



# SOVEREIGN WEALTH FUNDS AND THEIR ROLE IN MANAGING MACROECONOMIC VARIABLES AND SUPPORTING ECONOMIC INVESTMENT

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Article history:	Abstract:
<b>Received:</b> 7 <sup>th</sup> July 2025 <b>Accepted:</b> 6 <sup>th</sup> August 2025	Sovereign funds are financial funds belonging to countries that are used to confront economic crises, support economic variables, and promote the developmental reality funded by the financial surpluses achieved by countries in the various economic resources that belong to them. Sovereign funds are considered one of the procedures followed to benefit from financial surpluses and use them to support local investments, achieve qualitative shifts in macroeconomic variables, and make it a dynamic engine for economic investments, thus achieving economic diversification for countries, due to the abundance of the Iraqi economy in its natural, rentier, geological and human resources, as well as its geographical location and the economic, political and social potentials it achieves. This requires the need to pay attention to following wise mechanisms and policies to manage the diverse resources in the Iraqi economy, promote its macroeconomic reality, and create a strong economic environment with effective macroeconomic variables. Therefore, it is necessary to have funds that support these policies represented by sovereign funds, reduce dependence on rentier revenues, and take advantage of their surpluses in making the macroeconomy more effective and dynamic .

**Keywords:** Sovereign funds ,Investment trends of sovereign funds, Types of sovereign funds, Investment trends of funds, Obstacles in rentier states

## INTRODUCTION:

Sovereign funds are a phenomenon that is not modern and has great importance in the financial and monetary economic systems. They have a very important role in stimulating economic variables and the effectiveness of their role in the production process and increasing investment attraction in all its forms, as well as their important role in facing the economic crises facing the country and saving it from falling into the abyss of crisis and its effects. Sovereign funds are the engine that supports the radical changes of the country, especially the countries that rely on rentier returns in their economy. These funds have an important reputation in financial uses, and this is reflected in the use of huge institutions, including Bear Stern, Mullergan Stanley and many other important and huge institutions.

## RESEARCH PROBLEM:

In light of the rapid and developed transitions in the economic world, the Sovereign Fund has become an urgent and profitable necessity for reality, especially for the rentier countries, which depend in their financial resources on rentier revenues, which are the most vulnerable to external economic shocks and affected by them. The problem is due to the decline in interest in the presence of sovereign funds in the rentier countries, especially in Iraq.

## RESEARCH OBJECTIVE

The research aims to identify the nature of sovereign funds, their types and their role in managing the macro variables of the economy

## RESEARCH HYPOTHESIS

The research is based on the premise that sovereign funds have a major role in managing the macro variables of the economy and activating the investment process to confront economic imbalances, but many rentier economies still need to develop the work of sovereign funds, including the Iraqi economy.

**The first topic:** The conceptual framework of sovereign funds, their importance, types and effectiveness on macroeconomic variables:



**First: What are sovereign funds:** There are many definitions of the concept of sovereign funds, as there are those who refer to them as funds owned by the state and of an investment nature that work to benefit from the financial surpluses achieved by the state and manage the savings achieved and work to reinvest them in local and foreign shares and assets and benefit from their investment returns<sup>(1)</sup> (As defined by the International Monetary Fund as expressing funds of an investment nature owned by the state that work to keep financial assets and work to manage their investment for the purpose of obtaining economic returns <sup>(2)</sup> While the International Institute for Economics in Washington believes that sovereign funds are a reflection of stocks and assets of an international and local nature owned and managed by governments in order to reach the goals set by the governments owning them<sup>(3)</sup> Sovereign funds represent funds of financial support to the state to confront economic imbalances, which are financed in advance from the financial surpluses that it generates from the revenues of its various sectors <sup>(4)</sup> There are those who gave it more extensive funding trends to be a group of several funds that support the economic process to include savings funds, special funds to support economic stability and reserve funds that support investment as well as funds that are special to support the process <sup>(5)</sup> From all that has been listed, sovereign funds reflect the pillars of strength on which the economy is based to face future economic imbalances and viable investment opportunities and are financed from the financial surpluses achieved by the economy to be used in cases of fiscal deficits. Accordingly, it is clear that sovereign funds are investments that belong to the state and are represented in several forms (precious metals, real estate, stocks or bonds) that work to make investments on a local or international scale of a long-term nature to obtain returns that are reflective of the macroeconomic reality and therefore the funds are characterized by features, namely :<sup>6</sup>

