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Study and analysis of models from the Sovereign Wealth Fund for selected countries with a reference to the possibility of developing a proposed model suitable for the Iraqi economy

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Abstract : The reasons for establishing sovereign funds differ from one country to another, depending on the different nature of the funds that comprise them and their issuance, as well as the different goals that were set for them, whether they are to achieve economic stability or to influence some economic indicator. About the oil countries, sovereign funds are one of the possible solutions in how to manage the public finances of the countries owning oil wealth and their relationship to the changes in oil prices in an effective and high efficiency, and since the latter is characterized by instability, so these countries resort to establishing sovereign funds to take advantage of the huge financial surpluses resulting from oil export revenues and investing them, so the research will address a group of successful models in this field with proposing an objective vision or drawing an integrated picture of the possibility of creating an Iraqi sovereign fund that can employ the revenues of oil wealth and thus avoid shocks resulting from changes in oil prices and financial crises resulting from Rely on the latter.
Keywords: sovereign wealth funds, international experiences, forward-looking vision

Introduction: Sovereign wealth funds have become one of the means influencing the course of the global economy, especially during times of volatility and recurring financial market data. These funds have adopted modern scenarios in international financial relations, as they have proven a greater ability to support financial institutions, support sustainable development and, influence to restore the balance of international markets. It is an important tool for achieving economic stability and protecting the local economy from external shocks, including shocks in global oil prices The establishment of such funds came as a result of the large surpluses achieved in current accounts in many Asian economies and oil-exporting countries resulting from the rise in the prices of raw materials, which led to a rapid accumulation of foreign assets with central banks, so it was necessary to invest these returns, taking into account the different reasons Countries in establishing these funds, for example, countries with rentier economies suffer from the problem of their main dependence on non-renewable natural resources, especially the oil countries, including Iraq. Appropriateness is an important necessity for the Iraqi economy.

Research problem: Study funds in sovereign wealth funds can be supportive of economic development and achieve economic stability for the country, then direct their investments in an efficient manner to manage the financial surpluses resulting from the United States, the oil sovereign investment companies in choosing a model that fits with the nature of the Iraqi economy.

The importance of the study: The importance of the study is reflected in the fact that the establishment of sovereign wealth funds contributes to managing financial surpluses in an efficient manner, and thus the possibility of facing crises that result from changes in oil prices, on which Iraq largely depends on financing various economic activities, which leads to achieving stability. country and diversify its sources of income.

The hypothesis of the study: that the establishment of sovereign wealth funds in Iraq will contribute positively to the employment of oil revenues and support the general budget of the country by absorbing oil surpluses when prices rise and preventing them from the case of expansion in public spending, as it works to support and enhance indicators of economic stability when oil shocks and low Oil prices, helped by the successful experiences of previous countries in this field.

Aim of the study: The study aims to achieve the following:

1-Shedding light on the conceptual and cognitive framework of sovereign wealth funds
2-Reviewing examples of successful sovereign funds in the sample countries

3- Proposing an optimal model for the Iraqi economy characterized by efficiency and independence from the fluctuations recorded in crude oil prices, while adopting the idea of establishing an Iraqi sovereign wealth fund that is compatible with the reality and future of the Iraqi economy.

Research Methodology: The study relied on the descriptive and inductive method in analyzing the results of the available data on the variables of the study in order to reach the logical results.

1-1 A theoretical and conceptual framework for sovereign wealth funds

First: the concept of sovereign wealth funds.

Sovereign wealth funds are defined as a mechanism or tool established by a country that has a financial surplus resulting from surplus operations in the balance of payments, or due to the rise in public revenues with the aim of saving this surplus or investing it internally or externally, whether in global financial markets or banks and financial institutions (1)

the US Treasury defines sovereign wealth funds as: “a government investment mechanism that is financed through foreign financial assets, and these assets are managed independently of the official reserves of the monetary authorities (the central bank) (2).

According to the International Monetary Fund, they are: “investment funds owned by governments, and they include investment in financial assets. As for the International Working Group for Sovereign Wealth Funds, it provided a more accurate definition of sovereign wealth funds, when it defined them as “investment funds or arrangements with specific purposes owned by the general government.” The general government establishes sovereign wealth funds for macroeconomic purposes, and it holds, employs, or manages assets to achieve financial goals. It excludes: foreign exchange reserve assets held by monetary authorities for the traditional purposes related to the balance of payments or monetary policy, traditional state-owned institutions, pension funds for government employees and the public sector, and assets managed for the benefit of individuals (3). We conclude from this definition that sovereign funds are investment vehicles with the following characteristics (4).

1-Sovereignty, meaning that it is owned and operated by the state or government

2-to run separately from the government financial institutions

3-It manages the country's hard currency reserves derived from the surplus of the trade balance, the general budget, privatization proceeds, and raw materials surpluses, separately from the official reserves

4-It invests in financial assets with a large percentage in international markets

5- It seeks to achieve macroeconomic goals, such as saving for future generations, diversifying sources of income, and maintaining the stability of the public budget.

