ECA served as a vital stabilization tool, it was plagued by constitutional disputes over revenue sharing and lacked a solid legal foundation, leading to its depletion. The establishment of the NSIA was identified as a strategic reform intended to provide a more transparent and legally robust mechanism for managing oil surpluses through its three-pronged fund structure. However, the research revealed that the SWF still faces significant legal opposition from state governments regarding fiscal federalism and concerns over the practical independence of its Board. The paper concluded that for the SWF to succeed where the ECA failed, there must be strict adherence to constitutional provisions and enhanced institutional accountability.

Keywords: Oil; Management; Control; Sovereign Wealth Fund; Excess Crude Account

1.0 Introduction

In 2004, the administration of President Olusegun Obasanjo understanding the need for Nigeria to save excess revenue accruable from crude oil for rainy days, established Excess Crude Account (ECA). However, Excess Crude Account (ECA) was faced with heated criticism by state governors who argue that the establishment of the Account was in breach of Section 162 of the 1999 Constitution.¹ The state governors in opposition to the creation of the Excess Crude Account (ECA) also vehemently argued that the federal government has unfettered access to the fund; that it will encourage unconstitutional withdrawal from the account, and that the account is susceptible to political abuse as instrument for dispensing patronage.² The issues raised bordered not only on governance process and possibility of abuse but also fundamental issue of state organization given the federal nature of the Nigerian state and the complexities that surround revenue issue (inclusive of natural resource ownership and management of resource rents) in the federation. Worse than the controversies surrounding the creation

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¹ Constitution of the Federal Republic of Nigeria 1999 (as amended), Cap C23, LFN 2004.

² A.B. Bassey, 'Excess Crude Account and Sovereign Wealth Fund as Strategic Tools for Sustainable Development in Nigeria' [2014] (5) (2) *Journal of Economics and Sustainable Development*, 2.



of Excess Crude Account (ECA) was the depletion of the account by Federal and state governments through indiscriminate withdrawal.³

In a bid to enhance the drowning reserved fund, the Federal Government sought to reform the structure and operation of Excess Crude Account (ECA). The reform climaxed in the establishment of Sovereign Wealth Fund (SWF). The fund came into existence with the enactment of Nigerian Sovereign Investment Authority (Establishment, And so on.) Act, 2011.⁴ Like the Excess Crude Account (ECA), the Sovereign Wealth Fund (SWF) is not immune of criticism in the face of the principle of fiscal federalism practiced by Nigeria and enshrined in its 1999 Constitution. It is argued that the establishment of Nigerian Sovereign Investment Authority (NSIA) is in clear breach of section 162 of the 1999 Constitution. Based on this, it is imperative to engage in an academic discourse of the law, policy and impact as well as issues surrounding the Sovereign Wealth Fund (SWF) creation in Nigeria. This is in line with the provisions of the Constitution, institutional framework for the management of the fund and the challenges of the fund's governance within the context of Nigeria's federal arrangement and in particular its conflict management capacity or lack thereof.

2.0 Conceptual Clarification

2.1 Sovereign Wealth Fund

The word sovereign creates an ownership structure for public funds in favour of community of inhabitants and bestowed sovereign and quasi-sovereign powers on the funds. In the first instance, it implies that public funds belong to the people. In the second instance, it implies that only government can authorize the use of such fund.⁵ Sovereign Wealth Fund (SWF) creates an implicit liability for government to manage public fund in the public interest. Sovereign Wealth Fund (SWF) is a powerful global investor class in many parts of the world today. Many critics have associated Sovereign Wealth Funds (SWFs) with state capitalism.⁶

Sovereign Wealth Fund (SWF) is an economic blueprint designed to give state capitalism firm grip of the world economy. Opponents of Sovereign Wealth Funds (SWFs) argued that it posed threat to national security and economic sovereignty of nations due to the competitive capitalism. Government used their Sovereign Wealth Fund (SWF) status to invest heavily in the economies of other countries thereby carving a niche for itself in the global scheme of political and economic policy agenda.⁷ In

³ (n 2).

⁴ Nigerian Sovereign Investment Authority (Establishment and so on.) Act 2011.

