Enhancing Infrastructural Growth in Nigeria: The Sovereign Wealth Fund Strategy

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ABSTRACT

The establishment of the Nigerian Sovereign Wealth Fund (NSWF) with seed capital of $1 billion is by far one of the most significant economic policy decisions taken in recent times. Contrary to expectations, the significant of this decision is not in terms of the monetary implications of the decision. But rather, in terms of what it says about the level of economic and fiscal discipline that the Government at all levels in Nigeria wish to bring to bear on the process of sovereign resource management. Nevertheless, this review believes that the three core mandate given to the fund to pursue concurrently is a bit ambitious and duplicatory of roles performed by the foreign reserve and excess crude account among others. It recommends the pursuance of infrastructural development only for a period of at least ten years, due to its accelerative effect on economic growth and development, through increased productivity and economic competitiveness in the global market.

Keywords: *Nigerian Sovereign Wealth Fund, Infrastructural Development, Economic Growth.*

INTRODUCTION

On May 11, 2011, the Nigerian Senate approved the Nigerian Sovereign Investment Authority Bill, 2010, which seeks to established a Sovereign Wealth Fund (SWF) to manage excess profits from the country's sale of crude oil. The Nigerian Sovereign Investment Authority (NSIA) is mandated under legislation to create and manage the Nigerian Sovereign Wealth Fund (NSWF) with the following sub-funds:

Future Generations' Fund (FGF): The objective of this Fund is to invest in a diversified portfolio of appropriate growth investments in order to provide future generations of Nigerians a solid savings base for such a time as the hydrocarbon reserves in Nigeria are exhausted. FGF will start off fully outsourced according to an asset allocation model determined by the management of the NSIA.As the NSIA grows, management of this fund would then be brought in-house.

Nigeria Infrastructure Fund (NIF): This Fund aims to invest in infrastructure projects in Nigeria that meet our targeted financial returns and contribute to the development of essential infrastructure in Nigeria. Potential areas for investment include transportation, energy and power, water resources, agriculture, among others, in order to stimulate growth and diversification of the Nigerian economy, attract foreign investment, and create jobs for Nigerians. The NIF will be mostly managed in –house, with a plan to out-source it in future to external managers whose objectives and investment philosophy meet the NSIA criteria.

Stabilization Fund (SF): The objective of the Stabilization Fund is to provide stabilization support to the Federation revenue in times of economic stress. The Stabilization Fund will be mainly managed in-house in a diversified portfolio of liquid, low risk products such as Treasury bills and liquid short term investment grade bonds. The withdrawal triggers from the SF will be at the direction of the Minister of Finance, upon proper demonstration of urgency and satisfaction of the criteria set out in section 48 of the NSIA Act, the NSIA shall have the right to utilize capital and assets in the SF to supplement resources available to stabilize the national economy (www.swfinstitute.org, 2013).

It is obvious that Nigeria needs to established a sovereign wealth fund (perhaps long over-due),which are safety nets for keeping and investing excess liquidity that arises from natural resource exploitation. For instance, when revenue from crude oil sales exceeds the budget projections, the extra revenue represents excess liquidity. Pumping the excess liquidity through spending back into the national economy has the capacity to disrupt planned economic fundamentals, particularly in a situation where the inflation rate is high. The net effect is that the value of money is affected, economic plans disrupted and economic targets become unrealized. Hence the need to save the excess liquidity and invest it for the long term in order to ensure that a nation maximizes its benefits (Shafil, 2012).The NSIA received the sum of One billion United States dollars as seed money to kick start the operations of the Sovereign Wealth Fund (Ampofo, 2013). The Fund is expected to be funded from the excess revenue collected over budgetary projections by the federal government. Going by our budgetary policies so far, (which is usually overly cautious in expected revenue profiles) it is expected that the NSIA would soon be in receipt of billions of dollars yearly. The overriding issue concerns not the source of funding but the expenditure habits of the NSIA faced with such huge funds at its disposal. How can the NSIA deploy these funds to achieve optimum returns for the country? Already, the $1 billion has been allocated into various buckets: stabilization fund $200 million; $325million has been allocated for infrastructure, and future generation fund, $325 million with the balance ($150 million) to be allocated as we get along (Ujah, 2013).This balance was eventually shared in between the infrastructure fund $75m and future Generation Fund $75m. Thus giving a sharing formular of 20:40:40: for the Stabilization Fund, Infrastructure Fund and Future Generation Fund *(www.nsia.com.org)*. The vital issues are:

i Can the NSIA maintain its autonomy in the face of the Executive arm of governments' (both at federal and state level) voracious appetite for frivolous spending and managerial interference?

ii Can the NSIA deploy these funds to the critical sectors where it would make the most impact on the economy?

iii How would the location of infrastructural investments be determined?

iv Can the NSIA be insulated from the endemic corruption that bestrides the Nigerian economy?

