**Study and Comparison of Sovereign financing Funds**

**Iraq, United Arab** **Emirates, Saudi Arabia, and Norway**

**Introduction**

In accordance the issuance of the Iraq Development Fund Regulation No. (3) of 2023, and in our company's Aspiration to support the government's efforts to consolidate and succeed the experience of the Iraq Development Fund, as it is the first sustainable initiative with a large capital and new standards on the government's approach to managing the comprehensive development process in cooperation with the private sector and its direct participation in decision-making, our company's staff have taken the initiative to prepare this modest study, which included a simplified comparison with the similar and successful experiences in the United Arab Emirates, Saudi Arabia, and Norway. These funds top the list of investment funds in the world in terms of the size of assets and participations at the local and international levels, and their success in creating sustainable resources to raise the national economy, especially as they are similar to the Republic of Iraq in terms of their heavy reliance on oil imports.

Therefore, we put this modest effort in your hands and express our continued readiness to provide more in-depth studies on this vital topic. We wish to the Board of Directors of the Iraq Development Fund all success and luck in their mission, which will bring goodness and prosperity to our beloved country.

**First: A brief introduction to the funds under comparison**

***Iraq Development Fund***

In its twenty-eighth regular session held on 11 July 2023, the Cabinet decided to approve the issuance of the Iraq Development Fund Regulations No. (3) of 2023, based on the provisions of Article (80/Clause Three) of the Constitution and to facilitate the implementation of the provisions of Article (42) of The Federal General Budget Law of the Republic of Iraq for the financial years (2023-2024-2025), where the article stipulates: "A fund shall be established called (the Iraq Fund for Development) to improve the attractive investment environment and launch sustainable economic and social development with a capital of (1,000,000,000,000) (one trillion dinars), taking into consideration population representation in the governorates that are not organized into a region, it is linked to the Cabinet and has a legal personality and financial and administrative independence, and specialized funds branch out from it that have a legal personality and financial and administrative independence, and their formations and tasks are organized by a regulation issued by the Cabinet". The regulation was published in the Iraqi Gazette for the year 2023, issue No. 4731.

***Norwegian Government Pension Fund Global***

Is one of the largest sovereign funds in the world, occupying second place among global investment funds in terms of assets. The origins of the Norwegian fund go back to the 1960s, when the Norwegian government saw the need to manage oil revenues efficiently and wisely. Thus, the Norwegian government granted licenses to international companies to start drilling for oil in 1966 after declaring its sovereignty over the continental shelf around the North Sea, transforming it from a country dependent on agricultural wealth into a world-leading country in the field of oil and gas exploration.

The state's main goal became to maintain growth levels and fortify the economy in the future. The Oil Fund was established in 1990 to support the economy in the long term, when oil revenues became scarce. Its name was changed in 2006 to become the Norwegian Government Pension Fund.

The Norges Bank's investment unit manages the fund on behalf of the Ministry of Finance, which owns it in the name of the people.

To avoid the effects of oil fluctuations on the country's economy, the fund focuses its investments abroad in about nine thousand companies operating in different sectors.

***Emirates Investment Authority (EIA)***

It is the only sovereign fund of the federal government in the United Arab Emirates, as it was established pursuant to Federal Decree Law No. (4) of 2007, is ranked third among global investment funds in terms of assets. The ***EIA*** seeks to invest the funds allocated by the federal government in strategic areas to create long-term and sustainable value for its sovereign wealth.

The ***EIA's*** management has actively sought to create unique investment opportunities locally, regionally, and globally, with a focus on investing in asset that are considered to be supportive of the UAE's economic growth and diversification. Within a short period of time, the ***EIA*** has established a strong reputation as a valuable partner for major global investment opportunities.

***Saudi Public Investment Fund (SPIF)***

Is one of the largest sovereign wealth funds in the world, ranking fourth in terms of assets. It was established in 1971 by Royal Decree No. M/24 on 25 June 1391. The ***SPIF*** specializes in financing projects with strategic value to the Saudi national economy. The fund has a portfolio of approximately 200 investments, including approximately 20 investments listed on the Saudi Stock Exchange.

The Kingdom of Saudi Arabia aims to transform the Public Investment Fund into one of the largest sovereign wealth funds in the world by working to build a diversified and leading investment portfolio through investment in attractive investment opportunities on both the local and international levels.