Second: Classification of Sovereign Funds

The overlapping goals and motives of establishing sovereign wealth funds in one fund. For example, the Provident Fund can work to ensure economic stability and protect the economy, leading to its classification according to its resources as follows:

1- Provident funds, which seek to transfer wealth from limited resources to renewable financial assets, are popular among oil-rich countries. Ultimately, these long-term funds that assume the current glut of oil, or any other commodity, will not last forever, and they seek to salvage this current wealth for the future. Among the examples of the Provident Fund is the Kuwait Investment Authority, which was established in 1953 and was the first sovereign wealth fund (5). The long-term nature of the fund allows for the creation of broader assets, which helps in creating real expected returns on their investment. This would help mitigate the challenges posed by the resource curse, provided they are properly managed and alternative sources of income are created and supported by other industrial and financial sectors. A number of problems arise when assessing the viability of provident funds in Iraq. First, Iraq may be an oil-rich country with high levels of production and export; But it is plagued by over-reliance on oil revenues to fund a huge budget. Dividing any of its oil revenues will only exacerbate the current budget deficit. Secondly, this dependence on oil is undermining other industries in Iraq and the creation of a provident fund now will not succeed in ridding the resource curse. Looking back now, we will see that it was ideal to establish a provident fund in the seventies of the twentieth century when the Iraqi economy was booming, before That the rentier era begins. In addition, the Provident Fund requires a great deal of discipline on the part of the state so that the fund cannot be accessed for other purposes, and it is likely that it will occur in light of the conditions of financial distress, such as the one that Iraq is experiencing now. Accordingly, establishing a Provident Fund for Iraq in the current climate will not succeed and will not help in overcoming the current challenges that have already been clarified.

2 **- Pension reserve funds are similar to**: provident funds in that they are long-term investments, but for the specific purpose of generating capital to meet the requirements of future pension obligations. They also differ from traditional pension funds in that they do not seek to pay pensions on a regular basis, but instead seek to mitigate the pressures of a

growing number of retirees, which are outstripping the current workforce. An example of such a fund is the New Zealand Pension Fund, which was established in 2001. Despite the current population growth in Iraq, the current workforce far exceeds the number of elderly pensioners, as nearly 60% of the approximately 44 million Iraqis were born after 1991. . This means that Iraq faces a greater challenge in terms of sustainable job creation and economic growth. There may be mismanagement of the existing pension fund, but this can be addressed without having to resort to creating a reserve fund dedicated to pensions at this moment (6).

3**- Reserve investment funds:** These funds try to take advantage of the high foreign reserves that countries hold through high-risk and high-return investments. These types of funds are usually combined with other forms of investments or funds, so as not to affect the overall investment portfolio in a country, while also overcoming the burden of holding these reserves without any return. An example of this fund is the State General Reserve in the Sultanate of Oman, which invests the surplus in oil and gas revenues to achieve sustainable returns. However, such investments and activities require great experience and a strong economic infrastructure that Iraq lacks, as well as the use of its reserves in the Central Bank currently to reduce the deficit, which makes reserve investment funds an unviable option.

4 - Stabilization funds: These funds provide short-term aid to countries that are going through financial crises such as the one facing Iraq. This is done by insulating the economy from falling commodity prices by injecting cash into the budget when revenues are falling. This fund also helps overcome the burdens of the resource curse by withdrawing revenue gained from higher commodity prices and reinjecting them into the economy when prices are low (7). This will help develop other industries and help the economy grow. These funds are financed by the commodity on which the national economy depends, however, the current low oil prices and their relationship to the proposed 2020 federal budget do not allow any revenue to be withdrawn in this way. This means that the fund's financing must be done in another way. Stabilization funds can give petro-states an advantage when it comes to price wars and deal negotiation. This was recently seen with the exaggeration in oil production between Saudi Arabia and Russia at the beginning of 2020, which caused global oil prices to drop significantly, but left these two countries unharmed due to the surplus in financial reserves in the form of stabilization funds, due to their exploitation of these reserves while they were Countries like Iraq suffer from this crisis. Because of the excessive dependence on oil and the weakness of capital, Iraq was forced to conclude the "OPEC +" agreement, which made it unable to negotiate any good terms for itself. Perhaps having a stabilization fund and some form of budget security would allow Iraq and other countries to demand a fairer division of the burdens rather than agreeing to an equal distribution of the 23% reduction in production.

5- Development funds: These funds became popular only recently after the global economic crisis of 2008. This fund requires investing in local markets rather than seeking to acquire foreign assets and diversify sources of resources. Therefore, the main objective of the Development Fund is to allocate resources to socio-economic projects that will help boost the economy, such as infrastructure projects. An example of this is the Mandala Investment Company in the United Arab Emirates, which seeks to achieve the country's macroeconomic goals by supporting development projects It also participated in selling government assets to the private sector to increase its capital (8).

There is no doubt that Iraq is in dire need of a development fund to deal with the effects of years of failed investment projects, and more urgently with regard to meeting the needs of rebuilding liberated areas, and if we bear in mind that Iraq suffers from the curse of resources, the clear benefit of the Sovereign wealth funds are helping to diversify its economy. However there are deeper consequences for the political stability of a transitional economy. For example, when it comes to the resource curse, the increase of the oil sector and the decline of other industrial sectors in Iraq have generated significant revenues but failed to generate significant employment. As a result of oil sales, Iraq sought to strengthen its national currency by maintaining a high value of the Iraqi dinar, which led to a decline in the profitability and competitiveness of other industries, and thus to a failure to diversify. This has been exacerbated by the weak institutional foundations of Iraq, which is based on rentierism, and as a result has had a negative impact on the socio-political stability of the country, exemplified by the pacification of the population when it comes to political reform. Moreover, those huge resources that should bring prosperity to a country often end up doing just the opposite, which is why 60% of the world's poorest people live in resource-rich countries. Iraqi political discourse often included the country's economic situation. The political elite has continued to exploit it for personal and partisan gain, but it has also created a state-dependent socioeconomic culture based on an outdated social contract. To some extent, these political issues are both the cause and the result of a failed economic system. It can be argued that the oil glut has led to lower economic growth, lower development outcomes, and less democracy, and that any initiative of Iraq's sovereign wealth funds must attempt to address these three issues. There is an urgent need for a sovereign wealth fund that can help enable economic reform in Iraq. There are many opportunities for economic reform through investment, diversification, private sector growth, and economic compatibility with the Kurdistan Regional Government, which will boost trade in it. . However, these real political and economic challenges threaten all those opportunities. For any reforms to take place, Iraq first needs to create a certain financial space, but it also has to address these real challenges facing the political economy. It needs to reduce public spending by implementing a number of spending reforms and alternative revenue generation measures that will affect the number of civil servants on the government payroll. It should also work to reconcile financial debt issues, particularly with the Kurdistan Regional Government, as well as modernize the financial system and counter the political exploitation of the economy.

