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Sovereign Wealth Fund: Mitigating Oil Price Volatility – A Comparative Analysis

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Abstract

This paper discusses a comparative analysis of Nigeria's Sovereign Wealth Funds (SWFs) in the face of rising global oil prices volatility. Globally, sovereign wealth funds development has become a veritable tool for sustainable saving for the future and Nigeria also adopted the SWFs. Relying in historical data that spans a decade, we show that Nigeria's Sovereign Wealth Funds' growth is determined by global oil prices volatility. In a trend analysis between 2012 and 2023, Nigeria's SWFs declines throughout in a volatile oil price environment. In contrast, China's SWFs was not determined by global oil prices volatility. China was able to mitigate oil prices volatility through different sources of fund for her SWFs. We recommend similar approach for Nigeria, notably diversify investment in her current SWFs to include transport and haulage at least at the African sub-region as a way of mitigating Nigeria's SWFs against ever fluctuating global oil prices in years following this study.

Keywords

Price Volatility, Mitigation, Sovereign Wealth Fund, Advantage, China, Nigeria

Introduction

In recent history, the traditional view of government (be it at the federal, state or the local levels) where governments were seen as stagnant players, whose contributions to growth was merely administrative and regulatory has gradually waned (Bahoo, Alon and Paltrinieri, 2020). The role of the state has been redesigned into an advanced growth trajectory models with strategic innovations, one that involves savings retention for redirection into further production and investment. This new involvement of the state strategic production has turned the state into a new era of state capitalism (CS), where the government provides support to private firms and other leverages (Musacchio & Lazzarini, 2014). Under this "new state capitalism", the states that are enriched with a large amount of foreign financial reserves from national resources or trade surpluses have become symbolic institutional investors in a global economy through special purpose investment vehicles, technically called "the sovereign wealth funds (SWFs)". Infact, as projected by Ekong (2016), the era of globalization brings with it mutually beneficial prospect in businesses and trade. As such, governments who reserve their surpluses in financially rainy days can tap on these benefits now for the present and future

generations. This idea catapulted the sovereign wealth funds (SWFs) across the globe.

That the "new state capitalism" enshrined in sovereign wealth funds (SWFs) is yielding economically viable output is showed in their growth across the world. State-owned assets in SWFs soon grew from $3.1 trillion in 2007 (Boubakri, Fotak, Guedhami and Yasuda, 2023) to $7.367 trillion in 2015 (Pauhofova and Svocakova, 2016) and further protrude to $11.5 trillion in 2022 (Boubakri, Fotak, Guedhami and Yasuda, 2023). Regional growth phases were also noticed in recent times. For instance, Nigeria grew a total of $1.033 trillion as at December 2022; Norway with a SWFs asset value of approximately US$0.5 trillion; United Arab Emirate with SWFs asset of $400-800 billion. Generally, studies have estimated a cumulated growth rate of around 11% approximately to the growth of SWFs across the world in the last two decades (see Boubaker, Boubakri, Grira, Guizani, 2018). In terms of investment, such areas as technology, healthcare, climate change and environmental sustainability have been given a boost.

For most developing economies, a major source of building a sustainable sovereign wealth funds is through the oil wealth revenues or naturally non-renewable resources. Non-renewable resources dominate nearly a quarter of the world's economies. Of the approximately 200 sovereign states in the world, 130 are endowed with natural resources and 47 are resource-dependent (Wills, 2017). From the position of Bloomberg (2018) attention in sovereign wealth funds development is due to spikes in prices of nation's natural resources (notably spikes in oil prices). Nigeria established the Excess Crude Account (ECA) in 2004 based on a fiscal rule where crude oil earnings in excess of a budgeted price and production volume are transferred into the account (NEITI, 2017).

In 2011, Nigeria again established the Sovereign wealth funds (SWFs). The two funds (Excess Crude Account and Sovereign Wealth Funds) work consecutively to insulate the economy of external fluctuations.

