

The Expected Role of Sovereign Wealth Funds in Achieving Sustainable Development in Iraq

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The establishment of a sovereign wealth fund by allocating a portion of oil revenues and investments is greatly important in maximising the economic benefit of income and diversifying non-oil investments to achieve sustainable development. This will examine the sovereign wealth fund model and analyse how it is compatible with the requirements and needs of the Iraqi economy in the hope that this fund will be a solution to Iraq's excessive dependence on one commodity and the issues of diversification and the absence of an effective and efficient economic policy.

Key words: Sovereign Wealth Funds, Financial Control Challenges, Sustainable Development

Introduction

The reasons for the establishment of political wealth funds differ from one economy to another, depending on the different nature of the funds that make up the sovereign wealth funds and their financial resources, as well as the different goals set for these funds. With regard to oil producing and exporting countries, these funds can play an effective role in improving the country's macroeconomic indicators and improving the indicators of sustainable development and thus help oil countries to rationalise consumption and wasted public money and employ income-generating investments.

The importance of establishing a sovereign wealth fund comes in light of allocating a portion of oil revenues and investing them to maximise the economic benefit of income and the diversify of non-oil investments to achieve sustainable development. Setting up a mechanism for financial control over those funds and directing their revenues in a manner that ensures

the inclusion of the fund's resources within the state's general budget and preventing cases of fraud or waste of these resources is critical to achieving sustainable development. This study takes up the sovereign wealth fund model.

The Significant of Study

The significance of the study stems from the fact that sovereign wealth funds are an important factor in allocating part of the oil resources to income generating projects, raising the standard of living for individuals and achieving economic development. The idea of establishing sovereign funds in oil countries in which oil is the only source, as is the case in the Iraqi economy, relies on oil par excellence. After significant savings have been achieved in previous years, we can call the years of oil abundance the years in which oil prices were high.

The Problem of Study

The study problem relates to how sovereign wealth funds are used in a renter economy to develop this economy. The Iraqi economy is one of these economies that depends on the vital oil sector, which represents 2% of the workforce, and supports 98% of the rest of society. Consequently, any fluctuation in oil prices creates uncertainty that prevails in its markets.

The Aims of Study

The current study aims at:

1. Defining of the concept of sovereign wealth funds, and the challenges that stand in the way of their establishment, while identifying the concept of financial control, and the challenges of this control in following up the work of sovereign wealth funds.
2. Suggesting a model for sovereign wealth funds with financial control treatments to reduce cases of fraud and the exploitation of the resources in light of international regulatory standards.
3. The sovereign wealth fund can be a sustainable, alternative financing tool for the Iraqi economy to finance income-generating projects, and a permanent source of financing for various economic policies and programs, as well as a safety margin that enables it to overcome any financial and economic risks and crises that the country may face in the future.
4. Establish an acceptable economic mechanism for a sovereign wealth fund to overcome the challenges of financial supervision on the basis of accounting and control standards that guarantee the success of this mechanism.

The Hypothesis of Study

The sovereign wealth fund has the ability to absorb financial and monetary crises and reduces the negative effects on the Iraqi economy through the use of oil surpluses in income-generating projects. Long term investment of the fund's resources in diversifying investment in non-oil sectors can maintain economic growth and increase competition between sectors and achieve sustainable economic development.

The Conceptual and Theoretical Framework for Sovereign Wealth Funds

Many oil countries worked to establish these funds. Its concepts, implications, importance, methods of asset management, volumes, and transparency were multiplied in order to use and invest oil surpluses for various economic policies and development programs. In contrast to the multiplicity and diversity of the objectives of the sovereign wealth funds, most of them seek to diversify the sources of national income, direct the oil sector to new alternatives that can be relied upon in the future, and ensure the rights of generational participation, as well as the economic and financial stability of the state that owns the sovereign wealth fund.

Sovereign Wealth Funds: Concept, Motives and Types

The Concept

It is difficult to obtain a concept that applies to all types of sovereign funds, with the differences in international financial institutions and international organisations concerned with them. The Organisation for Economic Cooperation and Development defined it as "government-owned investment vehicles funded through surplus foreign exchange assets" (Hadady, 2016).

Table (1) shows the difference between sovereign wealth funds, hedge funds and investment funds.