While, it will attempt to answer these questions by identifying likely pitfalls which the NSIA must obviate in order to succeed, the objective of this review is focused on the extent to which the Nigeria Infrastructure Fund (NIF) could be used as the primary vehicle through

which the NSWF could deploy these funds to achieved maximum impact on the Nigerian economy. Relevant theories of growth and development would be reviewed, highlighting the vital role of social infrastructures in the economic growth of a nation. The emergence and objectives as well as types of SWFs would be discussed. Some of the vital sectors of the Nigerian economy that needed to be speedily developed to provide divergent spill-over would be identified. Obvious pit-falls in financial issues and governance would be mentioned.

Enhancing Infrastructural Growth in Nigeria

Infrastructure are basic essential services that should be put in place to enable development to occur. Socio-economic development can be facilitated and accelerated by the presence of social and economic infrastructures. If these facilities and services are not in place, development will be very difficult and in fact can be likened to a very scarce commodity that can only be secured at a very high price and cost. The provision and development of infrastructures has been the subject of much theoretical analysis and empirical studies (Familoni, 2011). We shall start by examining some of the theoretical analyses of socio-economic infrastructures. The *"Stages of Economic Growth"* theory of the 1950s, propounded by Prof. W. W. Rostow focused mainly on the concept of successive "stages of economic growth "in which the process of development was seen as a series of successive stages through which all countries must pass.

It was primarily an economic theory of development in which the right quantity and mixture of savings, investment and foreign aid were all that was needed to enable Less Developed Countries (LDC) to proceed on an economic growth path which historically had been followed by the more developed countries. Development thus became synonymous with economic growth (Todaro, 1977). The most essential feature of this economic growth model is expressed as: $\frac{\Delta Y}{Y} = {}^{S}/_{K}$ (known as the Harrod - Domar equation). The economic logic of this model is simple. In order to grow economies must save and invest a certain proportion of their GNP. The more they can save and invest, the faster they can grow. The actual rate of growth being dependent on the productivity of investment.

In further refinement of Rosenstein-Rodan's (1948), *"Balance Growth"* theory, Hirschman (1958), developed the *"Unbalanced Growth"* theory. According to the theory, LDC has insufficient endowment of resources as to enable it invest simultaneously in all sectors of the economy in order to achieve balanced growth. Developing Rostows' "Stages of Economic Growth" thesis, Hirschman maintains that "investments in strategically selected industries or sectors of the economy will lead to new investment opportunities and so pave the way to further economic development". Hirschman identified convergent and divergent series of investments. Convergent series of investments are those projects that appropriate more external economies than they create while divergent series create more external economies than they appropriate. Jhinghan (1975) opines that development policies should aim at the prevention of convergent series of investments and the promotion of divergent series. Thus, for development to take place, a deliberate strategy of unbalancing the economy should be adopted. This is possible by investing either in Social Overhead Capital

(SOC) or in Directly Productive Activities (DPA). Investment in SOC (as power, irrigation, transport, communications, energy, education and health) is advocated not because of its direct effect on final output, but because it permits and in fact invites DPA to come in. Some SOC investment is required as a prerequisite of DPA investment. After a lively debate in the late 1950s and early 1960s about the merits of John Kenneth Galbraith's Theory of Social Balance: The Affluent Society (1958), cited in (Cullison, 1993); the Economics profession, dismissed Galbraith's admonitions about the perils of neglecting public infrastructure. Aschauer's (1999) study: "Why Is Infrastructure Important?" rekindle a great deal of interest in the efficiency of public capital spending by showing that additional spending by governments for non-defence goods had a very large positive effect on private productivity and, hence, output.