One of the fluctuations that continually affect sovereign wealth funds depletion is oil prices volatility. The energy market are generally volatile in nature and this creates uncertainty and heightened risk in economic management (Tule, 2015). As Wills (2017) pointed out, although other factors capable of depleting SWFs exists, such as political instability, environmental imbalances, corruption, domestic currency devaluation. Hence, oil prices volatility by far has the highest impact on SWFs imbalances. In recent history, much as was in the past, questions regarding the relationship between the price of oil and real economic issues are fundamental in macroeconomic analysis (see for instance, Mordi and Adebiyi, 2010). In the years prior to the 80s, Hamilton (1983) showed that oil prices volatility generated significant impact on real economic activities and stabilization of the United States of America.

Theoretically, the immediate effect of oil price volatility produces two opposing effects on wealth portfolio. Likely, when the effect of an oil price change is positive, the wealth portfolio swells, and the savings potentials of the economy rises. If the drivers of such economy are development focused, then sustainable investment increases, economic production expands and income redistribution to the factors of production increases. In this scenario, SWFs increases. However, where oil price volatility results in a negative price change, in this case the opposite is expected to occur - the wealth portfolio shrinks. Mordi and Adebiyi (2010) showed that citizens in this case employ price expectation hypothesis in conducting economic activities. For instance, once the oil price change is perceived as permanent, private investments decrease. Moreover, if the shocks are perceived as persistent, oil is used less in production, capital and labor productivity both decrease and potential output falls.

In this paper, we consider the intrinsic interactions between oil price volatility and sovereign wealth fund management in Nigeria for the period 2012 to 2022 in comparison with other sovereign wealth fund countries. We also consider ways of mitigating any adverse effects on the relationship. Following this introduction, the rest of the paper is structured as follows: (1) We review the historical perspectives surrounding the development of sovereign wealth funds around the world and the current trends in global oil prices volatility. (2) We review recent empirical literatures on sovereign wealth funds development and oil price volatility. (3) We explore global sovereign wealth funds and their sources of funding. (4) We explore Nigeria's SWFs in the face of global oil price changes in comparison with other world's countries SWFs, and (5) We conclude with recommendations.

Historical Perspectives

The history of Sovereign Wealth Funds (SWFs) dates back to at least 1953 when, according to the Kuwait Investment Authority, the "Kuwait Investment Board was set up with the aim of investing surplus oil revenues to reduce the reliance of Kuwait on its finite oil resource". The more recent rise of SWFs is mainly linked to the accumulation of sizeable foreign exchange reserves by emerging market economies as, over the past few years, an increasing number of such countries have created new SWFs to accumulate foreign assets and to improve the return on traditional foreign exchange reserve (Beck and Fidora, 2008). According to Boubakri, Fotak, Guedhami and Yasuda (2023), SWFs came under close attention about a decade and a half ago, when the Global Financial Crisis (GFC) highlighted their aggressive acquisition sprees and roles as liquidity providers to failing financial and non-financial firms.

In Nigeria, the Sovereign Wealth Funds (SWFs) came into existence in May 2011 by an Act establishing the Nigeria Sovereign Investment Authority (NSIA). It actually commenced full operations in October 2012. The Nigeria Sovereign Investment Authority is the manager of Nigeria's Sovereign Wealth Funds. Statutorily, NSIA was set up to receive, manage and invest in a diversified portfolio of medium and long term, revenue of the Federal government, State government, Local government Area Councils and Federal Capital Territory to prepare for the eventual depletion of Nigeria's hydrocarbon resources for the development of critical infrastructure in Nigeria that will attract and support foreign investment, economic diversification, growth and job creation. The NSIA operates under four key objectives which includes:

1. To help maintain a stable global financial system and free flow of capital and investment;
2. To invest on the basis of economic and financial risk and return-related considerations;
3. To comply with all applicable regulatory and disclosure requirements in the countries in which they invest; and
4. Transparent & sound governance structure providing for operational controls and risk management and accountability

