THE ALASKA PERMANENT FUND DIVIDEND PROGRAM: MODEL FOR STRATEGIC DIRECT EMPOWERMENT OF CITIZENS UNDER THE NIGERIAN SOVEREIGN WEALTH FUND**

Abstract

The ugly experiences of oil zoom and doom, that is, instant oil wealth and near bankruptcy necessitated the establishment of Sovereign Wealth Funds (SWFs) in the US state of Alaska, and in Nigeria, both of which are blessed with the natural oil resources. They realized the need to develop their economies with oil revenue while also saving for the "rainy day" which may come from market volatility and falling oil prices. The oil revenues are saved as investments in viable commercial ventures overseas, and the returns therefrom expended on developing local infrastructure as an antidote against possible "resource curse", among others. Strategically, Alaska introduced the Permanent Fund Dividend program under which its citizens and permanent residents receive annual direct income as dividend from the state's SWF, while at the same time saving the principal investment for the future benefit of unborn Alaskans and future Alaskan residents. In Nigeria, the establishment of the SWF was originally meshed in legal and constitutional controversies which pitched Nigeria's federal government against the governors of all 36 states of the federation. Proceeds from Nigeria's SWF are usually expended on developing public infrastructure without any direct benefit to individual citizens like in Alaska. Using the doctrinal research methodology, this paper explores the meaning of SWFs and their historical evolution in Alaska and Nigeria. It highlights the unique peculiarities of the Alaska, especially the Permanent Fund dividend program which stands it out in the comity of global SWFs, and recommends same as a reasonable model for poverty reduction through strategic empowerment of citizens under the Nigeria SWF.

Keywords: *Alaska Permanent Fund Dividend, Citizens, Nigerian Sovereign Wealth Fund, Direct Empowerment.*

Introduction

Sovereign wealth funds are government-owned investment funds operating in private financial markets. Sovereign Wealth Funds (SWFs) are typically found in states or countries which have abundant natural resources such as oil.[1] Such countries or states include Saudi Arabia, Kuwait, Abu Dhabi and Iran, [2] Singapore, [3] Qatar, [4] Russia and Norway, [5] China, [6] Oman, [7] Texas, [8] as well as Nigeria and Alaska. [9] SWFs are usually established as savings account for saving excess liquidity from the sale of oil. This paper uses the doctrinal research methodology to explore the nature of SWF in Alaska (USA) and Nigeria with a view to comparing them and drawing relevant lessons from

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[1]Flomenhoft, G.,"Applying the Alaska model in a resource-poor state: The example of Vermont." In *Exporting the Alaska Model* (2012) (pp. 85-107). Palgrave Macmillan, New York; Dewenter, K. L., Han, X., &Malatesta, P. H.,"Firm values and sovereign wealth fund investments."(2010) *Journal of Financial Economics, 98*(2), 256-278.

[2]Bazoobandi, S. "*The political economy of the Gulf sovereign wealth funds: a case study of Iran, Kuwait, Saudi Arabia and the United Arab Emirates*."(2013) Routledge;

[3]Balding, C. (2011). A portfolio analysis of sovereign wealth funds. In *Sovereign wealth: The role of state capital in the new financial order* (pp. 43-70).

[4]Van den Bremer, T., van der Ploeg, F., & Wills, S. "The elephant in the ground: managing oil and sovereign wealth" (2016)*European Economic Review, 82,* 113-131.

[5]Dewenter, K. L., Han, X., &Malatesta, P. H. (n. 3).

[6]Sun, X., Li, J., Wang, Y., & Clark, W. W. "China's Sovereign Wealth Fund Investments in overseas energy: The energy security perspective."(2014).*Energy Policy, 65,* 654-661; Martin, M. F. "*China's sovereign wealth fund: Developments and policy implications*." (2010) DIANE Publishing.

[7]Al-Saidi, M. "*Analytical study of sovereign wealth fund's strategies and policies: A case study of Oman sovereign wealth fund"* (2012) (Doctoral dissertation, Brunel University Brunel Business School PhD Theses). Available at: https://bura.brunel.ac.uk/bitstream/2438/6494/1/FulltextThesis.pdf (5/7/2020).

[8]Sojli, E., &Tham, W. W. "The impact of foreign government investments: Sovereign wealth fund investments in the United States." (2011)*International Finance Review, 12,* 207-243.

[9]Dewenter, K. L., Han, X., &Malatesta, P. H. (n. 7).

peculiar advances. It seeks various meanings of SWFs and highlights some advances in the Alaska Permanent Fund dividend program which may serve as useful lessons for reducing poverty through a strategic direct empowerment of citizens under the Nigerian SWF system.

Meaning of Sovereign Wealth Funds

Sovereign wealth funds are government-owned investment funds operating in private financial markets.[10]They are derived from a country's reserves and set aside for investment purposes that will benefit the country and its citizens. They serve the major purpose of accumulating wealth as a fallback in times of economic or market fluctuations or to cater for future public expenditure due to an aging population, or to fill a budget gap which may occur when the natural resources run dry or when the export earnings deplete due to market forces.

