

**Sovereign funds and their investment and
development role**

**In light of the Santiago Principles and Egyptian
Law No .177 of the year 2018**

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An introduction

Many countries of the world witnessed the phenomenon of establishing sovereign funds as one of the unconventional solutions to maximize the use of their financial resources, wealth and untapped assets, using advanced investment strategies.

Sovereign wealth funds were established for the first time in the Arab countries in the fifties of the last century, in 1953 in Kuwait, but they have witnessed great development and growth during the last twenty years .Most of the sovereign wealth funds in the world were established in the past few years .

In an unprecedented development, sovereign wealth funds are gaining a great and increasing importance in the international monetary and financial system, due to their impact on financial stability and capital flows all over the world, i.e. avoiding falling into financial crises that represent severe turmoil. Sovereign wealth funds played a major role in limiting the effects of financial crises and setbacks in global financial markets in recent times.

Following the rapid spread of sovereign wealth funds, in 2008 the Santiago Principles for the Work of Sovereign Funds in the world were issued .These principles represent the compass for the management of sovereign funds, as they include the general

framework for the working mechanisms of the funds, whether for their owners from countries and governments or from countries hosting investments.

Egypt has been very late in establishing sovereign funds, as Law No. 177 of 2018 ,amended by Law 197 of 2020, was issued to establish the Egypt Sovereign Fund, which is the first sovereign fund to be established in Egypt. This contributes to creating more investment opportunities ,pumping capital into the national economy, increasing the volume of domestic product, providing employment opportunities, and treating imbalances in the public budget and balance of payments, as well as benefiting from the expertise of international, regional and local companies.

Search objective

The research aims to identify the concept of sovereign funds, identify the principles of Santiago for the work of sovereign funds, and identify the legal system of sovereign funds in the Egyptian legislation in accordance with the provisions of Law No. 177 of 2018 amended by Law No .197 of 2020, and the extent of its compatibility with the principles of Santiago, in an attempt to reach the best Mechanisms that enable Egypt to maximize the use of its untapped property and assets, in order to achieve investment activation, accelerate economic

development rates ,and preserve the rights of future generations.

Research importance

Sovereign funds are of great importance to the countries of the world in general and Egypt in particular, because they have an important investment and development role, and are working to increase the volume and diversity of investments inside and outside the country. Establishing new entities of financial institutions that are able to attract more productive investments and that achieve the goals of countries and investors.

Forms of search

The problem of the research is to activate the role of sovereign investment and development funds in the light of the principles of Santiago and to determine the extent to which Egyptian Law No. 177 of 2018 amended by Law No. 197 of 2020 establishing the Sovereign Fund of Egypt is compatible with the principles of Santiago, and to work to highlight the points of agreement and difference between Egyptian law and the principles of Santiago, and to benefit From the experiences of successful sovereign funds .

Research Methodology

The study relies on the inductive and deductive scientific method and the comparative and applied approach, with the aim of evaluating the Egyptian law for the establishment of the Sovereign Fund of Egypt and its compatibility with the Santiago principles for the work of sovereign funds, and benefiting from the experiences of successful sovereign funds, and how these funds were able to confront the global financial crisis and mitigate its effects on the economies of Countries.

Search Plan

We will address this research through the following plan:

The first topic: What are sovereign funds?

The second topic: Santiago principles for the work of sovereign funds.

The third topic: the legal system of Egypt's sovereign fund.

The fourth topic :the current reality of Egypt's sovereign fund and its compatibility with the principles of Santiago.

The first topic

What are sovereign funds

Booting and partitioning:

The development of the global financial system has witnessed many unconventional mechanisms and tools that are consistent with the nature of development. The most prominent of these developments is the emergence of funds known as "sovereign wealth funds, which are funds whose mission lies in the management and management of the various wealth and financial reserves of countries ,where countries establish these funds for economic purposes, They are government funds owned by the state and consist of financial assets that are financed by the state's financial surpluses .

We will study this research in two cases, as follows:

The first requirement: the concept of sovereign funds, their characteristics and types.

The second requirement: Sovereign funds and their investment and development role.

The first requirement

The concept of sovereign funds, their characteristics and types.