Munnell (1990) tries a different statistical approach to evaluate the effects of government infrastructure. Munnells' "Is there a Shortfall in Public Capital Investment?" concluded by showing that public capital has a positive impact on private output, investment and employment. In contrast, however, a Congressional Budget Office study of the effects of Public Infrastructure Spending (CBO, 1991), in summarizing the results of its cost-benefit studies, noted that there has been little support for the view championed by Aschauer and Munnell that across-the-board increases in public capital programmes have remarkable effects on economic output. Rather they concluded that: cost-benefit analysis, found private output to be more responsive to investments in private capital than to investments in public capital. Corroborating further on the relevance of social infrastructure on economic growth, Newman and Thomson (1989) provided a precedence of focusing on social factors in economic development. They argued that social infrastructure is an essential element in sustainable long term growth of the economy.

In a dissertation that focuses on the relationship and links between social infrastructure and economic growth in the context of sub-Saharan countries by UK Essays (2013), the studies conclude that there is a symbiotic relationship, resulting in increased need for economic growth to invest in social infrastructure and an increased need for the social infrastructure to expand in order to stimulate economic growth. And as countries develop, infrastructure must adapt to support changing pattern of demand, as the shares of power, roads, and telecommunications in the total stock of infrastructure increase. As the economy develops, an increasing proportion of the country would need to be opened up by the construction of roads, there would be increased demand for power supply for industrial and domestic consumption, and telecommunications facilities. In a study on "The Role of Physical and social Infrastructure on China's Growth Story", Sahoo, Dash and Nataru (2012) developed a composite index of a stock of leading physical infrastructure indicators (instead of focusing on one single infrastructure sector/indicator or public expenditure/infrastructure investment as proxy for infrastructure)to examine the impact of infrastructure development on output. Using an Autoregressive-distributed lag model (ARDL) and Generalised Methods of Moments (GMM), for data covering the period 1970-2008,the results reveal that(i)Infrastructure development in China has significant positive contribution to growth; (ii) human capital such as expenditure on health and

education contributes substantially to economic growth. The long-run elasticity of individual infrastructure indicators varies from 0.09 to 0.16, with energy use, electricity power consumption, rail and air transport as the most important contributors to growth. Aigbokhan (1999), in his study on the Nigerian economy titled: "Infrastructure, Private Investment and Economic Growth", cited in Familoni (2011) adopted an extended Cobb-Douglas production function and regressed output on each of six infrastructural components, introducing each of them at a time. These infrastructural components are transport and communications, agriculture and water resources, electricity generation, electricity consumption, education and health care. His regression results, using OLS method with annual data covering the period 1980 – 1997, show that the model has a good fit with adjusted R^2 of 0.98 – 0.99, and that the six infrastructural components are all positively correlated with GDP, with varying levels of significance.

Aigbokhan (1999) also finds that "human capital components of infrastructure appear to have impact on growth. Expenditure on health care and education recorded statistically insignificant impact on growth." He avers "the fact that the variables have positive correlation is however encouraging as it suggests that if efficiently applied, public spending on the services is capable of impacting positively and strongly on growth. The least significant of the variables is agriculture and water resources. The author concludes that, "to promote investment- led growth, the type enunciated in government budget statements, there would have to be adequate funding of infrastructure both to create new capacities as well as maintain existing capacities".

Conceptualization of Sovereign Wealth Fund (SWF)

A sovereign wealth fund (SWF) is a state-owned investment fund investing in real and financial assets such as stocks, bonds, real estate, precious metals, or in alternative investments such as private equity fund or hedge funds. Sovereign wealth funds invest globally. Most SWFs are funded by private revenues from commodity exports or from foreign-exchange reserves held by the central bank. Sovereign wealth funds have existed for more than a century, but since 2000, the numbers of Sovereign Wealth Funds have increased dramatically (www.wikipedia.org). The first SWFs were created by the U.S. state of Texas in the last half of the 19th century to fund public building. The Permanent school Fund (PSF) was created in 1854 to benefit primary and secondary schools, with the Permanent University Fund (PUF) in 1876 to benefit universities.

The first SWF established for a sovereign state is the Kuwait Investment Authority, a commodity SWF created in 1953 from oil revenues before Kuwait even gained independence from the United Kingdom (www.economist.com). Norway's Government pension Fund-Global with assets of more than $785 billion is the world's biggest Sovereign Wealth Fund. Followed by Saudi Arabia's SAMA foreign Holdings ($679 billion), Abu Dhabi Investment Authority ($627 billion) and China Investment Corporation (US$575 billion).Many of the world's largest SWHs such as Norway, Abu Dhabi, Saudi Arabia are financed via oil revenue while China and Hong Kong are financed through non-commodity (i.e. funded by transfer of assets from official reserves, and in some cases from government budget surpluses are privatization revenue).