Historically, the term 'sovereign wealth funds' dates back to Andrew Rozanov's 2005 article entitled '*Who holds the wealth of nations?*' which provided a catchy name for a previously less-known group of financial market participants.[11] This eventually gave rise to series of academic publications and media articles, including the first media article which mentioned the 'so-called sovereign wealth funds' and appeared in the Financial Times of 24th May, 2007. Thereafter, lawmakers, service providers, international organizations, and lately sovereign funds themselves have also offered series of definitions of SWFs, the

[10]Ahmadov, I., Tsani, S., &Aslanli, K. "Sovereign Wealth Funds as the emerging players in the global financial arena: Characteristics, risks and governance." (2009)*Public Finance Monitoring Centre and Revenue Watch*. Available at: http://www.academia.edu/download/30889280/373_ENG_SWF1.pdf (28/6/2020).
[11]Rozanov, A. "Who Holds the Wealth of Nations?" (2005) *Central Banking Journal* 15 (4) (May): 52–57.

essence of which is to clearly distinguish it from other state-owned financial institutions and government-owned entities operating in private markets locally and overseas.

Scholars and institutions from America and Nigeria have equally offered definitions of SWFs. For instance, the U.S. Department of the Treasury defines a sovereign wealth fund as a "government investment vehicle which is funded by foreign exchange assets, and which manages those assets separately from the official reserves of the monetary authorities."[12]

A Sovereign Wealth Fund (SWF) has also been defined as a special purpose investment fund or arrangement owned and controlled by a sovereign government, managed independently of other state financial institutions, mandated with managing assets transferred by the government in a performance-oriented way and operating without explicit short-term liabilities, and holding a significant share of international investments.[13]

The International Working Group on Sovereign Wealth Funds[14] described SWFs as government-owned special purpose

[12] U.S. Department of the Treasury, *Semiannual Report on International Economic and Exchange Rate Policies*, June 2007, at *www.treas.gov/offices/international-affairs/economic-exchange-rates/pdf/2007_FXReport.pdf* (25/6/2020).

[13]Grünenfelder, S. "Understanding and Managing Political Risks of Sovereign Wealth Funds." (2013)*Unpublished PhD dissertation). University of St. Gallen, St. Gallen, Switzerland*. Available at:https://sites.tufts.edu/sovereignet/files/2017/09/Understanding-and-Managing-Political-Risk-of-Sovereign-Wealth-Funds.pdf (25/6/2020).

[14] This group is comprised of 26 member states of the International Monetary Fund (IMF) which have SWFs. It was established at a meeting of these countries held in Washington DC on April 30-May 1, 2008. See International

investment funds or arrangements, established for macroeconomic purposes, managing, administering or holding assets to achieve set financial objectives, and employing certain investment strategies, such as official foreign exchange operations, investing in foreign financial assets, commonly established out of balance of payment surpluses, as well as the earnings from privatization, fiscal surpluses and/or receipts from commodity exports.

More precisely and less complicatedly, Onuoha and Ogbaegbe describe SWF as a state-owned pool of resources derived from a country's reserves which are set aside and invested in commercial ventures abroad for the purpose of developing the country and promoting the welfare of its people.[15] This definition strongly supports *Article 21.1* of the African Charter which provides that "all peoples shall freely dispose of their wealth and natural resources. This right shall be exercised in the exclusive interest of the people. In no case shall a people be deprived of it." Quite simply too, Weller and Kaller defined SWF as state-owned investment funds designed to invest public funds abroad for profit.[16] Similarly, the trio of Ahmadov, Tsani and Aslanli describes SWF as a descriptive term for a separate pool of government-owned or government-controlled financial assets.[17]

Working Group on Sovereign Wealth Funds (IWG-SWF). Available at http://www.iwg-swf.org/pubs/gapplist.htm (28/6/2020).

[15] Onuoha, R. A. &Ogbaegbe, K. N., "Sovereign Wealth Fund and Growth of Securities Market in Nigeria" (2016) 6 Imo State University Journal of Commercial and Contemporary Law, 44-56.

[16] Weller, M. and Kaller, L., "*Sovereign Wealth Funds Investing in Germany*" (2017) 52 (4) Wake Forest Law Review, 1027-1056.

[17]Ahmadov, I., Tsani, S., &Aslanli, K. (n. 12).