First: Defining Sovereign Funds: The increasing interest in sovereign funds at the global level because of their important role in achieving the

investment, economic and financial goals of countries, achieving financial stability and maximizing the return on investments in the property, assets and wealth of countries ⁽¹⁾.

Sovereign funds are one of the most important new financial tools for saving and investment that many countries of the world have known, especially during the past few decades. Countries and international organizations have been interested in sovereign funds, and many definitions of sovereign funds have emerged. We can refer to the most important of them:

1– Definition of the Institute of Sovereign Wealth Funds ⁽²⁾:

The Sovereign Fund is a government investment fund consisting of financial assets such as stocks, bonds and other financial instruments, knowing that the fund's resources consist of (the balance of payments surplus, the budget, the outcomes of privatization processes, or the revenues of commodity exports). According to this definition, the sovereign wealth fund does not include government pension funds and state-owned economic companies, in addition to the exchange reserves that are managed by the monetary authorities and used to achieve the objectives of monetary policy.

2– Definition of the International Monetary Fund ⁽³⁾: He defined them as public investment funds. These funds are characterized by three main advantages: (1) Sovereign wealth funds owned or

1) Dr. Sayed Taha Badawi, Sovereign Wealth Funds and their Role in Achieving Economic Development in the Arab Countries, Journal of the Union of Arab Universities for Legal Studies and Research, Issue Three and Three, April 2013, p

2) Giorgio Grasso, Constitutionalism and wealth funds, 17 Global jurist, 2017, p12.

3) International Monetary Fund, WWW.IMF.ORG IMF.

controlled by the state (2) These funds run financial assets in the long term (3) This investment policy aims The funds aim to achieve specific goals such as: savings for future generations, diversifying the gross domestic product, and also aiming to achieve economic balance .

3– The definition of the Organization for Economic Cooperation and Development (OECD) ⁽¹⁾ : Sovereign wealth funds are about a group of financial assets owned and managed directly or indirectly by the government to achieve national goals, either with foreign exchange reserves, exports of natural resources, state public revenues, or any other income .

4– The definition of the US Treasury ⁽²⁾: Sovereign wealth funds are defined as government investment funds that are financed from the foreign currency reserves of the owning countries, but separately from the foreign currency reserves and aim to profit through the acquisition of shares in the shares of foreign companies .Sovereign funds are distinguished from other stock market instruments by the low risks that the fund may be exposed to due to the diversity and ease of liquidating the value of the instruments according to the market movement. Sovereign wealth funds are distinguished from other financial institutions in the country in terms of :

1– It is distinguished from the Central Bank in terms of its objectives, as it seeks to invest, not to manage the state's monetary and Egyptian policy .

1) Hassan Hegazy, A New Power in the Global Economy: Sovereign Wealth Funds After the Global Financial Crisis, International Policy Journal, No. 184, Volume 46, April 2011, p. 154 and beyond.

2) David Freeman Jr., U.S .Financial Regulation of Sovereign Wealth Funds, 52 wake forest L. rev, 2019, p10.

- 2- They are distinguished from public pension funds in terms of the method of obtaining their resources, in addition to the fact that sovereign wealth funds aim to finance future generations .
- 3- It is also distinguished from public institutions, as the latter takes the form of commercial institutions subject to commercial law. Sovereign wealth funds are investment funds. Public institutions are mainly engaged in the production of goods and services, while sovereign wealth funds invest in financial assets.

We can conclude by defining sovereign wealth funds as an investment legal entity that is established and financed by states, by aggregating the wealth and financial reserves of the state in one entity and managing them through a specialized technical department to achieve the economic and financial goals of the state, encouraging and activating investments and directing them to areas that achieve maximization Return on investment of state assets.

Second: the emergence of sovereign funds the origin of sovereign funds dates back to a long period of time, but its importance has emerged in the other two decades following the success achieved by the funds in facing the global financial crises and reducing the negative effects of these crises. The Scots invented closed-end funds⁽¹⁾ or investment companies with capital. The firm was established in 1870, and sovereign wealth funds were established in England in 1870, and at a later stage, sovereign funds were established in the United States of America in 1924, and then spread after that.