⁵ O. S Inyokwe 'Perspectives on the Santiago Principles and the Nigeria Sovereign Wealth Fund' (2015) (4) *IJAH* <<http://dx.doi.org/10.4314/ijah.v4i1.14>> accessed on 07/08/2025

⁶ *Ibid*

⁷ (n 5).

many countries where Sovereign Wealth Funds (SWFs) are established, there is high correlation between budget surpluses and limited debt obligations. The excess liquidity is saved for use in periods of financial crisis. The depletion of exhaustible resources. The Sovereign Wealth Fund (SWF) is a buffer fund used to cushion the effect of the boom-boost circle on public expenditure and economic development.⁸

International Working Group (IWG) for Sovereign Wealth Funds (SWFs) defines Sovereign Wealth Fund (SWF) as special purpose investment funds or arrangements, owned by the general government. Created by the general government for macroeconomic purposes, Sovereign Wealth Funds (SWFs) hold, manage or administer assets to achieve financial objectives and employ a set of investment strategies which include investing in foreign financial assets. The Sovereign Wealth Funds (SWFs) are commonly established out of balance of payments surpluses, official foreign currency operations, the proceeds of privatizations, fiscal surpluses, and/or receipts resulting from commodity exports.⁹ It is an investment vehicle that is owned directly by a sovereign government, managed independently of other state financial and political institutions, does not have predominant explicit current pension obligations, invests in a diverse set of financial asset classes in pursuit of commercial returns, has made a significant proportion of its publicly reported investments internationally.¹⁰

When Sovereign Wealth Funds (SWFs) emerged as a powerful global investor class in recent years, many actors in advanced economies reacted with a considerable degree of unease. Critics saw Sovereign Wealth Funds (SWFs) as promoting a new concept of state capitalism at the expense of global free market principles.¹¹ Governments were suggested to act both merely as providers of stable institutions for markets to operate efficiently, but through their Sovereign Wealth Funds (SWFs) to engage as powerful, distinct and as the term suggests, sovereign market participants themselves. Stronger critics argued that Sovereign Wealth Funds (SWFs) posed a threat to national security and to the economic competitiveness interests of those countries in whose assets they invested Sovereign Wealth Funds (SWFs), perceived to support their governments' distinct foreign and national policy agendas through economic means, unwittingly injected considerable fuzziness into international affairs, obscuring the boundaries between international economics and geopolitics.¹²

⁸ *Ibid*

⁹ I. I Ojibara, 'Sovereign Wealth Fund in Nigeria: problems, prospects and challenges'. (2017) (vii) (1) *Afro Asian Journal of Social Sciences* <<https://www.researchgate.net/publication>> accessed on 06/08/2025.

¹⁰ *Ibid*

¹¹ S. Behrendt, 'Sovereign Wealth Funds and the Santiago Principles: where do they stand?' *Carnegie papers* <<https://carnegieendowment.org/files/santiago-principles.pdf>> accessed on 09/08/2025

¹² (n 11).



2.2 Excess Crude Account

Excess Crude Account (ECA) is an account set up by the Nigerian government and used to save oil revenue above a base amount derived from a defined benchmark price. Excess Crude Account (ECA) is a short-term instrument designed to cushion shortfalls effect in oil revenue that may emanate from low production, oil theft or fall in crude oil price at the international market. Therefore, the build-up in the Excess Crude Account (ECA) had become very handy in ensuring that whatever shortfall in revenue is adequately taken care of. The government had to draw from the Excess Crude Account (ECA) to deal with the unanticipated losses due to output and price variation which was the purpose for setting it crude oil were held in the Excess Crude Account (ECA) which was created in 2004 to act as a stabilization fund against budget deficits arising out of oil price volatility and to potentially fund domestic infrastructure investments.¹³

Some advantages of the Excess Crude Account include:

- a. To adopt a savings policy in the interest of the present and future generations of Nigerians.
- b. To act as stabilization tools at such times when oil prices fall below the projected sum for any fiscal year.
- c. To serve as the engine room for the infrastructural development in Nigeria.
- d. Protect and stabilize the budget and economy from excess volatility in revenue/exports.
- e. Diversify from non-renewable commodity exports.
- f. Earn greater returns than on foreign exchange reserves.
- g. Assist monetary authorities dissipate unwanted liquidity.
- h. Fund social and economic development.
- i. Sustainable short-term and long-term capital growth for target for national development.
- j. Increase savings for future generations.¹⁴

2.3 Public Finance

Taylor, says, “Public finance deals with the finances of the public as an organised group under the institution of government. It thus deals only with the finances of the government. The finances of the government include the raising and disbursement of government funds. Public finance is concerned with the operation of the fiscal or public treasury. Hence to the degree that it is a science, it is the fiscal science; its policies are fiscal policies, its problems are fiscal problems”.¹⁵ Similarly, Carl views that the term public finance “has come, by accepted usage, to be confirmed to a study of funds raised by governments to meet the costs of government”.