Table 1: The main differences between sovereign wealth funds, hedge funds and investment funds

Fields	Sovereign fund	The investment fund	Hedge fund
Property	State owned	Owned by the private or public sector	Privately owned
Control	Government control	It is subject to the laws and regulations of investment companies	It is subjected to the supervision of the fund's senior management
Funding	It is funded through commodity revenue and the central bank reserves, i.e. formal financing	It is funded by investors holding investment documents in the fund	It is funded by the wealthy investors and the large investment companies
Investment diversification	Limited	It is very diverse and every type of portfolio is managed	Somewhat diversified with the possibility to invest in derivative instruments
Prevalence of use	Deployed in the oil exporting countries, especially the countries of the Middle East and Southeast Asia and in Norway	Pervasive and common in American and European countries	Pervasive and common in American and European countries

The Motives for Establishing Sovereign Wealth Funds

There is no doubt that a single renter economy that relies on only one vital sector, which is the oil sector, needs to diversify its revenue sources through the introduction of modern and sustainable financing operations and programs as an alternative to external financing sources or the depleted source, which is oil. Most of the oil countries tended to establish sovereign wealth funds in order to invest oil surpluses, and use them in various economic policies, and development and investment programs. As far as the matter is concerned with Iraq, Iraq's motives do not differ from the rest of the oil countries.

The most important goals and motives for establishing sovereign funds include the following (Thuwaini & Nashour,2018):

1. Protecting the economy and the general budget from the risk of external shocks resulting from sharp fluctuations in export earnings and achieving the principle of fair distribution of wealth between generations by maximising savings directed to future generations.
2. Diversifying the country's revenues, providing a tool for financing economic, and social development programs.
3. Competition, self-insurance, wealth creation, surplus restructuring and confronting business cycles.
4. The funds play a major role in maintaining the stability of the economy, promoting direct foreign investment, and cultivating the ability to support economic development in the long run.