Third: the importance of sovereign wealth funds

The importance of sovereign wealth funds stems from the developmental role they play, according to the opinion of the International Monetary Fund and the Organization for Economic Cooperation and Development, through their tasks related to the stability of public finances and the provision of income for future generations, as well as helping to reduce the opportunity costs of owning reserves, as well as contributing to avoiding recession cycles And its popularity in the countries that established it, as it is a permanent source of financing the public budget through the power of realizing its returns in smart investment, as well as the state's possession of incomes that help it cover its financial deficit when its revenues decrease and its expenditures rise for one reason or another (9). It is working to diversify the sources of GDP by developing new activities, such as the Abu Dhabi Fund and the Dubai Fund, which developed the tourism sector, entertainment industries and other works related to raw materials. The collapse of raw materials prices (10), and the importance of sovereign funds at the international level can be summarized as follows:

-Its ability to play the role of a reserve for the countries that own it by transferring part of its revenues to the benefit of the generations born after the depletion of the raw materials.

- Providing permanent and regular resources for the countries that own them that are not linked to raw materials that, no matter how much their stock is, remain depleted, and therefore they play a stabilizing role by reducing the shocks caused by the temporary drop in the prices of raw materials, so the formation of a sovereign fund allows to provide annual incomes that are not linked to prices Raw materials and working to cover economic shocks.

- Sovereign wealth funds are a catalyst in addressing the financial imbalance at the global level, through the flow of funds to countries that suffer from financial deficits and need such funds.

- Contribute to achieving more economic stability in the countries belonging to it by diversifying the economy through the expansion of non-oil activities in particular, which reduces dependence on imports of consumer goods, and thus the effects of imported inflation.

- Sovereign funds reached their importance after the reluctance of many major banks to lend or raise the interest rate, which made these funds increase and move towards investing in real estate, energy, and major industrial institutions, after they were only focusing their investment in the areas of money markets and bonds, and began to provide savings for future generations and their development, To reduce the effects of financial crises on local economies, and address the deficit in the public budget, and the search for investments at home and abroad is still going - Absorbing the shocks resulting from the temporary decline in the prices of raw materials, so that the establishment of sovereign funds allows to provide annual incomes that are not linked to the prices of raw materials, and work to cover negative economic shocks. on to this day.

-Contribute to increasing the integration of the global economy, increasing participation and linking interests.

-Preserving the jobs provided by companies by supporting the capital of troubled companies.

Fourth: Objectives of Sovereign Wealth Funds:

The Sovereign Wealth Fund works to achieve several goals, including: (11)

- **Achieving stability in income:** it aims to avoid fluctuations in incomes as a result of fluctuations in the prices of raw materials, especially in countries that depend on the export of hydrocarbons, in order to avoid the deficit in financing the state budget, which achieves economic stability and avoids the disturbances that result from fluctuations in the prices of raw materials in the markets Globalism.

− **Achieving justice between generations:** most of these funds' resources come from export surpluses of raw materials, especially fuels, which are non-renewable resources, and therefore exploiting them at the present time will deprive future generations of the materials of this wealth, and here these funds can play an important role in the transfer and transfer of these resources. Wealth for future generations is depleted.

− **Financing the deficit in pension funds:** There are some funds established to cover potential future deficits in the retirement system or the social security system, due to the increase or increase in the rate of aging compared to its general strength, which will create an imbalance between retirement pensions and the value of contributions paid from the workforce , or what is known as the aging of society, and the revenues of sovereign wealth funds can cover this deficit.

− **Achieving profits or incomes:** investing exchange reserves in areas that achieve high revenues instead of managing them in the traditional way by the Central Bank, where the returns that it manages are few as a result of extreme caution in managing them or investing them in short periods to achieve two goals at the same time to maintain These assets and the guarantee of liquidity at the same time, despite the presence of a certain amount of exchange reserves with the Central Bank, is necessary to manage monetary policy, and the management of the exchange rate.

− **Achieving diversification in the economy**: some funds make strategic investments such as development funds, according to the International Monetary Fund: "These funds finance social economic projects or industrial political upgrading and the national production necessary for the country, which helps to achieve economic and social development, as sovereign funds can finance Building basic facilities and infrastructure, establishing an industrial partnership, or investing in strategic sectors for the development of their countries.

1-2 The experiences of some countries in the field of sovereign wealth funds

Most of the oil-producing countries tended to establish sovereign wealth funds to work on managing surpluses and directing these surpluses towards the development of the economy, as a result of the continuous decline of natural resources, whether as a result of excessive extraction of them or continuous scientific developments that helped find alternatives to them. The most prominent of these experiences are:

