University of Alberta

CUTTING THE CORD:

A COMPARATIVE ANALYSIS OF SOVEREIGN WEALTH FUND INDEPENDENCE IN NIGERIA, ALBERTA AND ALASKA

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Abstract

This research paper compares the independence of sovereign wealth funds (SWFs) in Nigeria, Alberta, and Alaska. The paper examines how SWFs should aim to balance independence from government interference with government oversight to achieve shared objectives. The study analyzes the legal and institutional frameworks governing SWFs in these jurisdictions, their governance structures and investment policies. The analysis reveals that while independence from political interference should be prioritized, a reasonable amount of government oversight is necessary. The findings have implications for policymakers and SWF managers, highlighting the importance of robust legal and institutional frameworks and effective governance structures in promoting the success of SWFs.

Keywords: Independence, Transparency, Sovereign Wealth Funds, Development, Resource Curse, Accountability.

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INTRODUCTION

As the distinction between the status of government-controlled and independent institutions becomes increasingly blurred, Sovereign Wealth Funds (SWFs) have become the subject of greater scrutiny in recent years. In 2021, the Saudi Arabian Public Investment Fund (PIF), which manages assets worth approximately $620 billion, was heavily criticized for its purchase of both the LIV professional golf league as well as English football club Newcastle United.[1] In both instances, sports fans have decried the acquisitions, arguing that human rights breaches on the part of the Saudi Government are incompatible with ethical ownership standards within their respective sports. However, according to article two of its Public Investment Fund Law (PIF), the fund is an investment vehicle that has "a public legal personality as well as financial and administrative independence."[2] From this perspective, one can assume that the SWF serves as an investment vehicle independent of direct government intervention. That said, critics such as Saeed Azhar and Stephen Kalin argue that "at the end of the day, the owner and the one who takes the decision is the Saudi Government, and the PIF is the tool that is supervising the execution of these projects."[3] This raises the question of whether independence from government intervention affects the operation of SWFs and what benefits can be gained from achieving such independence in this domain.

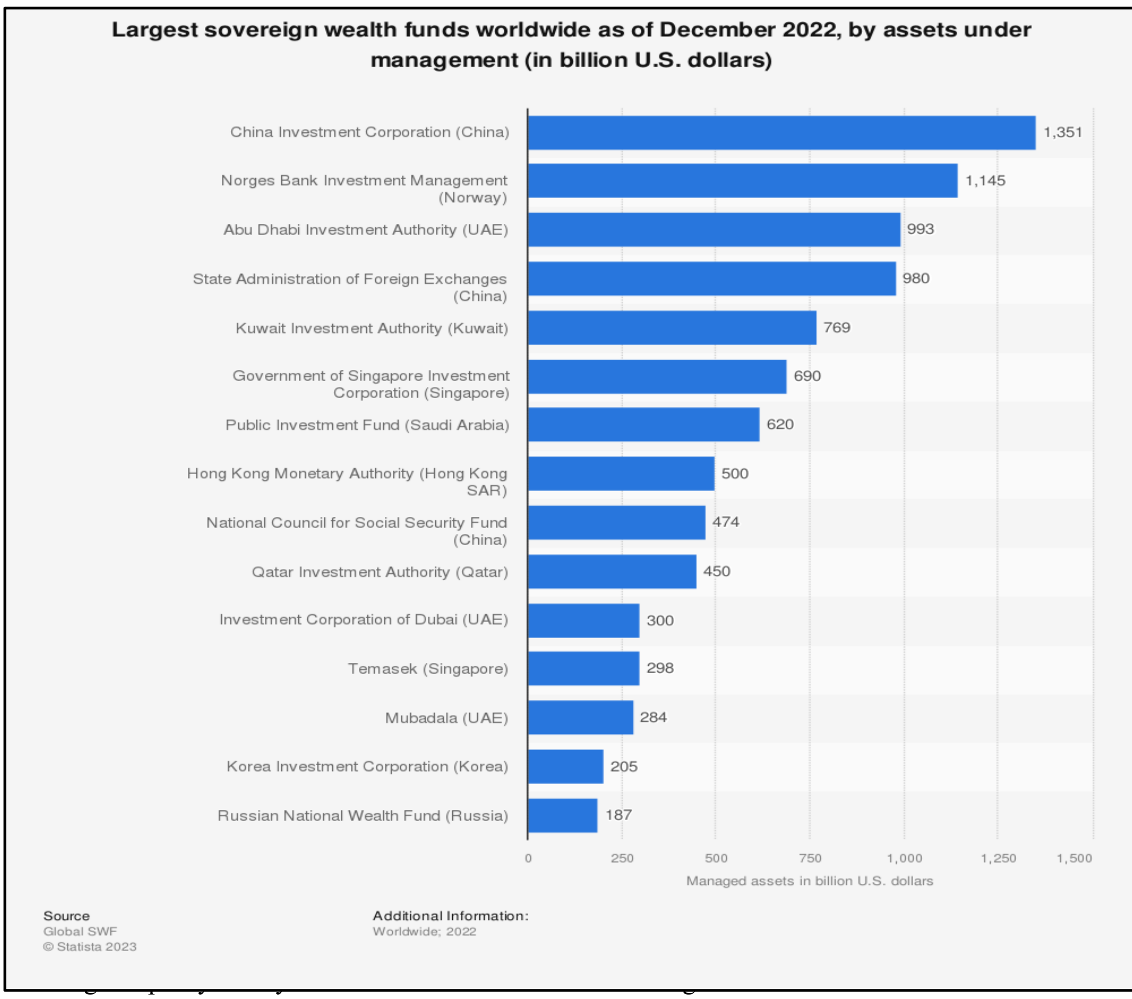
Sovereign wealth funds are state-owned investment funds that hold and manage significant pools of capital on behalf of a country's government.[4] They are typically funded

[1] Rick Kelsey, "Newcastle United takeover: What is PIF, the main owner of the club?," *BBC News*, (October 2021), https://www.bbc.com/news/newsbeat-58842557.
[2] "The Public Investment Fund Law,' (Riyadh: The Public Investment Fund, 2018), 1, https://www.pif.gov.sa/en/Pages/AboutPIF.aspx.
[3] Saeed Azhar and Stephen Kalin, "Saudi Arabia's hometown ambitions could clip wealth fund's wings," *Reuters,* June 2019, https://www.reuters.com/article/cbusiness-us-saudi-pif-investment-insigh-idCAKCN1TT0OE-OCABS.
[4] Eric Estevez, "Sovereign Wealth Fund (SWF): Definition, Examples, and Types," *Investopedia*, (2020), https://www.investopedia.com/terms/s/sovereign_wealth_fund.asp.

through reserves from natural resource revenues, foreign exchange reserves and other government-owned assets.

SWFs play a crucial role in the global economy as they serve as vehicles for countries to invest in foreign investments, diversify their portfolios and generate long-term returns.[5] They are essential for stabilizing economies, funding infrastructure projects, supporting domestic industries and managing risk in times of economic volatility. In recent years, SWFs have experienced substantial growth in both size and number, with many countries establishing new funds or expanding existing ones. Figure 1 illustrates some of the largest SWFs worldwide, with East Asia and the Middle East possessing some of the wealthiest funds.[6]

Figure 1. Largest Sovereign Wealth Funds Worldwide by Assets



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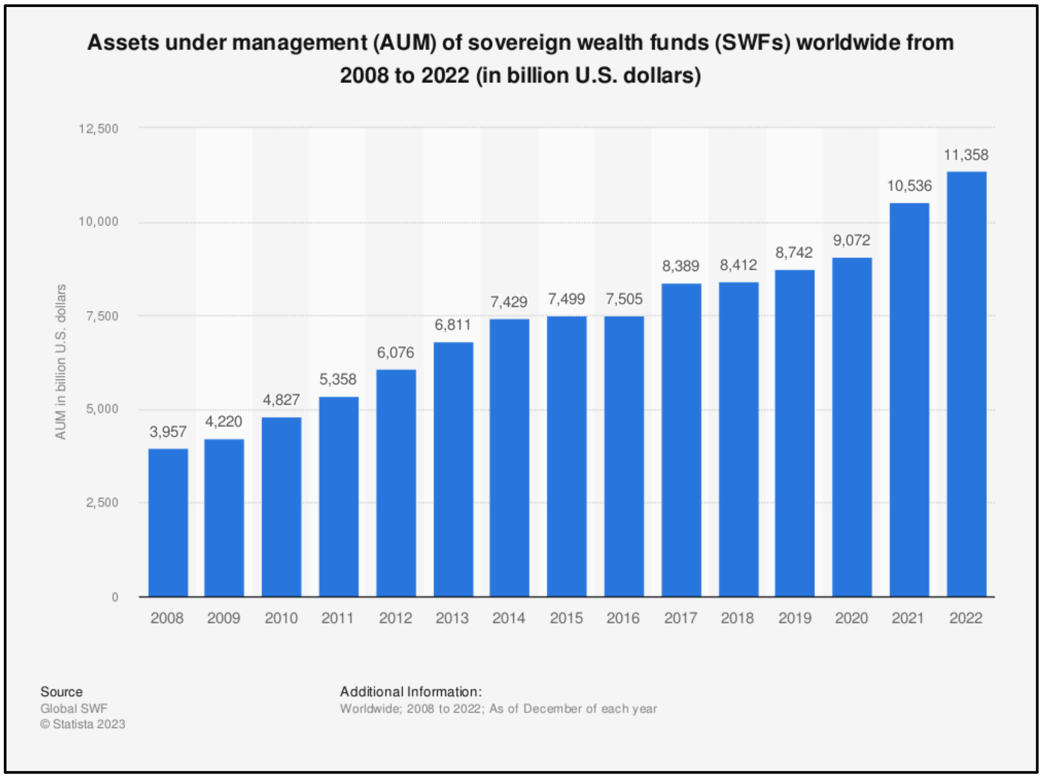
This growth has been driven by increased commodity prices, economic growth in emerging markets and a desire to diversify investments beyond traditional asset classes. That said, sovereign wealth funds have not always been a player in the international economy, with the first official SWF - the Kuwait Investment Authority - becoming the first to be established in 1953.[7] Since then, however, SWFs have been founded in countries across the globe and have grown exponentially. In fact, since 2008, the total global Assets Under Management (AUM) of SWFs has increased nearly four times its size, as illustrated in Figure 2.[8]

Figure 2. Total Assets Under Management

[7] Richard C. Wilson, "An Introduction to Sovereign Wealth Funds," Investopedia, (2022), https://www.investopedia.com/articles/economics/08/sovereign-wealth-fund.asp#:~:text=The%20first%20sovereign%20wealth%20fund,Investment%20Authority%20(1976)3%EF%BB%BF.

[8] Global SWF, "Assets under management (AUM) of sovereign wealth funds (SWFs) worldwide from 2008 to 2022 (in billion U.S. dollars)," Statista, (January 1, 2023), https://www-statista-com.login.ezproxy.library.ualberta.ca/statistics/1267499/assets-under-management-of-swfs-worldwide/.



Additionally, these funds have been increasingly adopted in developing countries such as those in sub-Saharan Africa to manage their resource revenues better. According to writers at the World Bank, SWFs offer several benefits for these types of countries. For example, by adopting SWFs, developing countries in sub-Saharan Africa aim to harness their resource revenues to drive long-term sustainable development, promote economic diversification and mitigate the risks associated with commodity price volatility.[9] These benefits have yet to be unignored by African policy makers. Sub-Saharan Africa holds the second highest number of SWFs (32) in the world, second only to Asia.[10]

Figure 3. Sovereign Wealth Funds by Region

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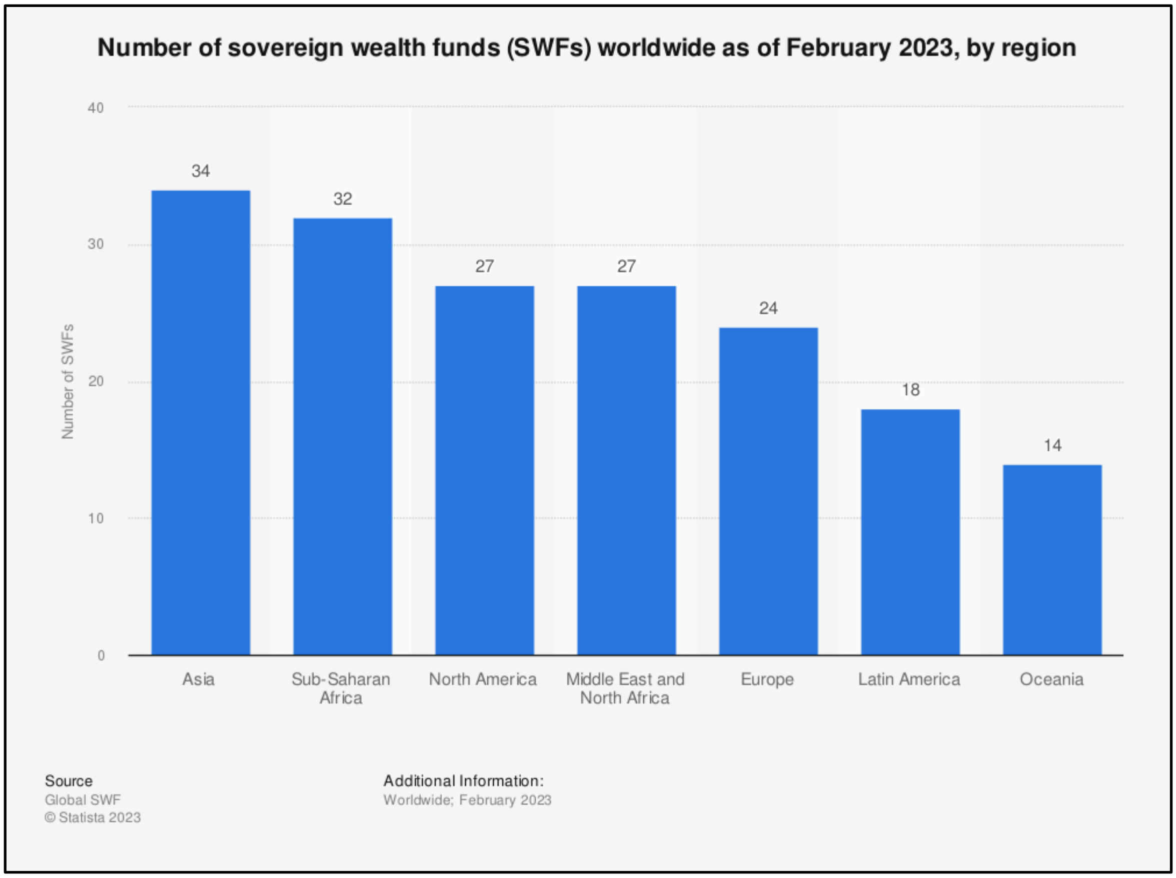
[9] Boubacar Diallo, et al., "Sovereign wealth funds and long-term investments in Sub-Saharan Africa," *World Bank Policy Research Working Paper*, (2016), https://ssrn.com/abstract=2881696.