Boubakri, Fotak, Guedhami and Yasuda (2023) showed that SWFs finds applicability in all spheres of investment including, but not limited to asset classes (stocks, Treasury bonds, etc.) and sectors (financial, real estate and infrastructure, power generation, sports, commodities, airlines, manufacturing, etc.). Nigeria's SWFs has been involved in areas such as agriculture, manufacturing, power, financial markets, gas industrialization, healthcare, technology, motorways, climate change/ESG etc. Globally, the number of SWFs and the assets they manage (foreign and domestic) have grown steadily across countries. For instance, in July 2022, SWFs worldwide had accumulated $11.5 trillion in assets under management compared to $7.367 trillion accumulated in 2015. Nigeria's investment in SWFs stood at $1.033 trillion as at December 2022. In 2023 for instance, SWFs investment for Nigeria hits $500 million in energy transition alone.

The literature identifies two chief categories of SWFs, depending on their most prominent functions. Stabilization funds, as the name indicates, attempt to insulate the economy from excess volatility in commodity prices. Examples include the Iran Oil Stabilization Fund (established in 1999), Venezuela's Investment Fund for Macroeconomic Stabilization (founded in 1998 and known as FEM) and Algeria's Fund for the Regulation of Receipts (also known as Fond de Regulation des Recettes, or FRR, established in 2000).

The second type of SWFs is the savings funds, which converts the non-renewable resource into a diversified portfolio of financial assets. The goal is to generate income flows from interest payments, dividends and asset appreciation that will pass on wealth to future generations. Examples include Equatorial Guinea's Fund for Future Generations (2002), Kuwait's Future Generations Fund (FGF) and the Alberta Heritage Savings Trust Fund (1976).

Many SWFs do not make a clear distinction between stabilization and savings, performing both functions. Trinidad & Tobago's Heritage and Stabilization Fund is one example. Furthermore, some funds predominantly focusing on savings often help stabilize the economy as well, particularly during periods of low oil prices (Nakhle, 2016). The history of oil price volatility in Nigeria is as old as oil discovery and exploration itself. Oil had already been discovered in other parts of the world and Nigeria's discovery met up with the already volatility of oil prices prevalent in those years. Abdulkareem and Abdulhakeem (2016) in an examination of dual volatility between oil prices and macroeconomic activities argued that the debate on oil volatility gained more prominence during the 1970s possibly when Nigeria was

making more income from oil. In their study, they showed that both global and regional (as in the case of Nigeria), there is clear evidence of volatility clustering in oil trends. They also noticed sharp boost and troughs in oil prices volatility between 1986 and 2014.

Similar volatility experienced by Abdulkareem and Abdulhakeem (2016) is also seen for the period 1987-2024 in this study (see Figure 1). In Figure 1, we notice sharp increases and decreases in annual oil prices throughout the period. Although the volatilities were moderate in the early period (1987-1998), more violent fluctuations were encountered subsequently with a peak rise of 112.19% in 1999 and a trough as low as -53.52% experienced in 2008. Globally, such volatilities continue to shape global savings and stabilization trends including Nigeria's outcomes.