1- The Norwegian experience: The Norwegian Government Pension Fund is one of the most successful experiments in the field of oil sovereign wealth funds at all levels, whether in terms of investment in terms of investment portfolios or in terms of transparency, as oil production began in Norway in early 1970 during the first oil shock era, as Oil production was about (32,000) thousand barrels per day, and after the rise in crude oil prices, its oil production increased to one million barrels in 1987, and by 1998 oil production reached three million barrels per day. Concerns were raised regarding long-term reserves to finance the population's requirements and fear of the shock of the Dutch disease, and in order to use the proceeds of natural resources without distorting the nature of the economy and society, the Norwegian government established the Norwegian State Pension Fund in 1990 called the (oil fund) to be financed by transfers governmental authorities for the achieved oil surpluses at the level of the general budget (11). Where the Fund received the first transfer of funds from the Ministry of Finance, At that time, the fund invested about $20 billion that was under its management, then the Ministry of Finance re-study the investment strategy of the fund and decided to invest 40% of its assets in stocks. As a result, the Norwegian Investment Management Bank was established, which was entrusted with the task of managing and running the fund under the supervision of And the supervision of the Ministry of Finance, (12). In the period between 2000-2008, oil prices witnessed a record increase, which led to a large and unexpected growth in the fund's revenues from (44 billion dollars to 322 billion dollars), and this period was also known to change the name of the fund from the fund Oil is the machine of the total government pension fund, with a net worth of more than 1148 billion dollars in 2019 (13).

The Norwegian Fund aims to achieve a set of goals, which are mainly represented in (14): (

Strengthening the government's ability to manage long-term oil wealth revenues-

Achieving the principle of equitable distribution of wealth between generations-

-Transforming oil wealth into financial wealth, by investing it in the financial markets, taking into account the principle of return and risk

- Separation between the oil fund and the general budget to avoid the overlap that occurs between them in terms of objectives and functions, return and risk.

-Maintaining the stability of the state's general budget and protecting it from the impact of fluctuations in oil revenues.

-Addressing the effects of aging on its population, including the increase in expenditures related to the payment of pensions.

-Avoiding the negative effects of the oil wealth on the Norwegian economy, mainly represented by the increase in the local currency exchange rate, the decrease in the competitiveness of the productive sectors inside and outside the country, and the directing of financial resources towards the oil sector, which are the effects known as the effect of the Dutch disease

-Achieving the largest possible return in view of the diversity of financial portfolios in which the fund can invest and avoiding the depreciation of the fund's assets if they are kept in the form of cash.

This fund is characterized by a high degree of institutional supervision in risk management investment in Norway, in addition to its transparency policy that makes it a global model in this field. The following is a table showing the evolution of the size and assets of the Norwegian Pension Fund by type of investment during the period 2010-2020.

Table (1) Evolution of the size and assets of the Norwegian Pension Fund by type of investments for the period (2010-2020) billion dollars.

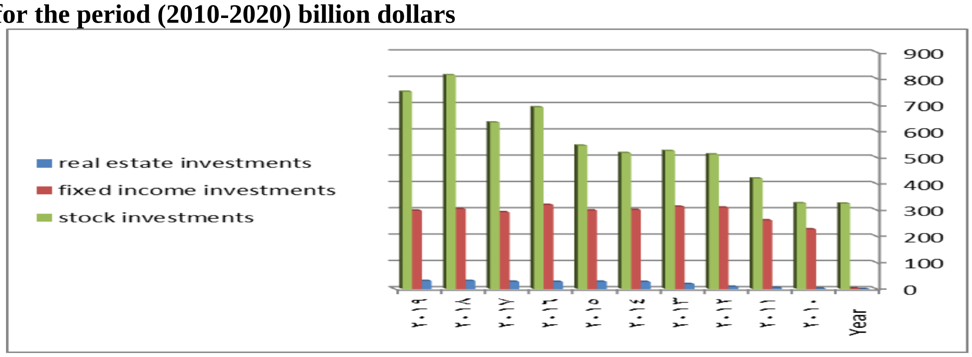
Year	real estate investments	fixed income investments	stock investments	Total market value
2010	0	204	325	529
2011	2	227	326	555

2012	5	261	420	686
2013	9	310	512	830
2014	19	313	525	858
2015	27	301	517	845
2016	28	299	545	873
2017	27	320	691	1038
2018	28	292	633	953
2019	31	304	813	1148
2020	31	298	750	1078

Source: Reliance on the official website of the Bank Investment Management Promotion in charge of managing and managing the total government pension fund https://www.nbim.no/en/the-fund/market-value

Where we note through the table a continuous development of the size of the fund's assets, as it gradually recovered to rise again in 2019, reaching the maximum value witnessed by the fund, 1148 billion dollars, while in 2020, the assets of the fund witnessed a slight decrease due to the impact of the Corona pandemic on the global stock market, as shown in the following figure.

Chart (1) A chart showing the evolution of the size and assets of the Norwegian Pension Fund by type of investments for the period (2010-2020) billion dollars



Source: Prepared by the researcher based on data from Table (1).

In order to determine the effectiveness, efficiency and policies of managing the investments of the Norwegian Government Pension Fund, we review the results achieved by the fund in Table (2), which shows the evolution of the Norwegian pension fund returns by type of investment during the period (2010-2020).

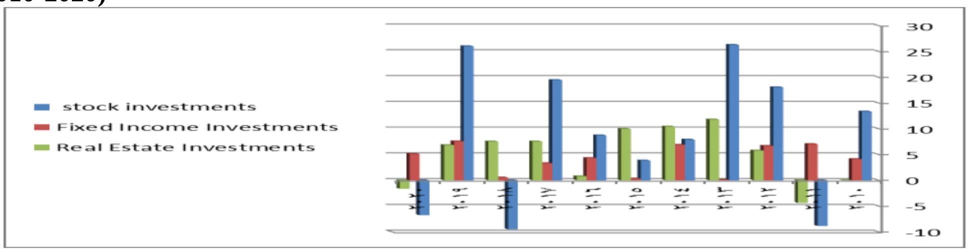
Table (2) Evolution of the Norwegian Pension Fund's return rates by type of investment during the period (2010-2020).