- 1- Funds whose ownership and revenues belong to the state, which makes them sovereign, and this is what distinguishes them from other funds.
- 2- The objective of Sovereign Funds and their establishment shall be a purely economic objective.
- 3- Working to follow strategic mechanisms for long-term investment
- 4- Working on investing in foreign assets

Second: The Establishment of Sovereign Funds:

Sovereign funds are not new to work globally, as they are considered a prominent and important tool in the global financial markets. The United States of America established a fund called the Texas Permanent School Fund, which was established by the legislature in 1854 with a financial basis of (2) million dollars. Public land and its sale revenues are the main resource for this fund. The Saudi financial system followed the steps of establishing a sovereign fund of financial surpluses in 1952, but it did not contribute to the investment process and was limited to the regulatory aspect of Saudi monetary policy <sup>(7)</sup> In the literary and economic monitoring, the Kuwait Sovereign Fund was one of the first sovereign funds adopted by Kuwait as a tool to manage the surplus revenues from the sale of oil, which was laid the foundation stone for it in 1953 and became an official entity called the Kuwait Investment Authority in 1983<sup>(8)</sup> As a result of the rises in oil prices in the 1970s, it contributed

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<sup>1</sup>Dilip Kdas: sovereign-wealth funds, international review of economics, vol.56, iss1, Mar 2009, p:85-86

<sup>2</sup>IMF: governing Wealth fund 2008 : a work agenda, Robert M.kimmitt, governing Wealth fund worded economy, p 45

<sup>3</sup>Mckinsey Global Institute : < <http://www.mckinsey.com/mgi>>

<sup>4</sup>Mark Allen and Jaime Caruana, Sovereign Wealth Funds-A Work Agenda, Prepared by the Monetary and Capital Markets and Policy Development and Review Departments, International Monetary Fund, February 29, 2008, p29.

<sup>5</sup> Sharma Ra: Southern Wealth Funds Investment in Sustainable Development Sectors Background studies in support of the High Level Conference on Financing for Development and the Means of Implementation of the 2030 Agenda for Sustainable Development, un, Doha, Qatar, November, 2017, p2.

5. Mohammed Dahan, Mohammed Bu Shariba, Mohammed Al-Saleh Qureshi. "The Importance of Sovereign Wealth Funds in Modern Economies." Umm Al Bawaki University Humanities Journal 6 (1), 346, 2019, p. 346

<sup>7</sup>Jassim Mannai : The Phenomenon of Sovereign Wealth, Arab Monetary Fund, United Arab Emirates, Abu Dhabi, 2008, p.11

<sup>8</sup>Velayutham, Sivakumar, and Rashedul Hasan. 2021. "Sovereign Wealth Funds and Corporate Social Responsibility: A Comparison of Norway's Government Pension Fund Global and Abu Dhabi Fund for Development." Public Administration and Policy 242012,,141,



significantly to the establishment of sovereign funds, the most important of which is the fund established in the UAE under the name of the Abu Dhabi Investment Authority, which was established in 1976, as well as following a number of Rentier countries have the mechanism to establish funds for surplus oil resources such as the UAE, Alberta and Saudi Arabia to benefit from these surpluses and not to inject them into the economy and the establishment of sovereign funds for them, which encouraged a number of countries exporting goods necessary for the establishment of sovereign funds despite the fact that they are among the countries that extract goods that do not achieve financial surpluses and are not rentier countries such as Venezuela, Iran, Algeria and South Korea<sup>9</sup>.

Second : The importance of sovereign funds: Sovereign funds have importance through their effectiveness in the following matters:(<sup>10</sup>)