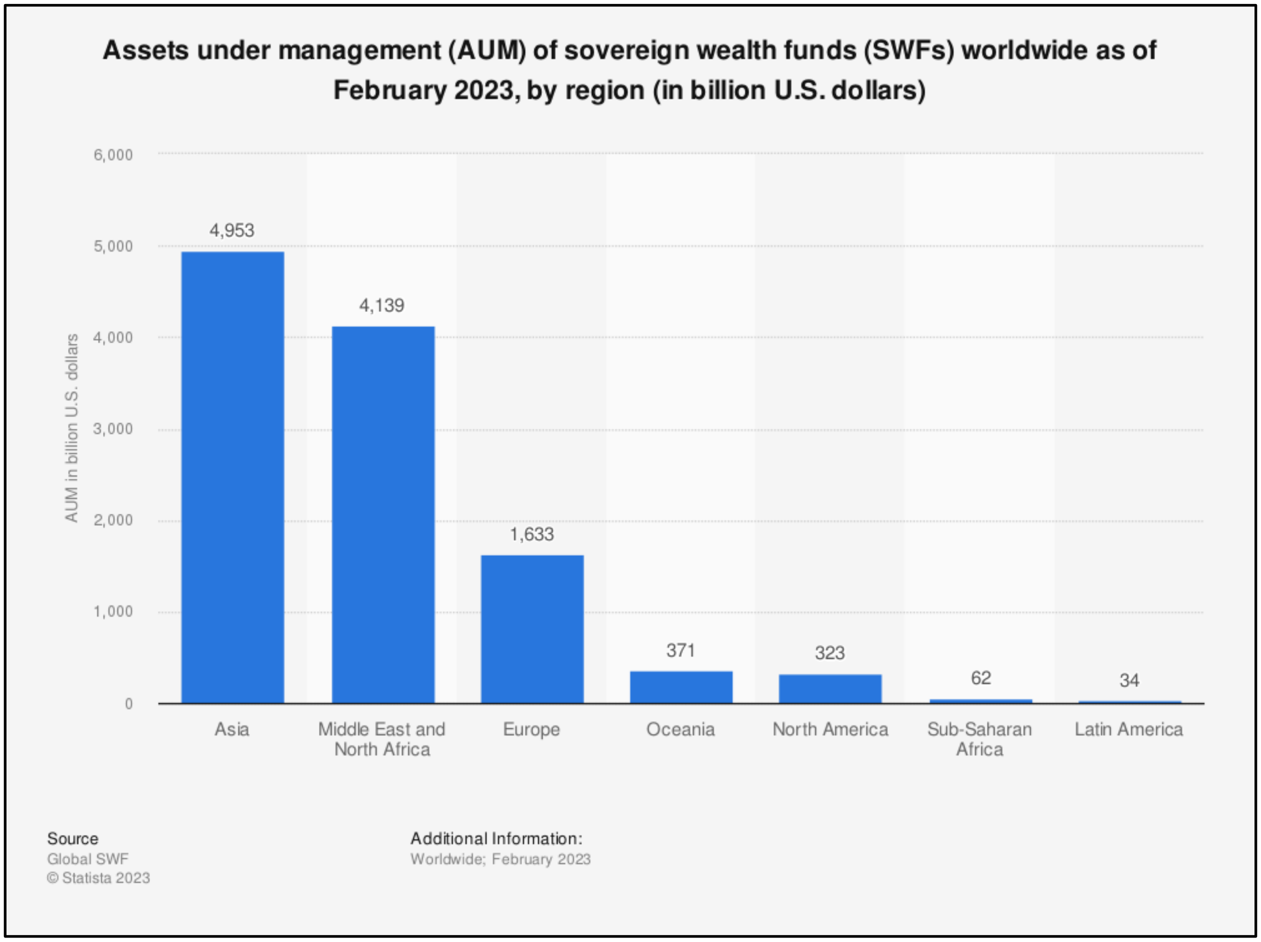
[10] Global SWF, "Number of sovereign wealth funds (SWFs) worldwide as of February 2023, by region," *Statista*, (February 1, 2023), https://www-statista-com.login.ezproxy.library.ualberta.ca/statistics/1267460/number-of-swfs-by-region/.



Yet, establishing and managing SWFs in sub-Saharan Africa also pose challenges, such as ensuring transparency, accountability and governance to avoid potential risks of corruption, mismanagement and political interference. Despite having the second highest number of SWFs compared to other regions of the world, sub-Saharan Africa possesses the second lowest Assets Under Management (USD 62 billion) of any other region globally, with only Latin America behind them.[11]

[11] Global SWF, "Assets under management (AUM) of sovereign wealth funds (SWFs) worldwide as of February 2023, by region (in billion U.S. dollars)," *Statista*, (February 1, 2023), https://www-statista-com.login.ezproxy.library.ualberta.ca/statistics/1267475/aum-of-swfs-by-region/.

Figure 4. Total Assets Under Management of SWFs by Region



The issue of SWF governance becomes especially pertinent when used in developing countries to leverage revenues precipitated by windfalls of resource revenues. SWFs are commonly viewed as a way to "smooth resource revenues to make budget allocations more predictable."[12] Moreover, these funds are useful for countering future revenue shocks, balancing current and long-term financial commitments and stabilizing the macro-economy by keeping a portion of assets offshore.[13] Given these conditions, SWFs are often hailed as anecdotes to the

[12] Alexis Montambault Trudelle, "The Public Investment Fund and Salman's state: the political drivers of sovereign wealth management in Saudi Arabia," *Review of International Political Economy* (2022): 10. https://doi.org/10.1080/09692290.2022.2069143.

[13] Adam D. Dixon and Ashby HB Monk, "What role for Sovereign Wealth Funds in Africa's development?," *Center for Global Development, Washington DC* (2011), 4-5.

'resource curse,' a theory which purports that countries with abundant natural resources, such as oil or minerals, often experience adverse economic, social and political outcomes. This includes increased corruption and inequality due to mismanagement, lack of diversification and rent-seeking behaviors associated with resource wealth.[14]

By establishing and effectively managing Sovereign Wealth Funds, countries can channel their resource revenues into long-term investments, diversify their economies and promote sustainable development.[15] SWFs can be used to save and invest resource revenues, rather than spending them immediately, which aids in smoothing revenue volatility and reducing the risks associated with overreliance on resource extraction. By leveraging SWFs to invest in infrastructure, education and other sectors beyond resource extraction, countries can reduce their dependence on finite resources and build a more resilient and diversified economy, mitigating the negative impacts of the resource curse.[16] Additionally, SWFs are seen as key for maintaining an economic environment largely unaffected by corruption. According to Bortolotti et al., the presence of robust Sovereign Wealth Fund governance correlates with better scores on the Corruption Perception Index.[17] SWFs can be structured to adhere to best governance practices with transparency, accountability and professional management, which can help combat corruption and mismanagement often associated with resource wealth. Yet to possess a robust and effective sovereign wealth fund, there are a number of requirements that must be met - one of which being an adequate degree of insulation from government intervention.

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[14] Graham A. Davis and John E. Tilton, "The resource curse," In *Natural resources forum*, (Oxford, UK: Blackwell Publishing, Ltd., 2005), 233-242, https://doi.org/10.1111/j.1477-8947.2005.00133.x.

[15] Emerson M. Sanchez and Jayson S. Lamchek, "Creating a sovereign wealth fund in a corruption-riddled country: Energizing transparency and sound governance with direct benefit-sharing," *Resources Policy* 81 (2023), 103244, https://doi.org/10.1016/j.resourpol.2022.103244.

[16] Vidhi Chhaochharia and Luc Laeven, "Sovereign wealth funds: Their investment strategies and performance," (2008), 23-24, https://ssrn.com/abstract=1308030.

[17] Bortolotti, et al., *The rise of sovereign wealth funds: definition, organization, and governance*. (Palgrave Macmillan US, 2015), 14, https://doi.org/10.1057/9781137541482_16.

In his sovereign wealth fund scoreboard, Edwin Truman lists a number of elements that contribute to a well-governed, robust and productive sovereign wealth fund. Of the 24 conditions listed, only 3 metrics are explicitly dedicated to the fund's independence from government interference.[18] Specifically, metrics around sources of funding, role of government and independent auditing make up the only metrics that truly speak to the independence of the funds. Moreover, most of the 32 SWFs listed meet the targets set out by these metrics, indicating somewhat of a low bar in terms of achieving sufficient independence from government intervention. The objective of this paper is to create a scoreboard similar to that of Edward Truman's that assesses the independence of a SWF and judge how much independence is ideal in order to establish the most effective fund possible. More on how this will be achieved will be elaborated on later in the paper.

Although there are several aspects necessary to establish an effective SWF, because of the apparent gap, this study assesses the legal and regulatory frameworks that enforce the separation of government from SWF management. The aim of the study is to elucidate where sovereign wealth fund governance and operation should be directly affected by political actors and where independence is necessary. Through this comparison, the study will then be poised to offer recommendations on best practices in relation to maintaining independence between sovereign wealth funds and government.

In many cases, the independence of SWFs from government intervention is seen as one of the foundational principles in maintaining a productive environment for the reinvestment of publicly owned funds. For example, Nigeria is often cited as a country with abundant resources, but it has frequently struggled with ineffective management of its funds due to corruption and

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[18] Edwin Truman, "A Scoreboard for Sovereign Wealth Funds," (Peterson Institute for International Economics, 2007), 13-15, https://www.piie.com/sites/default/files/publications/papers/truman1007swf.pdf.

political meddling. For example, in March of 2023, the United States Department of Justice announced the seizure of roughly USD 53 million in profits from corruption in the Nigerian oil industry. According to the news release, two Nigerian businessmen, Kolawole Akanni Aluko and Olajide Omokore, were found to have conspired with others to bribe Nigeria's former Minister for Petroleum Resources, Diezani Alison-Madueke, between 2011 and 2015. In exchange, Alison-Madueke allegedly used her influence to direct valuable oil contracts to companies owned by the two businessmen. The illegal contracts were worth more than $100 million and were used to buy luxury assets, including real estate in New York and California, and a 65-meter superyacht. These assets were acquired through shell companies, and some of the real estate was used as collateral for loans. The case highlights the extent of corruption in the Nigerian oil industry and the use of offshore companies to launder money acquired through illegal means.[19] While this example is not directly correlated with the Nigerian sovereign wealth fund, the NSIA, it nevertheless illustrates why shoring up public institutions is vital for the long term success of the country in fighting the resource curse.

Nigeria, like many developing countries, has faced their share of difficulties navigating the divide between independence and government control in relation to SWFs. Like many low-income countries that host an abundance of resource wealth, Nigeria has struggled with kicking the aforementioned resource curse. That said, the presence of oil has translated into positive economic growth for many countries and jurisdictions across the globe. By establishing robust and independent institutions to manage their resource wealth, jurisdictions in Canada and the United States have been able to effectively leverage their resources into substantial financial

[19] The United States Department of Justice, "Justice Department Recovers Over $53M in Profits Obtained from Corruption in the Nigerian Oil Industry," *Office of Public Affairs*, (March 27, 2023), https://www.justice.gov/opa/pr/justice-department-recovers-over-53m-profits-obtained-corruption-nigerian-oil-industry.

gains. More specifically, sovereign wealth funds in both Alaska and Alberta have had longstanding success in translating revenues from their respective oil and gas industries into stable economic development. In these SWFs, independence from government interference is regarded as a key component to maintaining a healthy economic environment with which the funds can operate.

The Heritage Savings Trust Fund is Alberta's sovereign wealth fund, which has played a critical role in the province's success in utilizing its resource wealth. Similarly, the Alaska Permanent Fund has successfully translated the state's oil and natural gas revenues into sustainable economic growth.[20] In contrast, Nigeria's SWF, the Nigerian Investment Authority, has failed to achieve significant economic growth, despite having one of the world's largest oil reserves. These examples illustrate how effective management of a sovereign wealth fund is crucial for sustainable economic development. The Nigerian Sovereign Investment Authority has at times faced criticism for a lack of transparency and potential corruption. For example, when Mahmadu Buhari took over the Nigerian Presidency in 2015 the NSIA faced allegations that it could not explain the whereabouts of $700 million out of its initial seed capital of $1.5 billion.[21] Therefore, it is crucial to examine how independence from government interference is implemented in all three jurisdictions to better understand what actions can be taken to better ensure the security of the fund from corruption and mismanagement.

This study will offer a comparison of sovereign wealth funds in Nigeria, Alberta and Alaska in order to garner a better understanding of how their respective legal and regulatory

[20] James Chen and Jefredea R. Brown, "Alaska Permanent Fund Definition," *Investopedia*, (September 13, 2022), https://www.investopedia.com/terms/a/alaska-permanent-fund.asp#:~:text=The%20Alaska%20Permanent%20Fund%20is%20an%20investment%20fund%20that%20invests,every%20eligible%20citizen%20of%20Alaska.

[21] UK AID, "Improving Communications of the Nigerian Sovereign Investment Authority (NSIA)," *UK AID*, https://www.dai.com/uploads/Improving-Communications-of-the-Nigeria-Sovereign-Investment-Authority-NSIA.pdf.

frameworks dictate the role of government intervention in the management of SWFs. By comparing these three particular cases, this study will be able to pull from the regulatory practices of two long established and well governed SWFs as found in Alberta and Alaska, to one which is relatively new as found in Nigeria. By doing so, this study will be able to determine best practices for maintaining proper SWF independence in Nigeria.

Given that sovereign wealth funds are state owned investment vehicles designed to serve the interest of the general populace, it is often difficult to draw a line between where the government should intervene. This study will focus on three areas of focus in measuring independence: (1) operational independence; (2) institutional independence; (3) financial independence. Justification behind case selection and the methodology of the study will be elaborated on in the methodology chapter of the study; however, for now it is important to gain a better understanding of why independence in SWFs is important and how it can help to foster tangible economic growth in resource-rich developing countries.

LITERATURE REVIEW

Institutional independence is a topic that has gained much attention in academic literature. Whether it be court systems, central banks, the civil service or publicly owned health agencies, a high degree of institutional autonomy has long been seen as a critical factor in maintaining an effective relationship between institutions and government. No less is the case with sovereign wealth funds. Scholars such as Lawrence Lessig, Helge Berger and David E. Lewis have written extensively on the role the government should or should not play in a number of different institutions such as sovereign wealth funds. This chapter will provide a brief survey of literature relating to institutional independence and how it relates to sovereign wealth fund governance. In doing so, it will help to inform on how this research project as a whole fits into the larger discussion around how the proper governance of sovereign wealth funds can help to promote economic development.

There exists a myriad of literature pertaining to the importance of separating institutions from government. While several of these works have become entrenched in the litany of essential works on political theory, some offer new modern takes that adopt a somewhat more modest approach. In his classic 1885 work *On Liberty*, John Stuart Mill argues that institutions such as universities and the press should be autonomous from the government so as to foster a more free and open society.[22] While Mill mainly views this issue through a lens of dispelling government encroachment as a means to preserve individual and collective freedoms, he nevertheless displays the critical importance of adopting measures that safeguard institutions from government interference. Like Mill, *The Federalist Papers* by Alexander Hamilton, argue that the independence of judges in the American judicial system is necessary in order to "guard the Constitution and the rights of the people."[23] This work, which is part of a collection of 85 essays written by Alexander Hamilton, James Madison and John Jay, were written in support of the ratification of the United States Constitution.[24] Throughout the work, there is abundant evidence of the desire to maintain a separation of powers between the government and various administrative bodies and institutions. Countless other influential political thinkers have written on the importance of independence from government intervention. In recent years, there have been several works written on the current state of corruption and government overreach. In *Republic Lost*, for example, Lawrence Lessig argues that the current state of American

[22] John Stuart Mill, and Thomas De Quincey, *On Liberty*, (1885), 185.
[23] James Madison, Alexander Hamilton and John Jay, "The Federalist Papers," *Democracy: A Reader* (1990), 3.
[24] Madison et al., "The Federalist Papers," 3.

democracy has been corrupted by the influence of money in politics, and that independent institutions are necessary to counterbalance this influence and restore the integrity of the democratic process.[25] Ultimately, the separation of government from individual organizations and institutions has served as an integral part of establishing the foundations for healthy democracy. While these works do not necessarily explicate on the independence of SWFs from government, they nevertheless show how critically important this is.

While many of the previously mentioned works touch on the importance of maintaining separation between government and institutions as an integral component of a well-maintained democracy, it is important to note that many scholars view this separation on the basis of the efficiency of the institution itself. Miller, for example, argues that institutions that are independent from government control are more efficient because they are able to make decisions based on their own expertise, rather than being subject to political pressure.[26] While Miller's argument is complex, he mainly focuses on the principal-agent theory as a way to demonstrate the benefits of greater autonomy within bureaucracy. The theory of principal-agency suggests that when someone in charge (the "principal") wants someone else to do something (the "agent"), giving the agent some independence can be a good way to make sure they do what the principal wants.[27] This simple conceptualization is a helpful way to demonstrate the benefits of maintaining a healthy degree of independence between government and independent institutions such as the bureaucracy. Like Miller, David E. Lewis examines the impact of agency

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[25] Lawrence Lessig, *Republic, Lost: How Money Corrupts Congress--and a Plan to Stop It*, (2011), https://search-ebscohost-com.login.ezproxy.library.ualberta.ca/login.aspx?direct=true&db=cat03710a&AN=alb.5396727&site=eds-live&scope=site.

[26] Gary J. Miller, "The political evolution of principal-agent models," *Annu. Rev. Polit. Sci.* 8, (2005), 201, https://doi.org/10.1146/annurev.polisci.8.082103.104840.

[27] Miller, "The political evolution of principal-agent models," 203.

independence on policy innovation, and argues that independent agencies are more likely to experiment with new policies and programs due to their increased autonomy. He argues that one of the main benefits of increased autonomy is that independent agencies, with limitations on political control of their leadership, have more autonomy and may perform better due to policy continuity and impartiality.[28] While Lewis focusses on federal agencies within the United States, this type of institutional independence can be observed in several other jurisdictions and across different fields.