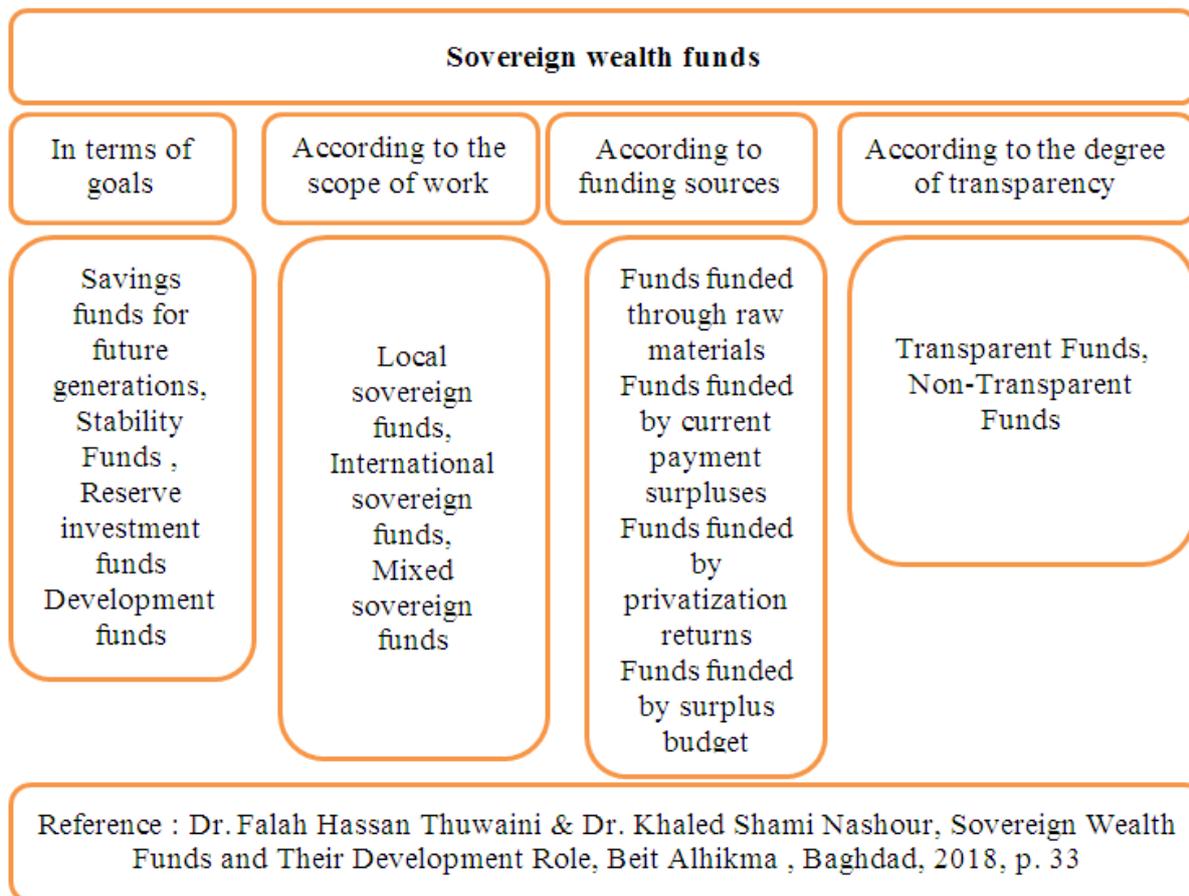
Types of Sovereign Wealth Funds

The strategies adopted for investing the assets of sovereign wealth funds differ depending on the types of sovereign wealth funds. The International Financial Stability Report issued by the International Monetary Fund in October of 2007 divides sovereign wealth funds into five types according to its purpose; note that the goals of these funds overlap and multiply among themselves, and they change over time. These types include the following (Mubarak, 2009):

1. Reserve Investment Funds aim to increase the return on reserves. These assets are often included in the category of reserve assets held with the Central Bank.
2. Development funds aim to finance economic and social projects that can boost the growth of a national product. This type of fund is close to the philosophy of managing sovereign wealth funds in Iraq.
3. Retirement contingency reserve funds aim to cover emergency retirement obligations not specified in the state's general budget and consist of sources of contributions other than individuals to retirement pensions.
4. Stabilisation funds aim to protect the general budget of the state, the economy as a whole from economic fluctuations, and to stabilise the currency exchange rate against fluctuations in the balance of payments arising from fluctuations in the prices of raw materials, especially oil.
5. Savings funds for future generations aim to convert non-renewable assets into a more diversified asset portfolio for the purpose of benefiting future generations. This type of fund is close to the business philosophy of sovereign wealth funds in Iraq.

There are several types of sovereign wealth funds according to the purpose of the classification as shown in the diagram;

Diagram 1. Types of sovereign wealth funds



Sovereign Wealth Funds; Origin, Importance and Features

The Origin of Sovereign Wealth Funds

These funds appeared mainly to provide solutions for managing resources in the oil countries effectively and efficiently by injecting liquidity into the financial markets, improving their ability to meet periodic fluctuations, especially in economic crises. Thus, the role of sovereign funds is effective in achieving stability in local markets while enhancing transparency, overcoming the challenges of financial supervision, achieving justice in distributing wealth between generations, and mitigating against the shocks affecting the national economy (Fahad, 2017).

The origins of sovereign wealth funds date back to the 1950s. Kuwait is the leading country in the world in the creation of sovereign wealth funds. It was established in 1953, under the name, “Kuwait Investment Authority,” and changed into the General Investment Authority. In 1969 the number of sovereign wealth funds in the world was only three. There were 21 funds in 1999, which grew to 44 funds now. Such funds were established in a number of

countries around the world, and the emergence of sovereign wealth funds became very common after the global financial crisis in 2008 (Mubarak, 2009).

Sovereign funds' assets are estimated at billions of dollars. Their numbers vary widely because a large number of countries do not announce the exact size of their investments in these funds. Moreover, the criteria for disclosure varies greatly from one country to another. The total assets of sovereign funds at the end of 2018 was about 7.88 trillion dollars. Saudi Arabia acquired 9.4% of the total sovereign wealth in the world, which is equivalent to 744 billion dollars, while the UAE acquired 15.2% of the sovereign wealth in the world, equivalent to 1194.8 billion dollars. Norway is ranked first, as it possesses a sovereign fund of \$985 billion, and the UAE comes first in the Arab world and fourth in the world overall, as it possesses a sovereign fund of \$800 billion. Kuwait also ranks fifth in the world with a sovereign fund of \$525 billion. (Omar, 2019).

The Importance of Sovereign Wealth Funds

Sovereign wealth funds play a big role in preserving the stability of the national economy and the ability to support economic development in the long run by creating opportunities to expand investment and service projects, thus strengthening the oversight on oil money that is achieved by high oil prices in a manner that is consistent with the principles and practices that have been established. These are the principles of "Santiago."

The importance of sovereign wealth funds can be summarised as follows (Al-Musawy,2017):

1. Supporting fiscal and monetary policy, managing liquidity, working to achieve stability, and providing a tool for financing economic and social development programs.
2. Transferring knowledge through investments, strengthening government companies, easing economic crises, implementing structural reform and earning citizen confidence.
3. Ensuring efficient operations for managing financial and operational risks, governance, disclosure and transparency for the local economy.
4. Long-term investment that prevents volatility in the financial markets.
5. Enhancing the social, economic role, and achieving the principle of fair distribution of wealth between generations by maximising savings directed to future generations.
6. Diversifying sources of national income, diversifying investment portfolios, and focusing on returns.
7. Fighting unemployment by investing in real assets.