- 1- The presence of sovereign funds is a supportive tool to increase the effectiveness of the various productive sectors and increase the economic strength of the country
- 2- Sovereign funds work to increase the efficiency of the economy and increase its ability to stabilize economic conditions
- 3- It works to reduce vulnerability to the economic shocks of the country, which depends on its revenues on rent revenues
- 4- It is an effective tool to attract investments, both internal and external .
- 5- Increasing the financial liquidity of the country in which it faces economic crises while exposed to imbalances in its economic reality or affected by external economic imbalances
- 6- Sovereign funds are an effective tool that directs the rent revenues of rentier countries and directs their investments in the real productive sectors that support the production and macroeconomic reality of the country
- 7- Increasing the ability to face the international price fluctuations of the rentier supplier as well as increasing the ability to face the exchange rate fluctuations of foreign currencies against local currencies and thus increasing the economic capacity of the country.
- 8- Sovereign funds enable countries to transfer the technology of developed countries to the founding countries of the funds as a result of investing in developed countries from the funds of the funds as well as stimulating the expansion of trade exchange.
- 9- Sovereign funds have a major role in supporting the development process by creating resources that generate resources with returns that achieve good profits and a long-term horizon, which contributes to reducing dependence on rent revenues.
- 10- Therefore, it is considered as a reserve tool for countries that contain sovereign funds that work to store, invest and benefit from financial surpluses and their profits by future generations after the depletion of rentier resources.

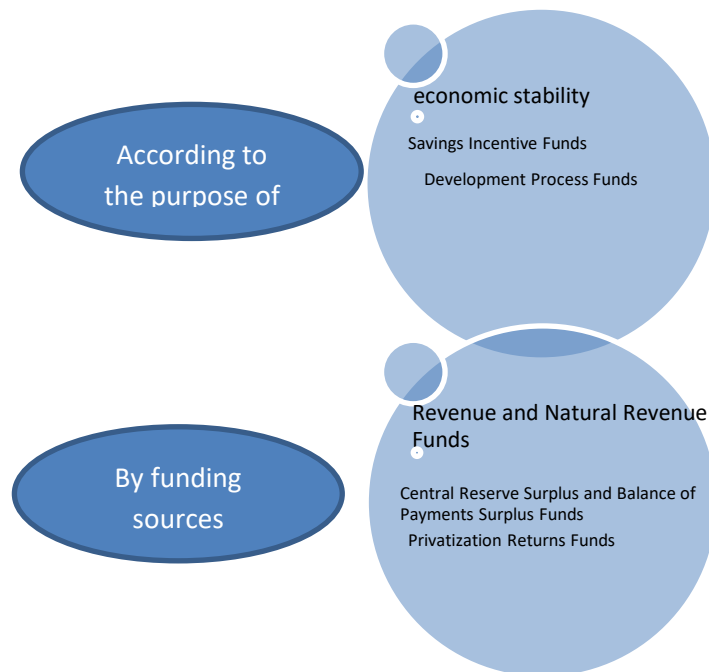
Third : Types of Sovereign Funds: The types of sovereign funds vary according to the trends of their classifications according to the figure below:

Sovereign funds

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<sup>9</sup>Balin, Bryan J. 2008. "Sovereign Wealth Funds: A Critical Analysis." SSRN Electronic Journal, 1–17. <https://doi.org/10.2139/ssrn.1477725>,2008,P2

<sup>10</sup> Nazih Abdel Maksoud Mohamed Mabrouk: Sovereign Wealth Funds Justifications, Controversy and Economic Importance, Journal of Saleh Abdullah Kamel Center for Islamic Economics, Cairo, Al-Azhar University, Issue 52, Volume 18 ,pp. 233-236, 2014.



Sharma Rajiv : SOVEREIG wealth funds investment IN sustainable development sectors t.Op,citp5, The funds are distributed geographically at the global level to be concentrated on three geographical directions so that the Middle East and the northern part of Africa own about 42% of the global sovereign funds as a result of the abundance of this logic in their huge rent revenues, while the Asian countries recorded owning about 37% of the funds to acquire most of them China, Singapore and Malaysia as a result of its trade advantage and its foreign resources and reserves, while Norway, like the European side, recorded its acquisition of about 18% of the sovereign funds as the largest and most productive European countries in addition to its rent revenues as an oil exporter<sup>(11)</sup>. Fourth : Harmonizing the work of sovereign funds in managing macroeconomic variables and supporting the investment aspect:When the state tends to manage economic resources and benefit from them to confront economic imbalances and shocks, it works to develop frameworks for investment trends based on sovereign funds and must be transparent and clear to adapt the economic reality and increase its effectiveness in the face of risks by drawing clear investment policies based on solid foundations and rules that are consistent with macroeconomic goals <sup>(12)</sup>. Sovereign funds contribute to the diversification of macroeconomic resources and the development of the productive base, especially in rentier countries that are characterized by their dependence on rentier revenues to confront their total spending, which increases their vulnerability to economic imbalances, whether on the internal or external side. The formation of sovereign funds achieves the possibility of supporting the real productive sectors, developing their production base, increasing their ability to face macroeconomic imbalances, and increasing the level of macroeconomic investments <sup>(13)</sup>. The table below reflects the contributions of some sovereign funds in Europe and the US financial markets:

Table (1) Contributions of some European sovereign funds to the European economy and US financial markets

Contribution Dating	Sovereign Fund Shareholder	Investments made by the Fund	Beneficiaries of the Fund's investments	The percentage in the share capital
2/5	Dubai Investments	1.2	HSBC	undefined
2007, 6).	China	3	Blackstone	9.9
23/7	Singapore Temasek	1.4	Barclays	3.1

<sup>11</sup><http://www.swfinstitute.org/sovereign-wealth-fund-rankings>

<sup>12</sup>Jukka pihiman,investment objectives of SWF,Ashifting paradigm ,Working IMF /wp/11/19/,prepared by peter kunzel-yingiulu,January, 2011,p4

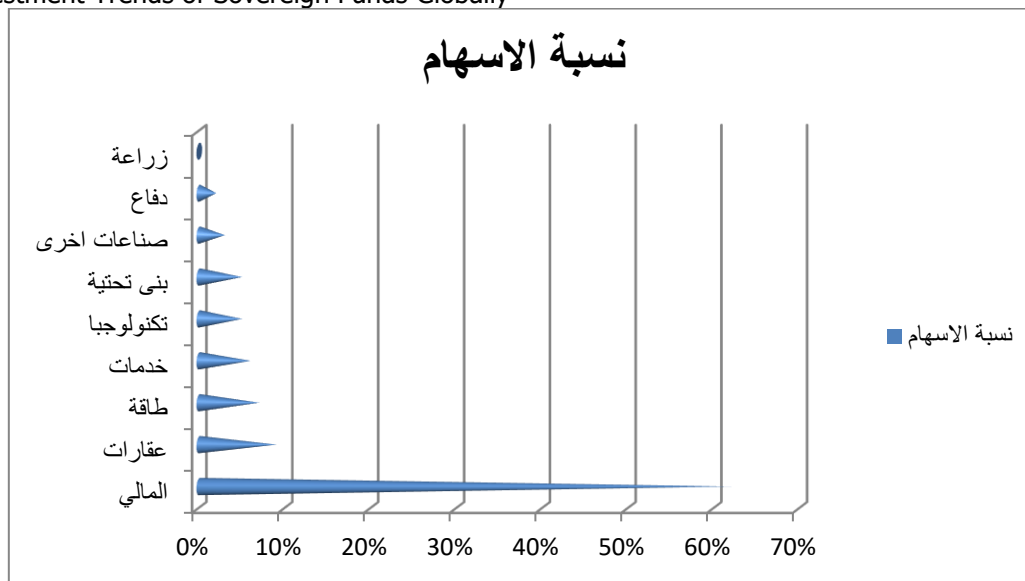
<sup>13</sup>Stephen jen, (the GCC:trans forming Oil wealth portfolio" in John gee and pola subacchi ed , "The Gulf Region :Ahub of Globalfianancl power ?(London: Chatham house), 2008,p12

20/9	Abu Dhabi	1.35	Carlyle	4.3
06/11/2007	Abu Dhabi Investment Authority	7.5	Citigroup	4.9
12/2007	China CIC	5	Morgan Stanley	9.9

– Les Fonds souverains : Une Menace a relativiser, un partenariat a construire, 2008,103.

The table reflects the extent of the contributions of various sovereign funds in achieving multiple investments with the ability to diversify revenue sources as well as increase the ability of the economy to cope with economic crises. Therefore, the preparation of sovereign funds in countries with rentier economies with the ability to diversify their revenue sources and develop their production structures based on the size of their rent revenues and reserves and the possibility of developing the economic reality and the extent of their absorptive capacity and population numbers and dynamic methods <sup>(14)</sup> The funds contributed to achieving financial and monetary stability to the US and European market when exposed to economic crises. Sovereign funds are an investment tool with the ability to cope with economic fluctuations and support financial stability in financial markets in the short term as they work to provide the necessary money for the investment process by reprogramming financial revenues and raising their effectiveness and uses during financial crises and pressures <sup>(15)</sup> Sovereign funds in the world contributed to achieving high investments in the financial sector as shown in the figure below:

Figure (2) Investment Trends of Sovereign Funds Globally



Source: Steffen Kern(2008) SWFs and foreign investment policies- an update, Deutsche Bank Research, October, 22, 2008, pp 7-8

The figure reflects the highest rates of financial investment from sovereign funds globally, as the percentage of the contribution of sovereign funds in investing in the financial side was 62%, followed by the real estate sector, achieving an investment of 9% of sovereign funds globally and the energy, services, technology and infrastructure sector, respectively (07%, 6%, 5%, 5% )) investment from sovereign funds globally, while global investment from sovereign funds recorded low rates in the industrial and defense sector to be (3% ,1%), respectively, and the lack of investment from sovereign funds in the agricultural sector, according to research clarified by the German bank Dutisha. Sovereign funds can draw an attractive economic reality for local and foreign investments to create an environment that enjoys high transparency in operation, as well as their ability to raise the effectiveness of economic

<sup>14</sup> Malcolm Giles et al.: Development Economics, Translated by Taha Abdullah and Abdul Azim , Dar Al Mars Publishing , Riyadh , 2009, p. 799

<sup>15</sup>Julenchaisse: debashis Chakraborty managing indies foreing exchange reserve, preliminary exploration of issues and option, 2010.





returns, create a diversified productivity environment and reduce dependence on rent revenues <sup>(16)</sup>, as well as sovereign contributions to reduce the negative effects on financial markets as a result of economic crises, as well as their contribution to financing the development and investment reality <sup>(17)</sup>. A statement by the International Monitor Lakes was published through it on the effectiveness of sadistic funds in supporting investments and was published under the title (Challenge the New World: Investments of sovereign wealth funds in turbulent times for 2010 to 2011 in July) to reflect this report a new start in the year of investment, as the report was able to draw a number of results, including: increasing the company's ability to raise the level of financial and banking investments and insurance as it reached \$20.4 billion for 2010 to exceed the previous year by 39% -50%, as well as raising the level of its small investments to more than 18% from 2009 for its uses of resources approved by sovereign funds and described in its report the Asian investments of sovereign funds that were achieving 8.6 billion USD to record 38% of its investments in addition to what the Middle East funds have achieved in the Atlantic Ocean and in the continent of Asia to record nearly 48% increase in their investments, i.e. \$13.5 billion, so the investments of sovereign funds are long-term.<sup>(18)</sup> The effectiveness of funds and their impact on macroeconomic variables is related to the availability of the following mechanisms:<sup>(19)</sup>

- 1- The flexibility of these funds in terms of deposit, withdrawal and investment, as the greater their flexibility, the greater their effectiveness and impact on macroeconomic variables
- 2- The strength of consistency and correlation in its work with the general policy of the state and its tools of the spending side and its trends, which does not affect the strength and success of the work of the funds, especially in the rentier countries that suffer from the reflection of the impact of global imbalances of oil price fluctuations.

## **The second topic: the reality of the Iraqi economy and the economic necessity of sovereign funds**

### **First : A glimpse of the Iraqi economic reality**

Not long ago, Iraq suffered from many problems that had repercussions on its economic, social and political reality and the decline in its economic potential and ability to confront any global or local imbalance as a result of the bad use of its rent resources and almost total dependence on oil revenues in the face of its spending needs, which caused an imbalance in the balance of the world and the emergence of a gap between total supply and total demand, as well as an imbalance of internal and external balances, exacerbating the problem of poverty in Iraq and exacerbating the unemployment gap <sup>(20)</sup> As a result of Iraq's dependence on oil revenues in its public spending, the weakness of its productive activities has increased, the size of the gaps in its budgets has worsened, and Iraq is distinguished as a society with a consuming nature that depletes oil resources in the form of wages and salaries, and its failure to support financial reserves that work to face emergency imbalances and economic crises has increased the risk and its repercussions on the economic reality <sup>(21)</sup>, which records the need to establish sovereign funds that increase its effectiveness and economic capacity, as Iraq's dependence on rent revenues is almost total, as it is the pillar on which it is based in financing its public spending and obtaining Foreign currencies, as rent revenues contribute to about 98% of the total Iraqi revenues. The level of spending in Iraq is closely linked to the rise in oil prices globally in a direct proportional relationship, which increases the fragility of the Iraqi economy <sup>(22)</sup>. The Iraqi economy is tainted by the imbalance in its trade balance and the preponderance of oil exports in terms of exports and its lack of economic diversification as a result, as well as its economic exposure globally, reaching 93% as a result of