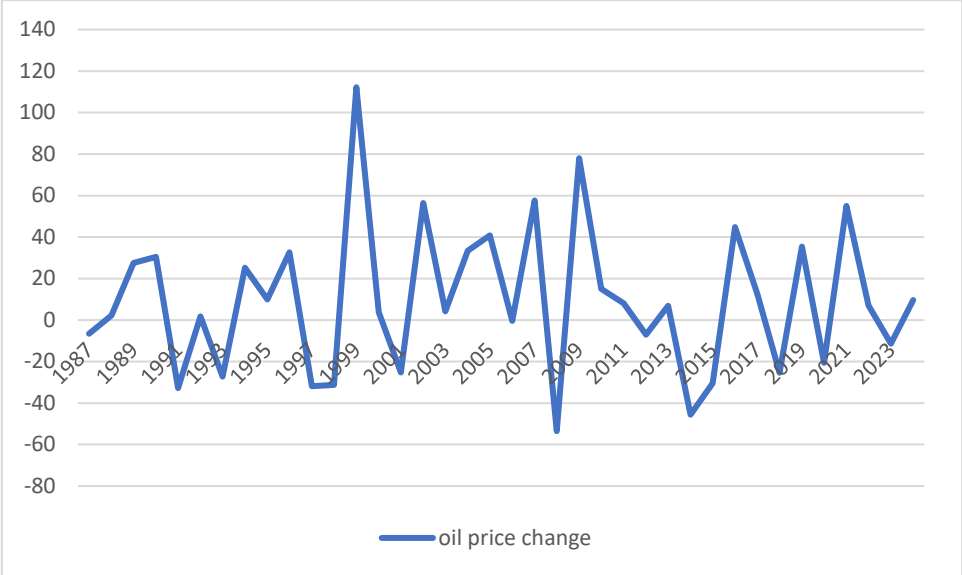

Figure 1: Oil Price Volatility in Nigeria (1987-2024)
Source: Authors (extracted from macrotrends.net, 2024)

Literature Review

Pauhofova and Svocakova (2016) explored the impact of fluctuating oil prices on the Sovereign Wealth Fund assets of 185 countries, but with apt interest to Norway, Russia and Kazakhstan from 1970 to 2013 in a panel data set. In their analysis, they employed panel vector autoregression (P_VAR) to endogenise the variables of interest.

Results confirmed responses of SWF assets of three countries of interest to oil price volatility over time. Specifically, shock in oil prices had the greatest impact on the value of assets in Russian sovereign wealth funds, then the SWF of Kazakhstan and the least impact had been observed upon Norwegian SWF. In the case of Russia, the shock in oil prices has had a long-lasting effect. Saudi Arabia does not suffer from the low oil prices and it does not affect the principles of its investment decisions.

Naifar, Jawad, Shahzad and Hammoudeh (2020) examined the dynamic and non-linear impact of oil price returns on the sovereign credit default swap spreads for the oil-rich countries of the Gulf Cooperation Council and other existing oil-exporting countries like Russia, Mexico and Venezuela. Relying on panel data from 2008 to 2018 for the region and data analyzed under quantile-to-quantile regression, they showed that oil price returns significantly and favorably decreased the sovereign credit risk premium of the non-Gulf Cooperation Council oil-exporting countries under consideration. The negative impact of oil price returns on the sovereign Credit Default Swap spreads, where present, gradually increases as the quantile level increases and is the highest during the bullish credit market conditions signifying that Credit Default Swap (CDS) spreads are more sensitive to the global bond market uncertainty factor than to the global equity market uncertainty factor.

In a related development, Rasaki and Malikane (2018) explored the strength of sovereign wealth funds of African oil-exporting countries in mitigating macroeconomic volatility occasioned by oil price volatility. In their study, they

formulated a general equilibrium model that featured the fiscal sector and sovereign wealth fund. In a simulation analysis and comparison with the other general equilibrium models defiant of SWFs, they showed that SWFs can mitigate the vulnerability of oil-exporting African countries to oil price shocks. In general, SWFs can reduce fiscal expenditure and real exchange rate volatility. Thus, they recommend that since oil price shock is one of the important external shocks inducing economic instability in oil-exporting African countries, a sustainable SWFs insulate African economies from oil price shocks.

Bothered with economic instability surrounding most economies but specifically developing economies, Kazi-Sohag, Hassan, Kalina and Mariev (2023) investigated the role of sovereign wealth fund to mitigate global energy market fluctuations for the Russian economy for the period - June 2012 to June 2022. Relying on Cross-Quantilogram framework methodology in its analysis, they found that sovereign wealth fund positively responds to Oil Demand Shock at the lower to the median quantiles of demand-side shock and low quantiles of sovereign wealth fund. On the supply side, SWFs respond negatively to Oil Supply Shock both at the higher quantiles and the least quantile of a supply shock. These outcomes confirm their preposition of SWFs to global oil activities in Russia - that Russia's SWFs is highly anchored in oil market shocks.