The Advantages of Sovereign Wealth Funds

Sovereign wealth funds have a number of advantages if they are measured by financial and monetary institutions, and all of these advantages, if compared to what we consider as sovereign funds in Iraq, may differ greatly. Their goal and role in Iraq differs from other countries. A clear explanation of the advantages of sovereign wealth funds is that they are distinguished in most countries from the central banks in terms of their goals because it for investment, not to management of a monetary and exchange policy.(Al-Aqreeb,2014).

The advantages of the funds is suggested by the following (Thuwaini & Nashour,2018):

1. It is a fully sovereign state asset.
2. Not obligated to make periodic payments, similar to those that pension funds must meet periodically.
3. Separate management from the Central Bank.
4. Dealing more with foreign currencies.
5. Greater ability to take risks.
6. A long-term investment horizon.
7. The possibility of dealing in strategic investments, the effect of which is on the state.

Sovereign Wealth Funds and the Developmental Role

Sovereign funds play a developmental role in the local economy of the country that owns them through the following:

1. Transferring part of its revenues for the benefit of future generations after the raw materials are depleted.
2. Diversifying the sources of the gross domestic product by developing new activities, as is the case in the funds of Abu Dhabi and Dubai, which have developed tourism, leisure and entertainment industries, and other activities related to raw materials.
3. It plays a role in providing permanent and regular resources to the countries that own it, which are not related to raw and primary materials, which no matter how long their warehouse remains depleted.
4. It plays a major role in covering the imbalances and deficits of the public budget in the event of a decline in the prices of raw materials and, in Iraq, the decline in crude oil prices, as happened in the 2008 and 2014 crises.
5. Diversifying the sources of national income by diversifying investments and expanding non-oil activities, especially those related to reducing dependence on the import of consumer goods.

6. Through the fund, the state participates and supports the private sector, and buys shares and bonds to support private sector companies and projects in order to support it and increase its production.
7. Sovereign wealth funds play an important role in development as they help to finance projects that have a social and economic component that can enhance potential product growth in the economy concerned, so they have a role in the economy of the countries that own them.

Financial Control: The Concept, Importance, and Challenges of Sovereign Wealth Fund Control

Sovereign wealth funds have become one of the various means of influencing the local economy, especially in times of economic crises, as these funds support sustainable development and can restore balance and stability in oil societies. It also provides possible solutions for managing resources in these countries effectively and efficiently by injecting liquidity into economic activity and improving its ability to cope with periodic financial fluctuations. There are many challenges, however, in regard to financial supervision, especially in a country such as Iraq.

The Concept of Financial Control

Oversight generally represents "a set of procedures... which ... ensure the proper implementation of the directive that can be represented in the constitution, law, order, instructions, administrative and financial work plans, programs and budgets" (Al-Rahahila, 2006).

It appears that financial control, in accordance with this general concept, is represented in "those procedures through which the safety of directives that guarantee the preservation and proper management of public funds is guaranteed." This concept requires financial control of sovereign funds to adhere to regulations.

The Importance of Financial Control

The future challenges facing financial control require good management of public financial affairs and rationalisation of financial resources. Undoubtedly, funds represent one of the financial resources that countries seek in order to sustain success in the long-term experience as a tributary and supporter of economic development in the country. The adoption of an institutional and legal system ensures effective protection of public money and contributes to the welfare of society and is the most important public financial mission that derives its components from the sciences of legislation.

Therefore, the importance of financial control can be limited to the following (Nebari, 2016):

1. Achieving the public good by preserving public funds to ensure the efficiency of the accounting programs and activities undertaken by the funds in maintaining the funds and properties of the funds.
2. Verifying that the tunnels were actually completed and achieved previously prepared targets. Financial supervision works to achieve the required level of joint coordination to prevent exposure, collusion, duplication of service and the direction of business towards priority sectors.
3. Strengthening the state's system, legitimacy and fairness in achieving social justice and preserving the morale of citizens.
4. An imperative necessity to keep abreast of organisational, administrative and technical developments in a way that benefits the field of public money control.
5. Mitigating against the widespread prevalence of financial and administrative corruption in Iraq, which negatively affects the opportunities for economic development and the citizen's feeling of social injustice.
6. Financial supervision works to provide means according to the accepted accounting and control principles that lead to unifying and coordinating efforts towards achieving short- and long-term organisational goals for establishing sovereign wealth funds.
7. Follow-up of the resources of the sovereign wealth fund and the surplus verified from the sale of oil and the mechanism used to deposit the surplus in the fund in the presence of automated accounting and control systems with the possibility of retrieving and checking the data and information.
8. Ensuring that all work performed is permitted by the fund's management. All financial operations are recorded in the records regularly, correctly, and in accordance with accounting policies.
9. Verifying that the records include all the assets and properties of the sovereign funds and that the use of their assets and properties has taken place according to fund management and law.

