

Proposed Model For Sovereign Wealth Funds And Their Role In Promoting Sustainable Development In Iraq

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Abstract

Iraq is one of the rentier economies as it suffers from changes in crude oil prices because there is no sovereign fund that maintains the wealth of the national economy, because most rentier countries rely on financing their budgets on oil revenues mainly and often exposed those revenues to fluctuations as a result of changes in oil prices in the international market, so the, The research found that oil is a depleted wealth and at the same time is the wealth of generations must be preserved from waste by using its revenues in a way that helps the optimal allocation of resources as the main sector to achieve development in the Iraqi economy, and preferably there are precautions to absorb the negative effects of oil price shocks in the world oil markets through the diversification of total exports that are the gross domestic product of the Iraqi economy and the diversification of public revenues and the establishment of a sovereign wealth fund in Iraq.

Keywords: sovereign wealth funds, promoting sustainable development.

Introduction

The problem of the Iraqi economy in how to benefit from its natural wealth, primarily oil or gas, since its commercial discovery in the Twenties of the last century, the successive regimes of his rule have not lived to this day in an atmosphere of calm and stability made the question of thinking about the future and its generations absent and distant. What happened in 2003 is a radical change in dealing with those riches after the idea of dealing with the oil industry changed through the adoption of the Iraqi governments to attract foreign direct investment and then implemented through rounds of oil licenses. Anticipating an abundance of foreign assets, Iraq must be prepared to confront them and exploit them in a way that ensures stability and preserves the rights of future generations. This can be done through the establishment of a sovereign wealth fund in Iraq. Topic I: scientific methodology.

1-2 The theoretical framework for sovereign wealth funds and sustainable development Preface

The growth of the institutional entity of sovereign funds has been a strong response to the accumulation of foreign currency assets of the government sector globally. The emergence of such funds, which are commonly used terminally as sovereign wealth funds, is not new, especially in countries rich in natural resources and oil. These funds have therefore become a dominant pattern of investing government resources and financial assets in today's emerging market economies.

This topic addresses the knowledge framework of sovereign wealth funds that have in alleviating economic crises in most European, American and Gulf countries and in some Arab countries, especially in financial crises, which have shown their effectiveness in playing a global role as a positive indicator in the financial markets.

1-2-1 Emergence of sovereign wealth funds :-

The phenomenon of sovereign wealth funds (r) (r el EU EU) is not new in the public financial arena even if it knew rapid growth at the end of the twentieth century and the beginning of the Twenty-First Century, that the historical emergence of sovereign wealth funds may be divided into four stages, the first stage began in the world of 1903 and extended until 2000 to 2008, which became The fourth phase was from 2007, which witnessed an old financial crisis and these funds have continued to the present day().

1-2-2 objectives of sovereign wealth funds: -

1. Stabilization of incomes: these funds aim to mitigate the volatility of incomes as a result of fluctuating prices of raw materials, especially in countries that depend on the export of the depleted resource, oil.
2. Achieving intergenerational justice: savings funds are created to preserve revenues from non-renewable natural resources and thus create savings for future generations, non-renewable resources are characterized by being depleted, prompting many countries that rely on these resources from their economies to direct them to achieve intergenerational justice to meet the needs of the future.
3. Financing the deficit in pension funds: some funds have been established to finance or cover the potential future deficit in pension or Social Security pension funds, due to the increasing proportion of old age compared to the labor force and thus will create an imbalance between pensions and the value of contributions paid by the labor force.
4. Optimal performance to achieve profits: some sovereign funds seek to maximize the return of foreign reserves, such as investment companies, if the central bank controls the official reserves, and managed very carefully in the short term to achieve two goals at the same time, the first is to maintain these assets to ensure liquidity, and the second goal, is to put the remaining part of foreign exchange reserves in sovereign wealth funds for the purpose of investment.
5. Diversification of sources of national income: in addition to the public financial dilemma in the oil countries and its dimensions, another dilemma faces those

countries whose economies depend on the production and export of oil, which has been and remains the most important concern of development planners. this dilemma is to prepare for the post-depletion era of raw materials, the most important points. therefore, the goal was to diversify the sources of national income by financing economic and social projects that stimulate national production, thus helping to achieve economic and social development.