For many scholars, the insulation of central banks from government intervention is seen as one of the best examples for maintaining institutional independence from the government. In his work "Central Bank Independence: an update of theory and evidence," Helge Berger summarizes the concept of central bank independence as well as some of the theoretical underpinnings on the topic. He argues that there is a correlation between central bank independence (CBI) and decreased inflation within a country.[29] This claim is supported by a surmounting empirical evidence which indicates that the combination of both independence and inflation aversion strategy can improve the macroeconomic performance of a country.[30] It should be noted, however, that these findings are not universal, meaning that economic situations may vary depending on the country, implicating more nuanced adjustments to central bank independence are necessary. Moreover, Berger acknowledges there are some trade-offs

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[28] David E. Lewis, and Jennifer L. Selin, "Political control and the forms of agency independence," *Geo. Wash. L. Rev.* 83 (2014), 1514, https://heinonline.org/HOL/P?h=hein.journals/gwlr83&i=1561.
[29] Helge Berger, Jakob De Haan, and Sylvester CW Eijffinger. "Central bank independence: an update of theory and evidence." *Journal of Economic surveys* 15, no. 1 (2001): 3-40, https://onlinelibrary.wiley.com/doi/abs/10.1111/1467-6419.00131.
[30] Berger et al., "Central bank independence: an update of theory and evidence," 31.

associated with central bank independence and that the specific institutional arrangements that are necessary for achieving independence can vary across countries.[31]

In sum, there are several essential works in political theory dedicated to arguing for the independence of autonomous institutions from government intervention. Like central banking, there are many other areas wherein scholars have identified a need for increased autonomy from government intervention. For example, Lewis identifies a list of several American institutions and organizations that would operate more sustainably if they establish a greater level of separation from the government. In this list, he points to institutions such as the Federal Housing Finance Agency, Federal Reserve Board, National Transportation Safety Board, Social Security Advisory Board, U.S. African Development Foundation and U.S. Postal Service as just a few of the institutions that exercise a degree of autonomy over their governance.[32] In addition to fields similar to these, sovereign wealth funds have been touted by several scholars as economic vehicles requiring insulation from government. Therefore, it is necessary to survey some of the relevant literature in order to adequately situate this study.

Much of what has been discussed thus far touches on the importance of maintaining independence from government interference within public institutions. That said, it is important to note that several argue that a certain degree of government oversight is necessary in order to ensure that the priorities of the SWF are aligned with those of the government and that the economic needs of the country are being met. Gelb et al., for example, argue that when managers of SWFs do not invest in the goals of the government, they risk undermining the macroeconomic management of the country.[33] They argue that both the SWF management team as well as the

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[31] Ibid, 31.
[32] Lewis and Selin, "Political control and the forms of agency independence," 1511.
[33] Alan Gelb, et al., "Sovereign wealth funds and long-term development finance: risks and opportunities," *World Bank Policy Research Working Paper* 6776 (2014), 2, https://ssrn.com/abstract=2394324.

central government should coordinate in order to reach the broad macroeconomic goals of the country. That said, they still recognize the importance of allowing the management team to make investment decisions independently in order to maximize efficiency.[34] They argue that following strategies should be implemented to balance government oversight with the independence of the fund:

1. Strategic Guidance and Project Appraisal: Choose investment projects based on development goals and assess their feasibility through various evaluations.
2. Project Selection and Budgeting: Select proposed projects using an independent function and involve experts. Connect project selection with the budget cycle for consistency.
3. Project Implementation: Execute projects efficiently through procurement, budgeting, and monitoring. Organize resources, maintain transparency, and report regularly.
4. Project Audit and Evaluation: Keep track of physical assets and audit regularly. Evaluate completed projects to improve public investment management systems.[35]

Due to the fine line between effective government oversight and the potential for corruption and mismanagement, it is imperative to analyze how SWFs approach this issue and what practices can be adopted to achieve this.

The total assets under management (AUM) of sovereign wealth funds worldwide is estimated to be around USD 11 trillion.[36] This massive figure demonstrates why there is a particular emphasis on the proper governance of SWFs among scholars and international organizations. The International Monetary Fund (IMF), for example, states that SWFs play “an important role in macroeconomic management and global financial stability.”[37] The statement is from a document released by the IMF, outlining the importance of good governance with respect to SWFs. In the document, they claim that there are a number of strategies that can be employed

[34] Gelb, et al., “Sovereign wealth funds and long-term development finance: risks and opportunities,” 25.
[35] Ibid, 9.
[36] Global SWF, “Assets under management (AUM) of sovereign wealth funds (SWFs) worldwide from 2008 to 2022 (in billion U.S. dollars),” (January 1, 2023), https://www.statista.com/statistics/1267499/assets-under-management-of-swfs-worldwide/.
[37] Abdullah Al-Hassan, et al., *Sovereign wealth funds: Aspects of governance structures and investment management*, International Monetary Fund, (2013), 3, https://doi.org/10.5089/9781475518610.001.

to increase the overall efficiency of the fund. For example, they point out that outlining clear investment objectives are important to aligning the priorities of the fund with those of the government.[38] Most important to this study, they argue that regardless of the governance framework the management of an SWF "should be conducted on an independent basis to minimize potential political influence or interference that could hinder the achievement of the SWF's objectives."[39] In explaining the importance of the operational independence of the fund, they also explain the "manager-model" and "investment company model" as two frameworks that could be used to help maintain the independence of the fund and government. In short, the "manager model" framework is based on the idea of delegating decision-making authority to professional managers, whereas the "investment company model" involves greater oversight and control by the government or other stakeholders over the investment decisions of the sovereign wealth fund.[40] Both these models will help better understand the institutional autonomy of SWFs in Nigeria, Alberta and Alaska. In addition to their depiction of governance models in relation to SWFs, Hassan et al., also provide an illustration of the role of independent auditing within SWFs as illustrated in Figure 5.[41]

Figure 5. SWF Governance Model

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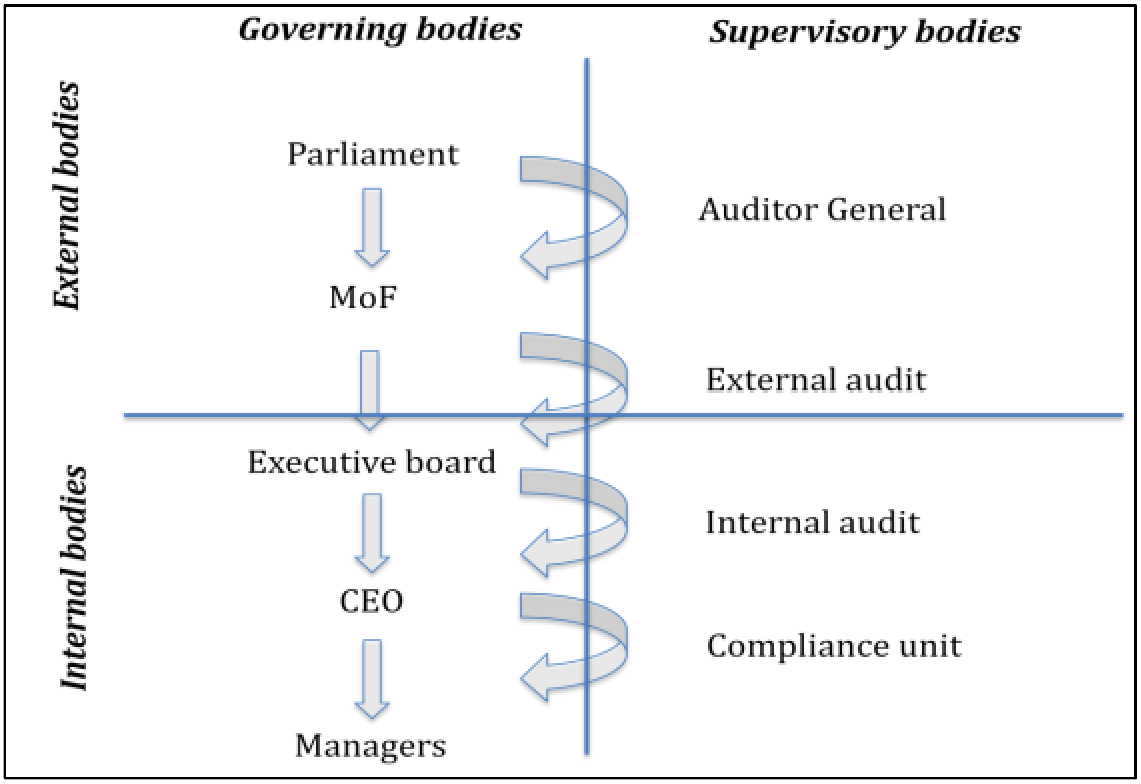
[38] Hassan et al., *Sovereign wealth funds: Aspects of governance structures and investment management*, 8.
[39] Ibid, 10.
[40] Ibid, 11-12.
[41] Ibid, 12.



One of the most cited guidelines for the governance and management of SWFs are the Generally Agreed Principles and Practices on the governance of sovereign wealth funds (GAPP), or "Santiago Principles." The Santiago Principles were first adopted by the International Working Group of Sovereign Wealth Funds in October of 2008 with the aim of identifying a "framework of generally accepted principles and practices that properly reflect appropriate governance and accountability arrangements as well as the conduct of investment practices by SWFs on a prudent and sound basis."[42] Moreover, the principles have within them four objectives which are as follows:

> **i.** To help maintain a stable global financial system and free flow of capital and investment;
> **ii.** To comply with all applicable regulatory and disclosure requirements in the countries in which they invest;

[42] International Forum of Sovereign Wealth Funds, "Santiago Principles," IFSWF (Accessed March 15, 2023), 4, https://www.ifswf.org/santiago-principles-landing/santiago-principles.

iii. To invest on the basis of economic and financial risk and return-related considerations; and
iv. To have in place a transparent and sound governance structure that provides for adequate operational controls, risk management, and accountability.[43]

The principles are a collection of 24 practices that are meant to establish a universal standard of good governance of SWFs. Among these principles are practices around accountability, transparency, coordination with the government and operational independence.[44] While many scholars, politicians and economists accept these principles as a sound basis for maintaining good governance of SWFs, they are not without their critics. For instance, scholars such as Edwin Truman argue that the Santiago Principles set a relatively low bar when it comes to providing a framework for the governance of SWFs.

The Truman Scoreboard is a tool developed by the Peterson Institute for International Economics in 2008 to evaluate the transparency and accountability of sovereign wealth funds.[45] The scoreboard is named after its creator, Edwin Truman, and assesses the governance of SWFs based on their reporting practice, governance structures and policies around accountability. The scorecard evaluates SWFs on 4 indicators: structure, governance, transparency and accountability and behavior.[46] SWFs that perform well on these indicators receive higher scores and are considered more transparent and accountable. In many ways the Truman scoreboard is a valuable tool to measure the efficacy and transparency of SWFs as it provides a more in-depth analysis than generalized frameworks such as the Santiago Principles. Establishing more in-depth measurements is crucial for ensuring that SWFs operate in a manner consistent with their

[43] International Forum of Sovereign Wealth Funds, "Santiago Principles," 4.
[44] Alberto Quadrio Curzio, *Sovereign Wealth Funds : A Complete Guide To State-Owned Investment Funds*. Petersfield: Harriman House Publishing, (2010) ,181, ProQuest Ebook Central.
[45] Truman, Edwin M., “Sovereign Wealth Funds: Threat or Salvation?,” Peterson Institute for International Economics, Policy Brief, (Washington, DC, October 2008), 1-3, https://www.piie.com/sites/default/files/publications/papers/truman1007swf.pdf.
[46] Truman, “Sovereign Wealth Funds: Threat or Salvation,” 1.

stated objectives and with the best interests of their stakeholders.[47] By providing a mechanism to assess the transparency and accountability of SWFs, the Truman Scoreboard helps scholars and politicians examine whether these funds are managed in a responsible and sustainable manner. This, in turn, promotes good governance of SWFs and contributes to the stability and long-term success of these important economic institutions.

Five years after it was originally published, the Peterson institute published an updated version of its Truman Scoreboard. The 2013 Truman Scoreboard was an update to the original scoreboard developed by the Peterson Institute which included new indicators to assess the governance structures and investment policies of SWFs.[48] It also expanded the number of SWFs evaluated from 47 to 60, covering 90% of global SWF assets. The update was necessary due to the increasing importance of SWFs in the global economy and the need to ensure that these funds operate in a transparent and accountable manner.[49] The 2013 Truman Scoreboard highlighted the progress made by some SWFs in improving their transparency and accountability practices, while also identifying areas where further improvements were needed.

While the Truman Scoreboard is an important tool for evaluating the transparency and accountability of sovereign wealth funds, it has been criticized for underplaying the value of their independence. The Truman Scoreboard focuses primarily on transparency and accountability indicators, such as disclosure practices and governance structures, which are certainly important for promoting good governance of SWFs. However, it does not give enough weight to the importance of independence in SWF decision-making. As was mentioned in

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[47] Régis Bismuth, "The "Santiago Principles" for Sovereign Wealth Funds: The Shortcomings and the Futility of Self-Regulation," *European Business Law Review* 28, no. 1 (2017), 1-2, https://doi.org/10.54648/eulr2017006.
[48] Allie E. Bagnall and Edwin M. Truman, "Progress on sovereign wealth fund transparency and accountability: an updated SWF scoreboard," *Policy Brief* 13, (2013), https://core.ac.uk/download/pdf/24066972.pdf.
[49] Bagnall and Truman, "Progress on sovereign wealth fund transparency and accountability: an updated SWF scoreboard," 2.

previous studies, SWFs that are truly independent can make investment decisions based on sound economic principles, without being influenced by external factors. This independence can lead to better long-term outcomes for the fund and its stakeholders. The Truman Scoreboard could benefit from incorporating more indicators that measure the level of independence of SWFs and give greater recognition to this important aspect of SWF governance. Ultimately, this is the purpose of this study; to provide a scoreboard similar to that of Edwin Truman's which specifically examines the independence of SWFs from political interference.

This study contends that the line between where government interference is complex and requires a nuanced approach. In most academia related to the good governance of SWFs, there is a contradiction between arguing for total government interference and for coordination between the government and the SWF. As mentioned, the IMF itself argues that SWFs require close coordination with national macroeconomic financial policies while also claiming that the "operational management of an SWF should be conducted on an independent basis to minimize potential political influence."[50] This study identifies three areas of independence that are crucial to maintaining a healthy relationship with the government. Based on the literature, it identifies operational, institutional and financial independence as three key areas that should be considered. These parameters will be further explicated later in the study; for now, however, it is important to gain a better understanding of the current literature on SWFs in the context of the three jurisdictions as well as literature on SWF independence.

Given the vast resource wealth of Nigeria in addition to its unstable political environment, many scholars have heralded sovereign wealth funds as an avenue for the country to better leverage its resource wealth, while countering corruption. The article 'Enhancing

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[50] Al-Hassan et al., *Sovereign wealth funds: Aspects of governance structures and investment management,* 10.

Infrastructural Growth in Nigeria: The Sovereign Wealth Fund Strategy" by J.P Migap discusses the role of the Nigerian Sovereign Investment Authority in promoting infrastructural development in Nigeria and its prospects for sustainable development in the future. It also highlights the various types of SWFs managed by the NSIA as well as their purposes. First, the text discusses the *Nigerian Sovereign Investment Authority Act*, a piece of legislation used to establish the three primary SWFs in the country. These SWFs are utilized to manage excess profits from crude oil sales.[51] These SWFs include three sub-funds: Future Generations' Fund (FGF), Nigeria Infrastructure Fund (NIF) and Stabilization Fund (SF). The goal of the FGF is to invest in a diversified portfolio of appropriate growth investments to provide future generations of Nigerians with a solid savings base. The NIF on the other hand invests in infrastructure projects that contribute to the development of essential infrastructure in Nigeria, stimulate growth and diversification of the economy, attract foreign investment and create jobs for Nigerians. Finally, the SF was created as a stabilization fund to support national revenue in times of economic downturn.[52] The NSIA manages 3 different funds with varying roles and responsibilities; whereas SWFs in Alberta and Alaska have very niche operations. Throughout the text, Migap raises concerns about how the NSIA will deploy the funds to achieve optimum returns for the country, maintain its autonomy in the face of government interference, determine the location of infrastructural investments and be insulated from corruption.[53] He focuses on the extent to which the Nigeria Infrastructure Fund (NIF) could be used as the primary vehicle through which the NSIA could deploy these funds to achieve maximum impact on the Nigerian economy. Ultimately, he argues that while the NSIA has a staff of 15 professionals, its activities

[51] J. P. Migap, "Enhancing infrastructural growth in Nigeria: the sovereign wealth fund strategy," *International Journal of Economic Development Research and Investment* 5, (2014), 61.
[52] Ibid, 61-62.
[53] Ibid, 63.

should be governed by the original legislation that established it (the *Nigerian Sovereign Investment Authority Act*) and not subject to interference from government officials.[54] Articles such as these are crucial to gaining a better understanding of what has already been written about SWF governance in developing countries. Moreover, since this review focuses on the NSIA, it has particular importance for this study.