The Third Requirement

Financial Control Challenges of Sovereign Wealth Funds

The financial supervision challenges of the sovereign wealth funds are summarised below (Felix & others, 2018):

1. Difficulty in counting the fund's revenues in light of the fluctuation in oil prices and exchange rates for the dollar highlights the need for an automated accounting system that is

able to record those changes and catalogue them simultaneously, thus providing documents and evidence that can be referred to when conducting the financial control process.

2. Financial supervision can face difficulty in applying complete integrity and transparency due to the political interventions of blocs and parties that can impose their hegemony on these funds.

3. The financial control of the funds may face an overlap of powers between financial control agencies, as the establishment of several agencies to monitor the work of the funds leads to discrepancies, differences, waste in effort and time, as well as an absence of specific accounting standards that are relied upon in the control process.

4. The incompatibility of the funds' regulatory system with the regulatory system of other institutions. For example, the United States' Economic Development Fund, may not be similar to the existing regulatory system in Iraq.

5. The possibility of diversifying the fund's revenues leads to the need to find accounting treatments that are appropriate to the type of revenue, especially since this fund is from the state's revenue streams.

6. The monitoring system is not economical as the costs of implementing the regulatory system are much higher than the savings expected to be obtained through the application of the regulatory system, especially since some electronic financial control programs are very expensive.

7. There are challenges facing financial supervisory bodies in developing the accounting and auditing profession in the country. The development of manpower that can contribute to developing accounting and auditing programs for those funds is also a concern.

Section Three: Evaluating sovereign funds in Iraq and choosing the ideal model to apply to the Iraqi economy.

Sovereign wealth funds are no longer an economic and financial phenomenon that are dispensed with whenever the conditions in which they were established are absent. They have become part of the financial tools to face the economic fluctuations resulting from fluctuations in financial resources caused by low prices and the depletion of oil wealth, which is the main source of state income in Iraq.

First: The growing importance of sovereign funds in the world.

The value of assets in sovereign funds amounted to more than 7 trillion dollars at the end of 2017 in comparison to 500 billion at the beginning of 1990. The Stanley Morgan Foundation indicates that the assets of sovereign funds will reach up to \$20 trillion in 2025, ¹.

Sovereign wealth funds have increased around the world. They can be used for real estate investments, commodities, precious metals and liquid assets such as stocks, bonds, private equity funds and reserve coverage funds. Table 2 lists a number of countries, their sovereign funds, the value of assets in US dollars, the year of their establishment, and the source of sovereign funds.

Table 2: Sovereign wealth funds in some countries, the value of assets in US dollars, year of establishment and source of sovereign funds

Country	Name	The amount/ USDs	Year of establishment	The source
Norway	The governmental retirement fund-international	1058.05	1990	Oil
China	The Chinese company for investment	941.4	2007	Non-commodity
UAE/ Abu Dhabi	Abu Dhabi committee for investment	683	1976	Oil
Kuwait	Kuwait committee for investment	592	1953	Oil
China/ Hong Kong	Hong Kong wallet for investment	522.6	1993	Non-commodity
Saudi Arabia	Arab- Saudi funding institution	515.6	1952	Oil
China	Safe company for investment	441	1997	Non-commodity
Singapore	Singapore's government institution for investment	390	1981	Non-commodity
Singapore	Timask	375	1974	Non-commodity
Saudi Arabia	Public fund for investment	360	2008	Oil
Qatar	Qatar committee for investment	320	2005	Oil and gas

Source; Dr. Acer Muhammad Ali, Sovereign Wealth Fund in Iraq, Al-Bayan Center for Strategic Studies, Planning, Baghdad, 2018, p. 38

Not all sovereign wealth funds follow the same structure or goal. They may differ in their characteristics according to the state's overall economic goals and the availability of assets. Some funds may address multiple issues or have separate goals.