Year	stock investments	Fixed Income Investments	Real Estate Investments
2010	13.34	4.11	0
2011	-8.84	7.03	-4.37
2012	18.06	6.68	5.77
2013	26.28	0.1	11.79
2014	7.9	6.88	10.42
2015	3.83	0.33	9.99
2016	8.72	4.32	0.78
2017	19.44	3.31	7.52
2018	-9.49	0.56	7.53
2019	26.02	7.56	6.84
2020	-6.75	5.14	-1.63

Source: Reliance on the official website of the Bank Investment Management Promotion in charge of managing and managing the total government pension fund https://www.nbim.no/en/the-fund/market-value

Through the results in the table above, it is noted that the percentages of returns achieved by the fund's portfolio were positive in most years, except for the years 2011, 2018, while the year 2020 was exceptional, as we mentioned earlier due to the Covid-19 pandemic

Figure (2) Chart showing the percentages of returns of the Norwegian pension fund by type of investment for the period (2010-2020)



Source: Prepared by the researcher based on data from Table (2).

The experience of the Sovereign Wealth Fund in Norway can be considered a successful one as a result of the availability of a set of internal external factors that helped its success, represented in providing a sound economic and political environment, as the diversity of the Norwegian economy and its lack of dependence on oil rents compared to most oil countries contributes to protecting the economy from danger External shocks The government's political and economic efficiency, accountability and transparency, where the fund provides the optimal environment for investment activity, prevents the political exploitation of the fund's assets and obliges the government to obtain the prior approval of Parliament before the process of using the fund's resources.

The existence of a well-defined investment strategy and objectives characterized by flexibility and the ability to adapt to the prevailing economic conditions, which leads to reducing the risks associated with the investments of the Fund, as well as the existence of an integrated legal framework that clearly defines the objectives of the Fund in addition to defining the tasks and powers of the institutions charged with supervision, control and management of the Fund's investments.

2-The experience of the Abu Dhabi Investment Authority (ADIA) in the United Arab Emirates

The UAE economy is among the most diversified economies in the Arab Gulf region, despite its classification within the oil economies. The UAE is one of the countries that have the ability to invest and employ its financial wealth, as it owns seven sovereign funds with total assets of (78.3) billion US dollars, equivalent to (15.97%) of The total assets of sovereign funds located in the world. The Fund was established on July 15, 1971 as a leading national institution in the field of providing foreign aid. The capital of the Fund amounted to about (8) billion UAE dirhams. The Fund contributes to providing development aid and reducing poverty in a number of developing countries (15) .

The mission of the Abu Dhabi Investment Authority is to maintain the prosperity of Abu Dhabi in the long term through the development of capital wisely, and the most prominent goals of the Authority can be identified in the following (16):

Developing wealth for future generations in Abu Dhabi-

-Flexibly diversify its investment portfolio in response to major changes in the investment environment by investing in alternatives (hedge funds and managed futures) starting in 1986 and private equity in 1989.

- Adapting cooperation with regional and international donor development institutions.

-Supporting the role of the private sector by granting soft loans to expand its activities internally and externally.

- Providing soft loans to finance projects in vital sectors in developing countries.

-Investing in selected quality projects in cooperation with the private sector in developing countries with the aim of advancing their economic development.

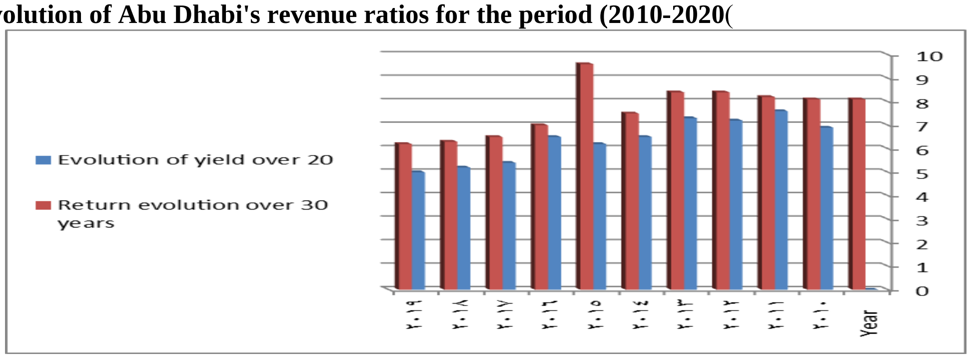
The Abu Dhabi Investment Authority of the United Arab Emirates is financed from oil revenues, through the Abu Dhabi National Oil Corporation, where 70% of the oil surpluses are financed by the Abu Dhabi Investment Authority, and the remaining 30% to the Abu Dhabi Investment Board (17), which made the development of returns rates Abu Dhabi, UAE, for the period 2010-2020, as shown in Table (3)

Table (3) Evolution of Abu Dhabi's revenue ratios for the period (2010-2020)

Year	**Return evolution over 20 years**	**Return evolution over 30 years**
2010	7.6	8.1
2011	6.9	8.1
2012	7.6	8.2
2013	7.2	8.4
2014	7.3	8.4
2015	6.5	7.5
2016	6.2	9.6
2017	6.5	7.0
2018	5.4	6.5
2019	5.2	6.3
2020	5.0	6.2

Source: Abu Dhabi Investment Authority reports for the years 2010-2020

Figure (3) Evolution of Abu Dhabi's revenue ratios for the period (2010-2020(



Source: Prepared by the researcher based on data from Table (3)

Through the above data, it becomes clear to us the extent to which sovereign wealth funds contribute to diversifying investments in the UAE through the Abu Dhabi Investment Authority, in order to distribute and reduce risks and achieve the highest possible return, which enables us to see the advantages of this experience, which are:

-The Authority provides more than thirty years of activity experience that can be used to improve performance and face various economic conditions.