Forms and Basis of Sovereign Wealth Funds

SWF is commonly categorized into two, namely, *commodity-based SWF* and *non-commodity based SWF.* This classification depends on the basic source of the foreign exchange earned by government and with which the fund is supported. For instance, the *commodity-based SWF* is one financed by surplus foreign exchange earnings from major export commodities or natural resources owned or taxed by the government. This is true of the SWFs of Nigeria and Alaska which are financed from oil and gas revenues of government. The *non-commodity based SWF* is one financed through excess foreign exchange earnings derived from running persistent current account surpluses by government.[18]As a group, therefore, SWFs may be financed from a variety of sources such as the sale of fuel and non-fuel commodities or from the accumulation of non-commodity foreign currency reserves or budget surpluses.[19]

Over the past decade, more SWFs have been created than ever before and more than the previous 50 years put together. According to the *Sovereign Wealth Fund Institute*, 26 SWFs were created prior to year 2000, investing state-owned profits

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[18]Markheim, D. "*Sovereign Wealth Funds and US National Security*." (2008) Heritage Foundation. Available at: http://research.policyarchive.org/13506.pdf (25/6/2020); Kimmitt, R. M. "Public Footprints in Private Markets: Sovereign Wealth Funds and the World Economy." (2008)*Foreign Affairs*, 119-130.

[19]Ugwuibe, C. (2012). *Strengthening the Nigerian Sovereign Investment Authority: A Policy Analysis of the Nigerian Excess Crude Account and the Nigerian Sovereign Investment Authority Act* (Doctoral dissertation, UCLA). Available at: https://escholarship.org/content/qt5zn1h1d6/qt5zn1h1d6.pdf (6/7/2020).

proceeding from fiscal surpluses and natural resources such as oil, gas or copper.[20]

For the avoidance of doubt, the SWFs in both Nigeria and the US state of Alaska are *commodity-based,* (with revenues earned from exporting natural resources, to wit, oil and gas), which strengthens the basis for the comparative discourse in this paper. In all, SWFs are created to generally reflect the availability of excess government reserves and revenue earnings in the foreign country where it is invested, as well as the perceived need to manage these funds judiciously in order to meet future socio-economic and welfare demands of the country and its citizens according to the set objectives of the funds.[21] It has also been rightly professed that the essence of SWFs is to facilitate domestic growth and development and to ensure macroeconomic stability, higher returns on foreign investment and welfare provision for generations to come.[22]

True to nature, SWFs differ in nomenclature and vary in size, capacity, management framework and structure but without altering the intent and purpose of the fund. Thus, while the Nigerian model is known as *Sovereign Investment Authority,* the

[20]Amar, J. "*Three Essays on the Rise of Sovereign Wealth Funds"* (2017), (Doctoral dissertation, Aix-Marseille). Available at: https://www.theses.fr/2017AIXM0309.pdf (29/6/2020).

[21] Kern, S., "Sovereign Wealth Funds- State Investments on the Rise" (2007), Deutsche Bank Research, Current Issues, 1-20.

[22]Akar, S. M., "Sovereign Wealth Funds: A Comparison of Turkey and Other Countries" in Celen, M. et al *the Political Economy of Public Finance* (2017), a publication of the 8th International Conference on Political economy. Available at: https:

Alaskan model is known as *Alaska Permanent Fund*.[23] The nomenclature of the SWFs of a few selected states or countries are as follows: Saudi Arabia (*Saudi Arabian Monetary Agency*); Kuwait (*Kuwait Investment Authority*); Abu Dhabi (*Abu Dhabi Investment Authority*); Iran (*National Development Fund*); Russia (*National Welfare Fund and Reserve Fund*); Singapore (*Government of Singapore Investment Corporation*); Qatar (*Qatar Investment Authority*); China (*China Investment Corporation*); Oman (*State General Reserve Fund*); Texas(*Texas Permanent School Fund*) and Norway (*Norwegian Government Pension Fund-Global*).[24]

Distinguishing Sovereign Wealth Funds from Ordinary State-owned Enterprises

Remarkably, SWFs are generally different from ordinary State-owned Enterprises (SOEs) on a number of grounds as highlighted by Subai and Magbisa.[25] These include:

1. SOEs operate within the limits of domestic national boundaries and markets while SWFs basically operate overseas and in foreign markets.
2. SOEs may involve or permit private partnership in the business, that is part or joint ownership with the state

[23]Casassas, D., & De Wispelaere, J. “The Alaska Model: A Republican Perspective.” (2012), In *Alaska’s Permanent Fund Dividend* (pp. 169-188). Palgrave Macmillan, New York.

[24] See: Bagnall, A. E., & Truman, E. M.,“Progress on Sovereign Wealth Fund Transparency and Accountability: An Updated SWF Scoreboard.” (2013) *Policy Brief, 13,* 1-29, pp 3-6. Available at: https://www.piie.com/publications/pb/pb13-19.pdf (5/7/2020).

[25]Subai, P. &Magbisa, F. O., “Reflections on the Governance Framework of Nigeria’s Sovereign Wealth Fund” (2019) University of Port Harcourt Journal of Private Law, 1-27.

while SWFs are always exclusively and fully owned by the state.

3. SOEs are usually suffer from direct government interference and control while SWFs are designed to be free from political control.
4. SOEs may engage in direct commercial ventures such as the production of goods and services while the operations of SWFs are usually restricted to investment vehicles which hold arrange of diversified portfolios in corporate ventures.