1) Youssef Ibrahim Al-Khunaizi Youssef, The Banking System and Supporting Economic Reform Policies in Egypt, Ph.D. Thesis, Faculty of Law, Tanta University, undated, p. 485.

Funds opened in the United States of America since 1941, and were known as "Mutual Funds or Investment Funds ⁽¹⁾".

Then sovereign funds spread in the rest of the European countries, where France knew these funds in 1945, and in Germany in 1950, and after the establishment of the European Union there was a law governing the work of investment funds for the countries of united Europe, and these funds were able to acquire the shares of giant institutions such as Morgan Stanley, Bersetzen, and Merrill Lynch, Citigroup ⁽²⁾.

In the Arab countries, sovereign funds were known for the first time in the State of Kuwait, where the government of the State of Kuwait established the first sovereign fund in 1953, and the Kuwait Investment Council was established following the achievement of financial abundance from the increase in oil production rates. The establishment of a sovereign fund in the State of Kuwait is due to a directive from the British government to find a mechanism through which Kuwaiti capital can be directed towards investments in the British markets and stimulate the movement of the economy there. The British government was keen to provide many incentives for these investments, the most important of which were tax exemptions ⁽³⁾. Egypt defined sovereign funds for the first time under Law No. 177 of 2018 amended by Law No. 197 of 2020 regarding the establishment of the Egypt Fund.

Third, the characteristics of sovereign funds Sovereign funds are characterized by a number of characteristics that distinguish them from

1) Nashat Abdel Aziz Moawad, Stock Exchanges and Investment Funds, Al-Ahram Al-Eqtisadi Book, No. 76, pg. 7.

2) Sovereign Wealth Fund, article published on the website, Wikipedia, the free encyclopedia p.1, dated 23/4/2020.

3) Chijioke-oforji, assessing the effectiveness of sovereign wealth fund governance and- regulation through the Santiago principle and international forum of sovereign wealth funds .disc, city university of London, 2019, p9.

other investment tools, and the most important characteristics of sovereign funds can be summarized as follows ⁽¹⁾ :

- 1- Sovereign funds have a special legal nature, and this is evident from Egyptian Law No. 177 of 2018 amended by Law No. 197 of 2020 regarding the establishment of the Egypt Fund, where the second article of it stipulates that (Egypt's Sovereign Fund for Investment and Development has an independent legal personality), and it is considered money The fund is a private property of the state (Article V .(The Fund, its subsidiary funds, and the companies established by the Fund or participating in its establishment are considered private law persons, regardless of the percentage of the state, the public sector or the business sector's contribution to them, and none of them are bound by government rules and regulations (Article Fourteen)

In the State of Kuwait, the second article of the Kuwait Investment Authority Law No. 47 of 1982 stipulates that (the purpose of the authority is for the government of Kuwait and for its account to manage the investment of the state's reserve money, the money allocated to the reserve for future generations, and other funds entrusted by the Minister of Finance to the General Authority for its management .

- 2- The funds of the Sovereign Fund shall be owned by the state and shall be managed by the state, and since the state in its management is the owner of sovereignty, and then it is subject to the provisions of public law, and this was confirmed by the Egyptian Court of Cassation, where the funds of the Public Authority for the Investment of Arab and Foreign Money were considered public funds, considering that their allocation to this It

1) Egyptian Law No. 177 of 2018 amended by Law No. 197 of 2020 .Also Kuwaiti Law No. 47 of 1982 regarding the Kuwait Investment Authority.

is a public benefit, which is to achieve the goals of economic and social development Within the framework of the state's general policy and national plan, which is the aim of issuing Law No. 43 of 1974 regarding the investment of Arab and foreign money and free zones, and accordingly, it is not permissible to dispose of state-owned properties allocated by the General Investment Authority except for the purpose of a temporary license, and the relationship between that authority or The board of directors of the free zone is subject to the provisions of the general law, and any disputes arising from it fall under the jurisdiction of the administrative judiciary ⁽¹⁾ .