6. Achieving development and progress: some sovereign wealth funds seek to gain experience and transfer knowledge and technology to the countries that own these funds by bringing in the owners of high efficiency and experience in the field of investment in order to benefit from them in the training and rehabilitation of national manpower, which works to direct national reserves towards achieving sustainable development in the short term, which is of strategic importance to the national economy .

1-2-3: types of sovereign wealth funds: -

1. Funds financed through natural resources (oil funds): these are funds established by countries exporting raw materials (oil and gas) and are the main source of assets of the largest sovereign funds in the world.
2. Funds financed from surpluses of current payments (balance of payments surpluses) the current account is the balance of resources and uses for most countries, it explains the process of trade of goods and services with the outside world, through which the state achieves financial flows that benefit society as a whole () and is an alternative source of oil in the financing of sovereign wealth funds in most non-oil countries, especially Latin America and the countries of East and South Asia .
3. Funds financed from the budget surplus: the general budget is a statement that includes an estimate and a permit for the expenses and revenues of the state, as it is also known is an estimated or speculative statement of what the government may spend and what is expected to be collected by the state of money during a certain period of time. When the state owns sovereign wealth funds and achieves fiscal surpluses, it transfers them to these funds, in order to benefit from them.
4. Funds financed from the proceeds of privatization: privatization means removing the government from the role of owner of oil resources and the role of the manager of oil operations and privatization is only in the manufacturing industries and not the exploration and production industries, i.e. oil fields because they are part of the sovereignty of the state over its territory and this is confirmed by the United Nations, and privatization is a type of business preferred by all those who demand efficient management of these resources.

1-2-4: the importance of sovereign wealth funds: -

1. Sovereign wealth funds have the ability to perform the role of managing reserves for the countries that own them, by transferring part of their revenues to ensure the future of future generations after the depletion of raw materials.

2. These funds allow diversification of sources of GDP through the development of new activities and diversification of investment portfolios to avoid potential investment risks in a way that ensures stable financial returns.
3. It enables them to manage financial crises by covering the fiscal deficit of the state when its revenues fall for one reason or another, and provide them with permanent and regular resources that are not linked to raw materials that, no matter how much their stock remains depleted or price fluctuations, hence the role of sovereign funds in economic stability.
4. Support fiscal and monetary policy and liquidity management for countries owning a type of these funds.
5. The majority of sovereign wealth funds continue to develop, which is one of their main objectives, by employing national reserves in projects of strategic economic importance in the long term.
6. Sovereign wealth funds transfer technology to the owner country, as the direct and indirect investments of sovereign wealth funds in developed countries result in the expansion of Economic Exchanges:

2-1: sustainable development

The biggest challenge facing the world today is to build a sustainable world order in which responsibility rests with the economic units that make up the bulk of the global economic structure. Despite the fact that the twentieth century witnessed significant and unprecedented changes and events of the units towards the transformation towards sustainable thinking, which accurately describes all the strategies, capabilities and other activities of the economic unit in order to achieve superiority and success over competitors.

2-1-1: the emergence of sustainable development: -

Historical evidence points to the emergence of the concept of (Sustainable Development) in the early Seventies of the last century, when there was a societal dialogue in many forums on Economic Development and its impact on the environment and human beings. By the late seventies and eighties, more advanced development theories had emerged, with a more in-depth and comprehensive view of growth and development, and the impact of economic policies on social and environmental issues, such as poverty and distribution within social aspects, depletion of economic resources and pollution within environmental aspects, had been analyzed (Ammar, 2008: 2).

2-1-2: Sustainable Development Goals: -

The sustainability goals emerged from the United Nations conference on Sustainable Development, Rio+20 in 2012. A set of globally applicable goals has been developed and balances the three dimensions of sustainability: economic, environmental and social, so sustainability, through its mechanisms and content, seeks to achieve a range of objectives, namely.