- The UAE's possession of the largest sovereign wealth fund in the world contributes to increasing the weight and influence of the country in the financial and economic system, enhances the level of financial solvency of the country and protects the economy from the danger of external shocks caused by fluctuations in oil prices in international markets

-The use of foreign expertise in the management of the Authority's investments contributes to raising the return and reducing the risks of various investments .

1-The Singaporean experience: The Singaporean economy is an open environment for business as it is low in corruption, and its transactions are characterized by transparency and price stability. Singapore has a fund that is considered one of the most prominent sovereign wealth funds in the world, the Gulf Investment Corporation for Private Limited. In the early 1980s, senior policy makers in the Gulf of Singapore were looking for alternatives and obtaining a return in order to increase the levels of the country's reserves The leadership in Singapore decided to take advantage of emerging international investment opportunities and to secure purchasing power in the future, as it established the Gulf Investment Corporation in 1981 as the first step to improving the return on reserves and savings in Singapore. The Gulf Investment Corporation is a private company owned by the government of Singapore and controlled by the Ministry of Finance on behalf of the government, and it is mandated to maintain foreign reserves internationally, and it has extensive foreign reserves, as this institution has been able to accumulate part of the reserves since 1981, and is now one of the world's largest sovereign wealth fund companies, it is one of four sovereign investment entities within Singapore's public finances along with the Monetary Authority to manage foreign exchange reserves, the Central Provident Fund to manage public sector pensions, and Temasek Holdings which is mandated to support local development , and have a higher risk appetite with these investment entities (18), The assets of the Gulf Investment Corporation rose from 10 billion dollars in 1981 to about 320 billion dollars in 2014, which made it among the first positions, as mentioned above, for the largest sovereign funds in the world (19). he objectives of the Gulf Investment Corporation lie in protecting the value of local savings or reserves in the country, helping to reduce inflationary pressures at home through international investment, and working to achieve real returns over the long term, over 20 years. GIC invests in treasury bonds, stocks and alternative assets; But soon it developed its portfolio, and the ability to invest in all different assets starting with stocks and shares; To alternative investment categories, this process reflects a change in the performance standards available to the Gulf Investment Corporation. As for the investment approach of the Gulf Investment Corporation, it is long-term, as it provides the institution with important advantages, including:

-Take advantage of doubling returns

- Be prepared to face market levels in the short term
- It will make it able to reap long returns assuming liquidity risk
- It enables the institution's portfolio to improve returns in the long run

The Singapore Sovereign Wealth Funds model reflects the unique state-led capitalism that is of clear importance to other Sovereign Wealth Funds in Asia and developing countries, especially with the willingness and ability to engage and turn towards foreign direct investment abroad and thus deserved respect and appreciation throughout developing Asia and countries of the world On a large scale, it was characterized by good investment performance. Accordingly, the Gulf Investment Corporation recorded, according to some sources, between 1981 and 2008 an average annual return of 5.8% estimated in dollars

1-3 A proposed forward-looking vision for the establishment of sovereign wealth funds in support of the Iraqi economy .

Employing the surpluses generated by oil exports will make Iraq many investment opportunities funded by the revenues of oil wealth if the optimum exploitation is achieved for the development and development of non-oil production activities and to ensure the future of future generations (20), Therefore, the establishment of a sovereign fund in Iraq contributes to reducing the structural imbalances of the Iraqi economy and exploiting the surpluses achieved from oil revenues is a necessary matter, and among the most prominent motives calling for the establishment of a sovereign fund in Iraq are (22):

1-To face the negative shocks resulting from the instability of oil prices in global markets and their impact on a number of economic, political and social factors for the country, and these shocks are reflected on the economies of the oil-exporting countries, including Iraq

2- Anticipating the natural depletion of the resource and the need to build other assets that generate income to compensate for the depletion of the asset, as well as to face cases of declining demand for the natural resource due to the replacement of more efficient resources from the countries consuming the natural resource.

3- The absorptive capacity of the economy and the possibilities of diversification that depend on the volume of production and reserves.

4-The negative repercussions of financial flows resulting from natural resources or what is known as the Dutch disease and the need to maintain economic stability from the repercussions of this disease on the Iraqi economy.

5- Sovereign funds assist in transferring technology to the owner countries through direct and indirect investments with developed countries.

As for the goals that Iraq seeks to achieve through the establishment of this fund, which were deduced from the reality of the Iraqi economy and the problems and imbalances it is exposed to, and the possibility of this fund to draw appropriate solutions through the goals it achieves, which do not differ much from the main goals of sovereign wealth funds in oil countries such as Norway and Algeria and The most prominent of these goals are (23):

1- Achieving the economic stability of the country by achieving financial stability, which the Fund is working to achieve, and the emergence of large financial returns in the short, medium and long term, and this requires the development of a tight mechanism to achieve the goal of economic stability through the establishment of the Sovereign Wealth Fund in Iraq.

2- The ability to transform the economy from a one-sided economy to a diversified one, get rid of unilateral resources, and improve the economic and social conditions suitable for investment and development.

3- Revitalizing the stock market, as the entry of the fund as an investor in the market creates a strong incentive for the public of local savers who are afraid to invest for many reasons, including the backwardness of their financial and banking habits. The entry of the proposed fund to invest in the market generates an element of confidence and increases the effectiveness of the fund in terms of trading volume and the number of companies registered in it Which will be reflected in reducing the high unemployment rate, which reached (30%) in 2020.

4- Overcoming the obstacles that stand in the way of activating the role of the local investor and attracting the foreign investor, by entering the fund as a partner in investment operations, provided that its participation is not less than (15%) of the project's capital to be a direct investment and not a portfolio.