Boubakri and Trabelsi (2022) explored the impact of oil market volatilities on real output of some oil exporting countries through the transmission channel of sovereign wealth funds. They argued that many oil exporting countries have established SWFs to mitigate the volatility of oil prices and provide a buffer to sustain government spending during periods of falling oil prices. They argued that SWFs reduces the anxiety arising from fluctuations in commodity prices and their impact on resource revenues. They explained that SWFs can help the government to stimulate the economy by increasing public capital expenditure when private investment is low. At the end, they suggest that countries relying on energy commodity for exports should create SWFs to diversify reserve portfolios, generate greater returns, and tinker on the effects of "Dutch disease commonly experienced in developing economies.

In another development, Boubakri and Harrouch-Trabelsi (2022) used panel smooth transition regression model to investigate the dampening effect of SWFs on oil market volatility in gross domestic product (GDP) of some oil exporting countries. Their result indicates a heterogeneous effect of SWFs dampening on oil prices in the region and depends on the threshold level of SWF asset growth. For instance, the effect of SWFs on oil price volatility are negative in the lower bound regions of growth and becomes positive as SWFs increases.

Nakhle (2016) showed that creation of sovereign wealth funds (SWFs) can help preserve the existing oil well reserve. In most cases, SWFs are created as a buffer against macroeconomic fluctuations in real variables. The task for governments, then, is to avoid overheating the local economy and safeguard it from boom-bust cycles. Diverting income into a Sovereign Wealth Fund accomplishes this, while converting the extracted resources into a portfolio of assets that can provide sustainable income for future generations, he asserts.

Comparative Discussion

The total sovereign wealth fund of the world are accounted for by oil and gas and other non-commodity sources. In-fact globally, oil and gas related sources accounted for about 59% of global SWFs leaving the other 41% to be accounted for by other non-oil commodities as at 2013 (SWFs Institute, 2013). By then, total sovereign wealth funds by contribution from oil and gas related sources amounted to US$ 3,813.5 billion. According to Global SWF (2024), it is expected that SWfs will grow from US$ 11.2 trillion globally in 2023 to about US$ 12.7 trillion by 2025 and to say US$ 18.0 by 2030. Currently, global SWFs stood at US$ 11.4 trillion. Of this position, a paltry 1% is contributed by the Sub-Saharan Africa. Because half of the funds will be funded by commodity exports (oil and gas related sales) the stability of the projections will largely depend on oil prices volatility.

Table 1 presents the ranking of countries in the world whose sources of funding are from oil and gas. As shown in Table 1, many sources of funding to the world's sovereign wealth funds are from oil and oil-related activities, although other countries who have made large fortunes from non-oil sources (Non commodity) have also funded SWFs like Singapore and China. Naser (2016) argued that growth in export across world regions have given transport-led countries additional income incentives to seek higher returns on SWFs.

Additionally, total Sovereign Wealth Funds (SWFs) continue to rise from oil-related sources (Table 1). In recent years, a cumulative of $4,219.80 billion funded the sovereign wealth fund portfolio from oil-related sources.

At inception, Nigeria for instance funded her sovereign wealth fund with US$ 1.4 billion. As at year end 2023, Nigeria's investment in SWFs stood at $1.033 trillion. In 2023 for instance, SWFs investment for Nigeria hits $500 million in energy transition alone. Data available shows that globally, world sovereign wealth asset stood around US$ 11.5 trillion.

