Nigerian Government to withdraw US$150 million from the Stabilisation Fund (SF) of the Sovereign Wealth Fund (SWF) to contain emerging fiscal risks

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Key Highlights

- Government of Nigeria announces plans to make its first withdrawal of US$150 million from the SWF since its inception.
- The Nigeria Sovereign Investment Authority’s Establishment etc. Act 2011 under Sections 47 & 48 supports the withdrawal from the Stabilisation Fund and stipulates the applicable process.
- The Honorable Minister of Finance is empowered on behalf of Government under s47 of the NSIA Act 2011 to call on the SF managed by the NSIA.
- The funds drawn will be used to augment the Government’s Federation Accounts and Allocation Committee (FAAC) disbursements by June 2020 for allocation.
- The withdrawal reduces the value of funds under management in the SF to US$201 million from US$351 million as at 31st December 2019. The US$351 million is comprised of core contributions of US$300 million; and US$51 million of returns earned. The Stabilisation Fund allocation is 20% of NSIA overall funds under management.
- The other two ring-fenced funds, which combined hold 80% of the asset allocation, are the Future Generations Fund (FGF) and the Nigeria Infrastructure Fund (NIF), both of which continue to be invested according to their individual mandates and have been profitable since inception.
- NSIA remains committed to serving as an enabler to economic sustenance and growth for the country

Update

The Nigeria Sovereign Investment Authority (“NSIA” or “The Authority”), manager of Nigeria’s sovereign wealth funds, today announces that the FGN plans to draw the sum of US$150 million from the Stabilisation Fund (SF).

The planned withdrawal is to assist government in addressing the emerging fiscal risks due to the coronavirus pandemic and the recent decline in government revenue. Specifically, the fund will be applied towards augmenting the June 2020 Federation Accounts and Allocation Committee (FAAC) planned disbursements to state and local governments across the country.
Of the three ring-fenced funds established by the NSIA Act 2011, the SF was created to offer respite in times of economic emergencies. Section 47(2) of the NSIA (Establishment etc.) Act 2011 provides that the “Authority shall have the right to utilize capital and assets in the Stabilisation Fund to supplement resources available to stabilize the national economy”, subject to a formal request from the Honorable Minister of Finance of Nigeria.

Based on the Authority’s Management accounts as of December 31, 2019, the balance of the SF will be US$201 million post withdrawal. The other funds remain intact and ring-fenced.

Speaking on the withdrawal, the MD/CEO said “The NSIA (Establishment etc.) Act 2011 is clear on our role. The NSIA is, in part, to serve as a stabilisation mechanism for the country through the SF. Beyond the withdrawal, we are also exploring other avenues to support the country through various social investment initiatives.”

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About the Nigeria Sovereign Investment Authority

The Nigeria Sovereign Investment Authority is an investment institution of the Federation set up to manage funds in excess of budgeted hydrocarbon revenues. Its mission is to play a leading role in driving sustained economic development for the benefit of all Nigerians through building a savings base for the Nigerian people, enhancing the development of Nigeria’s infrastructure, providing stabilisation support in times of economic stress.

NSIA operates three mandate funds: the Stabilisation Fund, the Future Generations Fund and the Nigeria Infrastructure Fund. For more information please visit www.nsia.com.ng

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