In another article relevant to this study, César Baena and Benoît Sévi surveyed the economic benefits of SWFs in both Alberta and Alaska. Their research, "Funds from non-renewable energy resources: Policy lessons from Alaska and Alberta," compares the management of both the Alaska Permanent Fund (APF) and the Alberta Heritage Savings Trust Fund (AHF). The paper examines the similarities and differences in the approaches taken by the two regions and draws policy lessons that can be applied by other resource-rich countries. In general, the paper argues for countries to operate their SWF based on the Alaska model which pays out regular dividends to its citizens.[55] On the other hand, the Albert model focuses on reinvesting revenues for future generations, through long term investments of funds, stating that In fact, Baena and Sévi argue that "the single strongest driver of AHF policy was to be fair to future generations."[56] They also examine the policies that have been put in place to ensure transparency and accountability in the management of these funds. Indeed, they claim that this should be the basic objective of resource-driven SWFs, arguing that "keeping revenues in a separate account away from government budget and meddling might encourage decision-making transparency and accomplishment of long-term objectives such as securing the sustainability of

[54] Ibid, 72-73.
[55] César Baena and Benoît Sévi, "Funds from Non-Renewable Energy Resources: Policy Lessons from Alaska and Alberta," *Energy Policy* 51 (December 1, 2012), 572, doi:10.1016/j.enpol.2012.08.076.
[56] Baena and Sévi, "Funds from Non-Renewable Energy Resources: Policy Lessons from Alaska and Alberta," 573.

revenues for future generations."[57] Furthermore, they find that both regions have taken steps to ensure that the funds are managed in a transparent manner, with clear rules and regulations governing their operation. That said, they also identified differences in each jurisdiction's approach to maintaining the independence of their fund. For instance, they note that arms-length Trustees are appointed to lead the policies and management of the Alaska Fund," while by contrast "the Alberta Fund has been managed by a government department and has been hobbled over the years by AHF legislative restrictions."[58] This difference has led them to conclude that resource-based SWFs should be "managed by a separate entity with dedicated staff independent from any governmental institutions."[59]

Overall, the paper provides valuable insights into the management of sovereign wealth funds and the policies that can be put in place to ensure their effective management for the benefit of current and future generations. The paper is important as it demonstrates the differences between SWF governance in both Alaska and Alberta. Although both jurisdictions exhibit strong governance of their respective SWFs, the differences between the two are helpful in providing policy recommendations for a burgeoning fund such as the Nigerian Sovereign Investment Authority. The differences in autonomy of the two funds will be further analyzed later in the essay; however, for now this article offers a helpful distinction between SWFs in Alaska and Alberta. The culmination of literature found within this review will help to inform the remainder of this study. By drawing on the prior work of scholars relating to institutional autonomy, SWF governance and differences between fund operations in Nigeria, Alberta and

[57] Ibid, 571.
[58] Ibid, 576.
[59] Ibid, 576.

Alaska, this study is better able to offer recommendations for improving the independence of these funds.

METHODOLOGY

The purpose of this paper is to analyze Sovereign Wealth Funds in three distinct regions: Nigeria, Alberta and Alaska. Despite the apparent differences between these jurisdictions, there is a rationale behind their selection that will be outlined in this paper. The examination of Sovereign Wealth Fund independence in Alaska, Alberta and Nigeria is of significant importance due to the unique features of these regions. Alaska, as a state of the United States, has a long history of oil and gas extraction, and established the Alaska Permanent Fund (APF) in 1976, which has since grown to be one of the largest sovereign wealth funds in the world.[60] Similarly, Alberta, as one of the largest oil-producing provinces in Canada, set up the Alberta Heritage Savings Trust Fund in 1976, aimed at investing surplus oil revenues for future generations.[61]

On the other hand, Nigeria, as a federal state and a major oil producer, established the Nigerian Sovereign Investment Authority (NSIA) in 2011 to manage the country's excess oil revenues. The establishment of the NSIA was intended to address the issue of inadequate savings, promote fiscal discipline and long-term economic growth. The different levels of government in which these sovereign wealth funds operate, and the varying political and economic factors that influence their operation, provide a diverse and insightful sample for analysis. For instance, Alaska and Alberta operate within federal systems that grant them some level of autonomy, but they are still subject to the larger economic and political forces of the United States and Canada, respectively.[62] Nigeria, on the other hand, operates within a more centralized federal system that presents different challenges and opportunities for the

[60] Alaska Permanent Fund Corporation, "Who We Are," *APFC*, (Accessed, March 2023), https://apfc.org/history/.
[61] Alan MacFadyen and Campbell Watkins, *Petropolitics: petroleum development, markets and regulations, Alberta as an illustrative history*, University of Calgary Press, (2014), 9. 10.26530/oapen_626373.
[62] Baena and Sévi, "Funds from Non-Renewable Energy Resources: Policy Lessons from Alaska and Alberta," 574-80.

management of its sovereign wealth fund.[63] It is important to note that this study examines SWFs through the lens of independence. This means that all other factors such as social, cultural or environmental do not play a significant role since only the institution is being analyzed.

This study is significant as it provides a comparative analysis of the experiences of these regions in managing their sovereign wealth funds. By examining the factors that affect the independence and effectiveness of these funds, this study aims to provide insight into how best to manage sovereign wealth funds for long-term economic growth and sustainability.

Alberta - Heritage Savings Trust Fund

Alberta has a long and rich history of oil production, dating back to the early twentieth century. The first oil well in the province was drilled in 1902, and by the 1920s, the industry was booming, with large discoveries being made throughout the region.[64] While oil production during this period was steady, the discovery of the Leduc oil field in 1947 truly transformed the industry into an economic driver for the province.[65] The Leduc field was one of the largest oil discoveries in North America and prompted rampant exploration and development throughout the province. In the following decades, the industry continued to grow and expand, with new discoveries being made and technology improving extraction techniques.[66] By the 1970s, Alberta

[63] International Forum on Sovereign Wealth Funds, "Nigerian Sovereign Investment Authority," *IFSWF*, (Accessed March 2023), https://www.ifswf.org/member-profiles/nigeria-sovereign-investment-authority.
[64] National Historic Sites, "First Oil Well in Western Canada National Historic Site," *Government of Canada*, (November 2022), https://parks.canada.ca/lhn-nhs/ab/puits-well.
[65] Wallas Snowdon, "Leduc No. 1: Seven decades ago, a single oil well changed Alberta history," CBC News, (February 13, 2017), https://www.cbc.ca/news/canada/edmonton/leduc-oil-discovery-anniversary-oil-boom-history-1.3980331.
[66] MacFadyen and Watkins, *Petropolitics: petroleum development, markets and regulations, Alberta as an illustrative history*. 9.

was the largest producer of crude oil in Canada and the third-largest producer of natural gas.[67] However, as the industry grew, so did concerns about how to manage its windfall oil revenues.

In 1976, the Alberta government established the Heritage Savings Trust Fund, a SWF designed to help manage these revenues for future generations. Moreover, the fund was designed to receive a portion of the province's oil revenues each year with the aim of saving a portion of the wealth for future generations.[68] To help kick-start the fund, the province's General Revenue Fund provided $1.5 billion as a startup. It is important to note that the fund is managed by the Alberta Investment Management Corporation (AIMCo), a Crown Corporation tasked with managing several investment funds in Alberta. The legal frameworks of AIMCo will be used to help analyze the independence of the Heritage Trust Fund later in the essay. The fund has grown significantly in recent years, with contributions from oil and gas royalties as well as other sources of income such as land sales.[69] In fact, the fund is now worth roughly $18.6 billion and is one of the largest sovereign wealth funds in Canada.[70] It is important to note that the Heritage Savings Trust Fund has been a controversial topic in Alberta politics, with some arguing that the fund has not been used to its full potential and that the government should be investing more in infrastructure and social programs. However, others argue that the fund is an important way to

[67] CBC Learning, "New Economic Realities: Boom and Bust in Alberta," CBC, (2001), https://www.cbc.ca/history/EPISCONTENTSE1EP17CH3PA1LE.html#:~:text=In%20the%201970s%2C%20Alberta%20was,hunt%20to%20strike%20it%20rich.&text=For%20geologist%20Jim%20Gray%2C%20these,spirit%20was%20alive%20and%20well.

[68] Government of Alberta, "Heritage Fund Historical Timeline," *Alberta Treasury Board and Finance*, (Government of Alberta, March 2015), 1, https://open.alberta.ca/dataset/80ee4142-17f2-4bc7-b30b-18afd3dfe5c8/resource/1c95d123-fa1d-49e3-ad25-98599aba2fb4/download/heritage-fund-historical-timeline.pdf.

[69] Allan A. Warrack, "Alberta Heritage Fund: blessing becoming curse?," *Western Centre for Economic Research Information Bulletin*, (2005), 8.

[70] "Alberta Heritage Savings Trust Fund quarterly report," *Government of Alberta*, (February 2023), https://open.alberta.ca/publications/4993570.

ensure that future generations of Albertans benefit from the current resource profits and that it should be preserved and managed carefully.[71]

Alaska - Alaska Permanent Fund

The history of Alaskan oil production largely started following the discovery of the Prudhoe Bay oil field in 1968. The Prudhoe Bay field, located on the North Slope of Alaska, contained an estimated 25 billion barrels of oil, making it one of the largest oil fields in the world.[72] Shortly after, pipelines and other infrastructure were built to help transport the oil to refineries and markets. The development of the oil industry in Alaska had significant economic implications for the state. The industry created jobs and generated revenue for the state through taxes and royalties.[73] However, it also raised concerns about the potential environmental impact of oil exploration and production in the state's fragile ecosystem. In response to this, Governor Jay Hammond proposed the creation of the Alaska Permanent Fund around the same time Alberta established the Heritage Trust Fund. Hammond argued that the fund would provide a way for Alaskans to benefit from the state's natural resources for generations to come.[74] This decision seems to have paid off, especially, given the recent decline in oil production in the state as illustrated in Figure 6.[75]

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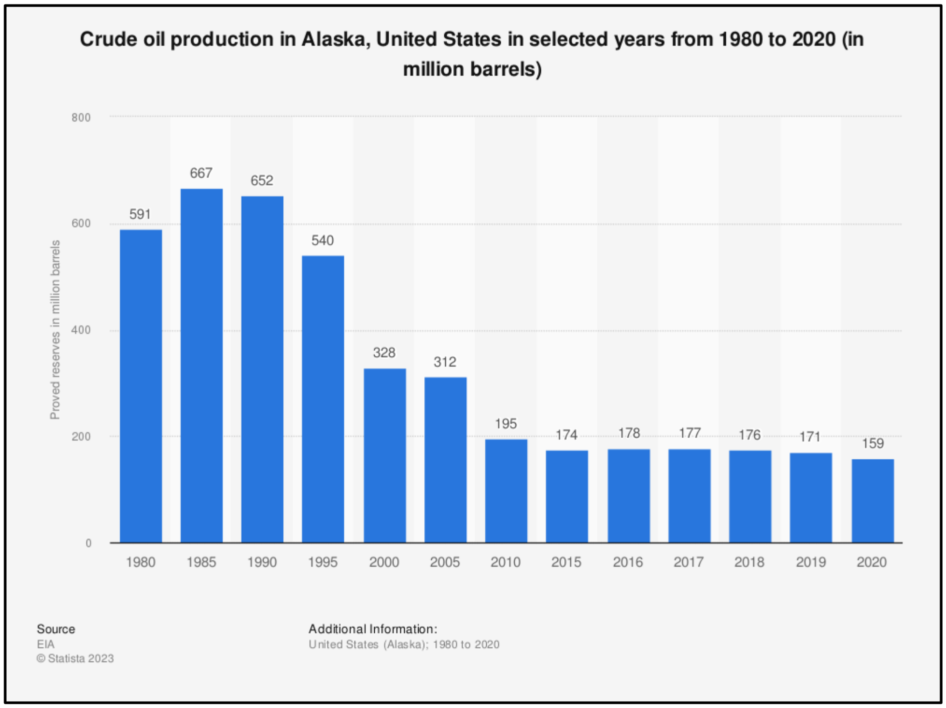
[71] A. F. Collins, "The Alberta Heritage Savings Trust Fund: An Overview of the Issues," *Canadian Public Policy/Analyse de Politiques,* (1980), 158-165, https://www.jstor.org/stable/3549915.
[72] Alaska Permanent Fund Corporation, "Alaskan's Guide to the Permanent Fund," *Alaska Permanent Fund Corporation: Who We Are*, 38, https://online.fliphtml5.com/xkbok/fjhk/#p=5.
[73] Ibid, 44.
[74] Ibid, 3.
[75] EIA, "Crude oil production in Alaska, United States in selected years from 1980 to 2020 (in million barrels)," *Statista*, (January 13, 2022), https://www-statista-com.login.ezproxy.library.ualberta.ca/statistics/1195063/alaska-oil-production/

Figure 6. Crude Oil Production in Alaska



The Alaska Permanent Fund was established in 1976 through the passage of the Alaska Permanent Fund Act. The act specified that a portion of the state's oil revenue would be deposited into the fund, which would be managed by a board of trustees appointed by the governor.[76] The fund began receiving its first contributions in 1977, with the state depositing 25% of its oil revenue into the fund.[77] Over the years, the fund has grown significantly, with contributions from oil and gas royalties, land sales and other sources. As of 2023, the fund is

[76] Alaska Permanent Fund Corporation, "Establishment of APFC."
[77] Baena and Sévi, "Funds from Non-Renewable Energy Resources: Policy Lessons from Alaska and Alberta," 574-75.

worth over $75 billion and is one of the largest sovereign wealth funds in the world.[78] In addition, the Alaska Permanent Fund has had a significant impact on Alaska's economy and politics. The fund provides a source of revenue for the state that is insulated from the ups and downs of the oil industry. One of the key aspects of the fund is that it distributes a portion of the fund's income to eligible Alaskan residents each year through dividends.[79] This greatly differentiates it from other funds throughout the world. In contrast to this, it is important to note that some argue that the fund should be used to address the state's budget deficit or to fund infrastructure projects, instead of providing dividends to its citizens. On the other hand, however, some scholars such as Baena and Sévi argue that the current revenue stream of the fund is ideal as it prevents government interference into the fund.[80] In both their history and their governance, Alberta and Alaska share several similarities compared to that of Nigeria. That said, there are also several differences that are key to providing diverse policy recommendations for shoring up the fund's independence. For now, however, it is important to gain a better understanding of the history of Nigeria's oil industry and the establishment of its SWF.

Nigeria - Nigerian Sovereign Investment Authority

Nigeria is one of the largest oil-producing countries in Africa and the world. Its oil history dates back to the 1950s when oil exploration began in the Niger Delta region.[81] The first oil discovery was made in Oloibiri, a small village in what is now Bayelsa State, in 1956 by a joint venture

[78] Alaska Permanent Fund Corporation, "Total Fund Value," (February 2023), https://apfc.org/#:~:text=Ten%20years%20after%20Alaska%20achieved,to%20more%20than%20%2475.6%20billion.

[79] Baena and Sévi, "Funds from Non-Renewable Energy Resources: Policy Lessons from Alaska and Alberta," 575.

[80] Baena and Sévi, "Funds from Non-Renewable Energy Resources: Policy Lessons from Alaska and Alberta," 576.

[81] Phia Steyn, "Oil exploration in colonial Nigeria, c. 1903–58," The Journal of Imperial and Commonwealth History 37, no. 2 (2009): 249-274. ttps://doi.org/10.1080/03086530903010376

between Shell-BP and the Nigerian government. While the discovery of oil brought significant economic benefits to Nigeria, it also created several challenges such as environmental degradation, social and political unrest and corruption.[82] Despite these challenges, the oil industry has remained a major source of revenue for Nigeria and in the early 2000s, Nigeria began to take steps to address the challenges associated with its oil industry. For instance, one of the most central initiatives was the creation of the Nigerian Sovereign Investment Authority (NSIA) in 2011.[83] The NSIA is a sovereign wealth fund that is designed to manage Nigeria's oil wealth and invest in strategic areas of the economy. It was first established through the passing of the Nigerian Sovereign Investment Authority Act 2011. The act provides for the establishment of a board of directors to oversee the NSIA and specifies that the fund''s resources will be invested in a range of sectors, including infrastructure, agriculture and healthcare. The NSIA received its first contribution from the Nigerian government in 2012, with an initial allocation of $1 billion. The fund has since grown, with additional contributions from oil revenues, investments and other sources. As of 2022, the NSIA is worth approximately $2 billion. That said, it is important to note that revenues from Nigeria's oil and gas sector have decreased in recent years, with oil production falling from roughly 297,000 barrels per day in 2015 to around 127,000 barrels per day in 2022 As illustrated in Figure 7.[84]