Table 1: Sovereign wealth fund ranking: Largest sovereign wealth funds by assets under management

Country	Sovereign Wealth name	Assets US$ Billion	Year Established	Origin
Norway	Government Pension Fund	847.6	1990	Oil
UAE - Abu Dhabi	Abu Dhabi Investment Authority	773	1976	Oil
Saudi Arabia	SAMA Foreign Holdings	632.3	Na	Oil
Kuwait	Kuwait Investment Authority	592	1953	Oil
Qatar	Qatar Investment Authority	256	2005	Oil & Gas
Saudi Arabia	Public Investment Fund	160	2008	Oil
UAE - Abu Dhabi	Abu Dhabi Investment Council	110	2007	Oil
Kazakhstan	Kazakhstan National Fund	77	2000	Oil
Russia	National welfare fund	73.5	2008	Oil
UAE - Abu Dhabi	International Petroleum Investment Company	66.3	1984	Oil
UAE - Abu Dhabi	Mubadala Development Company	66.3	2002	Oil
Libya	Libyan Investment Authority	66	2006	Oil
Russia	Reserve Fund	65.7	2008	Oil
Iran	National Development Fund of Iran	62	2011	Oil & Gas
US-Alaska	Alaska Permanent fund	53.9	1976	Oil
Algeria	Revenue Regulation Fund	50	2000	Oil & Gas
Brunie	Brunei Investment Agency	40	1983	Oil
US-Texas	Texas Permanent School Fund	37.7	1854	Oil & other
Azerbaijan	State Oil Fund	37.3	1999	Oil
Oman	State General Reserve Fund	34	1980	Oil & Gas
US-New Mexico	New Mexico State Investment Council	19.8	1958	Oil & Gas
Canada	Alberta's Heritage Fund	17.5	1976	Oil
US – Texas	Permanent University Fund	17.2	1876	Oil & Gas
East Timor	Timor-Leste Petroleum Fund	16.9	2005	Oil & Gas
UAE – Federal	Emirates Investment Authority	15	2007	Oil
Bahrain	Mumtalaket Holding Company	11.1	2006	Non-oil
Mexico	Oil Revenues Stabilization Fund of Mexico	6	2000	Oil
Oman	Oman Investment Fund	6	2006	Oil
Trinidad and Tobago	Heritage and Stabilization Fund	5.5	2000	Oil
Angola	Fundo Soberano de Angola	5	2012	Oil
US – North Dakota	North Dakota Legacy Fund	3.2	2011	Oil & Gas
US – Alabama	Albama Trust Fund	2.5	1985	Oil & Gas
Kazakhstan	National Investment Corporation	2	2012	Oil
Nigeria	Nigerian Sovereign Investment Authority	1.4	2012	Oil
US – Louisiana	Louisiana Education Quality Trust Fund	1.3	1986	Oil & Gas
UAE-Ras Al Khaimah	RAK Investment Authority	1.2	2005	Oil
Iraq	Development Fund for Iraq	0.9	2003	Oil
Venezuela	FEM	0.8	1998	Oil
Gabon	Gabon Sovereign Wealth Fund	0.4	1998	Oil

Ghana	Ghana Petroleum Funds	0.45	2011	Oil
Mauritania	National Fund for Hydrocarbon Reserves	0.3	2006	Oil & Gas
Equatorial Guinea	Fund for Future Generations	0.08	2002	Oil
Papa New Guinea	Papa New Guinea Sovereign Wealth Fund	Na	2011	Gas
Turkmenistan	Turkmenistan Stabilization Fund	Na	2008	Oil & Gas
US - West Virginia	West Virginia Future Fund	Na	2014	Oil & Gas
Mexico	Fondo Mexico del Petroleo	Na	2014	Oil & Gas
	Total oil and gas related	$4,219.80		
	Total other	$3,045.60		
	Total	$7,265.40		

Source: Authors, extracted from Naser (2016)

Table 2 presents the ranking of 5 top SWFs in Africa. From Table 2, we can see that most of the countries in Africa made their SWfs from commodity export (oil and gas). Clearly, these countries' SWFs will respond to fluctuations in oil price volatility that will affect the income flows. One other thing noticed from Table 2 is the seriousness attached to SWFs development by other countries. For instance, Ethiopia that is ranked 2nd established its SWFs just three years ago in 2021, and have so far invested over $38.5 billion compared to Nigeria, which established its own SWFs in 2012 and ranked 5th and contributed a paltry $2.3 billion. It can only take a wholly committed nation to achieve this feat that Nigeria should emulate.