- 3- Sovereign funds aim to employ and manage their funds in investment fields, and the funds invest their funds for the purposes of achieving sustainable economic development, through the management of their funds and assets or the funds and assets of entities, entities, and companies owned by the state, affiliated with it, or to which it contributes and which the fund is entrusted with its management in accordance with. To the controls stipulated in the statute, and to achieve the optimum utilization of those funds and assets in accordance with the best international standards and rules in order to maximize their value for the sake of future generations. In order to achieve its objectives, the Fund may cooperate and participate with Arab and foreign counterpart funds and various financial institutions ⁽²⁾

1) Law No. 43 of 1974 regarding the investment of Arab and foreign money and free zones.

2) See Articles 3.7 of Law No. 177 of 2018.

Fourth: Types of Sovereign Funds: The International Monetary Fund is interested in sovereign funds because of their great importance in achieving the goals and stability of countries. The IMF reports that there are five types of these funds according to their basic objectives, which are as follows ⁽¹⁾:

- 1– Stabilization and stabilization funds: This fund aims to protect countries' budgets and economies from fluctuations in the prices of export commodities that are important to the countries that own the fund (such as petroleum). Economic and Social" which was established in 1980 from the revenues of copper exports, and its assets amounted to a total value of 22 billion dollars, and this fund contributed to financing the financial deficit of the state .
- 2– Future Generations Funds: This fund aims to support the government's program to revitalize the local economy. It also aims to save the resources of future generations on the one hand, and transform depleted assets into a more diversified portfolio of assets on the other hand .
- 3– Development funds: They aim to achieve economic development, by improving the market value of the portfolio that makes up the fund. Therefore, this type of funds includes ordinary shares of enterprises affiliated with industries characterized by a high degree of growth, and perhaps even certain enterprises within those industries. Its records show a steady growth in sales, and in retained earnings whose effects are reflected on the market value of the share, that is, on the growth of the invested money, and the reinvestment of

1) Liang, Hao, and Luc Renneboog, "The global sustainability footprint of sovereign wealth funds. Oxford Review of Economic Policy, 2020, p23.

the retained earnings, which generates more profits that are reinvested again .

4– Emergency pension reserve funds: They aim to invest the money deposited by citizens in investment fields that enable the realization of revenues and then increase the amount of money retained in the fund .

5– Reserve investment institutions: They aim to increase the return on reserve assets, which leads to accelerating the economic development rates of the country.

The second

Requirement Sovereign funds and their investment and development role

Sovereign funds play an important role in achieving development by maximizing the return on investment from the assets owned by the fund. A study of the investments of governments and sovereign funds in its latest report, issued in January 2021 ⁽¹⁾.

.In fact, sovereign wealth funds are important in that they have become an effective positive indicator in the global financial system because of their role in limiting the negative effects of global crises on the economies of countries, but also working to treat the deficit and imbalance in the general budget of countries .Sovereign funds would also enable countries to diversify investments outside national economies, maximize returns on investments, and ensure

1) Sovereign Wealth Fund Institute report issued in January 2021.

the preservation and development of wealth for future generations. Ali stabilized the global system ⁽¹⁾.

First: The role of sovereign funds in development in the countries that own the funds Sovereign funds invest their money in many projects that can maximize the national product in the countries that own them by contributing to the reform of structural imbalances in the productive sectors, which would

Maximizing returns, increasing productivity, creating new job opportunities, and remedying balance of payments imbalances by contributing to the policy of substituting local products for imports, and even exporting the surplus to other countries. Sovereign funds also work to help global markets in times of economic crises .

The role of sovereign funds in the field of development highlights the following :

- 1**– Maximizing the reserves of the countries that own them, and increasing the amount of wealth allocated for the benefit of future generations, especially with regard to countries that have primary resources that are depleting such as oil in relation to the countries of the Arab Gulf .
- 2**– Diversifying the sources of domestic product by establishing new activities, (for example, the Abu Dhabi and Dubai funds, which developed the tourism sector, leisure industries and many other

1) Statistical Center for the Arab Gulf Cooperation Council (GCC Foreign Trade Statistics in 2011-2014) Second Issue, July 2016, p. 20.

industries), and then creating permanent and organized resources for the countries that own them .

- 3– Remedying the public budget deficit through what it achieves of permanent and regular revenues far from the revenues of raw materials that are depleting .
- 4– Achieving economic stability in the countries that own sovereign funds through diversifying investment revenues.