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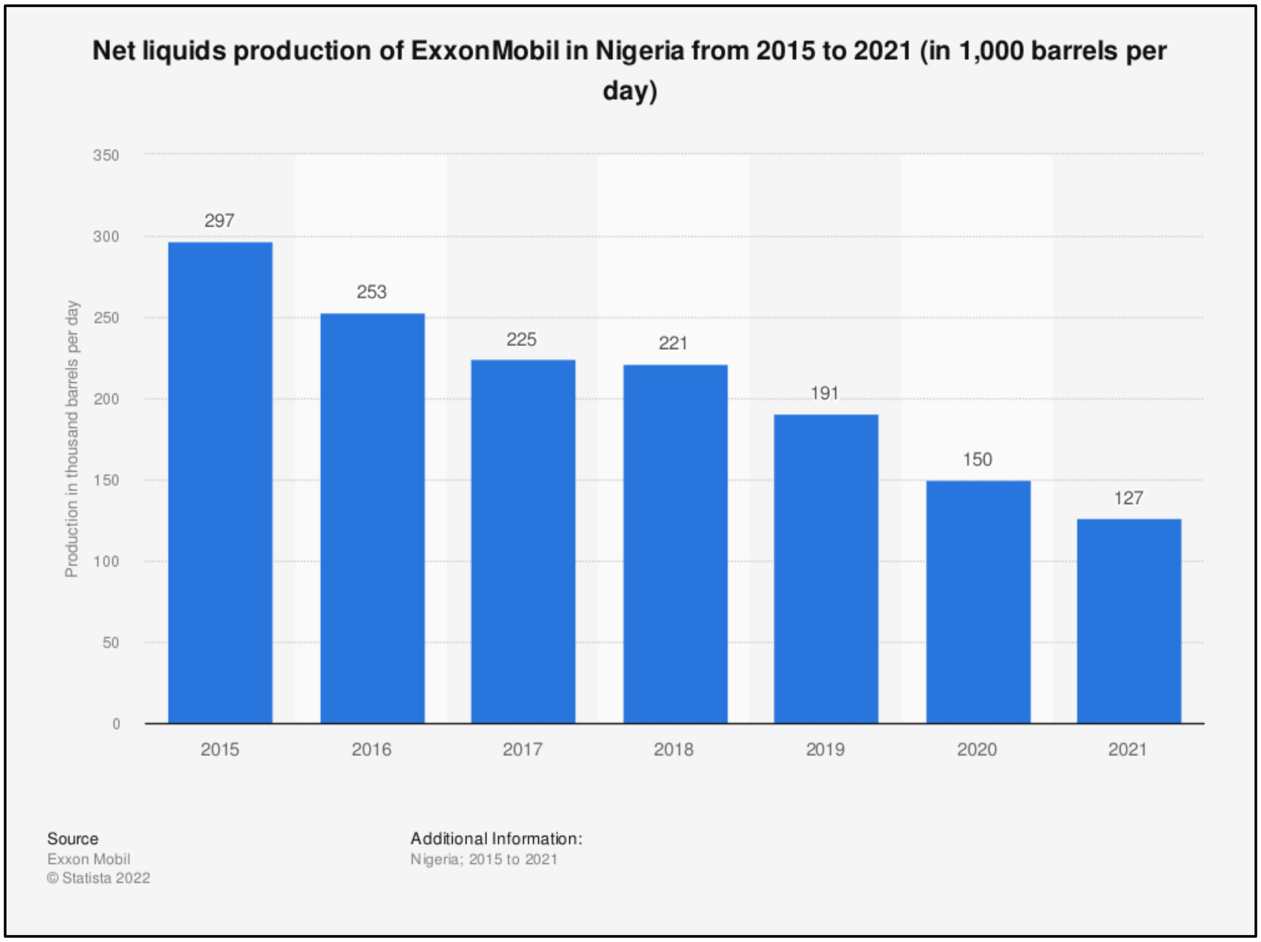
[82] Ukoha Ukiwo, "Governance Regimes of Oil in Nigeria: Issues and Challenges," *Centre for Research on Peace and Development* (CRPD) Working Paper Series (2018), http://www.kuleuven.be/crpd

[83] International Forum on Sovereign Wealth Funds, "Nigerian Sovereign Investment Authority."

[84] Exxon Mobil, "Net liquids production of ExxonMobil in Nigeria from 2015 to 2021 (in 1,000 barrels per day),". Statista. (April 1, 2022), https://www-statista-com.login.ezproxy.library.ualberta.ca/statistics/1166009/exxonmobil-net-liquids-production-in-nigeria/

Figure 7. Oil production in Nigeria from 2015 to 2021



The NSIA has invested in a range of projects and initiatives since its creation. It has invested in infrastructure projects, such as the Second Niger Bridge, which according to the NSIA is intended to "decongest the existing Niger Bridge, boost economic activities and connect the

South-East with the rest of the country."[85] The NSIA has also assisted in financing several other social initiatives such as the Lagos-Ibadan Expressway in 2013 and boosting the country's healthcare capacity.[86] The NSIA is able to invest in several areas of the economy by leveraging three separate funds created under the *Nigerian Sovereign Investment Authority Act*. As mentioned in the literature review, these three funds - Future Generations' Fund (FGF), Nigeria Infrastructure Fund (NIF) and Stabilization Fund (SF) - work to achieve various objectives set out by their respective mandates.[87] In general, however, the fund provides a way to manage Nigeria's oil wealth and invest in strategic areas of the economy. It also helps to insulate the Nigerian economy from both the volatility of the oil industry and political interference. Like funds in both Alberta and Alaska, the fund is not without its critics. For example, some have argued that the fund has not done enough to counter the effects of corruption which have created a major problem in the oil industry. Similarly, there has been a surmountable amount of criticism around the fund's investment strategy as well as its transparency and accountability. Oshionebo, for example, argues that the NSIA "does not disclose the emoluments and allowances paid to members of its Board of Directors and the Governing Council" adding that "Nigerians were taken aback recently when it was revealed in the course of an investigative hearing by the House of Representatives that members of NSIA's board of directors are paid exorbitant sitting allowances."[88] That said, this study nevertheless contends that the NSIA remains a vital tool in the country's efforts to counter the corruption that has accompanied Nigeria's oil wealth.

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[85] "The 2NB Project - Second Niger Bridge ("2NB")," *Nigerian Sovereign Investment Authority*, (2022), https://nsia.com.ng/portfolio/second-niger-bridge-2nb/.
[86] "Nigeria Infrastructure Fund," *Nigerian Sovereign Investment Authority*, (2022), https://nsia.com.ng/nigeria-infrastructure-fund/
[87] Migap, "Enhancing infrastructural growth in Nigeria: the sovereign wealth fund strategy," 60.
[88] Evaristus Oshionebo, "Mismanagement of Nigeria's Oil Revenues: Is the Nigeria Sovereign Investment Authority the Panacea?" Journal of World Energy Law & Business, (2017), 345, doi:10.1093/jwelb/jwx010.

It is clear that the three SWFs each come with their own political, economic and historical differences. For instance, while Alberta and Alaska are very similar in their operation of their respective SWFs, several scholars nevertheless highlight several differences in their approaches to governance and operations. That said, there are also several similarities which combined with the differences make the three choices ideal for examination. For example, all three jurisdictions rely on resource revenues (mainly oil and natural gas) as the main revenue source for the SWF. Furthermore, while the Alberta Heritage Trust Fund and the Alaska Permanent Fund were both created in 1976, the Nigerian Sovereign Investment Authority was created in 2011, making it relatively new compared to the other funds. Since Alberta and Alaska are both well established compared to the NSIA, there are likely clear and well-developed practices that could prove useful to the NSIA.

Before engaging in the comparative study of independence in SWFs in Nigeria, Alberta and Alaska, it is important to provide an overview of the methodology that will be used to conduct the remainder of the research. This study takes a similar approach to Edwin Truman in the utilization of a scoreboard to measure the independence of a SWF from external influences. While the Truman Scorecard provides a general analysis of the governance practices of SWFs, this study specifically focuses on practices that help insulate SWFs from external interference. In the first edition of the scoreboard, Truman analyzes a number of countries based on metrics across four categories: structure, governance, transparency and accountability and behavior.[89] Similar to Truman, this study will analyze the independence of SWFs based on metrics across three categories: operational autonomy, institutional autonomy and financial autonomy. Each category will contain three metrics that will then be graded on a four point scale, with a 1 being

[89] Truman, "Sovereign Wealth Funds: Threat or Salvation?," 1.

the lowest and a 4 being the highest. More specifically, a 1 will represent a total absence of a certain metric, while a 4 will represent strong practices related to the metric. Ultimately these scores will be used to elucidate the differences between independence measures adopted by SWFs in the three jurisdictions. By understanding this information, it is possible to then provide recommendations as to how a lower income country such as Nigeria can reform its policy to become more similar to better functioning ones such as those in Alberta and Alaska.

Category 1 - Operational Autonomy

The operational autonomy of an institution is an issue that is integral to the governance and independence of any publicly owned institution. Central banks, police services and universities rely on operational autonomy to fulfill their mandates free of political interference.

According to the International Association of Deposit Insurers, operational autonomy can be defined as "the ability of an organization to fulfill its mandate using the legislated powers and means assigned to it, without undue influence from external parties."[90] In other words, operational autonomy allows an institution to undertake its duties in a way that is insulated from government or other influences. As mentioned, this type of autonomy is essential in a number of organizations and institutions. Paul Rose argues that:

> To enhance confidence in recipient countries, it is important that managers' individual investment decisions to implement the SWF's defined strategy be protected from undue and direct political interference and influence. As owner, the role of the government is to

[90] "Operational Independence," *International Association of Deposit Insurers*, Accessed March 2023, https://www.iadi.org/en/core-principles-and-guidance/glossary/operational-independence/#:~:text=The%20ability%20of%20an%20organisation,undue%20influence%20from%20external%20parties.

> determine the broad policy objectives of the SWF, but not to intervene in decisions relating to particular investments.[91]

For the purposes of this study, it is important to ascertain which metrics are necessary to ensure proper operational autonomy. Zhendai points to four factors that enable greater operational autonomy, specifically:

> (a) whether a board and management made up purely of Government officials are capable of directing and managing the Fund; (b) whether the Corporation has sufficient autonomy to operate the Fund; (c) whether there is a clear and reasonable division of responsibilities between these bodies; and (d) whether there are clear decision-making rules and procedures.[92]

For the purposes of this study, points (a), (c) and (d) will be employed to analyze the operational autonomy of SWFs in Nigeria, Alberta and Alaska. A note that metric (b) has been excluded because it is too broad and sums up the larger question of operational autonomy. Metric (a) will be measured by analyzing the occupations of board members; that is, whether the members of boards are politically trained or have backgrounds in economics. Metric (c), will be measured by the provisions stipulated within specific laws and regulations that outline the division of responsibilities between the government and the SWF management and board. Finally, metric (d) will also analyze the laws and regulations around the decision making capabilities of the SWF administration when it comes to choosing potential investments and so on. The types of decision making is usually organized along four metrics: (i) determination of the policy objectives and overall risk tolerance; (ii) determination of the operational objectives; (iii) determination of the strategic asset allocation (SAA), including allowable deviations form benchmarks and their reflection in investment guidelines; and (iv) the operational execution of investment decisions in

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[91] Paul Rose, "Sovereign Wealth Fund Investment in the Shadow of Regulation and Politics," Georgetown Journal of International Law 40, no. 4 (2009): 1215, https://heinonline.org/HOL/P?h=hein.journals/geojintl40&i=1215.
[92] Yang Zhendai, "Issues in the long-term development of sovereign wealth funds." Asia-Pacific Trade and Investment Review, 2008 (2008): 169.

compliance with investment guidelines.[93] These items will be considered when analyzing the rules on decision making around SWFs.

	Operational Autonomy		
	(1) Priority Alignment	**(2) Division of Responsibilities**	**(3) Rules on Decision Making**
Nigeria			
Alberta			
Alaska			

Category 2 - Institutional Autonomy

Institutional autonomy refers to the degree to which an institution, such as a sovereign wealth fund, is able to operate independently from external influence, be it a person, organization or state.[94] The importance of institutional autonomy in SWF governance cannot be overstated, as it is a crucial factor in ensuring the sustainability, credibility and overall efficacy of the fund. First, and most important to this study, institutional autonomy helps to insulate SWFs from political interference. Bortolotti, for example, argues that political interference "negatively affects both firm value and performance, suggesting that the discount is due to markets pricing the threat of politicians imposing a non-commercial agenda in their investment targets."[95] This means that from a financial perspective it is not beneficial to involve political actors in the management of SWFs since markets fear that political agendas will be prioritized over economic

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[93] Udaibir Das, Yinqiu Lu, Christian Mulder, and Amadou Nicolas Racine Sy, "Setting up a sovereign wealth fund: Some policy and operational considerations." (2009), https://doi.org/10.5089/9781451873269.001.
[94] Olsen, Johan P. "Democratic government, institutional autonomy and the dynamics of change." *West European Politics* 32, no. 3 (2009), 441, https://doi.org/10.1080/01402380902779048.
[95] Bernardo Bortolotti, Veljko Fotak, and Giacomo Loss, "Taming leviathan: mitigating political interference in sovereign wealth funds' public equity investments," *BAFFI CAREFIN Centre Research Paper* (2017), 2, http://dx.doi.org/10.2139/ssrn.3088430.

ones. By maintaining institutional autonomy, SWFs can make investment decisions based on sound financial principles and strategic objectives, rather than political considerations.[96] This study will measure how an SWF is insulated from the government by analyzing how they are recognized in relation to the government. Specifically, whether they are their own separate legal entity, a branch of a central bank, or a branch of the ministry of finance. This will make up the first metric of institutional autonomy. The more separation an SWF has from the central government, the greater it will score.

Secondly, institutional autonomy helps to enhance the transparency and accountability of SWFs. When an SWF operates with a high degree of institutional autonomy it can establish clear and robust governance structures, including reporting and disclosure requirements, that help to ensure its activities are transparent and accountable to stakeholder which in turn can help to enhance the fund's credibility and reputation.[97] De Bellis argues that ‘‘the governance framework should be sound and establish a clear and effective division of roles and responsibilities.”[98] To measure this, this study will analyze the governance structure of the given SWFs to determine whether they are conducive to more greater autonomy.

Finally, institutional autonomy helps to ensure the independence and expertise of SWF management. By providing management with the necessary autonomy, SWFs can attract and retain talented investment professionals who are able to make sound investment decisions and manage risk effectively. Sanchez and Lamchek argue that “the SWF owner’s (the government) power should be limited to setting the broad policy and appointment of governing bodies but

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[96] Rolando Avendaño and Javier Santiso, “Are sovereign wealth funds' investments politically biased? A comparison with mutual funds.” (December 18, 2009), 15, http://dx.doi.org/10.2139/ssrn.1525545

[97] Maurizia De Bellis, “Global standards for sovereign wealth funds: the quest for transparency,” *Asian Journal of International Law* 1, no. 2 (2011), 349-382, doi:10.1017/S2044251310000123.

[98] De Bellis, “Global standards for sovereign wealth funds: the quest for transparency,” 360.

should not influence governance and operational management."[99] How an SWF goes about appointing its board members and managers is an important question. For the purpose of this study, if a government establishes robust rules and regulations around the hiring and firing of SWF officials, they will score higher.

Institutional autonomy is critical to the effective governance of sovereign wealth funds. It helps to insulate SWFs from political interference, enhances transparency and accountability and ensures the independence and expertise of fund management. All of these factors are essential to ensuring the long-term sustainability and effectiveness of SWFs, and ultimately to maximizing their contribution to the economic development of their host countries. Taken together, these three components of institutional autonomy help to provide a solid framework for measuring the overall independence of SWFs from political interference. The three metrics will thus be organized along the following table:

	Institutional Autonomy		
	(4) Relationship with Gov.	**(5) Governance Structure**	**(6) Appointments**
Nigeria			
Alberta			
Alaska			

[99] Emerson Sanchez, and Jayson Lamchek, "Creating a sovereign wealth fund in a corruption-riddled country: Energizing transparency and sound governance with direct benefit-sharing," Resources Policy 81 (2023), 8, https://doi.org/10.1016/j.resourpol.2022.103244.

Category 3 - Financial Autonomy

Ensuring the financial autonomy of sovereign wealth funds is critical to ensuring its independence and overall effectiveness. To maintain their independence from government and avoid political interference, SWFs must have financial autonomy and be subject to robust regulatory frameworks around the withdrawal of funds. Without these safeguards, SWFs run the risk of being used for short-term political or economic gains, rather than fulfilling their intended purpose of securing long-term economic benefits for the country.[100] Generally, financial autonomy as a value within institutional or corporate governance can be defined as

The first metric that will be used to evaluate the financial autonomy of a given SWF are the parameters established through legislation which stipulate how funds are to be saved and withdrawn from SWFs. Lax rules around how funds go into and are taken out of SWFs leaves room for the possibility of interference or corruption from political actors.[101] Therefore, it is necessary to examine how SWFs in Nigeria, Alberta and Alaska regulate when and how money is moved between the fund and the central government. In *Sovereign Wealth Funds: Current Institutional and Operational Practices,* writers from the International Monetary Fund outline how funds are normally transferred between SWFs and the government. In their outline of different practices they state that:

> Funding and withdrawal rules of other SWFs are usually tied to the source of the funds. For instance, fiscal stabilization funds are typically funded from revenue contingent deposit rules (i.e., exceeding a target), and withdrawal rules are typically crafted to meet specific budget deficits (i.e., in the event of a revenue shortfall) or funding needs, though not all SWFs specify what these may be. Reserve investment corporations are typically funded in relation to reserve adequacy requirements, and some funds have established asset trust contracts with sponsors that change periodically. Other differences in the rules exist: some keep capital and returns while others pay out targeted annual dividends to the owner (over

[100] Hassan et al., *Sovereign wealth funds: Aspects of governance structures and investment management*, 8-9.
[101] Ibid, 7.