Ten Largest SWFs in 2013(in million USD)

Country(Fund)	Norway:Government Pension Fund-Global.	Saudi Arabia:SAMA foreign Holdings	UAE-Abu Dhabi:Abu Dhabi Investment Authority.	China:China Investment corporation.	China:SAFE Investment Company.	Kuwait: Kuwait investment Authority	China-HK:HongKong Monetary Authority Investment portfolio	Singapore:Government of Singapore Investment Corporation	Singapore:Temasek Holdings	China(NSSF) National Social Security Fund.
Assets (US$Billion).	$785.2.	$675.9	$627,000	$575.2	$567.9	$386.0	$326.7	$285.0	$173.3	$160.6
Inception	1990	na	1976	2007	1997	1953	1993	1981	1974	2000
Origin.	Oil	Oil	Oil	Non-commodity	Non-commodity	Oil	Non-commodity	Non-commodity	Non-commodity	Non-commodity

Source: www.wikipedia.org

Sovereign Wealth Funds are typically created when governments have budgetary surpluses and have little or no international debt. This excess liquidity is not always possible or desirable to hold as money or to channel into immediate consumption. This is especially the case when a nation depends on raw material exports like oil, copper or diamonds. In such countries, the main reason for creating a SWF is because of the properties of resource revenue: high volatility of resource prices, unpredictability of extraction, and exhaustibility of resources (www.wikipedia.org). SWFs are managed separately from official currency reserves. They are pools of money governments use to generate profits. Often this money is invested in foreign companies. Their assets can include balance-of-payments surpluses, official foreign currency operations, proceeds of privatizations, fiscal surpluses and/or receipts resulting from commodity exports. Nigeria is the second largest economy in sub-Saharan Africa, and the continent's most populous nation, with a population of about 166 million. Since 1960, it has realized over US$1 trillion in oil exports and is currently the 8th highest net exporter in the world. Nigeria's economy is heavily dependent on oil and gas: oil exports constitute 97.5 per cent of export revenues, 81 per cent of government revenues and 17 per cent of GDP (World Bank, 2008). The majority of the population is engaged in agricultural activities, which constitute 42 per cent of GDP, alongside smaller urban-based manufacturing and tertiary sectors. In spite of the enormous economic potentials in Nigeria, it has largely failed to live up to the ambitious growth projections that followed the first oil boom in the 1970s. In 2008, it was ranked 154th out of 179 countries by the United Nations Human Development Index. Furthermore, up to 70 percent of Nigerians are classified as "poor"-subsisting below the national poverty line. Table 1 presents some general facts on Nigeria's GDP and population size from 2006-2013.

Table 1: General Country Data.

	2006	2007	2008	2009 (est)	2010	2 011	2012	2013
GDP (billons of naira)	18,709.79	20,856.28	22,030.19	18,705.22	21,705.22	31,329.64	53,346.66	59,290.98
Population, total (millions)	144.72	147.98	151.24	154.56	157.96	159.2	164.3	166.2

Source: CSEA, 2010 and NBS, 2013.

We must be clear from the outset, that as a general rule, the Sovereign Wealth Fund Policy of Nigeria should not be directed at reaching the world's expectation. Rather, the central concern should be with absorption and adaptation of established practices to suit local resource endowments tailored at addressing local challenges and market processes. It is highly appreciable that within its short span the NSWF has already made a return of N525 million on its $200 million investment in the United States bond market (Nssien, 2014). But, Nigeria should strive to make a difference and not imitate other countries that remain underdeveloped and poverty stricken while utilizing their enormous SWF funds to bail out Western companies and buy US treasury bonds. For the NSWF to make any meaningful contribution that would fast track the economy, we believe that its objectives should be staggered into phases based on need and national urgency.