Second: The role of sovereign funds in the development of the economies of the host countries ⁽¹⁾ :

- 1– Sovereign funds contribute to the development of the economies of the host countries through the funds' entry into many types of investments (direct and indirect) and financing sectors and industries in the host countries.
- 2– Providing facilities for faltering projects in the host countries to enable them to develop their structures, get out of their stumble, increase production rates, increase job opportunities, and then address public budget imbalances and balance of payments imbalances .
- 3– Achieving economic stability in the host countries and enabling them to face financial crises and reduce potential negative effects .
- 4– Activating the concept of global economic integration through the establishment of joint projects between countries and the realization of their interests .

1) Previous reference, p. 22.

Third: The role of sovereign funds in global financial crises :

Sovereign funds play an important and effective role during global financial crises, and there is no evidence for this when the global economy was exposed to a severe financial crisis in 2008, the crisis known as the mortgage crisis, which affected various countries of the world and the global financial system .Sovereign funds have contributed to limiting the repercussions of the global financial crisis by contributing to the recapitalization of international banks during the global financial crisis, and the recapitalization of many troubled financial institutions .In addition, sovereign funds injected investments in infrastructure projects, supported budgets, and prevented local markets from collapsing. Huge investments were also pumped into countries affected by the global financial crisis .It is worth noting that during the financial crisis in 2008, many large banks in the world refrained from lending or raising interest rates, which made sovereign funds increase and tend to invest in real estate, energy, major industrial institutions, as well as banks, after they concentrated their investments in the field of financial markets only, in order to reduce The effects of the global financial crisis, which contributed to the stability of the global financial system within a small period of time ⁽¹⁾.

Statistics indicate that sovereign funds injected investments amounting to more than 85 billion dollars during 2007/2008 in

1) The global crisis (grabbing opportunities) for the Gulf sovereign funds, the International Monetary Fund, an article published on April 23, 2011 on the website <http://www.Argaam.com> | portal | content | Article detail .Aspx articleid=167714.

assisting and financing various financial institutions in developed countries as a result of the repercussions of the global financial crisis that started in the United States of America and then spread to various countries of the world.

Sovereign funds dealt with integrity alone and did not take advantage of the opportunity for assets deterioration in the industrialized countries, and many sovereign funds directed their money towards employing them with the least risk or transferring them to their local markets due to the poor performance in the industrial countries on the one hand and the increasing financing needs in their countries of origin due to the crisis on the one hand another .

Arab sovereign funds such as (Qatar–Kuwait) and the Russia Fund have had an important role in supporting its local financial markets, and this is what prompted many countries and international organizations to pay attention to sovereign funds as one of the mechanisms for facing global financial crises.

The second topic

Santiago principles for the work of sovereign funds

Booting and partitioning:

In this topic, we will discuss the reasons for establishing the principles of Santiago, and identifying and analyzing these principles so that an analytical study of the principles of Santiago becomes clear to identify their feasibility in practice, in two demands as follows:

The first requirement: the reasons for establishing the principles of Santiago.

The second requirement: an analytical study of the principles of Santiago.

The first requirement

Reasons for establishing the Santiago

Principles As a result of the tendency of many countries to establish sovereign funds, doctrinal, legal and economic trends have emerged calling for the necessity of establishing a regulatory framework for the work of sovereign funds, and accordingly the International Working Group of Sovereign Wealth Funds was established in a meeting held in Washington, DC on April 30 and May 1, 2008 with the membership of representatives Countries that manage sovereign wealth funds, and it was agreed that the group

would begin its work with a contribution from the International Monetary Fund ⁽¹⁾ .