Table 2: Ranking of 5 top SWFs in Africa

S/N	Country	Year Established	Current Asset	Managers	Source(s) of funds
1	Libya	2006	$38,800,000,000	Libyan Investment Authority (LIA)	Oil and Gas
2	Ethiopia	2021	$38,500,000,000	Ethiopian Investment Holdings (EIH)	Oil and Gas
3	Algeria	2000	$16,346,859,000	Fond de Regulation des Recettes	Oil and Gas
4	Botswana	1994	$4,125,360,000	Pula Fund	Diamond
5	Nigeria	2012	$2,303,735,103	Nigerian Sovereign Investment Authority (NSIA)	Oil and Gas

Source: Authors, extracted from Nairametrics, www.nairametrics.com.

Figure 2 presents the behaviour of Sovereign Wealth Funds (SWFs) as oil price changes from 2012 to 2022. From Figure 2, we noticed that SWFs grew from 2012 to 2014 as oil price rises. For instance, when oil prices fluctuated around $93 per barrel to nearly $98 per barrel, sovereign wealth funds also peaked within the period, fluctuating around #211 billion naira to #336 billion naira. However, when the oil prices declined between 2015 and 2019, sovereign wealth fund remain fairly stable at the early periods #276 billion naira in 2015, but declining subsequently to #61 billion naira in 2019. The falling oil prices continued to 2021 and the sovereign wealth funds also declines. Even when oil prices rises in 2022, sovereign wealth funds refuses to grow as those noticed in 2012 and 2014 respectively.

Figure 2: Sovereign Wealth Funds and Oil Price Volatility for Nigeria (2012-2022)
Source: Authors

A trend analysis of the fluctuations in sovereign wealth funds and oil price volatility for Nigeria is presented in Figure 3. From Figure 3, we see that generally, fluctuation in oil price movements generally leads to declining sovereign wealth funds throughout the period under review. For instance, from 323 billion naira in 2012, sovereign wealth funds fell to 211 billion naira in 2014 as oil prices fluctuates. Even the rise in sovereign wealth funds from 211 billion naira in 2014 to 276 billion in 2016 could not be sustained as oil prices continued to be volatile but downwards, forcing Nigeria's sovereign wealth funds to grow at a declining rate until 2019. Beyond 2019, Nigeria's Sovereign Wealth Funds (SWFs) has been undulating up until 2022 as oil prices begins to peak from 2020 to 2022.

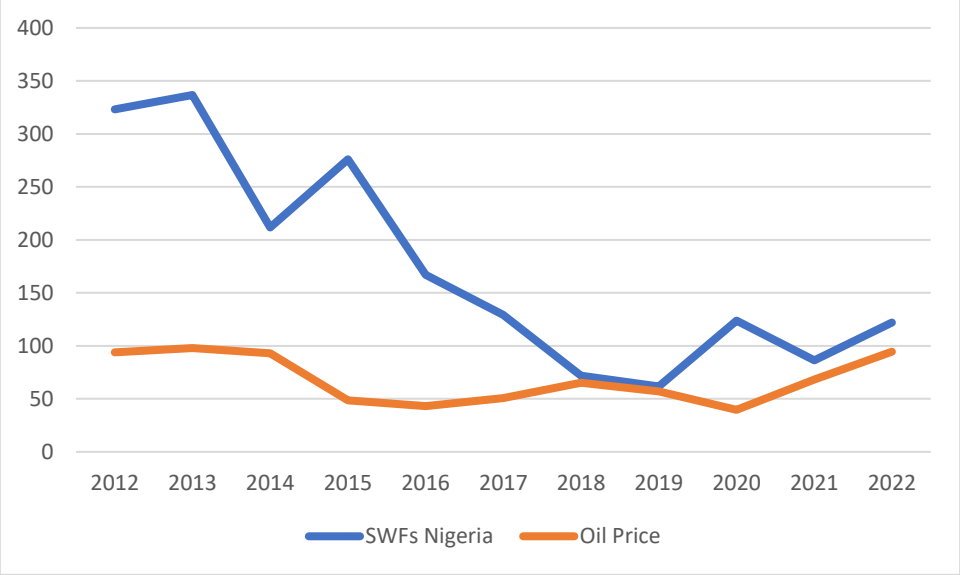

Figure 3: Trend movement of oil prices and sovereign wealth funds for Nigeria (2012-2022)
Source: Authors