For the first phase, we recommend it to limit its role or functions at least for the first ten years to the pursuit of its second mandate which is the "Nigeria Infrastructure Fund: portfolio of investments specifically related to and with the objective of assisting the development of critical infrastructure in Nigeria". The other two Funds of the SWF should be in abeyance within the interim. Beside, the accelerated effect of infrastructural development on the growth and development of the entire economy would ultimately reflect in the attainment of the broad objectives of the other two Funds. It should also be noted, that even within the first phase, other special funds of the Nigerian government; such as the Foreign Reserve Account and Excess Crude Account (ECA) are, and would be concurrently actively pursuing the objectives of the other two funds, that is, stabilization fund and future generations' fund.

The state of infrastructure in Nigeria has remained a matter of concern given the importance of infrastructures in the economic wellbeing of the populace and the growth and development process of the economy. Unfortunately, various performance indicators in respect of these infrastructural facilities points to the fact that their performances remained unsatisfactory. It seems to be a well known fact that the infrastructural facilities in this country are grossly inadequate to meet (both old and new ones), the needs of the population (Uhunmwuangho, 2012). Sanusi (2012), cited in Onakoya, Salisu and Oseni (2012), identifies the current level of deficit infrastructure as a major constraint in achieving the nation's most vaunted vision of vision 20:20:20. He averred that about 70 per cent of the 193,000 kilometers of roads in the country is in poor condition, Enterprises lost over 320 days a year due to power outages, with over 60 per cent of the populace lacking access to electricity and over $13 billion spent annually to fuel generators, and that Nigeria, which once had one of the most extensive and efficient railway system in Africa, could now barely boast of a functional route either for passengers or freight.

Perhaps, the failure and irrelevance of the "stages of economic growth" and other development theories to make positive impact on the growth of less developed countries is that, it implicitly assumed that the necessary structural, institutional and attitudinal conditions that exists in the developed economies such as well integrated markets, highly developed transport facilities, well trained and educated manpower, the motivation to succeed, an efficient government bureaucracy etc, to convert new capital effectively into higher levels

of output also exists in these economies, which is far from the reality on ground. As a step toward remedying this situation, we strongly believe that within the first phase of at least ten years, the NSWF through its Infrastructural Fund, should actively deployed its huge financial resources and managerial competence to the infrastructural development of the following sectors and sub-sectors in all parts of the country:

Transportation Sector: The importance of transport infrastructure to a nation cannot be overemphasized as efficient transport infrastructure facilities act as catalysts for development. In a 1992, World Bank study by Cesar Queiroz and Surhid Gautam (cited in Familoni,2011), Road Infrastructure has been found to be a significant factor of economic growth and development. In their study, they employed an empirical approach to explore the association between road infrastructure and economic development. Different regression analyses were carried out using GNP/Capita as dependent variable and selected indicators of magnitude and condition of road networks as independent variable. Independent variables used in the analyses included: (i) spatial road density (i.e., road length per land area) of paved and unpaved roads classified in good, fair or poor condition; and (ii) road density or per capita length (km/million population) of paved and unpaved roads in good, fair or poor condition. The authors summarized their findings as follows: Cross-section analysis of data from 98 countries, and time-series analysis of U.S. data since 1950 showed consistent and significant associations between economic development, in terms of per capita gross national product (GNP), and road infrastructure, in terms of per capita length of paved road network. The data show that the per capita stock of road infrastructure in high-income economies is dramatically greater than in middle and low- income economies.

For instance, the average density of paved roads (km/million inhabitants) varies from 170 in low-income economies to 1,660 in middle and 10,110 in high-income economies, the latter being 5,800 percent higher than the low-income group. Road condition also seems to be associated with economic development: the average density of paved roads in good condition (km/million inhabitants) varies from 40 in low-income economies to 470 in middle and 8,550 in high income economies". The authors, in their conclusion, also submit that there is "a clear contrast between road infrastructure and income in low and middle-income economies in Africa: while the difference in average per capita GNP between the two country groups is 220 percent, the density of paved roads in good condition varies by about 370 percent from one group to the other, using 1989 data." There is therefore cause for concern while considering the transport infrastructure base in Nigeria today which compares unfavourably with those of several African nations both in terms of quality and service coverage. In particular, the rural areas, where the bulk of our population resides, are largely deprived of basic pieces of transport infrastructure. The major road transport infrastructure in Nigeria consists of 32,000 km of Federal highways including seven major bridges across the Niger and Benue Rivers, the Lagos ring road, the third mainland axial bridge; 30,500 km of state roads; and 130,000 km of local roads (Buhari, 2000). A look at Nigeria's roads from North to Sout, and from East to Westh reveals that if an urgent attention is not given to this all important aspect of growth, the much vaunted economic rejuvenation cannot be achieved. A nation- wide survey was

conducted by the Central Bank of Nigeria (CBN) on the state of highways in the country in December 2002. The survey revealed that the road network, as at December 2002, was estimated at 194,000 kilometers. It was also shown that most of the roads were in a bad condition, especially those in the South Eastern and North Western parts of the country.