1. working to achieve a better life: by focusing on the relations between the activities of the population and the environment, and dealing with natural systems and their content on the basis of human life, through the planning and implementation of development policies to improve life in the community economically, socially and environmentally.
2. Promoting awareness of existing environmental problems: as well as developing the people's sense of responsibility towards them and urging them to participate actively in creating appropriate solutions to them by conserving renewable and non-renewable natural resources and reusing resources to the best use without prejudice to the right of future generations.
3. Regional and international cooperation to address environmental, economic and social requirements: by identifying the problems faced by the environment and ensuring environmental, economic and Social Planning at all stages of development planning by strengthening the capacities of all countries to apply the principles and practices of sustainability and design development policies with a more balanced and just future vision.
4. linking modern technology to serve the objectives of society: through educating the population about the importance of various technologies in the field of development and how to use the available and new ones to improve the quality of life in society by recognizing the importance of analyzing the economic, political, social and administrative situations with a holistic and integrated vision, and avoiding selfishness in dealing with available resources and energies.
5. work to achieve the desired goals and objectives: by activating and providing opportunities to participate in the exchange of experiences and skills, and work to activate education, training and awareness to stimulate creativity and search for new methods that suit the possibilities of society, stimulate human energy, activate economic development, control environmental problems, and develop appropriate solutions to them, develop and preserve them.

2-1-3: characteristics of sustainable development: -

There are a number of characteristics that characterize sustainability, the most important of which are: -

1. Level of measurement: sustainability is a process that takes place at several levels (global, regional, local, partial - local, state-wide), yet what is considered sustainable at the national level does not necessarily have to be so at the global level.
2. Multiple areas: Sustainability consists of at least three areas: economic, environmental and social.
3. More complex than any other type of development: sustainability seeks to synthesize a balanced system between the economic, environmental and social system, and tries to achieve the maximum degree of growth in each of these aspects, and therefore it is difficult to separate its elements and measure the indicators of the intensity of the overlap of its components.

4. Poverty reduction in society: sustainability seeks to meet the requirements and needs of the poorest segments of society.
5. Sustainable development is a transgenerational phenomenon: it is a process of transformation from one generation to another. This means that sustainability must occur over a period of at least two generations, and therefore the time to be sufficient for it ranges from 25 to 50 years.

2-1-4: principles of sustainable development: -

There are a set of basic principles that must be adhered to in order to ensure the success of sustainability: -

1. Integration: this principle refers to the need to integrate all political, technical, economic and social considerations when making any decisions, whether immediate or future, of an environmental nature and in a way that shows all these considerations in a coherent and coherent fabric, which emphasizes the need for environmental awareness among all social strata starting with the individual, then the family, the organization and.
2. Community participation: there is no benefit to any activity and no value to any idea without relying on the principle of participation, which refers to cases of cohesion and interaction, as real participation erases differences and strengthens relationships and is key to solving problems. Therefore, the efforts and proposals put forward by all segments of society have a positive charge and a real expression of interaction with the environment and securing adequate defenses to protect it.
3. Justice: this principle points to the importance of equity for the current generations and the need to take into account the future generations and reflect the cohesion between them, as there is no future for future generations without securing the requirements of the current generations of security and welfare, which requires the existence of an environmental strategic vision that uses the present to serve future generations.

2-2: the relationship between sovereign wealth funds and sustainable development

Development in developing countries, especially oil, has traditionally been associated with high GDP growth rates as a result of the growth of their oil exports without accompanying development in the material productive base of society (agriculture, manufacturing), i.e. the absence of growth of an economically and socially renewable nature in those sectors .That sustainable development aims in an integrated way economic growth based on accumulation, i.e. on the Re-production expanded in the concept of capitalism, and social development is inseparable from economic growth, it is the one that provides this growth with human resources and competencies and creates an environment suitable for creativity in the political decision-making that leads the strategy Development of the country.

Third topic: international experiences in the development role of sovereign wealth funds

Preface

Addressing the issue of sovereign wealth funds is largely related to the most important issue is the management of public finances in those countries, especially the oil countries that depend on oil as their main source of revenue, which is characterized by volatility and uncertainty depending on the world oil prices as well as being a depleted resource, and therefore these characteristics directly affect public spending, growth, economic stability, and equity in the distribution of wealth between generations .

Norway's experience is one of the world's leading experiences in the management of its sovereign fund and its outstanding performance and certification of international economic organizations, where the global government pension fund is an ideal model that can be used to draw scenarios in the third section of the current study.