> fund targeted ceilings, taking into consideration operational expenses, etc.); some can invest directly in specific local investment projects, though respondents note that such transactions are reflected in the budget and are compliant with local and international government statistical rules.[102]

From this, it is clear that there are a myriad of practices various SWFs employ to maintain a secure transfer of payments between the central government and the fund. The rules and regulations around how assets move into and out of the fund help to insulate it from political interference, especially through corruption. Generally, if the government is the only agent responsible for the withdrawal of funds, this can be considered poor governance. Inversely, if both the SWF and the government adopt a cooperative approach to this practice, this will be seen as a form of good governance and a way to provide further independence for the SWF. This essay will analyze the methods employed by the three selected jurisdictions and attribute a score to each on how robust their respective legislation is around this.

In addition, regular audits are essential to ensuring that the financial autonomy of an SWF is maintained. Gelb et al. argue that "rigorous internal audit procedures and standards, and independent external audits are critical for good corporate governance and accountability of SWFs."[103] While audits such as these are mainly implemented in order to ensure the transparency and accountability of managers and board members within the SWF, they are also useful for ensuring there is financial independence by providing a clearer image of how funds are being allocated. The use of audits will be measured according to two metrics. First, an analysis of regulations surrounding the frequency of audits. Second, whether or not there is a committee dedicated to regular audits of the SWF and whether this committee is a part of the government. If

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102 Peter J. Kunzel, Cornelia Hammer, and Iva Petrova, *IMF Working Papers* 2008, no. 254 (2008), 6, https://doi.org/10.5089/9781451871128.001.

103 Alan Gelb, Silvana Tordo, Havard Halland, Noora Arfaa, and Gregory Smith, "Sovereign wealth funds and long-term development finance: risks and opportunities," *World Bank Policy Research Working Paper* (2014), 23, https://ssrn.com/abstract=2394324.

this committee has a large degree of separation from the government they will receive a higher score.

The financial autonomy of SWFs is a critical factor in ensuring their effectiveness in promoting economic growth and stability. The three metrics of regulations around the withdrawal of funds, frequency of audits and the presence of an independent auditing committee are important safeguards that can help maintain the autonomy of SWFs from government interference. Robust regulations around the withdrawal of funds can ensure that SWFs are used for their intended purpose of securing long-term economic benefits rather than for short-term political or economic gains.[104] Regular audits and the presence of an independent auditing committee can also provide transparency and accountability, helping to build trust with stakeholders and ensure that SWFs operate in a responsible and sustainable manner.[105] Below is a table that will be used to measure the financial autonomy of SWFs in Nigeria, Alberta and Alaska according to the three metrics.

	Financial Autonomy		
	(7) Withdrawal Rules	**(8) Regular Audits**	**(9) Audit Committee**
Nigeria			
Alberta			
Alaska			

[104] Kunzel et al., "Sovereign Wealth Funds: Current Institutional and Operational Practices," 6.
[105] Gelb et al.,"Sovereign wealth funds and long-term development finance: risks and opportunities," 23.

OPERATIONAL AUTONOMY

Nigeria

As mentioned, the Nigerian Sovereign Investment Authority, NSIA, was established to manage Nigeria's sovereign wealth funds with the aim of investing excess oil revenues into portfolios that will generate returns for the country both in the short and long term. A central goal of the NSIA is to operate independently from the government to ensure its operational autonomy and enables it to make decisions based on market forces and sound investment principles rather than political pressures.[106] This autonomy is essential for the NSIA to effectively carry out its mandate and achieve its objectives of securing Nigeria's economic future through strategic investments in key sectors of the economy.

It is important to note that the NSIA manages the investment decisions of three separate sovereign wealth funds: the Nigeria Infrastructure Fund (NIF), the Future Generations Fund (FGF), and the Stabilization Fund (SF). Each of these funds have different objectives, requiring more skill and expertise from the NSIA's investment team to effectively manage and allocate their resources.[107] The NIF seeks to invest in high-quality infrastructure projects that will help develop the Nigerian economy and create jobs, while the FGF focuses on preserving wealth for future generations and maintaining intergenerational equity. The SF, on the other hand, is meant to provide a safety net during times of economic stress by supporting government budgets and mitigating macroeconomic risks.[108] To gain a better understanding of how each NSIA manages its investments as well as the government's involvement, it is important to first analyze the objectives and mandates set out for each fund.

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[106] Nigerian Sovereign Investment Authority, "Our History," NSIA, https://nsia.com.ng/our-history/.
[107] Ibid.
[108] Ibid.

Of the three funds managed by the NSIA, the Nigerian Infrastructure Fund is the only one that is entirely interested in domestic investments. With US$921 million in total assets, the NIF is the largest of the three SWFs, accounting for 50% of the NSIA total AUM.[109] According to the NSIA, the main objective of the fund is to "enhance the development of infrastructure, primarily through investment in domestic infrastructure projects that meet targeted financial returns."[110] In addition, the mandate of the NIF stipulates that it is to prioritize investment into critical sectors such as agriculture, healthcare, motorways, power, gas industrialisation, financial markets and technology. Recently, the fund invested US $1.4 billion to co-develop an Ammonia Plant with OCP of Morocco; US $200 million innovation fund for investments in information technology in Nigeria; and US$22million in Cancer treatment and development of diagnostic centers in Nigeria.[111] Implementing a healthy amount of operational autonomy is necessary for the NIF to succeed because it allows the NSIA to invest in projects that meet its targeted financial returns, rather than being subject to the same investment constraints as the other NSIA-managed funds. This means that the NIF can take on riskier, more innovative investments that may not be suitable for the other funds but are necessary for driving infrastructure development and economic growth in Nigeria. That said, the NIF presents a unique challenge of being intertwined in government policy as it affects key sectors of the Nigerian economy.

Similar to the mandate set out by the Alberta Heritage Savings Trust Fund, the Future Generations Fund was created with the intention of ensuring that future generations are given equal opportunities to the benefits experienced by current revenue windfalls created by oil and gas extraction. The FGF has a long-term investment strategy that spans over 20 years, allowing it

[109] Nigerian Sovereign Investment Authority, "Nigerian Infrastructure Fund," *NSIA*, (2022), https://nsia.com.ng/nigeria-infrastructure-fund/.
[110] Ibid
[111] Ibid

to withstand fluctuations in the economy and financial markets. The fund is worth a total of US $892 million and makes up 30% of the NSIA's AUM. According to the NSIA, the main objective of the fund is to "invest in a diversified portfolio of growth investments to provide future generations of Nigerians a savings base for such time as the hydrocarbon reserves are exhausted."[112] To achieve its investment goals and minimize the impact of volatility and uncertainty on its investments, diversification is utilized as a primary risk management technique.[113] The assets provided to the fund are to be allocated accordingly.[114]

Asset Class	**Percentage**
Public Equity	30%
Private Equity/Venture	25%
Absolute Return	20%
Cash & Other Diversifiers	25%

A precise division of how funds are allocated is optimal for mitigating risks associated with fund mismanagement and corruption. That said, there is nevertheless a need to shore up its operational autonomy to ensure that the funds are being managed properly. For instance, the private equity/venture allocation indicates that the FGF is willing to invest in promising domestic businesses and startups that require long-term capital to grow. However, such investments can be

[112] Nigerian Sovereign Investment Authority, "Future Generations Fund," *NSIA,* (2022), https://nsia.com.ng/future-generations-fund/.
[113] Nigerian Sovereign Investment Authority, "Future Generations Fund."
[114] Nigerian Sovereign Investment Authority, "Future Generations Fund."

risky, and a lack of operational autonomy could lead to suboptimal investment decisions, potentially impacting the fund's long-term performance.

The Stabilization Fund has similarities to both the Alberta and Alaska funds, as it functions as a rainy day fund. According to the NSIA, the main goal of the SF is to "provide stabilization support in times of economic stress."[115] The fund has USD $200 million and makes up only 20% of the NSIA's total AUM. The fund aims to protect its capital against market volatility and ensure that it has readily available cash reserves to meet any unexpected funding requirements. As a result, the Stabilization Fund has a conservative investment strategy that focuses on fixed income mandates with a short-term investment horizon.[116] The fund thus allocates its assets the following way.[117]

Asset Class	**Percentage**
US Treasuries & Investment Grade Corporate Fixed Income	75%
Cash	25%

While there is little need for strategic decision making in terms of where assets are invested, operational autonomy in this fund is still necessary as it prevents misuse of the fund's assets by

[115] Nigerian Sovereign Investment Authority, "Stabilization Fund," *NSIA,* (2022), https://nsia.com.ng/stabilization-fund/.
[116] Ibid.
[117] Ibid.

government officials. Ensuring that the NSIA is able to manage its assets in a way that is independent of the Nigerian government ensures that the government is unable to hastily withdraw large amounts of reserves without due process. Therefore, analyzing the way in which the NSIA maintains operational autonomy from the government is crucial in order to establish a more efficient SWF.

Although all three funds have their differences, especially as they pertain to funds in Alberta and Alaska, the analysis of how they maintain operational autonomy from the government remains constant. For the NSIA, operational autonomy becomes ever more crucial due to there being three distinct SWFs, as well as the wider presence of corruption in Nigeria.[118] The NSIA's ability to function independently from political influence is paramount to ensuring effective management and protection of its assets, as well as building trust with its stakeholders. In contrast, SWFs that lack operational autonomy risk becoming politicized and may face challenges in achieving their long-term objectives.[119] Therefore, it is necessary to conduct an examination of the legal documents that stipulate how the NSIA is to maintain operational autonomy.

Section five of the *Nigerian Sovereign Investment Authority Act* stipulates the powers the NSIA is granted by the government. Below are the powers granted by the Nigerian government to the NSIA. A note that these clauses are not verbatim and are simplified for greater legibility:

a. The Authority can open branches in Nigeria or other countries, create affiliate or subsidiary companies as needed, and hire agents and correspondents to help achieve its objectives;
b. Invest in, purchase, maintain, divest from, sell or otherwise realize assets and investments of any kind;

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[118] Sunday Inyokwe Otinche, "Perspectives on the Santiago Principles and the Nigeria Sovereign Wealth Fund," *An International Journal of Arts and Humanities* 4, no. 1 (2015), 201, DOI: 10.4314/ijah.v4i1.14.
[119] Otinche, "Perspectives on the Santiago Principles and the Nigeria Sovereign Wealth Fund," 195-196.

c. The Authority can have its partially-owned subsidiaries and affiliates issue bonds or other debt instruments, borrow money in any currency, and secure the payment in a way that doesn't involve the Authority or its wholly-owned subsidiaries and affiliates. However, the Authority and its wholly-owned subsidiaries and affiliates can take on any form of debt, including concessionary funding, but only with prior written approval from the Minister;
d. Guarantee, with or without security, the indebtedness and performance of obligations of wholly-owned affiliates or subsidiaries of the Authority;
e. The Authority can use its investment earnings to pay for its reasonable expenses, as specified in its annual budget and reports, without declaring dividends, as long as these expenses follow international efficiency and value creation standards;
f. The Authority can hire consultants, advisers, and other service providers as needed to carry out its functions, and it will select them through a competitive process.
g. The Board can do any activity, spend money, or carry out functions that it deems necessary, incidental, or helpful to achieve the objectives and functions of the Authority.[120]

In addition to these clauses, the Act also stipulates the individual responsibilities, priorities and objectives of each SWF managed by the NSIA. With regard to the Future Generations Fund, Section 39 stipulates that the NSIA is responsible for creating a plan to invest the FGF over five years, with the goal of providing a savings base for future generations once the country's hydrocarbon reserves are exhausted. The plan is intended to follow the strategies, policies, and guidelines that the Authority believes will be most effective, taking into account macroeconomic factors.[121] For the Nigerian Infrastructure Fund, Section 42 states that the NSIA must invest in a way that is consistent with the infrastructure priorities and plans of the relevant government ministries and agencies responsible for that particular sector to the extent possible.[122] Finally, the operational capacity of the Stabilization Fund is stipulated in Section 47 of the Act, wherein it states that the NSIA must invest the Stabilization Fund "prudently" to support the fund's objective of stabilizing the country's revenues. It adds that the NSIA can invest in assets, sell

[120] Government of Nigeria, "Nigeria Sovereign Investment Authority (Establishment, etc.) Act," *NSIA*, (2011), last updated August 23, 2022, 229-230, https://nsia.com.ng/wpfd_file/nsia-act/.
[121] Ibid, 240.
[122] Ibid, 242.

them, and use derivative instruments for hedging or efficient asset management, as determined by the Authority to serve this objective.[123]

To evaluate the operational autonomy of the NSIA, this study utilizes the three-point table as explained earlier. Therefore, priority alignment, division of responsibilities and rules on decision making are the key metrics to analyze in this evaluation. In terms of its priority alignment, the NSIA Act outlines clear expectations of each NSIA subsidiary in the objectives it wishes to achieve. However, there was little legislation ensuring that the goals of the central government and the SWF were aligned. As mentioned in the literature review, this could potentially harm the macroeconomic goals of the fund. Because of this, Nigeria scores a 3 in this metric. It is important to keep in mind that a higher score does not necessarily constitute a more effective SWF, only that it is more independent from the government.

In terms of rules governing the division of responsibilities, the NSIA act was less clear. While the act did well to explicate the roles and responsibilities of the NSIA, there was very little legislation around the Minister's role in the fund's operations. Often, the role of the Minister was stated as providing approval for various committees, or "consulting" with the board. Based on the literature, it would be more prudent for there to be a section dedicated to the express role of the government in operating the fund.[124] Of course, this could be legislation stating that the Minister is not to interfere with the investment decisions and operation of the fund. Due to the lack of robust policy around the division of labor, Nigeria scores a 1 in this metric.

Finally, Nigeria scores well on the metric of rules around decision making. Throughout the *NSIA Act*, there is significant emphasis on the Authority having the final say on investment decisions, with many sections allowing for the discretion of the NSIA to make investments

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[123] Ibid, 243.
[124] Zhendai, "Issues in the long-term development of sovereign wealth funds." 169.

without the consent of the Minister or central government. Impressively, the fund was even given authority to make investment decisions through the NIF in areas pertinent to domestic infrastructure.[125] This is significant as the reinvestment into domestic infrastructure could theoretically leave the NSIA vulnerable to government interference, since it is a sector the central government has authority over. That said, there was a lack of clear language governing the actual decision making process. While the allowance of greater discretion on the part of the NSIA was encouraging, more robust legislation around decision making would be helpful. Therefore, Nigeria scores a 3 for its rules on decision making.

[125] Government of Nigeria, "Nigeria Sovereign Investment Authority (Establishment, etc.) Act," 242.

Alberta

As mentioned, the main objective of the Alberta Heritage Savings Trust Fund is to preserve and grow the savings generated from oil and gas revenues for the benefit of future generations. Like the NSIA, the Alberta Investment Management Corporation (AIMCo), was created to manage and invest these funds with the aim of achieving maximum returns.[126] It is important to note that the fund used to be solely managed by the Government of Alberta; however, it now works collaboratively with AIMCo to invest these funds. Therefore, the documents that will be utilized to evaluate the operational autonomy of the fund are the "Alberta Heritage Savings Trust Fund: Statement of Policies" and Goals and the Alberta "Investment Management Corporation Mandate and Roles Document."

According to Section 3.2 of AIMCo's "Investment Management Corporation Mandate and Roles Document," the organization is an Agency contracted under an Agency Authority Agreement to undertake activities in the name of the Government of Alberta. Moreover, Section 3.3 claims that AIMCo is a separate group of investment managers who work independently from the government. That said, the document notes that the group will occasionally work with the government to share resources. AIMCo has to pay for its own expenses, and it charges the groups it works with for the costs of managing their investments.[127] In addition, Section 3.4 lays out the rules around investment decisions of the organization. In this section it states that:

> AIMCo has full discretion to make investment decisions in respect of the designated funds entrusted to it by designated entities pursuant to investment management agreements, in every case subject to the statement of investment policies and goals (SIP&Gs). Investment decisions made by AIMCo are free from any influence or direction

[126] Collins, "The Alberta Heritage Savings Trust Fund: An Overview of the Issues," 158-165
[127] Alberta Investment Corporation, "Investment Management Corporation Mandate and Roles Document," *AIMCo: Governance*, (2017), 4, https://www.aimco.ca/who-we-are/governance.

> by the Government of Alberta, other than such direction may be provided in the ordinary course of Amending the SIP&Gs.[128]

Essentially, what this demonstrates is that while AIMCo is an organization operating under the authority of the Government of Alberta, they operate independently from the government and have the discretion to make investment decisions for those funds. Accordingly, the government has no influence or direction over their investment decisions except for changes made to the broad, macroeconomic policy decision affecting the fund. Although there is significant government oversight in the decision making process, the legislation clearly stipulates that it has full discretion over where it will invest its funds. Because of this, it scores a 3 for Rules on Decision Making.