**Second: Comparison between sovereign wealth funds**

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| **subject** | **Iraq Development Fund** | **Saudi Public Investment Fund** | **Emirates Investment Authority** | **Norwegian Government Pension Fund Global** |
| **Objectives** | **Article 2**  The Fund aims to achieve the following:  **First:** Improve the attractive investment environment and launch sustainable economic and social development, taking into consideration the population representation in the non-autonomous governorates in the Region.  **Second:** Develop Iraq's non-oil economic resources and diversify them through the financing of investment projects.  **Third:** Find solutions to economic, social, and environmental crises by attracting capital, technology, and human resources and transforming them into investment opportunities.  **Fourth:** Create a qualitative change in the adoption of technology and modern systems in administration.  **Fifth:** Finance projects that address the gaps that fall between the powers of ministries.  **Sixth:** Attracting and mobilizing the financial mass that exists in the private sector which looking for investment outlets to employ it in strategic, environmental, and service projects.  **Seventh:** Creating job opportunities through the investment projects offered by the Fund.  **Eighth:** Developing human capital and skills to be compatible with the requirements of entrepreneurship and the labor market. | **Article 3**  The Fund shall invest its funds, both in cash and in kind, in accordance with the best standards to achieve returns that serve the public interest, contribute to supporting economic development in the Kingdom, diversify its sources of income, and take into account the interests of future generations. | **Article 4**  The Fund is the sole entity responsible for investing and reinvesting funds allocated for investment by the Council of Ministers for this purpose. The Fund shall invest and reinvest these funds on behalf of the Federal Government in an efficient manner to achieve rewarding investment returns to contribute to providing the financial revenues necessary to support the Federal Government's budget. In order to achieve this, the Fund shall perform the following:  Contribute to the formulation and coordination of the investment policy for the Federal Government's reserve money in a manner that ensures the achievement of rewarding investment returns.  Hold, on behalf of the Federal Government, the funds allocated for investment, manage them, invest them, collect the resulting return, and reinvest them in accordance with the provisions stipulated in this law.  Represent the Federal Government in investment projects and investment funds that are established between the State and foreign public or private legal persons based on a decision of the Council of Ministers.  Provide technical and administrative support to the competent Federal Government agencies for negotiating with foreign governments for the purpose of concluding international agreements to avoid double taxation, free trade, investment promotion and protection, or other agreements related to investment activities between the State and other countries. | Achieving the highest possible return after costs with an acceptable level of risk |
| **Structural** | **Article 1**  **First:** The Iraq Development Fund is affiliated with the Cabinet and has a legal personality and financial and administrative independence.  **Article 5**  **First:** The Board of Directors of the Fund shall be the supreme authority of the Fund.  **Second:** The Fund shall have a Board of Directors consisting of seven (7) members:  • The Prime Minister, Chairman.  • Three (3) members from government agencies, who shall be nominated by the Prime Minister and approved by the Cabinet for three (3) years, renewable for one time only.  • Three (3) members representing the private sector, who shall be nominated by the Prime Minister and approved by the Cabinet for three (3) years, not renewable.  **Third:** The Executive Director shall be the secretary of the Board of Directors and shall keep the records that record the meetings, discussions, and decisions of the Board.  **Fourth:** The Board of Directors of the Fund shall elect a Vice Chairman of the Board from among the members representing the private sector at the first session of the Board. | **Article 2**: The Fund is organized under the Council of Economic and Development Affairs and has a public legal personality and has a financial and administrative independence.  **Article 5:** The Fund shall have a board of directors chaired by the Chairman of the Council of Economic and Development Affairs, and membership of the Governor and at least four other members with experience and expertise, provided that they include representatives of the designated authorities, appointed by a royal decree, and their term of office shall be five years renewable. | This agency is established as a public authority that is directly affiliated with the Council of Ministers. It has independent legal personality and the legal capacity necessary to exercise its powers as stipulated in this decree-law. In accordance with the provisions of Article 5, the agency has a board of directors consisting of a minimum of five and a maximum of seven members, including the president and vice president, who are qualified academically or have practical experience in various fields of investment management of funds and assets. Their appointment is made by a decision of the Council of Ministers, which determines their financial rewards. The term of office is three years and is automatically renewed for additional periods of up to one year. | The Norges Bank is responsible for the operational management of the fund under an administrative delegation stipulated by the Ministry of Finance and is linked to the ministry and the Norwegian Parliament. The Bank's Executive Board is responsible for the implementation plan of the management mission. |