Second: Iraq's experience in sovereign wealth funds

First: The development of Iraq's experience in establishing sovereign wealth funds

Iraq's experience in establishing a fund for external development is considered one of the pioneering experiences in this field in the Arab region. The first fund was established according to Law No. 77 for the year 1974 as a financial institution with a moral personality and financial and administrative independence in order to set general policies to invest the funds and contribute to development projects and economic programs. To evaluate this fund, the Iraqi Foreign Development Fund remained closer to a lending fund linked to foreign political relations than a sovereign fund.

After the change in 2003, the idea of re-establishing a sovereign fund was re-established in Iraq to match the generational funds that exist in other countries. Many ideas appeared regarding new ways to invest the money deposited in the development funds of Iraq, setting an organisational structure for its management and organisation, committees, councils and related bodies and subjecting it to the control of accountants and independent public officials in order to improve its governance. However, the fund has been operating as a warehouse for the proceeds of Iraqi exports of oil, which constitute the largest proportion of the total cash receipts of the fund. Yet, there is a lack of an effective development strategy that is built according to a clear strategic vision. There is also weak financial control in following up the projects employed through the specialised ministries of the Iraqi government.

Table 3 shows the cumulative balances of the receipts and payments to the Development Fund for Iraq during the period (2003-2010). This confirms the fund's heavy dependence on oil revenues, which constitute the largest percentage in the fund's annual receipts, which amounted to 92.69%.

It is noted from Table 3 that the cumulative total receipts from crude oil sales formed the largest proportion of the total receipts during the above period, followed by the amounts deposited in the fund account from the United Nations program (oil for food), which came in second place by 4.1%. For cash Cumulative payments during that period, the relative importance was between 69.9% for transfers to the Ministry of Finance to finance the budget, followed by 25.3% to pay letters of credit, and the other items.

Table 3: Cumulative receipts and payments for the fund of the development of Iraq from the 22nd- May-2003- the end of 2010.

Receipts	Amount/ million USDs	Percentage of relevant importance
Receipts of crude oil sales	250.956	92.7
The united nations' program (oil for food)	11.073	4.1
Incomes of frozen assets	1.601	0.6
Profits	2.058	0.8
Others	5.033	1.8
Total receipts	270.721	100
Cash Payments		
Payments/ transfers to the ministry of finance and other Iraqi ministries	183.936	69.9
Credit letters for Iraqi institutes	66.581	25.3
Contracts managed by American institutions	7.858	2.9
Payments of paying back the Iraqi external debts	1.615	0.6
Other payments	3.179	1.3
Total payments	263.169	100

Source: International Advisory and Oversight Board, Iraq, 2011 Report, p. 19, on the website www.iamb.info.

It should be noted that the increase in oil revenues is evidence of a rate of growth in oil revenues. It does not necessarily reflect the rate of growth in economic development. The average balance of receipts in the fund's financial statement does not represent the true value of oil revenues. Thus, external financial auditors are unable to provide assurances. It is reasonable that all oil revenues have been recorded due to internal financial control and inconsistencies in the data issued by the relevant parties, despite all the projects implemented through the funds due to the weakness in the financial control systems.

The success of the development fund is measured by the extent to which it achieves the goals for which the fund was established. Despite the money spent from the fund, it did not achieve the desired development due to the lack of an effective development strategy built according to a clear strategic vision, as well as weak financial supervision in following up on those projects, which helped spread and administrative corruption.

Third: A model proposal for the sovereign wealth fund in Iraq

Devoting oil revenues to consumption cannot contribute to development. Rather, it harms the interests of future generations. Therefore, the importance of establishing a sovereign wealth fund with efficient management that works to optimise the exploitation of oil surpluses and achieve sustainable development is highlighted below:

First: The objectives and motives for establishing a sovereign wealth fund in Iraq.

The main objectives of establishing the Iraqi sovereign fund are as follows:

1. Controlling public spending and saving for future generations.
2. The proposed fund for Iraq is a type of savings fund that aims to achieve a fair distribution of oil wealth between generations and seeks to find alternatives to non-oil energy.
3. The existence of the fund is a guarantor for local and external investors by providing adequate guarantees for economic development.
4. It will be an incentive to activate the Iraq Stock Exchange by entering the fund money for an investor in the market and creating an incentive for savers to invest.
5. Contributing to financial and economic stability through the stability of public expenditures and the revenues flowing into the public budget, as well as to curbing the expansion of government spending, especially operational spending.
6. Adjusting the government public spending process as well as controlling revenues and thus undermining corruption in light of the strict financial supervision of the fund and its projects, especially since there are known activities in the search for rent and concessions from government projects with the apparent weakness of government financial control and the inability to define a clearly defined mechanism for employment. These revenues are spent efficiently.