5 5- Curbing the expansion of public spending, especially current spending, through the public savings of the fund, and then raising the level of investment spending of the fund, which leads to diversifying the sources of national income for the country.

6- Providing a degree of well-being for future generations from the non-renewable oil resource on the basis of equal opportunities and achieving the principle of justice in the distribution of wealth between generations.

Therefore, it is necessary to adopt a development strategy to create a sovereign wealth that leads to the exercise of a vital role in the economy if there is an efficient administration capable of employing these surpluses and reducing the size of imbalances in the indicators of economic stability. The current situation, or in the event of the creation of a series of sovereign wealth funds that have different purposes and objectives

The first scenario: in the event that Iraq remains on the current situation and is completely dependent on oil imports, and the disbursement of every surplus that comes through the rise of oil prices towards unthoughtful consumer spending, the result will be a permanent deficit in most of Iraq's federal budgets and makes it vulnerable to a financial crisis, in addition to a low level Other sectors and their complete halting of production and dependence on exports even in the smallest needs that can be manufactured, any decrease in oil prices could lead to the collapse of the Iraqi economy, and thus we conclude that Iraq, if it has developed a realistic and correct plan, in creating a wealth fund So that the financial surpluses are placed in it and used when needed, as this will lead to the deterioration of the Iraqi economy.

The second scenario: adopting some targeted policies, the most important of which is the financial policy, and to achieve this, some criteria must be followed that contribute to maximizing the rates of development for all economic activities, the most important of which are reducing dependence on a single resource oil and diversifying local exports, as well as investing economic resources and directing them efficiently to implement projects of economic importance and social , especially infrastructure projects , as well as the use of short and medium - term measures to achieve long - term sustainable development and protect the rights of future generations after oil runs out . Trade policy reforms and trade facilitation by reducing the costs of commercial activity would enhance the diversification of exports and trade with Iraq's neighboring countries, and this would enhance regional peace and stability, As for the agricultural sector, rebuilding the agricultural sector is an important strategy for reconstruction after an era of conflict, after many residents of rural areas in Iraq were forced to flee and livelihoods were cut off from agriculture due to the presence of the terrorist organization ISIS. It requires improving the agricultural sector In order to increase revenues for farmers and traders, and despite the conditions that Iraq is going through, the environment of Iraq helps to achieve a high level of well-being, because it possesses the ingredients for a comfortable life that helps it diversify the internal economy and get rid of the monopoly of the resource, as well as its fertile soil and climate different in the north and south, and this helps to achieve agricultural diversity, The dependence of the population on national products becomes less and less imports. This increases the volume of surpluses that can be invested in improving infrastructure and establishing factories that help reduce unemployment, which rose to 30% in 2020.

The third scenario: which aims for Iraq to adopt the creation of a sovereign wealth fund in which the financial surpluses will be placed, as it is likely that the Kuwait war compensation funds will be placed in it, after these compensations are paid in the coming months of 2022, they are managed like generation funds, and are considered a sovereign investment resource for Iraq, Since there was not a small amount left of the compensation for the Kuwait war Perhaps less than (2.5) billion dollars out of (52) billion dollars, which is considered a sovereign investment resource for Iraq. So far, the Federal Reserve Bank in New York has removed (3%) from the profits of each barrel of Iraqi exported crude oil, so if it was able to create a sovereign wealth fund It directs the use of the surplus funds in it towards addressing the financial crises that occur and cause the collapse of the economy and the forms of financial crises that occur in Iraq at the present time (money laundering, the collapse of oil prices, military operations, the decrease in the cash reserve and the exacerbation of the crisis of the displaced) and all of these things helped exacerbation of the financial crisis, Where Iraq has reached a difficult situation to live in, if Iraq had a sovereign fund, it would not have reached the situation from what it is, and this money would have been used in the event of a financial, economic and even health crisis, as happened in Norway, Kuwait and Saudi Arabia, which suffered from the crisis of the collapse of prices Oil, and it did not affect their economic and social situation, and the per capita share was not significantly affected, so it is suggested that Iraq choose the most appropriate sovereign fund according to its needs. Among these funds are: 1 - Establishing the Financial Stability Fund, the objective of this fund is to isolate the general budget and the macro economy from fluctuations in the prices of the main resource (oil), as the fund contributes to supporting the general budget in times of low oil prices, and the process of financing the fund by assuming the existence of a possible price rise The hedging of the oil barrel on which the general budget depends, and which is more conservative than the actual prices. Here comes the role of the institutions and bodies supervising directing the fund's resources by managing those surpluses through two levels:

First: Managing the surplus financial resources in the Fund on the basis of preferring liquidity over the expected return. The objective of this preference is to support and provide the necessary financial resources to cover all operational expenses approved in the general budget in light of the drop in oil prices.

Second: Managing the surplus financial resources in the Fund on the basis of giving preference to the expected return over liquidity, and that the returns achieved in light of this preference are placed in the Financial Stability Fund to support the budget's position on fluctuations in international oil prices.

It can be said that this fund works to achieve financial stability, which the country's fiscal policy mechanism seeks by supporting the general budget in times of low oil prices so that the necessary economic and social development programs and plans for the country are not disrupted.

1- Establishing the Generations Fund (Future

The issue of managing oil revenues in the long term is necessary to achieve sustainable development and justice between generations. In addition to the public finance dilemma in the oil countries represented by fluctuating oil revenues and its development dimensions, there is another dilemma that these countries suffer from, which is preparing for the post-oil era, so governments of oil countries work to save Part of the immediate oil revenues and their development by investment to form an alternative income for oil when it depletes in the long term, and this is done through the establishment of a fund aimed at saving part of the revenues known as the Generation Fund or the Provident Fund (24), The Generation Fund is financed by deducting a percentage of no less than 10% of the total oil revenues annually, so that it can provide the necessary local central funding to activate projects with feasibility and quick returns, and activate the alternative sectors of oil by paying attention to infrastructure projects for the alternative sectors, which achieve a confirmed addition to The country's domestic and gross domestic product and the process of establishing this fund requires conducting several in-depth studies before proceeding with its implementation.