| **voting** | **Article 6**  **First:** The Board of Directors shall meet once a month or whenever necessary, at the invitation of the Chairman of the Board. A quorum shall be deemed to be present with the attendance of four (4) members in addition to the Chairman of the Board.  **Second:** The Chairman of the Board may invite whoever he deems appropriate to attend the meetings of the Board without the right to vote.  **Third:** Decisions of the Board shall be issued by a majority of the votes of those present. In case of equality of votes, the side with which the Chairman voted shall prevail. | **Article 8:** Meetings are convened by the chairman of the board, and the voting rules apply whether during meetings or by submitting them to the board members separately. In all cases, the board shall meet at least once every (90) days. | **Article 8:** No member of the board of directors may vote on any matter submitted to the board for a vote if he or she has a direct or indirect interest in the matter. In the event of such an interest, the member must disclose it to the board in writing as soon as possible.  **Article 10:**  1- The board of directors shall hold regular meetings at least once every three months. The chairman of the board of directors or his/her deputy has the right to call additional meetings of the board of directors as needed.  4- The meetings of the board of directors shall be decided by an absolute majority of the votes of those present. In the event of a tie, the side of the chairman of the meeting shall prevail. | The fund leaves most decisions to its board of directors and management.  Meetings between the ministry and the Norwegian Bank are held at least quarterly, and are convened by invitation from the ministry. The ministry is responsible for preparing the agenda and identifying the data and information that must be provided as a basis for the ministry's preparations for meetings, as well as the form and timing of their submission. The chairman of the audit committee of the Executive Board attends the meetings, as well as any other external member summoned by the ministry. |
| **Fund Resources** | **Article 12**  The Fund's resources consist of the following:  **First:** What is allocated to it from the federal budget of the Republic of Iraq.  **Second:** Aid, grants, and financial and in-kind donations provided by countries, organizations, and local and international personalities.  **Third:** Internal and external loans.  **Fourth:** Any other sources stipulated by the laws and regulations in force. | **Article 20, Second:**  1- The returns generated from its assets and investments.  2- The cash and in-kind contributions made to it by the state.  3- The funds it borrows. | The total amount of money owned by the federal government, which is entrusted to the agency to receive and manage for the purposes of its investment, its investment returns, and the reinvestment of those funds in accordance with the provisions stipulated in this decree-law. | The amounts generated from oil sales since its discovery in 1969. |
| **Fund Projects (Strategies)** | **Article 13**  **First:** The Fund may enter into projects that differ in their returns, as follows:   * 1. Social or service projects that are not for profit and aim to recover the capital without profits.   2. Balanced, social and profitable projects that do not aim to achieve the highest profits at the expense of the social impact, but rather take into consideration the balance between the social and commercial impact.   3. Commercial profit projects.   **Second:** The Fund is committed to adopting and implementing international standards, best practices, governance, conflict of interest procedures, transparency, and compliance. | **Article 27:**  **First:** The fund may conclude contracts and agreements inside or outside the Kingdom in a language other than Arabic, according to the needs of work and the interests of the fund.  **Second:** The contracts and agreements of the fund are subject to the laws of the Kingdom, except for those that the interests of the fund require to be subject to the jurisdiction of foreign courts or arbitration, in accordance with the internal rules and policies. | **Article 4**  **Fifth:** To contribute with the competent authorities in the State in the formulation of economic development strategies and programs.  **Sixth:** To support educational, training, and developmental research activities related to the activities of the Institution, including the establishment of institutes specialized in investment operations, the dispatch of educational missions for undergraduate, postgraduate, or specialized studies related to the purposes and activities of the Institution, and the follow-up of their training and employment with the Institution or with other financial and investment institutions in the State, in coordination with other competent authorities.  **Seventh:** To invest and reinvest in any property, rights, or assets, whether material, immaterial, or mixed, including, for example, but not limited to, all types of shares, bonds, financial and commercial papers and securities, foreign currencies, precious metals, goods and commodities, futures contracts, minerals, and all other materials, goods, and documents that are eligible for investment. | The fund invests in financial instruments, real estate, renewable energy infrastructure, and cash deposits through the investment portfolio, as follows:  1- Investment in stocks: The fund's index represents 70% of stocks.  2- Investment in fixed income: The fund's index represents 30% of fixed income.  3- Investment in real assets: Which includes real estate, infrastructure, and renewable energy. |
| **Regulatory Authority** | **Article 14**  **Third:** The Fund's accounts shall be subject to the supervision and audit of the Federal Audit Office in addition to the audit of one of the international auditing firms. The audit results shall be published on the Fund's website | **Article 23:** The Fund is organized under the Council of Economic and Development Affairs, in accordance with the provisions of **Article (2)** of the regulation. Pursuant to **Article (25),** after reviewing the report prepared by the Fund, the Council may direct the Fund to take any action it deems appropriate. **Article (23)** also specifies that there are supervisory entities that have the right to review the Fund's operations and accounts, but the regulation did not name those supervisory entities. | According to **Article (7)** and in accordance with the provisions of paragraphs (1) and (2), the Council of Ministers shall be responsible for evaluating the investment performance of the Institution, especially its ability to achieve attractive investment returns. It shall also be responsible for monitoring the Institution's compliance with the regulatory standards and controls set forth in **Article 6 (1)** of this decree-law. | The fund is subject to the supervision of the Norwegian Ministry of Finance, which is officially responsible for managing the fund, and to the supervision of the Norwegian Parliament.  The Executive Council sets a set of principles for responsible management of the investment portfolio, which must be submitted to the Ministry of Finance at least 3 weeks before they are adopted.  In addition, the ministry must be informed of any developments or material changes in the investment portfolio. |