¹³ B. A Brown and others, ‘Excess Crude Account and Sovereign Wealth Funds as Strategic Tolls for Sustainable Development in Nigeria’ (2014) (5) (2) *Journal of Economic and Sustainable Development*, 44.

¹⁴ (n 13).

¹⁵ E Taylor, *The Economics of Public Finance* (Macmillan 1957) 3.



In related development, public finance has been viewed as the study of income and expenditure of central, State and Local governments and the principles underlying them. According to Bastable, “public finance deals with expenditure and income of public authorities of the states and their mutual relation and also with the financial administration and control”.¹⁶ Findlay Shirras defines it as “the study of the principles underlying the spending and raising of funds by public authorities.”¹⁷ Prof Dalton also defines public finance in the same manner: Public finance is concerned with the income and expenditure of public authorities, and with the adjustment of one to the other. The principles of public finance are the general principles which may laid down with regard to these matters.¹⁸

All these definitions are narrow because they do not include the main divisions of public finance and its major finance functions. Harold Groves defines public finance as a field of inquiry that treats of the income and expenditure of government which includes the four major divisions: public revenue, public expenditure, public debt and certain problems of the fiscal system as a whole such as fiscal administration and policy.¹⁹ However, Hicks gives a more holistic definition, she writes, “the main content of public finance consists of the examination and appraisal of the methods by which government bodies provides for the collective satisfaction of wants and secure the necessary funds to carry on their purposes.”²⁰ Jhinga in his book, *Principles of Economics* defines public finance as that which studies the income and expenditure of central state and local governments for the collective satisfaction of wants and the principles which govern income and expenditure.²¹

However, in the context of this study, public finance could be defined as that branch of finance that deals with the income and expenditure of Federal State and Local Governments whose wealth is collectively owned by the public to foster standard of living, stewardship and accountability, legal documents are set out to govern the operations of these funds. These funds include four main divisions: public revenue, public expenditure, public debts and challenges of fiscal system as a whole such as fiscal administration and policy.

3.0 An Overview of Sovereign Wealth Fund in Nigeria

¹⁶ K Oshisami, *Government Accounting and Financial Control* (Spectrum Books Limited Ibadan 2004) 42.

¹⁷ H Bhatia, *Public Finance* (Vikas Publishing House P.B.T Ltd 2015) 45.

¹⁸ D Asechenvie, *Elements of Corporate Financial Accounting Reporting* (University of Port Harcourt Press 1996) 57.

¹⁹ M Sharma and Others, *Public Administration in Theory and Practice* (4th edn, Kitab Mahal 2012) 52.

²⁰ K Oshisam, *Government Accounting and Financial Control* (Delhi Ltd 2012) 49.

²¹ M Jhinga, *Principles of Economics* (4th edn, Vrinda Publications (P) Delhi Ltd 2012) 643.



There are three (3) key features of Wealth Funds. First of these features is that Wealth Funds are state-controlled; Second, they mainly invest abroad; Third, they are established in accordance with long term objectives, by and large to implement macroeconomic objectives. Thus, assets of the Fund, is different from the Central Bank reserves, the purpose of which is only to equilibrate balance of payments and should not be confused with other institutions, establishments and funds.²²

Sovereign Wealth Funds (SWFs), though it emerged as a financial issue in 21st century, they date back to a long time. In literature, it is stated that the first modern Sovereign Wealth Fund (SWF) in line with International Market Fund (IMF) definition is the one established in Kuwait in 1953 to manage surplus of income from oil.²³ The funds which were few in 1950s, from the end of 90s, increased enormously in number and the Funds at issue spread to the world. Today, there are 78 Sovereign Wealth Funds (SWFs) in 50 countries in total.²⁴