2-2-1: The Norwegian sovereign wealth fund

The National Insurance System established the National Insurance Fund with some haste in the mid-sixties after the process took quite a while. The Second World War gave impetus to old ideas about universal welfare legislation that guaranteed everyone an income in life. These ideas came in the social welfare programme of 1948, where the primary objective was to combine existing social security arrangements into a single system. The then new national plan included all members of society and coordinated benefits at a level that guaranteed everyone an acceptable standard of Living After Loss of income due to unemployment, illness, disability, old age, etc. ().

The process of establishing a National Insurance Fund began in 1963 after the formation of the first right-wing government since the war. In his opposition manifesto, the Labour leader promised the imminent introduction of " a pension scheme for all people, and this new national insurance scheme would then provide pensions for the elderly and survivors of two-thirds of earned income.

2-2-2: objectives of the Norwegian sovereign wealth fund

1. Enhance the government's ability to make long-term use of oil wealth revenues through: -

A-the government is not allowed to withdraw any funds from the fund in excess of the shortfall in the non-oil state budget (i.e. the budget except for everything related to the oil industry).

B- the shortfall in the budget under normal circumstances should not exceed 4% of the annual profit from the investments taken by the fund.

C-transforming oil wealth into financial wealth by investing it in the global financial markets taking into account the principle of Return - Risk.

2. The fund plays its developmental role as a tool for long-term savings so that income from non-renewable resources can be secured by diversifying investments in a wide portfolio of International Securities and financial stocks, as well as the ethical commitment towards sharing the wealth of natural resources with future generations

and using these savings to cover government expenses that will be associated with current and future generations.

3. The experiences of other countries have shown that the returns from a sudden increase in wealth from natural resources can lead to rapid inflation in domestic prices and the exchange rate, and then the weakening of the competitive advantage of domestic goods in international markets, which leads to negative effects on the industrial sector or in other words the tendency of the economy to not rely heavily on the industrial sector.

2-2-3: governance of the Norwegian sovereign wealth fund

The model of governance of the sovereign wealth fund in Norway is characterized by a clear division of tasks and responsibilities between the various bodies charged with managing and controlling the activity of the fund, as this model depends on a set of laws and directives issued in this field, a clear division of tasks and responsibilities between the various bodies charged with managing and.

1. The Norwegian parliament : the functions of issuing laws and legislation specific to the objectives and functions of the fund and how to manage it. Monitoring and accountability of the Ministry of finance as the owner of the fund and forcing it to submit an annual report on the performance of the fund.
2. The Ministry of Finance is the fund's governing body with the following functions:
 - They issued instructions and directions on how to manage the fund.
 - Prepare a strategy to invest the fund's assets through an investment portfolio that includes the types of financial assets invested in it and adhere to that strategy.
 - Prepare ethical principles for the fund's investment and work to exclude companies that violate the principles of the fund's investments.
3. Central Bank of Norway: The Central Bank of Norway is the body in charge of managing the sovereign wealth fund the bank has established a subsidiary unit under the title of investment management of the Norwegian bank (r) and is responsible for the direct management of the investments of the fund the central bank is the body responsible for the fund before the:
 - Achieving the largest possible return on the investment approved by the Ministry of Finance and working to reduce the margin of error and standard deviation between the investment portfolios.
 - Prepare a system to measure the various types of risks associated with the fund's investments.
 - Provide quarterly and annual reports containing the results achieved and the fund's management strategies with the publication of the reports and their announcement to the public opinion.

3-1: regulation and mechanisms of the Norwegian sovereign wealth fund

The Norwegian state pension fund is a sovereign fund based on traditional resources that invest financial revenues from the oil and gas sector in the country. The main source

of funding is from the oil and gas sector and royalties on production, all of which are transferred to the fund. the fund also manages the net proceeds from the sale by the government of shares in Statoil and the National Oil Company and other government property rights in the sector. the fund manages the investment returns retained from its investments, which exceed (4%) of the assets transferred to the annual balance sheet. ()

1. Financing of the fund (percentage of oil revenues and profit from investments made by the fund).
2. The government is not allowed to withdraw any funds in any year from the fund in excess of the shortfall in the state's non-oil budget (i.e., the budget excluding everything related to the oil industry).
3. As a general rule, the majority of politicians agreed that under normal circumstances, the budget shortfall should not exceed 4% of the annual profit from the investments taken by the fund, the management of the fund is entrusted to the Ministry of Finance and prepares a detailed annual statement on oil revenues submitted by the government to Parliament as part of the state budget and.