Suffice to say, on a general note, that Sovereign Wealth Funds (SWFs) are the assets held by governments in another country's currency. They are part of the *International Financial System* (IFS), under which most countries have foreign exchange reserves held typically in US dollars, Euros, or Yen. The idea of SWFs was first conceived in the 1950s by foreign governments as a means to invest surplus foreign exchange earnings in the USand markets elsewhere around the world. They are diverse in their origins, objectives, and investment strategies and governments of a few countries have used them to manage their local and foreign investments with a view to ensuring high standards of accountability and transparency at home as well as abroad. The rules of SWFs are internationally guided by the "Santiago Principles", a template which consists of 24 generally accepted principles and practices (GAPP) voluntarily endorsed by members of the *International Forum of Sovereign Wealth Funds* (IFSWF). The "Santiago Principles" (formally known as Sovereign Wealth Funds Generally Accepted Principles and Practices) promote transparency, good governance, accountability and prudent investment practices whilst encouraging a more open dialogue and deeper understanding of SWF activities.

It needs be stated for emphasis, that the highest scoring SWFs are those of Norway, New Zealand, Chile, the United States (Alaska), and Ireland. The Norwegian Government Pension Fund is, however, considered the largest (with managed assets amounting to almost 1.1 trillion U.S. dollars by the end of December, 2019) and most transparent sovereign wealth fund (SWF) in the world, followed by Alaska's.[26]

For the records too, currently, South Africa has no SWF. However, the country's Minister of Finance - Tito Titus Mboweni- outlined details of a proposed *South African Sovereign Wealth Fund* in his 2020 budget speech. The Minister stated that the proposed 30 billion South African rand ($2 billion) sovereign wealth fund will be created using the proceeds of state assets sales, gas royalties and other sources of income.[27]

Evolution of the Nigerian Sovereign Wealth Fund

The historical evolution of the Nigerian sovereign wealth fund (SWF) dates back to 2004 even though the country actually established a sovereign wealth fund (SWF) system in May 2011 to manage its excess crude oil revenue, in the interest of current and future generations.[28]The actual reason for establishing the fund, however, predates the mentioned periods.

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[26]Clark, G. L., & Monk, A. H.,"The legitimacy and governance of Norway's sovereign wealth fund: the ethics of global investment." (2010)*Environment and Planning A, 42*(7), 1723-1738.

[27]Sorensen, P.,"A Sovereign Wealth Fund for South Africa." (2020)*International Journal of Environmental Studies,* 1-3.

[28]Agbaeze, E. K., &Onwuka, I. O.,"Sovereign Wealth Fund: A Paradigm Shift for Nigeria." (2014)*Sky Journal of Business Administration and Management, 2*(1), 001-010.

Prior to Nigeria's sudden oil wealth in the early 1970s, the country relied mainly on revenues from the reasonable and sensible management of taxes and levies, as well as resources from coal and cash crops such as groundnuts, palm oil, coffee and cocoa.[29] However, with the Arab-Israeli war in the 1970s, Crude oil prices rose astronomically by about 400% between October 1973 and March 1974, giving rise to increased oil revenues for oil exporting countries and states including Nigeria.[30] In consequence, from a modest oil earnings of about $200 million in 1970, the country earned $32 billion between 1973 and 1978, averaging over $6 billion per year.[31] Like most crude oil producing and oil exporting countries too, Nigeria shared in the inconsistency and negative experience of fluctuating volatility in global crude oil prices which subsequently occurred.

The global oil and petroleum consumers also devised critical strategies for managing their appetite for petroleum, hence, crude oil prices began to decline increasingly. Gen. Obasanjo Olusegun who was Nigeria's military Head of State at the time, had saved for the 'rainy day' by growing the country's external reserves to

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[29] Kolawole, S., *Governors are Making a Mistake*, Available at: http://www.thisdaylive.com/articles/governors-are-making-a-mistake/100027/ (9/7/2020).

[30] WTRG Economics, *Oil Price History and Analysis*, Available at: http://www.wtrg.com/prices.htm (9/7/2020).

[31] Azaino, E. U.,"Sovereign Wealth Fund: Is It a Panacea to Nigeria's Oil Revenue Management Problems?".(2012) *Centre for Energy, Petroleum and Mineral Law and Policy (CEPMLP) Annual Review*. Available at: https://www.academia.edu/download/36581977/SWF.pdf (9/7/2020); Applied Capital Market Ltd (ACM), *Eureka! Oil in Ghana*, Available at: http://acm-consult.com/articles/Eureka_Oil_in_Ghana.pdf (9/7/2020).

the tune of $10 billion by 1980. However, by 1983, the reserve had dropped to a low $1 billion.[32]