The Nigeria Sovereign Investment Authority (NSIA) is a Nigerian establishment which manages the Nigerian Sovereign Wealth Fund (NSWF), into which the surplus income produced from Nigeria's excess oil reserves is deposited. This Sovereign Wealth Fund (SWF) was founded for the purpose of managing and investing these funds on behalf of the government of Nigeria. The wealth fund commenced operations in October 2012 with JP Morgan appointed as the custodian of the funds as was set up by the Nigerian Sovereign Investment Authority (NSIA) Act, which was signed into law in May 2011. It is intended to invest the savings gained on the difference between the budgeted and actual market prices for oil to earn returns that would benefit future generations of Nigerians. The fund was allocated an initial \$1 billion USD in seed capital. Nigeria is the most populous country on the African continent with an estimated excess of 200 million people. It is also one of the largest producers of oil, which the majority of its economy relies. Petroleum exports account for approximately 90 percent of its foreign revenue and 80 percent of government revenue. Given Nigeria's dependence on oil, its economy is susceptible to shifts in oil prices. Excess oil reserves were previously allocated to the Excess Crude Account (ECA), which was set up in 2004 as a stabilization fund to meet the country's yearly budget deficits and to contribute to the development of local infrastructure. The constitutionality of the Excess Crude Account (ECA) has been brought into question.²⁵

²² H. B Ozgul, 'Sovereign Wealth Funds: *The case of Norway*' (2019) International Public Finance Conference/Turkey <<https://www.researchgate.net/publication/336605854>> accessed on 09/08/2025

²³ *Ibid.*

²⁴ *Ibid.*

²⁵ N. P Nnamocha & O. N Okonkwo, (5) (2) (2015) 'An Appraisal of the Nigeria Sovereign Investment Authority' <<https://pdfs.semanticscholar.org>> accessed on 06/08/2025.



Nigeria's Sovereign Wealth Funds (SWFs) was brought into law in 2011 via the Nigeria Sovereign Investment Authority (NSIA) Act to replace the Excess Crude Account (ECA). The act authorized the establishment of the Nigeria Sovereign Investment Authority (NSIA), giving it jurisdiction over the country's excess petroleum reserves. The fund is intended as security against future economic instability, to contribute towards the development of the country's infrastructure and as a savings mechanism for future generations, using the country's excess oil revenues. It is also expected that managing these reserve funds will help to protect Nigeria's economy from external shocks. With an initial financing of \$1bn USD from the Nigerian government, Nigeria's fund is the third largest Sub-Saharan Africa, after Botswana and Angola.²⁶

While Sovereign Wealth Funds (SWFs) can help generate long-term economic benefits, several important conditions must be fulfilled in order to produce the intended results. First, appropriate budget and monetary policies represent the most important of these preconditions. Thus, the operations of the Sovereign Wealth Fund (SWF) must be well integrated in the overall policy framework. Failing this, a Sovereign Wealth Fund (SWF) could produce potential policy pitfalls, such as creating parallel budgets, or-through ill-timed withdrawals-undermining the operations of the central bank.²⁷

Second, for the fund's operations to be properly integrated into the home country economic policy framework, it is critical that adequate information is reported to the relevant agencies and that accurate data are included in national accounts, as well as monetary, government finance and external sector statistics.²⁸ Third, recent cross-country evidence suggests that Sovereign Wealth Funds (SWFs) are successful in achieving efficient resource management when they have well-designed funding and withdrawal rules that are consistent with their stated goals. Most recently, following such rules, the government of Chile has established its two existing Sovereign Wealth Funds (SWFs) as an integral part of Chile's macroeconomic framework. The fiscal framework adopted in 2006 apportioned fiscal surpluses between the Sovereign Wealth Funds (SWFs) within a fiscal rule designed to smooth government expenditures across the business cycle.²⁹

Fourth, a Sovereign Wealth Fund (SWF) should be underpinned by well-framed corporate governance arrangements. These include the government as its owner setting the Fund's objectives, its governance structure and an effective accountability framework. Governance structures typically articulate clear roles, responsibilities and interrelationships between the different bodies involved in the Sovereign Wealth Fund's (SWF's) administration and management with the goal of facilitating operational

²⁶ *Ibid*

²⁷ (n 25).

²⁸ *Ibid*.