3-2: transparency, disclosure and investments of the Norwegian sovereign fund

1. In the latest Morgan Stanley Global Transparency estimates, Norway or the sovereign wealth fund achieved a high level of transparency alongside Malaysia, Singapore, South Korea, Alaska and Canada, as well as the fact that the Norwegian state pension fund relies mainly on gas and oil sources, which are important sources of income, and the future size of the fund depends on energy prices.
2. The Norwegian sovereign wealth fund's conduct through its scope of transparency, which exercises the values of transparency and integrity in the provision of Annual Information and data, is an example in understanding the behavior of the world's sovereign wealth funds and provides a globally advanced standard model for understanding and analyzing the behavior of sovereign wealth funds around the world.
3. The Norwegian sovereign wealth fund has also sold its shares in an Israeli company for violating humanitarian law. The fund has sold its stake in the Israeli company Beit seitems for supplying surveillance equipment to the separation wall in the West Bank. the fund adheres to ethical guidelines set by the government and has previously refused to invest in about a dozen companies that produce nuclear weapons or cluster munitions, damage evidence or violate human or workers ' rights.
4. Norwegian Finance Minister Kristin Halvorsen also stated that the fund is a very long-term investor. In principle, we will be shareholders forever, and we will be transparent to the fullest extent. Parliament debates the guiding rules for our investments every year, and we have a long-term horizon which is not only to stabilize the Norwegian economy but also to stabilize the global economy. We have ethical guidelines to prevent our investments from contributing to unethical actions. We apply these rules through proprietary rights.

3-3: Norwegian standards for the management of sovereign wealth funds

As a result of the great effort and experience gained and advanced capabilities possessed by Norway in the establishment and management of sovereign wealth funds in a sophisticated and scientific way, it became the focus of the attention of the countries of the world in this field in an attempt to make the most of the distinguished Norwegian experience in this vital economic area and thus the researcher: -

1. Norway sets the standards by which other sovereign wealth funds can be judged and provides standards for managing large assets transparently and in a way that does not distort the functioning of markets and generates decent returns.
2. With the World Bank and IMF under pressure to impose guidelines on how sovereign wealth funds are managed, they are expected to turn to Norway for help.
3. It includes the following principles and criteria: -
 - Norway's oil wealth is managed by the state pension fund (formerly known as the state oil fund), which was set up by the government in 1990 and manages about 571.5 billion.
 - Almost all of the fund's investments abroad are supervised by the Ministry of finance, although its operations are conducted by Forges Bank Investment Management, the fund management arm of the Central Bank of Norway.
 - The way the fund has been run for the past 17 years has distanced Norway from the secretive approaches to sovereign wealth management that some other resource-rich countries have come to suspect.
 - Investment in individual companies and sectors, and there are investments in about three thousand to four thousand companies in 40 countries, and the average ownership in one company is estimated at less than 1%, we do not feel that this leads to distortion of markets". Investment decisions are either made by individuals in the fund with limited investment mandate, or contracted with external asset managers.
 - Consultants are also employed to assist in this work, as well as to judge performance and manage costs. Ministry officials report to Parliament on all important issues related to finance, such as the size of oil revenues, prospects for financial sustainability, changes in the legal framework, investment strategy, fund performance, risks and costs.

Topic IV: sovereign wealth funds in Iraq-opportunities-challenges-the proposed model and its impact on Sustainable Development

4-1: opportunities and challenges of wealth funds in Iraq

There are many opportunities that have called for the creation of SWFs, which are to anticipate the natural depletion of resources and the need to build other assets, the emergence of SWFs as effective and large-scale investment instruments as well as a set of challenges: -