1- Studying the effects of the Fund's investments on the monetary policy of the country, its effects on the exchange rate and monetary shocks, such as shocks likely to be transmitted to the real sector.

2-Working to achieve financial coordination by bypassing the development collision line within the funds allocated to the Financial Stability Fund. Although the primary function of the Fund is to support the general budget of the economy, it must take into account the extent of economic effectiveness in alternative projects, which it is hoped will be adopted as alternatives that can Through it, achieving an acceptable degree of economic diversification because the existence of the Fund with the increasing dependence on oil reduces its ability to achieve the level of development required as a final goal of financial coordination.

In light of the foregoing, it can be said that the importance of generational funds is not limited to achieving equity between generations through the accumulation of vital savings for future generations, but also works to achieve stability for the unpredictable economies in countries rich in natural resources by diversifying their sources of income through It is adopted by long-term investment policies, and through this type of funds, the country is able to transfer oil revenues to other, more sustainable forms of wealth, through a broader base for economic growth, meaning that it works to prepare the country for the post-oil era in the future and to avoid reluctance in implementing Projects with long-term development dimensions means the establishment of a development bank with a large capital to be an alternative financier in the event of a delay in the budget decision.

Through what has been proposed for the future vision, development strategies can seek to diversify sources of revenue by finding new sources of public revenue, and investing surplus funds through sovereign funds of different purpose and goal for which these funds are established, which contributes to the development of the funds' resources and thus can Through it, reducing the accumulated deficit in the state's general budget, facing external shocks, and achieving financial stability.

Economic finance experts in Iraq have sensed that the stage that Iraq has been experiencing economically since the change of the political system in 2003 and what followed is in urgent need of a serious and summarized analytical study according to a clear vision towards formulating a strategy in economic development. This strategy can restructure the Iraqi economy and transform it from the rentier situation to The state of diversity and sustainability required for sustainable development is far from the distorted unilateralism that it suffers from, and restructuring the Iraqi economy requires studying the proportion of each economic sector in economic activity at the present time and working to rearrange the relative importance of each sector according to development priorities, This requires the search for diversification paths and public revenues by focusing on other economic sectors (manufacturing industry, agriculture, construction, finance and insurance, services) that can generate returns that contribute to the development of revenues and create sustainable growth as well as the employment of the resources of the oil sector. On unemployment and inflation , towards those sectors and enhancing their role in economic activity and not relying on a single resource (oil) that can be depleted . And diversifying the contribution of economic sectors to generating revenues requires large financial investments. High executive and administrative capabilities and optimal exploitation of economic resources through the establishment of a sovereign wealth fund to finance these sectors and advance the reality of the Iraqi economy to be an important source of financing that helps the government to overcome the financial crisis experienced by the Iraqi economy, and can benefit from the successful experiences of some countries (such as Norway, UAE, Kuwait).) in the establishment and management of sovereign funds, through which two important goals were achieved, the first is to achieve economic stability, and the second is to save for future investment.

Conclusions:

1-Countries set different goals for their sovereign wealth funds, but rather expand and change their goals according to the circumstances of each country; Consequently, most countries may establish sovereign wealth funds initially in order to preserve the wealth of future generations, and then expand to include external stability and economic diversification. Their investment tools vary with the development of the role of these funds and the increase in their capital .

2-The success of many of the experiences of sovereign wealth funds that have been studied depends on the extent of their ability to disclose and transparency, their application of approved international standards, and the identification of the basic objectives and investment strategies of sovereign funds that have been developed for those funds, as well as the application of the principle of governance and accountability to investment companies with precision and clarity

3- The Iraqi economy has several justifications that necessitate the need to expedite the establishment of sovereign wealth funds, including the rentierism of the Iraqi economy and its great dependence on the oil sector in financing the gross domestic product and the public budget, and economic instability as a result of the interactions of global oil markets and their impact on prices, which resulted in an imbalance that cast a delusion on The labor market in the Iraqi economy and the creation of patterns of unemployment due to this imbalance, which harmed the Iraqi economy and burdened the state with the inflation of the public sector

4- Weak contribution of non-oil revenues in Iraq if compared to the funds secured by oil revenues in financing the general budget.

5- The idea of investing oil revenues is still absent from the decision makers in the Iraqi government

Recommendations:

1- Establishing an Iraqi Sovereign Wealth Fund that aims to preserve and sustain Iraq's oil wealth by investing its oil surpluses in various internal and external investment fields to ensure sustainable returns and ensure justice in the distribution of wealth between generations by adopting a proposed model for the Sovereign Fund of Iraq.

2- Establishing an institutional organization consisting of a panel of advisors to the sovereign fund with an independent personality in terms of setting investment policies and strategic planning for it; For the purpose of harmonizing the goals of justice in distributing wealth over generations and achieving diversity in the resources of the economy.

3-Addressing the structural imbalances of the Iraqi economy by concentrating the non-oil sectors and enhancing their role in economic activity and increasing their contribution to the gross domestic product, thus contributing to diversifying sources of income and limiting the dominance of the oil sector.

4- Providing an appropriate investment environment and encouraging investment opportunities to develop the non-rentier sectors and diversify the production base and to avoid the Iraqi economy from the effects and complications of the Dutch disease that suffered from Iraq and still is.

5- Directing financial allocations towards areas of spending that actually need those allocations, thus reducing expenditures and putting pressure on them and avoiding areas of waste of resources.

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