The pattern is generally the same for the roads in the other parts of the country. Some of the roads, constructed over 30 years ago, had not been rehabilitated even once, resulting in major cracks (longitudinal and transverse), depressions, broken down bridges and numerous potholes that make road transport slow and unsafe (CBN, 2002). Rail services have ceased to be of relevance to industrial activities and commuter transports. Billions of naira has been wasted on the acquisition of obsolete locomotives and upgrade of rail lines without any significant improvement being observed. It is no secret that items of transport infrastructure have not kept pace with development in Nigeria. The Fund should focus on expanding substantially, urban and rural road infrastructure, with proper concern for the needs of public transport infrastructure etc, acquiring modern trains both freight and passenger and upgrade rail tracks to conform to what is obtained in other countries that have given rail transport the importance it deserves. Air and water transport must be accorded high priority for any meaningful development to be realized.

Education Sector: The sociopolitical and economic development of a nation is, in many ways, determined by the quality and level of educational attainment of the population. As a relatively poor country, India is not normally thought of as a nation capable of building a major presence in a high technology industry such as computer software. In little over a decade, however, the Indian software industry has astounded its skeptics and emerged from obscurity to become an important force in the global software industry. Between 1991-92 and 2001-02, sales of Indian software companies grew at a compound rate in excess of 50 per cent annually. In 1991-92, the industry had sales totaling $388 million. By 2002 they were around $8 billion.

By the early 2000s, more than 900 software companies in India employed 200,000 software engineers, the third largest concentration of such talent in the world. In explaining the success of their industry, India's software entrepreneurs point to such factors as a highly educated middle-class, government emphasis on engineering courses in tertiary schools, and increased government spending on education at all levels etc. (Hill, 2005). The continued neglect of this sector is evidenced by the dilapidated structures, underinvestment and neglect in all the three tiers of educational institutions (that is, primary, secondary and tertiary), the poor performance of students in various national examinations and the low quality of graduates produced by tertiary institutions.

The under-funding of the education sector is a big problem, the pervasive lack of quality academic training and environment that would enable students to reach their full potential is of grave concern, and has to be urgently redressed; if the country needs to develop its human capital which is, a "sine qua non" for growth and development. Nigeria has toyed with some educational programmes, which only served as conduits to transfer money to the corrupt leaders and their cronies. For instance, the nation launched the Universal Primary Education (UPE) in 1976, but as noted, the programme failed due to

lack of funds necessitated by corruption, among other factors. Another mass –oriented education programme, the Universal Basic Education (UBE) launched on the 30th September, 1999, was expected to provide free education to children between the ages of seven to seventeen, and, which has also; not produced the desired results. Although Nigeria's educational sector is in dire need, the most troubled of the three tiers is the primary education sector. Recent available statistics on primary education shows that there are about 2,015 primary schools in Nigeria with no buildings of any type. Classes are held under trees. The quality of teaching conducted under such an inhumane condition would not be anything to be proud of (Dike, 2008).Though it is difficult to gauge total education expenditures because of the way the three-tiered federal system works, best estimates are that the country spends about 2 percent of GDP for education, less than half the percentage of GDP spent by most sub-Saharan countries on average. This is where the Fund is expected to urgently intervene by building good schools for the education of the populace. Because if Nigeria cannot give adequate and quality education to students at the primary and secondary level, the tertiary institutions would continue to be populated by those who are least prepared to face the rigors of university education and Nigeria will continue to backslide economically, socially and politically.