Meanwhile, the "Alberta Heritage Savings Trust Fund: Statement of Policies," is meant to be a guiding document in AIMCo's investment of the funds. In section 2.2 of the document, the Government of Alberta provides a list of "Key Investment Beliefs' ' for which it lays out the objectives of the funds investments. In this section, it states that The Heritage Fund is a long-term investment that involves balancing risk and return. It explains that in order to achieve investment objectives, it is important to set goals and risk tolerance while having an appropriate asset allocation. They claim that diversification of investments can minimize risk but cannot eliminate it entirely and that active management decisions made by the Investment Manager can generate higher returns. As such, these are some of the guiding principles the government recommends AIMCo to abide by in managing the assets of the Heritage Trust Fund.[129]

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[128] Alberta Investment Corporation, "Investment Management Corporation Mandate and Roles Document," 5.
[129] Government of Alberta, "Alberta Heritage Savings Trust Fund: statement of policies and goals [2023]," *Alberta Government: Publications*, (2023), 5, https://open.alberta.ca/publications/alberta-heritage-savings-trust-fund-statement-policies-goals.

In addition, the "Alberta Heritage Savings Trust Fund: Statement of Policies," explicitly lays out the roles and functions of AIMCo. According to the document, the roles of the organization are as follows:

- Execute investment transactions.
- Forecast the trends of pertinent economies and investment markets. Provide these forecasts to the Department as input for the Fund income forecasting model.
- Manage the Fund as a separate and distinct client, within the general guidelines of this Statement.
- Maintain ongoing investment research functions and bring recommendations for changes to the Statement of Investment Policy to the Minister and the Department.
- Report to the Department on investment results and activities, and on compliance with the established policies and guidelines established under this Statement.
- Engage with and manage all external investment managers, and on a quarterly basis ensure that internal and external activity is in compliance with the guidelines and prospective investment strategy.
- Provide periodic reviews of investment costs to the Department.[130]

The role of the Alberta Government is also described in this section. Under the name "Department of Treasury and Risk Management," the government must carry out the following tasks in their role of fund operations:

- Maintain ongoing investment research function.
- Develop investment policy in collaboration with the Province's Investment Manager, Alberta Investment Management Corporation (AIMCo).
- Bring recommendations for changes to the Statement of Investment Policy to the Minister.
- Prepare the Fund's financial statements and annual business plan for approval by the Minister.
- Review the monthly, quarterly, and annual Fund performance.
- Maintain and execute an income forecasting model for the Fund.[131]

From this, we can observe a clear division of responsibilities between the government and AIMCo. The government has set out the guidelines and policies for the management of the investment fund and expects AIMCo to follow them. AIMCo, on the other hand, has been

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[130] Ibid, 5.
[131] Ibid, 4.

entrusted with the responsibility of managing the fund's investments and ensuring compliance with the guidelines and policies provided by the government. In this way, there is a clear division of responsibilities between the two parties, with the government overseeing the management of the investment fund and AIMCo managing the day-to-day operations of the fund. Because of this, Alberta receives a 4 for the division of responsibilities metrics.

Compared to Nigeria and Alaska, the Heritage Trust Fund is the most hands-on of the three SWFs being analyzed. That said, there are nevertheless clear and robust rules around the execution of investment decisions which help mitigate the influence of government meddling. Moreover, the Alberta Government clearly lays out how it wants the funds to be invested, signaling strong priority alignment. In both documents, the Alberta government has regulations which ensure that there is priority alignment in investment decisions. Because of this, Alberta will score a 2 on this category, indicating that the government is very involved in this respect.

Alaska

The Alaska Permanent Fund Corporation defines the Alaska Permanent Fund as a Quasi-Independent State Entity.[132] According to Senate Bill 161, the fund should be part of the Department of Revenue but still be considered as a separate entity which is managed by an autonomous board of trustees. The APFC states that while the Alaskan government had the underlying desire for the fund to be a fully independent institution, it also recognized "the need for the Corporation to be responsive to changes in state policy and be held accountable to the people of Alaska through their elected representatives."[133] The fund operates by investing oil and gas royalties into "income-producing investments" such as stocks, bonds, real estate or any other alternatives. When these assets mature, they are then sold and used towards social initiatives such as Alaska's dividend program which is paid out to citizens of Alaska.[134] It is important to note that the APFC itself does not manage the dividend program. Instead, the Permanent Fund Dividend Division, located within the Department of Revenue, is responsible for its management. Its primary objective is to administer the program in a manner that ensures timely distribution of dividends to eligible Alaskans.[135] While the main financial objectives of APFC are different from those of AIMCo or the NSIA, how they balance operational autonomy with government oversight in the aim of creating an efficient independent body is nevertheless important for creating productive economic growth.

According to the APFC, the Alaska Permanent Fund's investment decisions are made in accordance with a Board of Trustees' long-term investment strategy that aligns with the purpose

[132] Alaska Permanent Fund Corporation, "An Alaskan's Guide to the Permanent Fund," *APFC*, (2020), 18, https://apfc.org/fund-news/alaskans-guide-to-the-permanent-fund/.
[133] Alaska Permanent Fund Corporation, "An Alaskan's Guide to the Permanent Fund," 19.
[134] Ibid, 8-9
[135] Ibid, 17.

of the fund as outlined in Alaska Statute 37.13.020 and its Investment Responsibilities statute. Accordingly, assets of the fund are to be invested along three specific parameters:

1. The Fund can only invest in income-producing investments.
2. All investments must conform to the prudent investor rule which requires that investment decisions be made with prudence, intelligence and discretion. Central to the prudent investor rule is diversification among many investment types to protect the investor from temporary declines in any one investment class. All investments are made with an eye toward the risk-adjusted return. No investments are made for political or social reasons.
3. A mandate to maintain the safety of the principal and purchasing power of the Fund over time, while maximizing the return from both income and the appreciation of investments.[136]

Like Alberta, the Alaska government works very closely with the Alaska Permanent Fund Corporation to ensure that budgetary priorities are aligned with their own. The Alaska government has robust legislation which helps to ensure adequate policy alignment, while ensuring the fund has the autonomy necessary to make prudent financial decisions capable of generating long-term financial returns. Because of the strong priority alignment of both the Alaska government and the APFC, Alaska scores a 1 for the first metric. Moreover, the role and responsibilities of both the APFC and the government are clearly defined. However, the amount of authority the government has in decision making is not clearly defined; therefore, Alaska scores a 3 in this category. Finally, while there was ample legislation on how the APFC was to invest their money, there was little legislative oversight on actual decision making of the fund. Because of this, the fund scores a 2 on the third and final metric of the fund.

On one hand, both Alaska and Alberta have significant government involvement in their respective investment policies. Namely, they both set out robust policies which they require the investment organizations to adhere to. While this may appear to interfere with how effectively each fund is able to invest its assets, both SWF had strong policy stipulating that the final

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[136] Alaska Permanent Fund Corporation, "An Alaskan Guide to the Permanent Fund," 28.

investment decision of each fund was left to the discretion of the respective fund manager and investment board. Nigeria, while being completely separate from the central government aside from how funds are allocated, had little legislative oversight for how the roles and responsibilities of both the fund managers and the government were to be divided. Due to this, the fund scored relatively low compared to the other two SWFs in Alberta and Alaska. From this, we can conclude that the level of government involvement in the investment policies of a sovereign wealth fund does not necessarily determine its success. Both Alaska and Alberta have government involvement in their investment policies, but they also provide a degree of autonomy to their fund managers and investment boards, which has resulted in successful investments. In contrast, Nigeria has limited legislative oversight and as a result, its sovereign wealth fund has not performed as well as those in Alaska and Alberta.[137] Therefore, a balance between government involvement and autonomy for fund managers is an important component of a successful SWF.

	Operational Autonomy		
	(1) Priority Alignment	**(2) Division of Responsibilities**	**(3) Rules on Decision Making**
Nigeria	4	1	3
Alberta	2	4	2
Alaska	1	3	2

INSTITUTIONAL AUTONOMY

The institutional autonomy of an SWF is important in terms of how it regulates the structure of the SWF itself. Specifically, questions pertaining to the actual governance of the fund are

[137] Cynthia C. Ugwuibe, *Strengthening the Nigerian sovereign investment authority: A policy analysis of the Nigerian excess crude account and the Nigerian sovereign investment authority act*, University of California, Los Angeles, (2012), 3.

important considerations when it comes to how the fund actually operates. Therefore, this study examines three metrics pertaining to the institutional autonomy of an SWF: how it is recognized as an organizational unit in relation to the government; its overall governance structure and how conducive it is to independence as well as how appointments are made by the government. Understanding the institutional autonomy of SWFs and its governance structure is crucial for evaluating their independence and effectiveness in achieving their objectives.

Nigeria

According to Section 1 of the *The Nigerian Sovereign Investment Authority Act* the NSIA can be defined as "a body corporate with perpetual succession and a common seal."[138] For many reasons, this definition is extremely important to the relationship between the SWF and the government. What this means is that the NSIA is its own legal entity that has its own rights and responsibilities.[139] Moreover, "perpetual succession" means that the body corporate can continue to exist indefinitely, even if its members change over time. This means that the body corporate can own property, enter into contracts, and sue or be sued in its own name.[140] And finally, a "common seal" is a stamp or other device used to imprint a mark on documents to show that they have been officially approved by the SWF. By having an official seal, the SWF is given greater authority to make decisions on its behalf, thereby granting greater independence to the fund managers.[141] The NSIA is established as a completely separate legal entity from the

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[138] Government of Nigeria, "Nigeria Sovereign Investment Authority (Establishment, etc.) Act," 227.
[139] Cambridge Dictionary, "Body Corporate," Cambridge University Press, (Accessed April 2023), https://dictionary.cambridge.org/dictionary/english/body-corporate.
[140] Oxford Reference, "Perpetual Succession," Oxford Reference, (Accessed April 2023), https://www.oxfordreference.com/display/10.1093/oi/authority.20110810105608321;jsessionid=A61A2A917F2AE1C00B9FBFDED158F2B9
[141] Josaphat L. Kanywanyi, "Academic freedom, the autonomy of Institutions of higher education and the social responsibility of academics," *Journal of Higher Education in Africa/Revue de l'enseignement supérieur en Afrique* (2006), 78, http://www.jstor.org/stable/24486260.

Nigerian government. In this respect, the Nigerian government scores a 4 for the first metric of institutional autonomy.

The next metric, governance structure, refers to the way in which the NSIA is governed and managed. Specifically, this will look at the governance framework of the organization and how it establishes a more independent fund. The NSIA claims that their governance framework "is an essential cornerstone of our sustainable corporate success and stakeholder confidence, which ensures that NSIA routinely ranks highly on the measures of Sovereign Wealth Fund transparency and accountability."[142] The governance structure of the NSIA is made up of two main bodies: the Governing Council and the Board.[143] The Governing Council is made up of a 35 members, with the chair being the President of Nigeria. 23 members are statutorily prescribed while 12 are appointed citizens.According to Section 8 of the Nigerian Sovereign Investment Authority Act, these members are to be appointed by the president and include diverse representation.[144] For example, the Act states that there must be at least 4 members representing the private sector, 2 representatives of civil society, 2 representing Nigerian youth and 4 eminent academics.[145] The act also states that "due regard shall be given to equitable gender representation."[146] The council is also made up of several governmental bodies such as State governors, the Attorney General of Nigeria and the governor of the Central Bank of Nigeria among others. To help maintain accountability, all appointments made by the president must be confirmed by the Senate. The Board on the other hand, is made up of nine members including

[142] Nigerian Sovereign Investment Authority, "Governance," NSIA, (Accessed April 2023), https://nsia.com.ng/governance/.
[143] Ibid.
[144] Government of Nigeria, "Nigeria Sovereign Investment Authority (Establishment, etc.) Act," 231.
[145] Ibid, 231.
[146] Ibid, 231.

the chairman, with board decisions being made via various committees.[147] The board consists of a non-executive Chairman, the Managing Director of the Authority, two other Executive Directors of the Authority, one non-Executive Director who is a distinguished legal practitioner with at least ten years post qualification experience, and four other non-Executive Directors.[148] All appointments are subject to approval by the President of Nigeria in consultation with the National Economic Council.[149] In general, the Governing Council and the Board of Directors maintain a highly independent relationship. In fact, section 7(3) of the *NSIA Act* stipulates that "the Council shall, in the discharge of its duties, observe the independence of the board and officers of the Authority."[150] The main objective of the Governing Council is to "provide advice and counsel generally to the Board having regard to the objects of the Authority under this Act."[151]

While not totally separate, the governance framework of the NSIA allows for significant separation between the government and the board, allowing for greater independence and operational autonomy. Due to the hands-off nature of governing the fund, but still a presence of government in decision making, Nigeria scores a 3 for its governance structure. In terms of appointments, almost all appointments are directly controlled by the President of Nigeria upon the advice of the Minister and other economic bodies. That said, the checks and balances in play such as appointments needing to be passed through the senate allow for greater accountability, thus giving the NSIA a 3 rather than a 2 for its score on appointments.

[147] Nigerian Sovereign Investment Authority, "Governance."
[148] Government of Nigeria, "Nigeria Sovereign Investment Authority (Establishment, etc.) Act," 233.
[149] Ibid 233.
[150] Ibid 231.
[151] Ibid, 231.

Alberta

Unlike Nigeria, the Alberta Government adopted a much more hands-on approach to the governance framework of its SWF. Although there are several similarities with regard to how the governance of Heritage Trust Fund, there also exists several major differences. Section 2(1.1) of the Alberta Heritage Savings Trust Fund Act states that “the Crown is the legal and beneficial owner of the Heritage Fund.”[152] The Alberta Heritage Savings Trust Fund is directly owned by the Government of Alberta, giving it full authority in legal matters pertaining to it.
Moreover, Section 2.2 of AIMCo’s Mandate and Roles document states that “AIMCo is, by statute, “for all purposes an agent of the Crown in Right of Alberta.”[153] This means that the Government of Alberta ultimately has legal responsibility for all debts, liabilities and obligations of AIMCo.[154] Due to the fact that both Alberta Heritage Savings Trust Fund and AIMCo are legal entities owned by the Alberta government, the Alberta Heritage Trust Fund scores a 1 for its independence as a legal entity from the Alberta Government.

As for the actual governance framework of the fund, it is important to view the individual structures of both the Standing Committee overseeing the fund on behalf of the Government of Alberta and AIMCo. According to Section 6(1) of the *Alberta Heritage Savings Trust Fund Act*, it consists of 9 members of the legislative assembly (MLAs).[155] Unlike the NSIA’s Governing Council, Alberta’s standing committee does not allot roles to private citizens. Section 6(2) of the Act stipulates that “the membership of the Standing Committee shall include 3 members of the

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[152] Government of Alberta, “Alberta Heritage Savings Trust Fund Act,” Resources: Government of Alberta, (Accessed April 2023), https://open.alberta.ca/publications/a23#:~:text=The%20Alberta%20Heritage%20Savings%20Trust,the%20management%20of%20the%20Fund.
[153] Alberta Investment Corporation, “Investment Management Corporation Mandate and Roles Document,” 2.
[154] Ibid, 2.
[155] Government of Alberta, “Alberta Heritage Savings Trust Fund Act,” 23.

Legislative Assembly who are not members of the governing party."[156] In addition, section 6(3) states that "the members of the Standing Committee shall be appointed at the commencement of each session in the same way that members are appointed to other standing committees of the Legislative Assembly."[157] This means that members of the committee are appointed by the Minister of Finance and President of the Treasury Board (This is a single Ministerial position).[158] According to 6(4) of the Act, the main functions of the Standing Committee are The main functions of the Standing Committee are:

a. To receive and review quarterly reports related to section 15.
b. To approve the annual report of the Heritage Fund.
c. To review the performance of the Heritage Fund after each fiscal year end and report to the Legislature on whether the mission of the Heritage Fund is being fulfilled.
d. To hold public meetings with Albertans to discuss investment activities and results of the Heritage Fund.[159]

In sum, the institutional structure of the Alberta Heritage Savings Trust Fund Standing Committee is highly intertwined with the provincial government. Aside from requiring only a third of members on the committee to be from the opposition party, there is little representation outside of the governing party.

According to Section 4(1) of the *Alberta Investment Management Corporation Act*, AIMCo is made up a "board of directors consisting of not more than 11 members appointed by the Lieutenant Governor in Council."[160] In this regard, the Lieutenant Governor in Council is acting on advice of the Minister responsible for the Alberta Heritage Savings Trust Fund which

156 Ibid, 23.
157 Ibid, 23.
158 Government of Alberta, "How the Alberta government works," *Government Organizational Structure*, (Accessed April 2023), https://www.alberta.ca/how-government-works.aspx.
159 Government of Alberta, "Alberta Heritage Savings Trust Fund Act," 23-24.
160 Government of Alberta, "Alberta Investment Management Corporation Act," Alberta Government: Publications, (Accessed April 2023), https://open.alberta.ca/publications/a23#:~:text=The%20Alberta%20Heritage%20Savings%20Trust,the%20management%20of%20the%20Fund.

would be the Minister of Finance and President of the Treasury Board. In addition, section 4 of the Act states that the Lieutenant Governor may "make regulations respecting the remuneration of members of the board" and "designate one of the members as chair."[161] This puts tremendous authority in the hands of the government and greatly hinders the institutional autonomy of AIMCo. It is worth noting, however, that Section 7(1) of the Act allows for Board members to elect their own Chief Executive Officer (CEO).[162] While this is one positive for the institutional autonomy of the ALberta Heritage Savings Trust Fund, the overall findings for how independent the fund is are largely negative.