It is possible to summarise the main motives for establishing a sovereign wealth fund used to create productive income-generating projects in Iraq. Iraq has an opportunity funded by oil wealth revenues if the available natural resources is used optimally in the global market. This can be achieved by employing the surpluses generated by oil exports for the development of Non-oil activities and ensuring the future of future generations because the oil extraction industry is depleted, especially since the situation in Iraq today represents the worst manifestations of the rentier state. Dependence on oil revenues is almost guarantees unstable revenue. The situation is worsening with the spread of Covid-19, which has destabilised oil revenues, contributed to the deterioration in public finances, and the pressure to use the reserves of the Iraqi Central Bank.

Today, Iraq needs a serious strategy to take advantage of the constitutional tools available in some articles such as Article 106 and 110 and amend them with clear laws that take public

money out of the renter state's cycle. Article 106 provides for the establishment of an independent body to manage financial resources and supervise their distribution according to the proportion of the population. Thus, a certain percentage of the fund can be equally given to citizens taking into account that the funds go to productive income-generating projects.

The goal is not only to distribute a portion of money to society. The first goal is to achieve economic growth and profits.

Article 110 of the Constitution defines the role of the federal authority in the Ministry of Foreign Affairs and Defence. Therefore if regions and governorates are given their share of oil revenues and a certain reasonable percentage has been allocated to sovereign wealth funds, the abolition of federal and unconstitutional ministries in accordance with Article 110 is possible. Therefore, projects that can achieve reasonable revenues will be a tributary and assist the main oil tributary. Thus, the fund can be a contributor to achieving macroeconomic stability because it will be an important tool for financing economic and social development programs. The savings can also be directed to the coming generations to achieve the principle of justice in the distribution of wealth between generations.

Second: A sample fund in Iraq

There is no doubt that the basic requirement for establishing a sovereign fund in Iraq is political will. Getting out of the vicious cycle of oil savings associated with mismanagement of public finances is reflected in ill-considered budget allocations and a limited ability to benefit from these allocations in the investment budget with a significant increase in the proportion of financial and administrative corruption.

In addition to the basic requirements, there should be a set of conditions for the success of the project to establish a sovereign wealth fund in Iraq that includes the following:

1. Determining the goal of its general policy, the legal and legislative requirements, the will and conviction of the majority of the members of the Iraqi parliament, and the separation between the political aspirations of the government and the interest of the economy to ensure economic decisions and implement investments occur without political interference, guarantying disciplined investment plans and practices.
2. The Iraqi Ministry of Finance is to allocate an initial part of the financing for the fund and allocate a portion of the oil revenues to increase the funds.
3. The Iraqi Central Bank has the task and responsibility of monitoring the administrative and organisational side by providing experienced administrative staff with integrity and competence in the economic affairs. It is possible to benefit from foreign and Arab financial institutions, especially in the aspect of productive and portfolio investment operations of the fund, which is temporary until Iraqi staff are trained and acquire experience in this area.

4. For the proposed fund to exercise its functions, a clear organisational structure must be in place that specifies the powers and responsibilities of the fund's administration and the bodies associated with it to organise the work in order to achieve the fund's goals.
5. The separation between the fund's administration and the state's general budget is an effective measure so that the direct administration of this fund has the ability to transfer the fund from a mere account of payments and financial receipts to an independent and effective body to prepare strong and sustainable development strategies that preserve the wealth of future generations and reduce the risks of the country to external shocks .
6. Forming a committee to monitor and audit financial transfers for projects established by the sovereign wealth fund. The tasks of this committee are to monitor the fund's activities and to approve annual and periodic financial reports.
7. The proposed sovereign fund model of Iraq is necessary for a clear vision of the tasks and responsibilities between the various authorities in charge of managing and monitoring the fund's activity.

The legislative authority (parliament), the Financial Supervision Bureau (Ministry of Finance), and the Central Bank of Iraq can monitor the fund's activities. The fund will produce many attractive projects for political pressure groups.