With the benefit of hindsight based on the unfortunate experience of the past, President Olusegun Obasanjo who later returned to power as a civilian president was constrained to establish an account known as the Excess Crude Account (ECA), albeit unilaterally, in 2004. The ECA was a dedicated account into which all oil revenues sold above national budgetary benchmark were deposited. It was to act as a stabilization fund for closing budget deficits arising from fluctuating or diminished oil prices, and for potentially funding domestic infrastructure investments.[33] The establishment of the ECA was, however, criticized by the *Nigeria Governors Forum* on the ground that it was not backed by law and that they were not consulted before its establishment.[34] This controversy encumbered the ECA and culminated in a legal action wherein the 36 Nigerian states challenged the legality or constitutionality of federal government's unilateral establishment and management of the ECA.[35]

Nonetheless, in September 2010, and without bothering with the consent of the other two tiers of government, the federal government under President Goodluck Jonathan sent an

[32]Ogbe, N., E., *Evaluation Of Nigeria's Debt-Relief Experience (1985-1990),* Available at: http://www.oecd.org/dataoecd/14/8/1919422.pdf (9/7/2020).
[33] SWF Institute, *Nigerian Sovereign Investment Authority*, Available at: http://www.swfinstitute.org/swfs/excess-crude-account/ (9/7/2020).
[34]Immanuel, O. M.,*Gathering The Remnant: The Nigerian Sovereign Wealth Fund in The Light of Its Legitimacy,* (2012)(Doctoral dissertation, FACULTY OF LAW, UNIVERSITY OF LAGOS). Available at: https://www.academia.edu/download/33404341/GATHERING_THE_REMNANT_publish.pdf (5/7/2020).
[35]Ugwuibe, C. (n. 21).

Executive Bill to the National Assembly for the establishment of a Nigeria Sovereign Wealth Fund. The Bill was eventually passed into law by the National Assembly and assented by the President on May 26, 2011 as the Nigeria Sovereign Investment Authority (NSIA) Act. The government then went further to establish the Nigeria SWF, and equally constituted the management of the Nigeria Sovereign Investment Authority (NSIA), yet without the approval of the state governors who also challenged same in court.[36]

It has been soundly argued that the state governors were particularly perturbed because of the reasonable concern that the monthly mandatory 'deductions' to be made from the states'and local governments' allocations will reduce their revenue profile, which is mainly accruable from the federation account.[37]This does not depart from the fact that the Nigerian Sovereign Investment Authority specifies that its objective is to provide future generations of Nigerians a solid savings base in preparation for when the hydrocarbon reserves of Nigeria are exhausted.[38]

It is ironical though, that section 32 (2) of the Nigeria Sovereign Investment Authority Act, cited all tiers of government, including

[36] Vanguard Newspaper, *Sovereign Wealth Fund: Govs Ask S-Court To Abort FG's Plan To Withdraw $2bn.* Available at: http://www.vanguardngr.com/2012/05/sovereign-wealth-fund-govs-ask-s-court-to-abort-fgs-plan-to-withdraw-2bn/ (9/7/2020).

[37]Ekokoi, S. E.,"Legal and Constitutional Evaluation of the Nigerian Sovereign Wealth Fund." (2015)*Journal of Sustainable Development Law and Policy (The)*, *5*(1), 101-128, at 112.

[38]Gangi, F., Meles, A., Mustilli, M., Graziano, D., &Varrone, N.,"Do Investment Determinants and Effects Vary across Sovereign Wealth Fund Categories? A Firm-level Analysis." (2019)*Emerging Markets Review*, *38*, 438-457.

the Federal Capital Territory (FCT), Abuja, as the owners of the SWF which are held in trust for the Nigerian people.[39]By its section 32 (3) also, no government in the federation is allowed to 'transfer, redeem, assign, dispose of, sell, mortgage, pledge, or otherwise encumber any interest of any kind in the Authority.' This provision is presumably intended to ensure that no tier of government, including the funders and co-owners of the SWF, can lawfully encumber the fund or borrow against its assets.

It is worthy to note that the governors' litigation against the federal government on the legality or otherwise of the Excess Crude Account (ECA), the Nigerian Sovereign Investment Authority (NSIA) and the Nigerian Sovereign Wealth Fund (NSWF) was not resolved by the courts, after all, but may have been settled by the parties on the basis of expediency, convenience and nobility.[40] This was after several adjournments and failed settlements up till September, 2012.Logically, there is therefore no conclusion on the legitimacy or otherwise of both the ECA and the NSWF even though the systems are still functioning.[41]

Instructively, three vehicles for investment were created by the *Nigeria Sovereign Investment Authority (Establishment) Act, 2011* (NSIA) in relation to the Nigerian SWF, each intended to serve specific objectives.[42] These are the: *Future Generations*

[39]Ekokoi, S. E. (n. 39).

[40]Agba, George. 'Sovereign Wealth Fund; Government to Increase Excess Crude Account to $10billion'. Leadership Newspaper. June 30th, 2012.

[41]Immanuel, O. M. (n. 36), p. 28.