The International Working Group consisted of 26 member countries of the International Monetary Fund, which have sovereign wealth funds, and the group held three meetings

The capital, Washington, Singapore and Santiago (Chile) – to define a set of recognized principles and practices and formulate them in a manner that reflects an honest picture of their practices and investment objectives, and its members agreed on the principles of Santiago in the third meeting .Santiago principles: They are also called Generally Accepted and Practices GAPP, which are standardized procedures and standards related to the nature of work and objectives of sovereign wealth funds and define a framework that accurately expresses the requirements of transparency, disclosure, governance, accountability and risk management, if given the importance of these funds In the global economy, it was necessary to deny the suspicion of political agendas about them in front of the host countries for their investments and to prove that their arrangements are established on a sound basis and that their dimensions are no more than economic and financial .After several meetings, the last of which was in Santiago, Chile, the International Working Group, consisting of 26 member countries of the International Monetary Fund that

1) Chijioke-Oforji, Chijioke. Assessing the effectiveness of sovereign wealth fund governance and regulation through the Santiago principles and international forum of sovereign wealth funds. Diss. City, University of London, 2019, p35.

enjoys a sovereign fund, came out with 24 principles that clearly reflect the practices and objectives of these funds, called the Santiago Principles or the accepted principles and practices. These principles cover three main areas¹⁾ ⁰ .

1– The legal framework, objectives, and coordination with macroeconomic policies .

2– Institutional framework and governance structure .

3– Investment and risk management framework .In fact, members of the International Working Group apply or intend to apply the following principles and practices on a voluntary basis, subject to the application of each including the requirements of the country laws and regulations, and this poverty represents an inconsistent part of the principles and practices.

1) Ibid, 4.

The second requirement

Analytical study of the principles of Santiago

We first review the texts of the Santiago Principles, and then discuss these principles with analysis and study.

First: the principles of Santiago

Principle 1 :The legal framework on which the sovereign wealth fund is based shall be sound and supportive of its effective operation and the achievement of its stated objectives .

Sub-principle 1.1: The legal framework ensures the integrity of the SWF's legal status and transactions.

Sub-principle 2-1 :The most important specifications of the basis and legal structure of the Sovereign Wealth Fund, as well as the relationship between each fund and other state entities, shall be publicly disclosed.

Principle 2: The policy objective of establishing the SWF is clearly defined and publicly disclosed .

Principle 3 :Where SWF activities have significant direct domestic and structural economic implications, such activities shall be fully coordinated with local fiscal and monetary authorities, in order to ensure consistency with overall macroeconomic policies .

Principle 4 :Establish clear and publicized policies, rules, procedures, or arrangements regarding the general approach of

the Sovereign Wealth Fund regarding financing, withdrawals and spending operations.

Sub-principle 4-1: The source of funding for the sovereign wealth fund shall be publicly disclosed.

Sub-principle 4-2 :The general method for withdrawing funds from the Sovereign Wealth Fund and spending from it on behalf of the government shall be publicly disclosed.

Principle 5 :Statistical data relevant to the SWF is reported to the owner on a daily basis or made available for inclusion in the appropriate place with macroeconomic data sets as appropriate.

Principle 6 :The Sovereign Wealth Fund operates within a sound governance framework that defines a clear and effective division of roles and responsibilities in a manner that facilitates accountability and operational independence in managing the fund in pursuit of its objectives.

Principle 7 :The owner determines the objectives of the sovereign wealth fund ,appoints members of its governing body according to clearly defined procedures, and exercises supervision over its operations.

Principle 8 :The governing body works in the interests of the sovereign wealth fund and is assigned a clearly defined mission and is given sufficient authority and jurisdiction to perform its functions.

Principle 9 :The Sovereign Wealth Fund's operational management team undertakes the implementation of the strategy independently and within the framework of clearly defined responsibilities.

Principle 10 :The accountability framework for SWF operations is clearly defined by stipulation in relevant legislation, charter or other founding document or management agreement.

Principle 11 :An annual report is prepared, accompanied by financial statements ,on the operations of the Sovereign Wealth Fund and how it is performed ,on time and in accordance with the applicable international or national accounting standards and taking into account human requirements.

Principle 12 :Sovereign wealth fund operations and financial statements are subject to annual audit in accordance with applicable international or national accounting standards.

Principle 13 :The professional and ethical standards that are required are clearly defined and noted by the members of the governing body of the SWF, its management and staff.

Principle 14 :Dealing with third parties for the purpose of managing the operations of the Sovereign Wealth Fund is based on economic and financial bases, taking into account clear rules and procedures.