Health Sector: Despite Nigerian's strategic position in Africa, the country is greatly under-served in the health care sphere. Provision of health care services in Nigeria is the concurrent responsibility of all three tiers of government (federal, state and local).Primary health care encompasses services such as prevention and treatment of local endemic diseases, immunization, maternity and nutrition programmes etc. Secondary health services involve outpatient and inpatient services for general medical and surgical services. Tertiary health care involves additional specialist services such as orthopedic, psychiatry, and ophthalmology services. Local governments are primarily responsible for the delivery of primary health care services, while secondary and tertiary healthcare as well as general hospitals are the responsiblities of State governments. The health status of the Nigerian population is relatively low, due to poor quality of services and inefficiencies in the public health sector. Nigeria performs poorly in terms of key indicators of health and well-being such as infant and child mortality, maternal mortality and morbidity rates.

In many cases, Nigeria's health indicators are comparatively worse than indicators for some of the least developed countries in Africa. Health facilities (health centres, personnel, and medical equipments) are inadequate in this country especially in rural areas. As an important element of development, public health not only functions to provide adequate and timely medical care but also track, monitor and control disease outbreak (Osain, 2011).Again, preventive health care practices remain very poor in Nigeria. The Nigerian health care system is poorly developed. No adequate and functional surveillance systems are developed. In a bid to enhance the provision of health care, the Nigerian government established the National Health Insurance Scheme (NHIS), with the aim of improving access to health care and reducing the financial burden of out-of-pocket payment for health care service (Olakunde, 2012). There has been a lag in the expansion of NHIS to achieve a considerable coverage since it became operational. A World bank survey in

2008 reported that about0.8% of the population was covered by NHIS (Worldbank, 2008).This has attracted a lot of censure since many people are left out and not benefitting from it (Ogbonnaya, 2010). The NHIS is focused on making the scheme mandatory for every Nigerian and aims to get every Nigerian enlisted by December 2015. Other factors such as poor medical facilities, shortage of medical personnel, lack of awareness and poor funding have been identified as challenges that affect the efficacy of NHIS in Nigeria (Ibiwoye and Adeleke, 2008). Given the dismal scenario in the health sector the Fund, could be harnessed to enlarged the beneficiaries of NHIS which for now is limited to only a handful of Federal Government civil servants, and to upgrade the level of medical care facilities across the country.

Water Resources: Water is a natural resource that has no substitute. This is often taken for granted until faced with shortages and drought. In recent years Nigeria has experienced flooding, drought and urban water shortages which have underlined the need for the rational planning of water resources. The national water and sanitation policy program divide the responsibility of water supply in Nigeria between the Federal, State and local governments. The local Governments are in-charge of the establishment, operation and maintenance of rural water supply schemes in their communities. They are also responsible for establishing, equipping and funding the water and environmental sanitation departments. The state government is responsible for the supply of water to urban and semi-urban areas, while the federal government has jurisdiction over shared water resources, large dams, formulation and implementation of policies for overall water resources management (CSEA,2010).There is currently no standard body that supervises the quality of drinking water in the country.

Only purchasable potable drinking water is regulated by the National Agencies for Food and Drug Administration and Control (NAFDAC), other sources are not regulated. Drinking water is sourced from domestic piped taps, community taps, springs, wells and water suppliers(tankers).The poor often get drinking water from community taps, springs, rivers, hand-dug well and in most cases, buy from water suppliers/vendors. This leads to the poor paying more than the rich in the society. The rich on the other hand, enjoy subsidized tariffs on water consumption, which should actually be targeted at the poor to help alleviate their suffering and cushion the effect of their relatively high expenditure on social amenities.

Energy sector: with the recent privatization of the hitherto state owned monopoly electricity behemoth Power holding Corporation of Nigeria (PHCN), it is hope that the sector would perform creditably as the case with the privatized communication sector; hence the NSIA would only perform a paternal role in spite of the sector's vital role in economic growth and development. The transparency of a SWF is related to the openness of the country's political structure. Thus, a county's reputation is a prime determinant of the image, transparency and governance structure of its SWF. Setting up a transparent and corruption-free SWF in Nigeria with its opaque governance style is bound to be quite challenging. However, the effort of the NSIA to operate a SWF that is open and transparent has been quite commendable so far. For instance, in the official statement announcing the second quarter 2014 ratings by the Linaburg-Maduell transparency index administered by the

Sovereign Wealth institute, the NSIA was upgraded to nine points out of a possible ten from a score four in the previous rankings. The Index was developed at the Sovereign Wealth Fund Institute by Carl Linaburg and Micheal Maduell and is a method of rating transparency in respect to sovereign wealth funds (Nssien, 2014). Notwithstanding, the high ranking of the NSWF, the NSIA needs to fine tuned some of its operational guidelines to obviate potential pitfalls that would likely foster discord among the three tiers of government and increase its investment risk factor. Some of the vital concerns include:

The Minister of Finance has said that the best experts in global fund investment at the institutional levels such as City Group, Goldman Sachs, Credite Suisse, United Bank of Switzerland and Nigeria's Stanbic IBTC have been engaged to guide NSIA in investment decisions (Ujah, 2013). This raises certain questions as to the number of these "experts" needed for investment advice. How much would we have to pay these experts as commission for their advice? How would the country be sure that the advice been given is the optimal, seeing as these financial experts are rivals in the global arena each fighting to undermine the other? What criteria were chosen to hire these experts, that it has excluded indigenous financial institutions-albeit one? When some of them like Citigroup had grabbed World attention recently by making bad investments and are in dire need of cash infusion due to losses from mismanagement and the subprime mortgage crisis.

How certain are we that these experts would incorporate the salient features of the Nigerian people and society in their investment models to really ensure its applicability? The best option is for the NSIA to thoroughly filter these foreign "experts" and choose only one (not half a dozen as presently) whose credentials and profile are in line with the NSIA criteria, and three indigenous financial institutions to under-study the "expert" and assist in injecting the required local content and outlook to the investment decisions and infrastructural projects that would be undertaken by the Fund. This would greatly reduce the cost of dollar commissions paid and enable these indigenous firms acquire the necessary skills and tools needed to take over and managed such a vital source of finance by Nigerians.

CONCLUSION AND RECOMMENDATIONS

The Bill establishing the NSIA is specific on the source of funding stating that the NSIA will receive monthly funding of a significant portion of oil and gas revenue above the budgeted revenue and approved by parliament. The fresh inflow which makes the fund $1.550 billion strong, good as it may be; negates the basic principles of funding SWFs as it amounts to going into debt (taking a loan) to save. Management of the SWF should be strictly governed by the enabling legislation that establishes it. Its present staff strength of 15 core professionals is commendable and effort should be made to ensure that its activities (funding and expenditure) should not be shrouded in secrecy and undue bureaucracy at the whims and caprices of the government in power. Hence the fear being expressed of an undue interference by the Minister of Finance, by deciding on behalf of the NSIA board, the disbursement additional $550 million injection, stating that $200million would go into the Infrastructural Fund to finance gas-to-power investment with the private sector, and the balance of $350 million would go into a liquidity facility, which the Nigerian Bulk Electricity

Trading Company Plc (NBET) would manage on behalf of the federal government to boost investors' confidence in the power sector reforms. This unwarranted intrusion by political appointees of government into the core managerial affairs of the NSIA is bound to generate a lot of negative reaction in future by other stakeholders in the Fund and which will in turn rubbish the favourable ratings the Fund presently enjoys. This trend should be discontinued forthwith. The Federal Government should enhance restraint and improve transparency in its financial spending. Available information suggests that previous special funds established by government have been subject to regular capital withdrawals to balance governments' budgets and repay external debt without adequate legislative backing. A deliberate policy of infrastructural growth taken by the NSIA would greatly and speedily confer the benefits of establishing the SWF on the development of the Nigerian economy. We would only be following the traditional objective(s) of setting up an SWF which is the provision of, the infrastructural needs of the host States as seen in section III above. A deliberate policy of infrastructural growth taken by the NSIA would greatly enhance the success and general acceptability of establishing the fund by all state governments in the country (pockets of resistance as typifies by the Lagos and River State Governments is mostly due to lack of confidence in the federal government's transparency in the management of previous funds set up by the Federal Government).

Moreover, documented literature and opinions of laymen are in accord on the crucial role adequate infrastructural investment would have on the Nigerian landscape in terms of: enhancing our viability to foreign multinational corporations and investors for direct investments, improving the quality of our schools and graduates, thereby impacting positively on our research and innovativeness index in the global setting, increasing our life-expectancy through the provision of adequate and functional health-care and clean water. Reducing the social and economic cost of road accidents through the provision of well tarred roads enhances inter-regional trade through the availability of cheap and efficient rail and water transport systems. The quality of our democracy would be greatly elevated as every Nigerian would feel a proud sense of having benefitted from the dividends of civilian governance.

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