4-1-1: -sovereign wealth funds in Iraq: opportunities

First: fiscal surpluses achieved in the general budget

The increase in public revenues over public expenditures of the state indicates the achievement of fiscal surpluses in the general budget, and the deficit in the general budget is achieved in the case of a decrease in public revenues from public expenditures annually, as the balance of the budget, which is equal to public expenditures with public revenues annually, that during the period (2004 to 2012) the 32298 billion d.75,311 billion dollars.P in 2008, And then increase the public revenue of 32,982 billion d.P to 80252 billion d.In 2008, the general budget achieved fiscal surpluses during this period. During the period (2013 to 2018) the price of crude oil fell, which led to a decrease in oil revenues from 108323 billion D. P in 2013 to 44,267 billion D.AR in 2018 and then reduced public revenue of 113,840 billion D.In 2013, it was 54,409 billion dollars. In 2018, this led to the achievement of a deficit in the general budget during this period, and from this it is clear that the general budget in Iraq is subject to fluctuations in oil prices in the world oil markets, and since the price of oil cannot predict its value in the future, so the shocks in oil prices, Since public expenditures depend on public revenues in financing, which leads to a reduction in public spending (operational and investment)

Second: - the contribution of oil and non-oil revenues to the general budget

The ratio of oil revenues to public revenues can be inferred that the state budget depends mainly on oil revenues, which exceed 91% of total public revenues, despite the decrease from 98.8% in 2004 to 90.58% in 2018 – which can give a good indication of reducing the budget's dependence on oil revenues and turning to other sources of revenue – However, this percentage remains very high when compared to the contribution of non-oil revenues to the budget, which did not exceed at best 8.42% in 2018 despite the trend to increase (non-oil revenues) and the above ratios are evidence of the dependence of the Iraqi economy to oil as a basic resource of public revenues.

That the pursuit of successive governments to increase oil imports without going to the radical solutions to the problems suffered by the Iraqi economy led to the fall of the Iraqi economy between the jaws of strong and coherent pliers represented in: -

1. Oil revenues, which depend on the economies of consuming countries, mainly dollar exchange rates, speculation and competition among oil exporting countries, international political and socio-economic factors, as well as technological developments related to alternative energy sources, and other factors that can affect oil revenues.
2. The Iraqi market relies on imports to meet most of its needs for goods, services and technology, which in turn depends on the same factors mentioned above.

4-1-2: -sovereign wealth funds in Iraq: challenges

1. Macroeconomic policy challenges: - the macroeconomic policy challenges the assets of a sovereign wealth fund and its revenues are likely to have a strong influence within the framework of the macroeconomic policy of the country of the owner of the

fund and the main objective is to support the alignment of the operations of the sovereign wealth fund with the macroeconomic policies of the government.

2. Challenges of the problem of inflation: - the problem of inflation is one of the serious problems facing any economy because of its negative economic and social consequences on society. Iraq has suffered from this economic problem because of the synergy between a set of circumstances that helped to emerge. The phenomenon of inflation arose in the Seventies due to increases in Iraq's financial imports, which resulted from the rise in oil prices in the world market, which led to an increase in Iraqi oil revenues, estimated at about (95) billion dollars.

3. The challenges of the problem of unemployment: - unemployment is one of the problems that affect both societies, and Iraq is one of the societies that affected it and affected the structure of society in it, and its impact is stronger when it coincides with other phenomena such as illiteracy, poverty, instability and inflation, the Iraqi economy has clearly defined the features of unemployment during the nineties of the twentieth century.

4. Challenges of the spread of the phenomenon of administrative and financial corruption: - corruption is a harmful " tax " that hinders investment and works on the failure of productive projects to achieve their goals, and corruption is considered a bad immoral phenomenon that threatens high values. The consequence of its risks requires efforts to combat it economically, socially and morally.

4-2: proposed model (oil wealth fund)

The Iraqi situation today is the worst manifestation of the rentier state, as dependence on oil revenues is almost never stable revenues, so attention must be paid to other stable and continuous revenues to finance public spending in the medium and long term. As well as a focus on investing rentier income in a way that feeds other income.

4-2-1: -the importance of the sovereign wealth fund in Iraq

The importance that underlies the establishment of a sovereign wealth fund in Iraq, to maximize the benefit of society from public money and the management of the state in all its facilities according to the principle of the lowest costs to achieve a certain performance, and can highlight some important aspects that illustrate the importance of the establishment of this fund through the following (): _

1. Assist in raising the distributive efficiency of the revenues generated from the oil surplus.
2. Enhancing market liquidity even in times of financial stress due to the long-term nature of investment by employing the accumulated external assets of the state.
3. Facilitate the saving of surplus revenues generated by public finances and then transfer them to future generations.