[42]Markowitz, C.,"Sovereign Wealth Funds in Africa: Taking Stock and Looking Forward." (2020) Available at: https://www.africaportal.org/documents/19821/Occasional-Paper-304-markowitz.pdf (9/7/2020).

Fund(FGF) which invests in long-term assets with higher returns on hedge funds and private equity)[43]; *Stabilization Fund* (SIF) which aims to achieve capital preservation,[44] and *National Infrastructure Fund* (NIF) which invests in local infrastructure and development.[45]

According to Onuoha, by August 2018 the total assets under the management of SWF globally was nearly USD$ 7.97 trillion managed by 80 SWFs around the world.[46] Other research findings reveal that the current estimated value of Nigeria's SWF by 2018 is USD$ 1.4 billion,[47] and that among sub-Saharan African countries with SWFs, Nigeria and Angola are at the top of the ranking of the largest SWFs.[48]

Critique of the Nigerian Sovereign Wealth Fund

Thus far, the commentary and controversy on the constitutionality or otherwise of the Nigerian SWF seems to almost diminish the vexed issue of whether or not the fund is capable, in its current design and implementation, to effectively achieve its overall fund-saving and sustainable development aims. While some scholars justify the establishment of the fund, others oppose it. For scholars like Bassey, Alobari, Naenwi, Dimojiand Onwuneme, the rapidly changing dynamics and

[43] Section 39-40 of the NSIA.
[44] Section 47-48 of the NSIA.
[45] Section 41-46 of the NSIA.
[46] Onuoha, R. A., "Comparative Origin of Sovereign Wealth Fund in Nigeria" (2013) 1 Imo State University Journal of Private and Property Law, 25-43.
[47]Markowitz, C. (n. 44).
[48]Gaudens-Omer, K. T.,"A Dynamic Model of Strategic Allocation of Sovereign Wealth Funds." (2019)*Theoretical Economics Letters*, *9*(1), 155-171.

volatility of oil market have underscored the need for building material fiscal savings which confirm “the wisdom behind the establishment of Excess Crude Account (ECA) and the Sovereign Wealth Fund (SWF) by the Government of Nigeria.”[49]
Another author, Migap, expressed greater interestedness in the utility of the Nigerian SWF vis-à-vis the infrastructural growth of the country than its constitutionality or otherwise, hence, the author applauded the Nigerian Sovereign Wealth Fund (NSWF) which was established with a seed capital of US$1 billion (one billion United States Dollars) withdrawn from the controversial excess crude account (ECA) as an investment which was “by far one of the most significant economic policy decisions taken in recent times.”[50]

On the contrary, Olawuyi and Onifade posited that although the instrumentality of the Nigerian SWF contains preambular recitals and superficial operational provisions, the Nigerian system fails to embed practical guidelines and risk governance safeguards that would ensure that present and future generations of Nigerians adequately benefit from the proceeds of excess crude revenue, just as is obtained by the citizens of Norway and the US state of Alaska respectively.[51]

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[49]Bassey, A. B., Alobari, C. M., Naenwi, M. O., Dimoji, F. A., &Onwuneme, L. O.,“Excess Crude Account and Sovereign Wealth Fund as Strategic Tools for Sustainable Development in Nigeria.” (2014)*Journal of Economics and Sustainable Development*, *5*(2), 57-61.
[50]Migap, J. P.,“Enhancing Infrastructural Growth in Nigeria: The Sovereign Wealth Fund Strategy.” (2014)*International Journal of Economic Development Research and Investment*, *5*(2), 61-74.
[51]Olawuyi, D. S., &Onifade, T. T.,“Promoting Functional Distributive Justice in the Nigerian Sovereign Wealth Fund System: Lessons from Alaska and Norway.” (2018).In *Nigerian Yearbook of International Law 2017* (pp. 317-354). Springer, Cham.

This underscores one significance of this paper, that is, applying the standards of functional distributive justice to show that the ultimate effectiveness of the Nigerian SWF is hindered by lack of adequate safeguards to guarantee equity, accountability and transparency in the application and management of crude oil earnings for the benefit and common interest of the Nigerian nation and citizens, unlike what obtains in the case of Alaska's Permanent Fund Dividend.

This argument is borne out of the fact that, at a glance, the law establishing the *Nigeria Sovereign Investment Authority* and the *Nigerian Sovereign Wealth Fund* appear to be "more business-like with greater concern on return on investments and less on meeting the deficit social needs of its citizens."[52] This is without prejudice to an earlier finding that in 2014, the *Sovereign Wealth Fund Institute* had rated Nigeria 9 (on a 10-point scale) on the Linaburg-Maduel Transparency Index.[53] Nonetheless, the Nigerian Sovereign Wealth Fund remains a vexed issue in contemporary national debate because of the serious suspicion, distrust and initial disagreement between the states and the federal government which arose from the manner in which the federal government originally set up the fund.[54]

[52]Ekokoi, S. E. (n. 39), p. 109.
[53]'Nigeria Sovereign Investment Authority (NSIA)Rated Transparent by Sovereign Wealth Institute' (16 July 2014); SWF Institute 'Nigeria Sovereign Eealth Investment Authority' <www.swfinstitute.org/swfs/excess-crude-account/> (8/7/2020).
[54]Mmaduabuchi, G. S.,"Sovereign Wealth Fund or State Capitalism: Nigeria's Search for a Stable Economic Order." (2020)*Journal of International Studies*, *10*, 23-36.