<sup>16</sup>Sherif Shaaban Mabrouk : Sovereign Wealth Funds between Western Challenges and Gulf States, Emirates Center for Strategic Studies and Research, No. 14, 2009, p. 19

<sup>17</sup>Wathiq Ali Al-Mansouri : Sovereign Funds and their Role in the Macroeconomics of Selected Countries, Master Thesis , University of Karbala , Faculty of Management and Economics , 2013, p. 30

<sup>18</sup>The New World: Sovereign Wealth Fund Investment in the Uncertain Times of 2010,p3.

Challenge the New World:Investing in Sovereign Funds in Turbulent Times 2010 - July&2011 Available at:

<http://www.monitor.com/sovereign>

<sup>19</sup>Ghiath Shabsigh and Nadeem I lahi, Looking Bey and the fiscal, DO Oil funds Bridgman co economic stability, IMF working paper, 07 9(washing ton DC: Inernations Monetary fund, 2007,p2

<sup>20</sup>Second Strategic Report: Hammurabi Center for Research and Strategic Studies, June, Babylon , 2009, p. 221. Available at [www.http:// mafhoum.com/syr/articles\\_03/kanaan4-10.htm](http://www.mafhoum.com/syr/articles_03/kanaan4-10.htm)

<sup>21</sup>Qahtan Abdul Saeed : The repercussions of low oil prices globally on the fiscal and monetary policies in Iraq , Journal of the Baghdad College of Economic Sciences, University , p. 56, 2018, p. 197

<sup>22</sup>Abadi Al-Najafi, Mustafa Kazemi: The impact of oil price fluctuations on the general budget in Iraq for the period (2008-2018). Al-Muthanna Journal of Administrative and Economic Sciences, 2020, 138.

the imbalance in its production structure and its dependence on rent revenues <sup>(23)</sup> In light of the continued dependence of the Iraqi economy on rent revenues and the decline of its productive capacities, as well as the decline of the pillar of economic power represented by investment spending resulting from the weak power of leaders in the management of economic and political matters, which reflected negatively on the macroeconomic changes and the prevalence of the consumption character of the individual in Iraq<sup>(24)</sup>, many rentier countries have taken oil revenues as an essential tool and an effective pillar in the establishment of sovereign funds. A good example of this is what Kuwait has done by transferring its oil surpluses and establishing a sovereign fund to record its ownership of one of the largest sovereign funds with \$213 billion, which confirms the strength and effectiveness of oil revenues in financing sovereign funds globally. <sup>(25)</sup> Because of Iraq's almost total dependence on rent revenues, which are characterized by the possibility of depletion and being affected by economic imbalances and price fluctuations globally, which is directly reflected in the macroeconomic reality, so the need to make effective use of rent surpluses to achieve economic diversification has become in addition to increasing the strength of Iraq's economic reality as the Joule ( ) reflects the price fluctuations of crude oil in Iraq and its adoption in financing its revenues and the level of realized surpluses that have not been made effective use of those surpluses:

Table (2) Total revenues, percentage of oil revenues, deficit and surplus for the period (2004-2020) million dollars

Year	Public Revenues	Oil Revenues	expenditures (i) General expenditure	Oil Revenues/Total Revenues	Deficit or Surplus
2004	22715	22471	22119	0.989258199	596
2005	27572	26875	17955	0.974720731	9,617
2006	33439	31721	26453	0.948622866	6986
2007	43506	41196	31101	0.946903875	12405 KG
2008	67269	63167	56393	0.939020946	10876
2009	47187	41771	47513	0.885222625	326
2010	59981	57111	59944	0.952151515	37
2011	92998	83838	67314	0.901503258	25684
2012	102759	99997	90171	0.973121576	12588
2013	97571	94290	102168	0.966373205	4597
2014	88709	81711	95516	0.921112852	6807
2015	55857	43120	59158	0.771971284	3301
2016	46083	37199	56359	0.807217412	-10276
2017	65061	54753	63437	0.841564071	1624
2018	89554	80353	67961	0.897257521	21593
2019	90392	83375	93885	0.922371449	3493
2020	53109	45755	63893	0.861530061	-10784