4. Allow for greater diversification of portfolio assets by focusing more on returns compared to what happens in the case of reserve assets determined by the central bank.

4-2-2:-objectives of the sovereign wealth fund of Iraq

There are a number of goals that can be sought to achieve the sovereign fund of Iraq, among the most important of these goals are: _

1. Contribute to the achievement of macroeconomic stability by stabilizing spending through the strategy of the flow of oil revenues to the budget.
2. The fund is an important tool for financing economic and social development programs.
3. Maximize the savings directed to future generations of the depleted resource (oil) and realize the principle of equity in the distribution of wealth between generations.
4. Activating the activity of the Iraqi stock market through direct and indirect investment of financial assets carried out by the fund as a strategy to employ the accumulated external assets.
5. Helping the economic authorities, especially the monetary authority, to absorb unwanted liquidity in the economy and employ it in a way that contributes to creating development opportunities that improve the Iraqi economy.
6. 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 the investment operations provided that the participation of the fund should not be less than (15%) of the capital of the project to be a direct investment and not a portfolio.

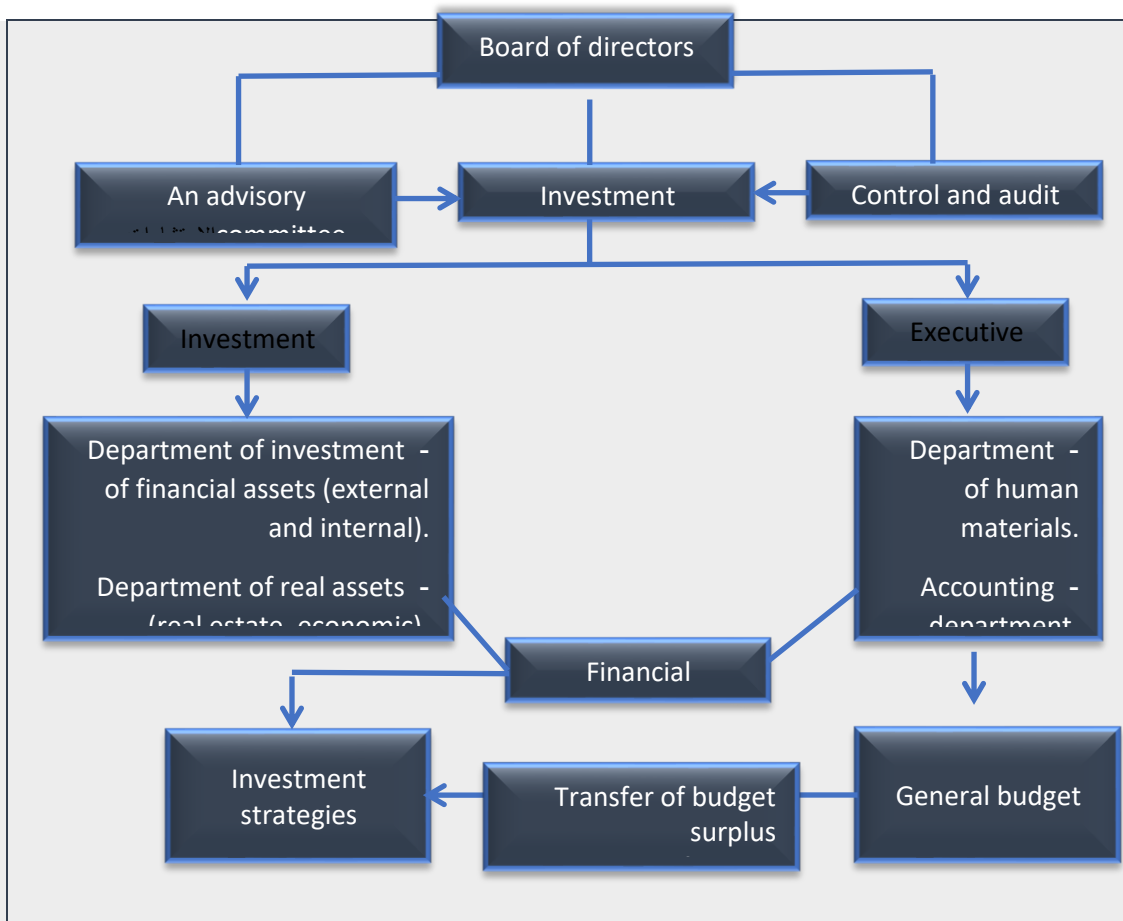
4-2-3: -basic elements of the establishment of the sovereign wealth fund in Iraq