²⁹ *Ibid*



independence in making investment decisions.³⁰ Fifth, clear accountability procedures among the different levels of Sovereign Wealth Fund (SWF) governance and to the public are important in order to prevent misuse of public resources and to gain public support for saving resources rather than spending them, inform the public about the accumulated revenue and provide the economic rationale for the buildup of Sovereign Wealth Fund (SWF) resources. Transparency arrangements, in this regard entail regular public disclosure of the investment objectives of the Sovereign Wealth Fund (SWF), its funding, the withdrawals and spending on behalf of the government, the governance framework and the fund's asset size and its allocation and return.³¹

Finally, the success of a Sovereign Wealth Fund (SWF) is contingent upon responsible investment policies that are consistent with its policy purpose. These include care, skill and prudence in investment practices and a robust framework to identify, assess and manage the risks of its operation. For instance, stabilization funds-that are the most common form of Sovereign Wealth Fund (SWF) and have shorter investment horizons-are more likely to invest conservatively and may hold relatively large stocks of liquid assets. In contrast, savings funds seek to earn higher returns over a longer horizon and may invest across all major asset classes, including alternative investments. Pension reserve funds may even determine their investment policies in an asset and liability context to match entitlement payments, thereby choosing portfolios similar to those of funds with direct pension liabilities.³²

4.0 The Management and Control of Sovereign Wealth Fund in Light of the Excess Crude Account

Probably owing to the change in leadership in Nigeria as a result of the 2007 presidential, legislative, and gubernatorial elections and the impact of global economic crisis, major political support for the ECA and the provisions for the ECA in the FR Act diminished. Although, some states saw the need to promote national and state-level fiscal responsibility legislation and even create additional state-level savings funds, several state governors contested their savings being held at the federal level at the CBN as stipulated by the FR Act.

The ECA was bedeviled with improper policy coordination and lack the required support from the governors whose perception of the ECA was that of scheme created by the federal government to shortchange the two remaining tiers. As a matter of fact, by May 2008, seven states filed a lawsuit against the federal government, seeking their share of revenue accrued from 2004 to 2007 which was placed in the ECA or used by the federal government to pay upfront charges. The states withdrew their

³⁰ *Ibid.*

³¹ *Ibid.*

³² (n 25).

lawsuit after the federal government agreed to settle the matter through a technical committee of the Federal Accounts Allocation Committee (FAAC)³³

Thus, to address the ECA's shortcomings, the Nigeria Sovereign Investment Authority Act (NSIA) of 2011 was enacted. Prior to its enactment, in November 2010, Nigeria's National Economic Council (NEC), an executive body that comprised of the Vice President, the 36 state governors and the governor of the CBN approved a plan to replace the ECA with a proper legal instrument in the form of an Act of parliament. The NEC's proposal for SWF legislation was endorsed by the executive cabinet and introduced into the National Assembly.

At inception, after its creation, the implementation of the NSIA faced serious political and legal opposition from the state governors. In October 2011, over a dozen state governors joined in a law suit to suspend the transfer of US \$1 billion, the initial seed money from the ECA to the NSIA, pending the hearing and determination of the suit against the federal government for withholding from the states 5.51 trillion naira (US \$ 34.7 billion) which accumulated in the ECA between 2004-2007 through crude oil sales, petroleum profits tax and oil royalties.³⁴ Similarly, in that same year, the federal government and the state governors had reached an out of court agreement to go ahead with the establishment of the NSIA with \$1 billion seed money from the ECA. This consensus between both arms of government culminated into the engagement of KPMG, a prominent management consultancy and global auditor to recruit the key management positions of the NSIA. KPMG was chosen in order to ensure the transparency of the recruitment process.³⁵ In late February 2012, the federal government indicated that the NSIA will be fully operational sometime in May 2012 given that the government does not encounter unexpected delays³⁶. The NSIA is said to be in accordance with the established principles stipulated by the IMF in the Generally Acceptable Principle and Practice (GAPP) also called the Santiago Principles.

The NSIA Act established the Nigeria Sovereign Investment Authority otherwise referred to as the Authority.³⁷ The Authority is charged with receiving, managing, and investing federal, state, and local government revenues in a diversified portfolio of medium and long-term investments. This is done in

³³ W. Mosadomi, 'Excess Fund- States, FG Settle Out of Court' Vanguard 9 January 2009 Accessed on 5/08/2025.

³⁴ Songhai Advisory, 'Nigeria's Sovereign wealth Fund-Planning for a Rainy Day' <<http://africanarguments.org/2011/11/25/nigerias-sovereign-wealth> Accessed on 5/08/2025.

³⁵ S Walsh, 'Nigeria Seeks Trio to Lead Fledgling SWF' <<http://www.efinancialnews.com/story/2011-11-24/wantedthree-to-run-nigeria-swf>> Accessed 5/08/2025.