**Third: Conclusions**

* The regulation of the Iraq Development Fund No. 3 of 2023, issued by a decision of the Cabinet No. (23405) of 2023, was issued based on the provisions of **Article 42** of the General Budget Law for the Year 2023, which stated: "A fund shall be established called (the Iraq Fund for Development) to improve the attractive investment environment and launch sustainable economic and social development with a capital of (1,000,000,000,000) (one trillion dinars), taking into consideration population representation in the governorates that are not organized into a region, it is linked to the Cabinet and has a legal personality and financial and administrative independence, and specialized funds branch out from it that have a legal personality and financial and administrative independence, and their formations and tasks are organized by a regulation issued by the Cabinet".

In view of the importance of the work of the Iraq Fund, it is necessary to issue an independent law that defines the details of the Fund and passes through the legislative process necessary for its issuance in accordance with the Constitution, and that it is not stipulated to be established by a legal provision and for a limited period in accordance with the General Budget Law for the year 2023, which is a law of a temporary nature and is valid by the validity of the budget law. It is possible to issue a new budget law that amends, repeals, suspends, or copies the legal provisions of the previous budget law, and that what is stipulated in **Article (43)** of the General Budget Law for the Year 2023 is the evidence of the validity of what we have stated. **Therefore, we propose to enact an independent law that passes through the legislative process necessary for its issuance and grants it the legal force necessary for its validity permanently.**

* The Iraq Development Fund exercises its duties stipulated in **Article (3)** of the regulation, which are to invest in projects that address economic, environmental, and social crises, or through the establishment of companies or funds, or investing in securities, obtaining credit facilities, issuing bonds and financing certificates, and other financial instruments. We note that the Emirates Investment Authority has expanded on the mention of the activities that the Fund can work within, in a way that ensures the maximum possible range of activities and in a way that benefits the economic life and the Fund with the public benefit within the standards of comprehensive and sustainable development.
* The regulation of the Iraq Development Fund did not refer to the fate of the returns and profits generated from those investment projects and the work necessary to implement the project's objectives, and whether they enter the Fund's resources in accordance with the provisions of **Article (12)** of the regulation or are returned to the General Treasury of the Iraqi State. With the presentation that there are similar legislations and successful experiences of other countries that have addressed and, through specific mechanisms, the fate of the returns and profits generated from investment projects and the necessary way to reinvest them in a way that develops the investment capital and expands its circle, thus increasing returns and profits. The Norwegian Sovereign Fund has listed financing the government's deficit by no more than **20%** of the Fund's profits.

Therefore, we propose to include a paragraph that defines the fate of those returns and profits and the maximum percentage of the amounts allowed to be withdrawn from the Fund's profits, provided that this does not affect the assets or capital and is secured by clear legal provisions and included in the paragraphs on the Fund's resources mentioned in **Article (12)** of the regulation and taking advantage of the similar provisions contained in the law (Norwegian Development Fund).

* The **paragraph (a) of Article 13** states: "First: The Fund may enter into projects that differ in their return and as follows: (a) Social or service projects that are not profitable and target the recovery of capital without profits."

The content of that paragraph conflict with the objectives of the Fund, which are to improve the attractive investment environment and develop resources through financing investment projects, as stipulated in **Article (3)** of the regulation. In our view, an attractive investment environment cannot be achieved unless there are clear profits. We propose to amend the aforementioned text for its conflict with the reasons and objectives that led to the issuance of this regulation.

**Sources:**

1- Regulation of the Iraq Development Fund No. 3 of 2023, Iraqi gazette, Issue No. 4731, 7August 2023.

2- Emirates Investment Authority, Federal Decree-Law No. 4 of 2007.

3- Saudi Public Investment Fund, Royal Decree No. (M/24).

4- Norwegian Government Pension Fund Global.

https://www.nbim.no/en/responsible-investment/position-papers