The Alaska Permanent Fund

Alaska is America's 49th state and by far the largest of the 50 United States measured by land area, even though its thin population of seven hundred thousand residents make it one of the smallest in terms of population.[55]As part of the American federation, Alaska's border is open to the rest of the nation for the free movement of goods and services, people, capital, and information, and, like the other states, it is subject to the laws, regulations, and policies established by the federal government.

Since becoming a state in 1959 till date, and because of its thin population, Northern location across the Arctic Circle, and distance from markets, Alaska's economic development prospects have basically came from federal and state spending (both military and civilian), research and development, and exploitation of its natural resources, especially oil production which alone accounts for one-third of all jobs, directly and indirectly, as well as more than 80% of the state's revenues.[56]A recent Forbes report revealed that *Alaska's economy* "is unlike any other in the U.S.", and that the demand for oil underscores Alaska's economic development, albeit, the drop in oil prices has equally hampered its recent performance.[57]Alaska is enormously endowed with natural resources, just like Nigeria. Its economic history prior to statehood was one of periodic resource driven booms: gold, furs, copper, fish and timber, followed also by busts due to resource depletion or the negative interplay of market forces and conditions. Each boom generated substantial economic rents, but most went to non-residents who left behind little for the

[55]Naske, C. M.,*Alaska: A History of the 49th State*. (1994) University of Oklahoma Press.

[56] See Forbes, "Best States for Business 2019: Alaska". Available at: https://www.forbes.com/places/ak/#51f657226800 (4/7/2020).

[57]*Ibid.*

benefit of the permanent residents. As such, many residents felt the policies of the federal government were stifling growth and advocated for greater local control.[58]

Evolution of The Alaska Permanent Fund

Before the discovery of oil in Alaska in 1968, the state revenue was coming mainly from taxes, and only managed to stay afloat with an annual budget of about USD$128 million. After oil was discovered on state land at Prudhoe Bay, the state earned about generated USD$900 million dollars from a subsequent lease sale, which was a windfall compared to the average annual budget of $128 million at that time. Although the construction of a pipeline for transporting produced oil to market was delayed, government had already become so excited and had increased its spending even before earning production revenues, and before long, the state had spent the entire bonus and was constrained to borrow from the oil companies in the form of a temporary reserves tax that was credited against future production and other future revenues they would be paying.[59]

This economic reality served an important lesson for Alaskans on the need for financial transparency and the prudent spending of public resources accruable from the new-found oil wealth, having realized that amidst plenty, poverty is still possible. They were also motivated by the realization that the state had become suddenly wealthy beyond belief, and there was need to avoid a

[58]Goldsmith, O. S.,"The Alaska Permanent Fund Dividend: A Case Study in the Direct Distribution of Resource Rent" (2011). Available at: https://scholarworks.alaska.edu/bitstream/handle/11122/4161/2011_01-PFRevenueWatchPaper.pdf?sequence=1 (28/6/2020).
[59]*Ibid.*

"resource curse".[60] For Alaskans then, the relevant issue became how to convert the windfall into sustainable economic prosperity which would promote development and boost citizens' income directly. Consequently, the idea of a savings account into which oil revenue would be paid and managed for the benefit of all present and future Alaskans was muted, following several public discussions and conferences which were sponsored by the Alaskan Legislature on the subject.

The ides of a dedicated savings account became controversial and opinions were divided on the issue. One group argued against the idea of a public savings account on the ground that such savings was a private sector activity and not an appropriate function of government. This group did not realize that future generations of Alaskans, not yet born or not yet resident in the state, would be unlikely to benefit from the private saving of current residents. Another group argued that the oil will continue to flow and government will always earn enough income to facilitate economic development of the state into the future for generations, and that it would be a mistake to start saving money amidst continuously growing prosperity.[61]

The issue was later resolved and approval obtained through a people's vote in 1976 and in 1977 production began and since then the economy of Alaska has been dominated by petroleum production and the state revenues it has generated. Thereafter, all other details about the fund were left to the legislature to work out because the Alaska constitution prohibits dedicated funds, hence,

[60]Dymitrowska, Y.,"Effectiveness of a National Resource Fund in Counteracting the Resource Curse." (2020) *Organizacjai Zarządzanie: kwartalniknaukowy*, (1 (49)), 23-40.
[61]Goldsmith, O. S. (n. 60).

the need to amend same in order to ensure lawful establishment of the Alaska Permanent Fund.