In sum, the governance structures of the Alberta Heritage Savings Trust Fund Standing Committee and AIMCo highlights the intricate relationship between the fund and the provincial government, with implications for its autonomy and independence. The composition and functions of the committee underscore the need for careful consideration of the regulatory framework and governance mechanisms of sovereign wealth funds to ensure transparency, accountability, and effectiveness in fulfilling their mission. Due to the heavy amount of government presence within the institutional frameworks of both the Heritage Trust Fund's standing committee as well as AIMCo, Alberta scores a 1 for both its governance structure and its appointment of members. This puts Alberta at ones across the board for its institutional autonomy.

Alaska

On one hand, the NSIA prioritizes maintaining a strong level of independence from the central government, whereas the Alberta government allows for significant government involvement in

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[161] Ibid, 3.
[162] Ibid, 4.

the institutional framework of its fund. While both SWFs operate on two different extremes of institutional independence, Alaska sits in in the middle of the two, balancing both government oversight, with effective institutional autonomy.

As mentioned previously, the Alaska Permanent Fund is defined as a "Quasi-Independent State Entity."[163] While the Alaska Permanent Fund does have a degree of autonomy in its operations, it is important to note that the fund does not have its own legal entity or organizational structure separate from the Government of Alaska.[164] That said Alaska Statutes 37.13 establishes that the Alaska Permanent Fund Corporation has the authority to manage and invest the assets of the Permanent Fund.[165] Unlike while Alberta maintains complete ownership of its SWF and does not give AIMCo any legal authority to manage the funds, the Alaska Permanent Fund Act, provides explicit provisions for the APFC to manage the assets of the fund. Because the APFC is not its own legal entity but is given legal authority over the funds it manages, Alaska scores a 2 for the first metric of institutional autonomy.

In terms of its governance structure and appointment of board members, Alaska State Law gives power to the governor to appoint the members of APFC Board of Trustees, and provides requirements for membership.[166] Moreover, to ensure proper oversight of the fund, the Board is composed of six members, two of whom must be cabinet officials. The other four members cannot hold any other state or federal office, elective or appointive. These four members must possess recognized expertise and extensive experience in finance, investments, or other business management fields.[167] Based on how appointments to the board of trustees are

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[163] Alaska Permanent Fund Corporation, "Alaskan's Guide to the Permanent Fund," 18.
[164] International Forum of Sovereign Wealth Funds, "United States - Alaska Permanent Fund," *Santiago Principles Self-Assessment*, (Accessed April 2023), 2, https://www.ifswf.org/assessment/apfcs-2022-self-assessment-2022
[165] Ibid, 2.
[166] Ibid, 5.
[167] Ibid, 5.

made up of both government and private officials, Alaska scores a 3 on its management of appointments.

According to the Alaska Permanent Fund Corporation, the fund aims to strike a balance between institutional autonomy and adequate oversight and guidance from the Alaska government in order to reach their shared objectives. They argue that this is achieved by "Board of Trustees" establishing corporate policies, while the State of Alaska provides oversight.[168] They detail that the government is able to achieve adequate oversight the following ways:

1. The governor makes all appointments to the Board of Trustees. Four of the trustees are public members and must possess recognized competence and expertise in finance, investments and other business management related fields. The four public members are appointed by the governor to staggered, four-year terms, and each year, one of them is elected to serve as chair. The Commissioner of the Department of Revenue, along with one other cabinet member, also hold seats on the Board.
2. The Legislature must approve APFC's budget under the Executive Budget Act.
3. The Legislative Budget and Audit Committee is charged with oversight of the Fund.
4. State statutes define investment responsibilities.
5. The Corporation must follow state laws with regard to the operations of state government unless granted a specific exemption.

This provides a good example of a healthy balance between institutional autonomy and government oversight. This balance is important because it helps ensure that the APFC operates in a manner consistent with the objectives set forth by the Alaska government while also allowing for flexibility and autonomy in decision-making. This approach allows for the efficient management of the Fund's assets and promotes accountability and transparency, which are essential for building trust and confidence in the Fund among Alaskans and other stakeholders.

Both the APFC and the Board of Trustees work in tandem to ensure that the economic needs of Alaskans are being fulfilled. To achieve this, the APFC model is based around the concept of "fiduciary responsibility," which they define as "a legal obligation of one party to act

[168] Alaska Permanent Fund Corporation, "Alaskan's Guide to the Permanent Fund," 19.

in the best interest of another. When a party knowingly accepts the fiduciary duty on behalf of another party, they are required to act in the best interest of the principal, the party whose assets they are managing."[169] This helps the fund meet a middle ground between total institutional independence and adequate government oversight of the fund in order to meet their shared objectives. Several scholars claim that this type of relationship is imperative for SWFs to achieve the maximum benefit of their citizens. Benjamin Richardson, for example, states that "in a strict legal sense no SWF stands in fiduciary relationship to society, in the manner traditionally understood in equity doctrine associated with trusts and other fiduciary law contexts."[170] Therefore, countries would do well to adopt a middle-ground approach to governing their respective SWFs, in order to establish a concerted effort towards maximizing the benefits of the fund for their citizens. See below for a final table of Institutional Autonomy:

	Institutional Autonomy		
	(4) Organizational Unit	**(5) Governance Structure**	**(6) Appointments**
Nigeria	4	3	3
Alberta	1	1	1
Alaska	2	2	3

[169] Alaska Permanent Fund Corporation, "Alaskan's Guide to the Permanent Fund," 50.
[170] Benjamin J. Richardson, "Sovereign wealth funds and socially responsible investing: An emerging public fiduciary," *Global Journal of Comparative Law* 1, no. 2 (2012), 126, https://doi.org/10.1163/2211906X-00102001.

FINANCIAL AUTONOMY

Given the nature of sovereign wealth funds as a state-owned asset, there is a need to strike a balance between financial autonomy and government oversight to ensure that these institutions are transparent, accountable and effective in fulfilling their mandates. This balance is crucial in promoting good governance, mitigating risks, preventing corruption and building trust among citizens and stakeholders. In this context, finding the right balance between autonomy and oversight is essential for the successful governance of SWFs. Some of the most important markers for measuring the financial autonomy of an SWF are the rules it has in place for the withdrawal of funds, how often it conducts regular audits, and whether there are independent auditing committees.

Nigeria

With the NSIA becoming a major financial force in Nigeria, the proper maintenance of its funds are crucial to ensuring the long term success and development of the country. Therefore an assessment of its financial autonomy is crucial for better understanding how well it is able to manage its funds.

Section 29(1) of the Nigerian Sovereign Investment Authority Act states that the NSIA would receive an amount of USD 1 billion as initial seed funding. Specifically it states that "the initial funds provided by the Federal, State, Federal Capital Territory, Local Governments and Area Council of the Federation pursuant to the decision of the National Economic Council to be managed by the Authority shall be the Naira equivalent of the sum of USD 1 billion."[171] This shows that the management and ownership of the funds from a government perspective is a

[171] Government of Nigeria, "Nigeria Sovereign Investment Authority (Establishment, etc.) Act," 237.

concerted effort across both federal and regional jurisdictions. As mentioned, this is something that is unique to Nigeria as compared to the other jurisdictions analyzed. The Act then provides provision for future funding of the NSIA. In section 30(1) it states that "subsequent funding shall be derived from Residual Funds from the Federation Account transferred to the Authority in the manner specified in this Act provided that the derivation portion of the revenue allocation formula shall not be included as part of this funding."[172] This essentially means that the NSIA will receive revenues from the residual funds that remain in the Federation Account after all other allocations have been made. This includes payments made to individual states.[173] The parameters around the withdrawal of funds is specified in Section 35(1) of the Act. Here, it states that "the payment of distributions declared by the Board shall be approved by resolution of the Council before they are paid."[174] In section 35(2) it adds that:

> Distributions by the Authority shall be paid into the Federation Account, but shall not form part of revenues received into the Federation Account for the purpose of section 30(2) of this Act, as amended from time to time, and shall be distributed to the Federal Government, State Government, Federal Capital Territory, Local Government and Area Councils in proportion to their respective contributions to the Authority.[175]

By being able to use its own discretion as to when assets are to be distributed back into the federal government's reserves, the NSIA is able to exercise a high degree of financial autonomy compared to SWFs in Alberta and Alaska, thus earning it a 4 in this metric. While government coordination is essential for the proper maintenance of funds, maintaining a high level of independence in this field is crucial for a country such as Nigeria which deals with corruption.

In terms of auditing, the NSIA seems to lag behind the other two case studies. Specifically, it lags behind because the audits are too independent in that it is entirely internal.

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[172] Ibid, 237.
[173] Ibid 237.
[174] Ibid 239.
[175] Ibid 239.

In section 38(1) of the Act, it states that "the Authority shall carry out an annual internal audit of its Audit, operations and financial statements in accordance with International Financial Reporting Standards, as applied in the Federal Republic ofNigeria and Nigerian generally accepted principles of accounting." While independence from external interference can sometimes be viewed as a positive, an entirely internal audit can lead to fund mismanagement. Hammer et al., for example, argue that to ensure transparency, external audits should be conducted by "independent, internationally recognized accounting firms."[176] Because the NSIA maintains relatively frequent audits, it will receive a 3 in this metric. Moreover, because the funds are completely entirely independent from the central government or any other auditing firm, the fund receives a 4.

[176] Hammer et al., "Sovereign Wealth Funds: Current Institutional and Operational Practices1," 11-12.

Alberta

For Alberta, there is very little legislation regulating the transfer of funds into and out of the Alberta Heritage Savings Trust Fund. Section 8(1) of the *Alberta Heritage Savings Trust Fund Act* states that "the net income of the Heritage Fund accrues to and forms part of the Heritage Fund."[177] What this means is that the Heritage Fund's earnings are part of the general corpus of the fund itself and cannot be transferred out, except for the Fund's intended purposes. In addition, Section 8(2) of the Act states that (2) "the net income of the Heritage Fund less the amount retained in the Heritage Fund under section 11(1) must be transferred by the Minister from the Heritage Fund to the General Revenue Fund in a manner and at the times determined by the Minister."[178] This leaves a great amount of discrepancy on the part of the government as to when funds are transferred into and out of the fund. Because of this, the fund scores a 1 for the "withdrawal of funds" metric.

Like Nigeria, Alberta conducts its audits on a yearly basis, as part of the fund's annual report. Section 16(1) states that "the Minister shall, as soon as practicable after the end of each fiscal year, prepare and provide to the Standing Committee an annual report of the Heritage Fund, including a financial statement audited by the Auditor General."[179] Since the parameters around how frequently the fund conducts audits are the same as the NSIA, it will receive the same score of a 3. In terms of an auditing committee, Section 14 of the Act states that "The Auditor General is the auditor of the Heritage Fund."[180] The approach of utilizing an Auditor General to oversee the funds regular audits is a completely opposite approach to the one taken by the NSIA. As opposed to the NSIA, an Auditor General is hired by the government to undertake

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[177] Government of Alberta, "Alberta Heritage Savings Trust Fund Act," 4.
[178] Ibid, 4.
[179] Ibid, 5.
[180] Ibid, 5.

auditing procedures. To be sure, the Auditor General operates at an arm's-length from the government; however, the absence of an international auditing firm lessens the independence of the fund, giving it a score of 2 for the metric of the auditing committee.

Alaska

Statutes within Alaska's Constitution clearly define the rules for depositing funds into and withdrawing them from the Permanent Fund. The Constitution states that a percentage of mineral royalties received by the state must be deposited in the Fund, and state law has raised this percentage over time.[181] Importantly, the adoption of Senate Bill 26 in 2018 established a POMV methodology for withdrawals from the Fund. According to the APFC, the POMV draw is:

> based on a percentage of the average market value of the Fund for the first five of the preceding six fiscal years. The POMV methodology provides a structured liability for the management of the portfolio with a stable and predictable payout to support government services and programs on an annual basis.[182]

In this way we can see the priorities of both the fund and the APFC balanced to ensure that accountability can be maintained in the withdrawal of funds, while allowing for the maximum efficiency of the fund itself. Alaska's withdrawal of funds metric scores a 3 for independence because it provides a formula for when funds are to be withdrawn to prevent misuse. This provides a good example of how to withdraw funds that balances both the needs of the government and the fund itself.

In terms of auditing, an external auditor is mandated by Alaskan law to conduct an annual audit of the financial statements of the Permanent Fund. The auditor's opinion is then published in the annual report.[183] Statute 37.16.160 states that "the Legislative Budget and Audit

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181 International Forum of Sovereign Wealth Funds, "United States - Alaska Permanent Fund," 3-4.
182 Alaska Permanent Fund Corporation, "Alaskan's Guide to the Permanent Fund," 14.
183 International Forum of Sovereign Wealth Funds, "United States - Alaska Permanent Fund," 7.

Committee may provide for an annual post audit and annual operational and performance evaluations of the fund's investments and investment programs."[184] From this, we can see that both the Alaska state government and an independent auditing committee work in tandem to assess the financial state of the fund. While not completely independent, there is a healthy balance between government oversight and adequate financial autonomy. Therefore the fund will receive a 3 in this metric. Finally, like Nigeria and Alberta, Alaska conducts an audit on an annual basis, therefore giving the fund a 3 in this metric.

	Financial Autonomy		
	(7) Withdrawal Rules	**(8) Regular Audits**	**(9) Audit Committee**
Nigeria	4	3	4
Alberta	1	3	2
Alaska	3	3	3

[184] The Alaska Legislature, "Statute 37.16.160" *Alaska Statutes 2022*, (Accessed April 2023), https://www.akleg.gov/basis/statutes.asp#37.11.

CONCLUSION

Below is a final table of findings from the three case studies, organized across the three categories of Operational Autonomy, Institutional Autonomy and Financial Autonomy. The findings suggest that of the three sovereign wealth funds, Nigeria's was the most independent, followed by Alaska, then Alberta. While the degree of independence is encouraging for Nigeria, it nevertheless poses several challenges.

FINAL TABLE

	Operational Autonomy			**Institutional Autonomy**			**Financial Autonomy**			**TOTAL SCORE**
	M1	**M2**	**M3**	**M4**	**M5**	**M6**	**M7**	**M8**	**M9**	
Nigeria	4	1	3	4	3	2	4	3	4	28
Alberta	2	4	2	1	1	1	1	3	2	17
Alaska	1	3	2	2	2	3	3	3	3	22

So what to make of these findings? How should sovereign wealth fund's govern themselves to ensure adequate independence while still aligning itself with the economic and developmental goals of the government? This study found that significant independence from government does not necessarily translate into a more effective sovereign wealth fund. It found that While Nigeria had the most independent SWF compared to those in Alberta and Alaska, its goals were often unaligned with those of the central government. For example, it was surprising to learn that the NSIA was able to use almost complete discretion in its investment of the National Infrastructure Fund (NIF). This fund, which is intended to invest in a key sector of the Nigerian economy, was able to have its resources invested without a significant amount of government oversight. Of course, various measures were taken to ensure that the objectives of the fund were largely met; however the independence of the fund was largely concerning from the perspective of priority alignment. To be sure, it is important for a country such as Nigeria to emphasize the independence of its organizations considering the widespread corruption in the country.

Meanwhile in Alberta for example, government control of the Alberta Heritage Trust Fund was excessive, granting little independence to its investment manager the Alberta Investment Management Corporation. The Alberta government frequently oversaw the operations of the fund and the institutional management of it. It is clear that a governance framework such as this would not be suitable for a country like Nigeria.

Alaska, however, presented an adequate model of governance for Nigeria in that it implemented governance practices that both maintained its independence while aligning itself with government priorities. Alaska has developed a comprehensive approach to governance that ensures that its interests are well-represented, while also providing for the needs of the broader population. Nigeria could benefit from adopting some of the practices implemented by Alaska, such as implementing measures which stress the importance of "fiduciary responsibility," which help stress the importance that the managers of the NSIA act in the best interests of the citizens they serve. Moreover, the implementation of Alaska's POMV methodology could help the Nigerian government better reinvest the assets accumulated in its SWF as opposed to leaving this to the discretion of fund managers. And finally, Nigeria could implement a policy that better allows the Nigerian government to prioritize investment into key sectors of the economy by installing a board of trustees similar to the one that oversees the Alaska Permanent Fund.

In general, however, the Nigerian Sovereign Investment Authority has demonstrated extremely encouraging signs of independence from the government. Based on this level of transparency and accountability, the NSIA has the potential to truly serve as a vehicle for significant economic growth in the country. While the NSIA still does need to work out some challenges when it comes to the governance of the fund and its alignment with government priorities, the fund should nevertheless be given more weight by politicians, scholars and economists as a potential remedy to the country's resource curse. In conclusion, by recognizing and supporting the NSIA's potential to drive economic growth, Nigeria has the opportunity to transform its resource curse into a blessing, and pave the way for a more prosperous and sustainable future for generations to come.

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