Source : Table prepared by the researcher based on 1- Central Bank of Iraq ,Department of Statistics and Research , Annual Statistical Bulletin for various years, 2- Republic of Iraq Ministry of Finance , Public Debt Department for the years (2004-2020)

Iraqi oil revenues achieved a surplus for the years 2004-2008 in a row and in large amounts, while it recorded a deficit in 2009 as a result of the global mortgage crisis and its negative impact on oil exports. This reflects the mismanagement in the Iraqi economy and the lack of actual use of revenue surpluses for the years preceding 2009 and not exploited in sovereign funds that support the economic situation in the country and increase the resilience of the economy in the face of global oil price imbalances and recorded in the subsequent years a surplus as a result of the high level of oil revenues to be followed by fluctuations in the surplus and deficit achieved as a result of the price instability of oil revenues achieved and its reflection on the overall economic reality in Iraq . This reflects the almost

<sup>23</sup>Abdul Jabbar Aboud Al-Halafi : The Iraqi Economy – Oil – Structural Imbalance – Unemployment , Dar Al-Bayna Publishing ,2008,p. 68

<sup>24</sup>Thaer Mahmoud Al-Ani : The Iraqi dinar is not the solution, but an integrated reform package, Middle East , Al-Arab International Newspaper, No. 153, 2020,p. 1

<sup>25</sup>Nader Haidar Hassan Reda :The Role of Sovereign Funds and Foreign Reserves in Development with Special Reference to Iraq, Master Thesis , Faculty of Management and Economics , University of Basra ,2012,p. 4

complete dominance of the oil sector over total revenues in Iraq, which loses its ability to face economic crises as a result of the weakness of the real sector's work in it. This puts Iraq on a very dangerous edge because its infrastructure lacks the ability to promote the economic reality of the real productive sectors.

### **Second : Sovereign funds are an economic necessity for the Iraqi economy :**

Due to the fact that the Iraqi economy is characterized by the control of oil revenues at the highest rate compared to the productive revenues, which makes the land of the Iraqi economy fragile and unable to cope with economic crises, which reflects negatively on the macroeconomic structures and the distortion of its macroeconomic structure and the preponderance of oil exports and lack of economic diversity in exporting due to the increase in the rate of consumer imports in exchange for the high rate of unemployment due to the decline of the productive sectors that can absorb labor as well as the financial turmoil that the Iraqi economy is exposed to because of its association with oil revenues associated with international prices and global economic crises that exacerbate the problem of the fragility of the Iraqi economy. Table (2) reflects the turmoil experienced by the financial budgets between deficit and surplus due to their almost total dependence on the rentier revenues of oil. As a result, the Iraqi economy is a rentier economy purely in its revenues, which makes it an economy that suffers from many obstacles in investing its oil surpluses in sovereign funds, the most of which are the obstacles reflected in the figure below:

**Figure (3) The most important obstacles to the establishment of sovereign funds in rentier countries:**

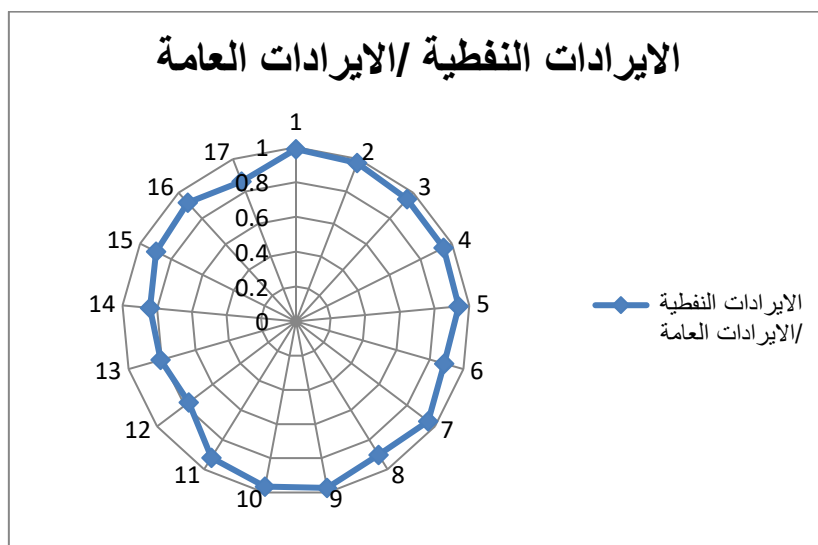


Source: Michael Abedgman: Macroeconomics( Theory and Politics ) , Translated and Arabized by Mohamed Ibrahim Mansour , Dar Al Mars Publishing and Distribution , Saudi Arabia , Riyadh, 1999, p. 97