1. constitutional and legislative elements: the legislative and legal framework is the basis that must be provided in order for Iraq to establish a sovereign wealth fund as contained in the legal framework of the selected experimental funds, because the existence of the law imposes on the fund to apply the standards of governance and accountability, as well as transparency in the work and the publication of data and records to avoid financial and administrative corruption, and thus the fund works to achieve the goals for which it is established.
2. Human and social components: the human being is the basic means of development and its objective. it is an important resource that must be provided because it achieves the objectives and motivations that Iraq seeks to achieve to establish a sovereign wealth fund. Iraq possesses the human competencies and expertise that are qualified and capable of addressing imbalances and avoiding obstacles and difficulties in the process of economic growth. with regard to the social aspect, the impact of which is reflected on the human resource, it means the change of society in several aspects, namely, the development of human capacities to take responsibility and how to address the economic problems that hinder the process of economic development

4-2-4:-organizational structure of the proposed Iraqi sovereign wealth fund

In order for the proposed fund to exercise its functions, there must be a clear organizational structure that defines the powers and responsibilities of the fund's management and its associated entities to organize work to achieve the fund's objectives. The direct management of the sovereign wealth fund is an important tool by separating the fund from the state budget and transforming it from a mere account (receipts and payments) into an independent, efficient and effective body to prepare sustainable strategies that preserve the wealth of future generations and reduce the risk of external shocks to the state budget.

Scheme (1) Organizational structure of the proposed Iraqi sovereign wealth fund



Through the above figure it is possible to clarify the functions and powers within the organizational structure of the proposed fund.

4-2-5 : -motives for establishing a sovereign wealth fund in Iraq

The motives for the establishment of a sovereign wealth fund in Iraq stem from the structural characteristics of the Iraqi economy and the surpluses achieved from oil revenues, the most prominent of which can be identified as follows :-

1. To address the negative shocks resulting from the instability of oil prices in the world oil markets and their impact on a number of economic, political and social factors of the country.
2. To cope with the decline in demand for natural resources due to the replacement of more efficient resources from the consuming countries of the natural resource.
3. Anticipating the natural depletion of the resource and the need to build other assets that generate income to compensate for the depletion of the current asset, which is called the achievement of justice between generations.
4. The negative effects of financial flows resulting from natural resources or what is known as the Dutch disease and the need to maintain the stability of economic activity from the repercussions of this disease on the Iraqi economy.
5. Sovereign funds help transfer technology to owner countries through direct and indirect investments with developed countries.

Conclusions

1. Sovereign wealth funds (SWFs) have gained increasing importance in the global economic system, as they are a contributing factor in addressing global financial imbalances, through the transfer of funds from surplus countries to deficit countries, as well as being an important factor in increasing global economic integration.
2. Oil is an economic and strategic commodity for many countries, especially Iraq is a non-renewable wealth, so most countries sought to employ all or part of this wealth in different funds for each of them serves a specific purpose, and the main reason for the establishment of these funds, especially in rentier economies is to ensure the right of future generations of oil wealth enjoyed by the current generation and reduce the effects of crude oil price shocks.
3. Iraq has experienced many problems and obstacles, including the war against the terrorist organization Daesh, which led to the lack of infrastructure represented by roads, dams and bridges, as well as the destruction of many homes, schools and others, so they need reconstruction and work projects to rebuild what was destroyed by the war.
4. Lack of communication with professional international organizations interested in upgrading the work of the submersible sovereign funds and the lack of affiliation of the Iraqi side to them, which caused the complete interruption of keeping up with the latest developments and requirements for the classification of sovereign funds and the level of transparency.
5. The purpose of the establishment of sovereign funds is varied and based on the purpose of their establishment, some of which are of an investment, savings or development nature, stabilization funds or Pension Benefit Funds, and the financing of submersible sovereign funds is also varied, including what depends on budget surpluses, privatization revenues, raw materials revenues or current payments surpluses.

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