³⁶ K. Aderinokun, 'Nigeria: SWF Begins Operation in May' <<http://allafrica.com/stories/201202280800.html>> Accessed 5/08/2025.

³⁷ NSIA Act, s 1(1).



order to prepare for the eventual depletion of the country's oil resources.³⁸ The Fund is also intended to provide economic stability during economic shocks, facilitate infrastructure construction, and serve as a savings base for Nigerians.³⁹ The Federal, State, and Local Government Councils contributed an initial \$1 billion to this end, according to the federal allocation formula of the Federation Account and it will be managed by the NSIA. Subsequent funding is expected to come from Residual Funds from the Federation Account in the manner specified in the Act, as long as the revenue allocation formula's derivation portion is not included.⁴⁰

All ownership interest in the NSIA shall be jointly held by all tiers of government on behalf of the people of Nigeria.⁴¹ The NSIA has three core areas of investment to channel funds. They are: the Future Generation Fund (FGF), the Nigeria Infrastructure Fund, and the Stabilization Fund.⁴² Thus, the objectives of structuring the Sovereign wealth fund through three different funds is to properly protect the economy from the uncertainties in oil price in the international oil market, to address the huge infrastructural deficit in the country and to create a fund for the future generation of Nigerians.

The Act specifies the boards and the governing council's appointments, tenure, composition, and power. The Act also establishes the NSIA as a legal entity with its own seal and the ability to sue and be sued.⁴³ Article 7 of the Act provide for the establishment of the Governing Council of the Authority. The Governing Council is headed by the President of Federal Republic of Nigeria (who may be represented by the vice-president), and which has other members as follows, each of the state governors, Attorney-General of the federation, the minister in charge of National Planning Commission, Governor of Central Bank of Nigeria, the Chief Economic Adviser to the president, chairman of RMAFC, 4 representative of the private sector, 2 representative of civil society, 2 representative of Nigeria youth and four 4 eminent academics. The Act also provides for the constitution of the Board. Article 25(1) provides for the independence of the board.⁴⁴ However, the Act failed to provide for how such independence will be guaranteed.

³⁸ *Ibid*, ss 4 and 5.

³⁹ NSIA Act, ss 4 and 5.

⁴⁰ *Ibid*, ss 29,30 and 31.

⁴¹ *Ibid*, s 32.

⁴² NSIA, ss 39,41 and 47; M. U. Yakub, 'Nigeria Sovereign Wealth (SWF); Lessons from Existing SWF, Bullion,' (2011) (35) (1) *Apublication of Central Bank of Nigeria*, 18-22.

⁴³ A.B. Bassey, 'Excess Crude Account and Sovereign Wealth Fund as Strategic Tools for Sustainable Development in Nigeria' [2014] (5) (2) *Journal of Economics and Sustainable Development*, 57-61.

⁴⁴ E.R. Aiyede, 'The Political Economy of Fiscal Federalism and the Dilemma of Constructing a Developmental State in Nigeria' (2009) (30) (3) *International Political Science Review*, 249-269.



5.0 Conclusion

The transition from the Excess Crude Account to the Nigerian Sovereign Investment Authority represents a significant shift toward institutionalizing fiscal discipline and long-term savings in Nigeria. While the ECA provided immediate liquidity during revenue shortfalls, its susceptibility to political interference and the legal controversies surrounding its creation hindered its sustainability. The NSIA Act addresses many of these flaws by providing a statutory personality and a diversified investment strategy focused on future generations and infrastructure. Despite these improvements, the management of the Sovereign Wealth Fund remains entangled in the complexities of Nigeria's federal arrangement. The ongoing friction between the federal and state governments regarding the legality of withholding funds from the Federation Account poses a continuous threat to the stability of the NSIA. Essentially, the success of the SWF depends on a harmonious interpretation of Section 162 of the Constitution and the ability of the Authority to maintain operational independence from political actors.

6.0 Recommendations

The following recommendations are made:

1. The National Assembly should consider a constitutional amendment to explicitly recognize the Sovereign Wealth Fund, thereby resolving the persistent legal conflicts between the three tiers of government and Section 162.
2. The federal government must ensure the practical independence of the NSIA Board by establishing clear, transparent criteria for their removal and limiting executive interference in investment decisions.
3. The NSIA should strictly adhere to the Santiago Principles by providing regular, comprehensive public disclosures of its investment returns and asset allocations to build trust among all stakeholders.