This was the birth of the *Alaska Permanent Fund*, that is, Alaska's Sovereign Wealth Fund which this paperconsiders apposite for promoting functional distributive justice in Nigeria's Sovereign Wealth Fund system.[62]
Structurally, twenty percent of direct oil revenues have been deposited into the fund which grew from an initial investment of $734,000 in 1977 to approximately $53.7 billion as of July 9, 2015. As of June 30, the fund stood at $66.3 billion, up from $64.9 billion on the same date in 2018.[63]

Given that public developmental programmes can benefit only a segments of the population, the *Alaska Permanent Fund Dividend* (PFD) programme was created in 1982 to specifically provide an annual unconditional cash distribution direct to all Alaska residents. The dividend was felt to be the most equitable way to distribute a share of the public wealth of the state to the entire population. In 2019, Alaska Gov. Mike Dunleavy announced that each of Alaska's 631,000 residents would receive a Permanent Fund Dividend of $1,606 from the $1.013 billion which the state Legislature budgeted for the year's dividends.[64] As a matter of

[62]Olawuyi, D. S., &Onifade, T. T. (n. 53).
[63] James Brooks, *Alaska Permanent Fund Grows Despite State Spending of Billions on Services and Dividend,* Anchorage Daily News, September 9, 2019. Available at: https://www.adn.com/alaska-news/2019/09/08/permanent-fund-grows-in-first-year-of-new-system-despite-spending-billions-on-state-services-and-dividend/ (9/7/2020).
[64] Nathaniel Herz, *Dunleavy Administration Announces Amount of Alaska's 2019 PFD Checks,* Alaska Public Media – Anchorage, September 27, 2019. Available at: https://www.alaskapublic.org/2019/09/27/dunleavy-announces-pfd-amount/ (9/7/2020).

fact, each year the Alaskan Legislature appropriates a Permanent Fund Dividend from the Alaska Permanent Fund as an annual direct payment to Alaskan citizens.[65]

High Points of the Alaska Permanent Fund

Thus far, the successes and strength of the Alaska Permanent Fund may be ascribed to a number of factors, the basis of which it is acknowledged as a global model for poverty reduction through strategic direct empowerment of citizens.[66] These include:

1. The capitalization of the fund would come from deposits of at least 25 percent of the mineral royalties collected on state lands. The fund would then be invested in income earning investments, the proceeds of which could be spent, but the principal would be permanently protected.
2. The boom-bust economic history of the state serves as a constant reminder that public resources must be actively managed to avoid any likelihood of a "resource curse", even though Alaska is the only state with neither a personal income tax nor a general sales tax.

3 The fund is invested to maximize long run income, and its management is extremely transparent and independent of general government finances.

[65]Fund, W. C., "Alaska." (2004) Available at: http://ccsi.columbia.edu/files/2014/04/nrf_Alaska_August2013_RWI_VCC.pdf (9/7/2020).

[66]Segal, P.,"Alaska's Permanent Fund Dividend as a Model for Reducing Global Poverty." (2012) In *Exporting the Alaska Model* (pp. 109-122). Palgrave Macmillan, New York.

4 By its form and structure, the fund is also not controlled by the executive arm of government but by the legislature, as such there is zero-tolerance for unauthorized or reckless intervention or abuse.

5 The fund has an inherent equity mechanism whereby every citizen receives the same amount of income as dividend from the fund. This invariably make the citizens equal stakeholders in the states SWF.

6 The modest share of oil revenues set aside in the fund has left enough available for the state to expand public spending, including the establishment of a number of programmes designed to grow the economy in recognition of the volatility of the petroleum sector.

These advances in Alaska's SWF are hereby recommended as reasonable lessons which are transportable and may be applied for the poverty reduction through strategic direct empowerment of citizens under the Nigerian SWF system.[67]

Conclusion

This paper has explored the basis of SWF in Nigeria and the US state of Alaska. It equally explored the historical evolution of SWFs in both jurisdictions, taking into consideration the peculiar experiences of economic boom and doom shared by them, and upon which basis the establishment of oil-revenue-based SWFs became necessary for them.

[67] *Ibid.*

It also underscored the legitimacy of the Alaska Permanent Fund as a product of the votes of majority of Alaskans coupled with the attendant amendment to relevant sections of the Constitution of Alaska, which became necessary for the legalization of the Fund. This is unlike the case of the Nigerian SWF which was bedevilled by controversy having been unilaterally established by the federal government without recourse to the other two tiers of government as required by law, and as a result of which the *Nigerian Governors' Forum* was constrained to initiate legal proceedings against the federal government. The paper has particularly highlighted the unique characteristic of the Alaska Permanent Fund Dividend programme under which Alaskans and permanent residents receive sums of money as direct income from the annual dividends as may be declared by the Legislature of the State. This character offers a model for poverty reduction through strategic direct empowerment of citizens, and is hereby recommended as a realistic approach to Nigeria's SWF system.