An entirely different experience is observed for the trend movement of oil price volatility and sovereign wealth funds movement for the Chinese economy from 2008 to 2022 (Figure 4). As seen in Figure 4, Chinese Sovereign Wealth Funds (SWFs) growth seems to be undetermined by volatility of oil prices. Despite oscillations in oil prices throughout the study period with noticeable peaks between 2010 and 2015 (about $79 approximately to $93 approximately), in 2019 (about $65 approximately) and in 2022 (about $94 approximately) and troughs in 2009 (about $62 approximately), 2017 (about $43 approximately and in 2021 (about $40 approximately), Sovereign Wealth Funds (SWFs) growth has

been steady throughout the period, rising from a paltry $0.8 trillion astronomically to a peak of $3.3 trillion in 2022. This makes China the second largest operator of Sovereign Wealth Funds (SWFs) in the world after Norway.

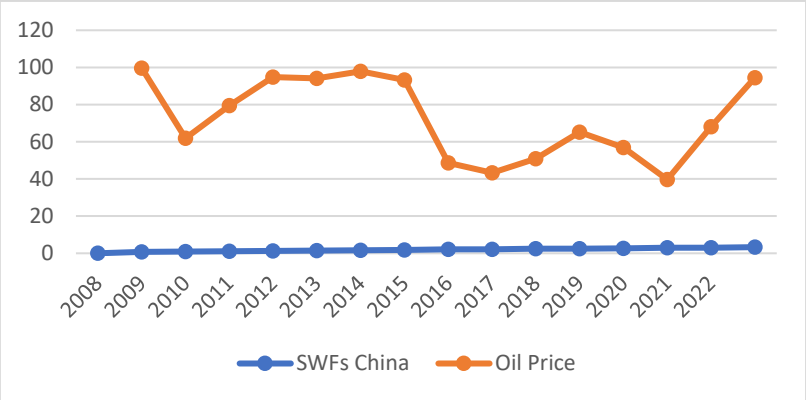

Figure 4: Trend movement of oil price volatility and Sovereign Wealth Funds for China (2008-2022)
Source: Authors

Conclusion

In this paper, we discussed a comparative analysis of Nigeria's Sovereign Wealth Funds (SWFs) in the face of rising global oil prices volatility. Globally, Sovereign Wealth Funds development has become a veritable tool for sustainable saving for the future so much so that the world's assets in SWFs currently stood at US$11.5 trillion. Nigeria who accepted Sovereign Wealth Funds (SWFs) in 2012 had suddenly grew her SWFs asset from US$1.4 billion in 2012 to US$ 1.033 trillion in 2023. However, this was not without challenges deployed by among other things, external oil prices volatility. In a comparison of Nigeria's SWFs growth with that of China, we saw that while Nigeria's Sovereign Wealth Funds (SWFs) growth was actually determined by movements in global oil prices, China's Sovereign Wealth Funds (SWFs) grew steadily devoid of global oil prices volatility. As pointed out by other sources (Naser, 2016), China mitigated the effect of global oil prices volatility on her SWFs through buffer from diverse sources. This provides a channel of growth knowledge for Nigeria.

Sovereign Wealth Funds (SWFs) development in Nigeria should not be mono-fund as is currently the case (from oil-related sources only). We suggest that Nigeria diversify investment in her current Sovereign Wealth Funds (SWFs) to include transport and haulage (as is currently an additional wealth creator for the Asian Tigers - China and Singapore for instance) at least at the African sub-region as a way of mitigating Nigeria's SWFs against ever fluctuating global oil prices.

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