Conclusions

1. Sovereign wealth funds formerly used by only a few countries in the world has become an increasingly common feature of many countries in financing sustainable economic development.
2. Sovereign wealth funds are a means to diversify economies that depend on single commodities and to ease financial and economic crises, especially in developing countries that try to avoid the so-called Dutch disease.
3. The need for this fund is urgent and necessary in order to develop the Iraqi economy and find other ways to multiply the sovereign national wealth instead of wasting it in fictitious projects, which will surely secure the country's needs of financial liquidity and revive the local economy through profitable returns. Opening factories and industrial and service workshops can accommodate a large percentage of the workforce in the country, reduce unemployment rates and achieve prosperity.
4. It is possible to establish a sovereign fund for Iraq, especially since the steps in place can be built upon, provided that there is a real will and vision. The Iraq Development Fund can be considered a fund for sovereign wealth, but it is a multi-purpose fund. It is a fund for stability purposes in accordance with the requirements of financial policy with high relative liquidity. It is for the purposes of investing foreign reserves in accordance with the requirements of monetary policy with high relative liquidity. However, what has been proposed is intended to be for real profitable investments by allocating part of the financial surpluses coming from the oil sector to the fund and investing in income-generating projects.

5. The future success of the sovereign wealth fund in Iraq depends on the ability of the fund's administration to be transparent and prevent partisan and authoritative groups from interfering in the work of this project and monopolising the fund's projects to these groups. Public interest must overcome private interest. Therefore, there should be transparency in the publication of goals and the fund's investment strategy.
6. The Sovereign Wealth Fund is not a solution to the country's problems if it addresses many of the structural problems in the country such as the problem of financial and administrative corruption. The attempt to establish the Iraqi Sovereign Fund will fall prey to the same issues unless appropriate anti-corruption measures are implemented, such as protecting funds and saving the fund from the interventions of political and economic interest groups.
7. Sovereign wealth funds have control over the main joints of the global economy so that they have become an important international player rather than a candidate. They will be extremely important in the future if mastery of the international economic game is achieved, as well as the pursuit of a capital-focused policy that follows the capital market mechanism in dealing with international investments.

Recommendations

1. Establish a law to establish a sovereign wealth fund. Iraq has the financial and scientific ability to manage this fund and boost its economy through the diversification of national income sources and the transformation of oil, which is a depleted resource, into financial assets that can be used in times of emergency.
2. Ensure that sovereign wealth fund investments take into account economic and financial risks and revenue considerations, provide periodic information and statistics, disseminate the objectives of the sovereign funds, as well as prepare detailed economic studies on how to properly link sovereign wealth funds and the joints of the national economy in a way that enhances its effectiveness and does not disturb internal economic balance.
3. Choose the fund's staffs very carefully, and without favouritism. They are to be characterised by honesty, integrity, specialisation, patriotism, experience and competence, preferring to invest in real assets without financial assets in order to achieve income diversification and find alternative sources of oil.
4. Corruption is a critical structural factor that must be addressed. Establishing a sovereign wealth fund alone is not a solution to fight corruption, but this proposed fund can be created to be flexible against corruption by restricting access to its reserves and keeping every withdrawal in a strict account. Political and economic pressure groups should be prevented from having access to the Fund's projects. The goal is public benefit not personal and party benefits.
5. Emphasise that the establishment of the wealth fund is not enough to move the economy in Iraq. Failure to recognise this will lead to a shift in the purpose of establishing the fund because the proposed fund is intended to help protect the economy of Iraq, which is faced

with the problem of total supply and not total demand for goods and services provided through the public budget and through hard currency. 80% is drained by importing from abroad. In other words, the proposed fund is intended to be a tool for the reconstruction, re-development, diversification, and to fight corruption in the implementation of income-generating projects.

6. After establishing the proposed sovereign wealth fund, there is no harm in creating a number of sovereign funds according to different directions at the level of provinces and regions. For example, creating a Sovereign fund in Karbala. This fund finances the financial returns accrued from the entry of foreign visitors and invests in the field of religious and archaeological tourism. Other provinces that have a comparative advantage in producing goods should be encouraged to have such funds provided that they exclusively benefit the residents of that region or the province to encourage other provinces to establish such a fund.

7. The fund's work must be specific to economic development. The funds will not only be directed towards reconstruction and redevelopment projects, but the fund will be able to help develop local industrial and agricultural capabilities through local and external investment in them, which may be helpful in training workers in Iraq and improving infrastructure development for income-generating production projects.

8. Financial control over the administration of the fund is an important factor in the success of this experiment, especially since this type of fund often includes more long-term and less liquid investment tools such as real estate, sovereign investors in some of the largest real estate deals, and infrastructure that must be profitable.

9. It is possible that the fund is supported by the International Monetary Fund for the purpose of attracting foreign investments. The guarantor will be the Central Bank of Iraq and the International Monetary Fund, which will alleviate the fear of investors from dealing with the Iraqi investment environment, which give guarantees or immunity to these investors.

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