This makes the establishment of sovereign funds for economic wealth in Iraq to benefit from oil surpluses and achieve economic stability. Therefore, the Iraqi economy must move towards the establishment of sovereign funds to invest oil revenue surpluses to increase the ability of the Iraqi economy to restore productive structures and their reflection at the operational level and to meet financial needs without the need for internal or external borrowing, as well as to reduce the level of deficit in the balance of payments , and through Table (2), which reflects the ratio of oil revenues/public revenues, which is reflected in Figure (4) below

Figure (4) Oil revenues /public revenues





Source from the researcher's work based on Table (2)

Through the high percentage of oil revenues vis-à-vis public revenues and because the Iraqi economy enjoys huge oil reserves and natural resources that enable it to come towards taking effective steps to raise the macroeconomic reality if economic policies work to take real steps with high transparency and draw economic borders in directing rent surpluses in sovereign funds following the mechanisms and principles of Santiago<sup>(26)</sup>:

- 1- Provide legal frameworks coordinated with macroeconomic policies
- 2- Availability of institutional frameworks and governance structure
- 3- Provides frameworks for risk management and investment management.

This requires Iraqi policies to follow disciplined financial policies, move away from chaos and consumer extravagance, and increase the use of rentier surpluses by directing them towards the investment side through various sovereign funds to promote its macroeconomic reality, work in a consistent manner among them, increase the strength of the Iraqi economy, achieve diversity in it, reduce the size of dependence on the outside world, and gradually solve macroeconomic problems by adopting a political fund to achieve economic stability, which is financed from the financial surpluses of rentier revenues to contribute to confronting economic imbalances during the decline in oil prices globally. It increases the country's economic strength and its economy is not affected by these global oil price imbalances, as well as the adoption of a sovereign fund directed towards the advancement of infrastructure to form an attractive environment for local and international private investments and to increase employment opportunities and reduce the size of unemployment, as well as to achieve effective investments that increase the diversity of the economic reality and are financed by oil surpluses, as well as the need to establish a number of sovereign funds that support and encourage savings and shift them towards the future investment direction, as well as the need to establish sovereign funds to support investment in the agricultural sector and achieve agricultural diversification and then achieve local satisfaction of agricultural products and reduce The volume of agricultural imports and their products .

## CONCLUSIONS:

The study reached a number of conclusions, the most important of which are:

- 1- Sovereign funds have a major role in managing the macro variables of the economy and activating the investment process to confront economic imbalances, as sovereign funds have achieved effectiveness in economic transitions globally.
- 2- The success of the work of sovereign funds requires economic transparency and clarification of the means, mechanisms and objectives set for them, as well as the need to achieve the mechanisms of financial and political discipline for countries
- 3- Iraq is almost completely dependent on oil rents, making it a fragile economy unable to cope with domestic and international economic imbalances and disruptions.
- 4- For a number of years, Iraq has had surpluses in its oil revenues that have been directed towards the consumption side in greater proportions than towards the investment side.

<sup>26</sup>Ahmed Brehi Al-Ali :The Iraqi Economy from Sabotage to Renaissance, Al-Qadisiyah University, 2009,p. 15



## **RECOMMENDATIONS:**

- 1- The need for Iraq to legislate a law for sovereign funds and activate their role in moving from dependence on rent revenues and moving towards real investments and be supportive of the investment side and achieving the right direction for rent revenues
- 2- The need for Iraq to follow mechanisms and methods that increase the strength of its financial system, stabilize its economic reality and achieve economic transparency in its financial mechanisms
- 3- Establishing supportive and effective sovereign funds to benefit from oil surpluses and direct them towards the real productive sectors, and the need to establish a number of sovereign and diversified funds that increase the strength and effectiveness of the economic reality of Iraq
- 4- Investing oil financial surpluses and directing them towards investments that are effective in stimulating the economic reality and activating its ability to achieve its qualitative transition and reduce dependence on oil rent revenues.

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