Principle 15 :The operations and activities of the Sovereign Wealth Fund in the host countries shall be managed in accordance with

the regulatory and disclosure requirements in force in the countries in which it operates.

Principle 16 :The governance framework and objectives, as well as how the sovereign wealth fund is managed, shall be publicly disclosed on the basis of operational independence from the owner.

Principle 17 :The financial information related to the Sovereign Wealth Fund shall be publicly disclosed to clarify its economic and financial orientation, so that it can contribute to the stability of international financial markets and enhance confidence in the countries receiving its investments.

Principle 18 :The investment policy of the Sovereign Wealth Fund is characterized by clarity and consistency with its specific objectives, the risks to which it is exposed, and its investment strategy, as determined by the owner or governing body, and is based on sound principles of portfolio management.

Sub-principle 18-1 :The sovereign wealth fund is guided by its investment policy in regulating the extent of its exposure to financial risks and the possibility of using it for financial leverage.

Sub-principle 18-2 :The investment policy deals with the extent of the possibility of using internal and/or external managers for investment, the types of their activities, and the nature of the authority granted to them, and the process followed in selecting them and monitoring their performance.

Sub-article 18-3: A description of the investment policy approved by the Sovereign Wealth Fund shall be publicly disclosed.

Principle 19 :The investment decisions taken by the Sovereign Wealth Fund aim at maximizing the risk-adjusted financial return in line with its investment policy and based on economic and financial bases.

Sub-principle 19-1 :If investment decisions are subject to considerations other than economic and financial considerations, these considerations are clearly stated within the investment policy and are publicly disclosed.

Sub-principle 19-2 :The assets of the sovereign wealth fund shall be managed according to the sound and generally accepted method in the field of asset management.

Principle 20 :The Sovereign Wealth Fund may not seek to learn confidential information or gain influence through governance in its broadest sense ,or use such information or influence in competition with private entities.

Principle 21 :The Sovereign Wealth Fund considers shareholders' equity as an essential component of the value of its assets investments, and if it chooses to exercise its equity, it must do so in a manner consistent with its investment policy and protects the financial value of its investments .The Sovereign Wealth Fund publicly discloses its general approach to shares granting voting

rights in entities listed on the stock exchange, including the main factors guiding its exercise of equity.

Principle 22: The SWF is based on a framework that defines, assesses and manages the risks of its operations.

Sub-principle 22-1 :The risk management framework includes documented information and timely data reporting systems, allowing relevant risks to be monitored and managed under acceptable information and levels, control mechanisms , incentives, codes of conduct, business continuity planning and an independent audit function.

Sub-principle 22-2: The general approach adopted for the risk management framework shall be publicly disclosed.

Sub-principle 23 :The assets of the sovereign wealth fund and its investment performance (whether on an absolute basis or compared to standard criteria, if any) are measured and reported to its owner according to clearly defined principles and criteria.

Principle 24 :The Sovereign Wealth Fund, directly or through a party acting on its behalf, shall conduct a regular review process for the application of generally accepted principles and practices.

Second: An analytical study of the principles of Santiago

Examining the Santiago principles, it becomes clear that:

- 1– The first five principles indicate the need for a clear and sound entity from a legal point of view that supports the work of the

sovereign fund ,so that responsibilities are defined between the fund and government agencies within the country, which facilitates the work of the sovereign fund with a clear strategy and streamlined work to reach the investment goal of the existence of the sovereign fund.

There is no doubt that the integrity of the legal framework achieves a guarantee for the transactions conducted by the fund and with a basis of law from the comprehensiveness and generality of the text.

- 2- The principles include the necessity of identifying and disclosing if the fund has political goals from its establishment. By disclosing the sovereign fund away from doubts in the event that it expands in the investment business, and has complied with the directives of the international working group and the principles it approved, as well as through disclosure, the sovereign fund has to prove its good intentions and goal Which he seeks to achieve through consistency with his investment behavior.
- 3- The principles indicate that the goal of sovereign funds is to strengthen the state's economy through investment activities that achieve profit ,given that it is a macroeconomic entity, and the investments and trading of the fund must be consistent and consistent with the macroeconomic strategy through the financial and monetary policy of the state that owns the fund.
- 4- The principles refer to the sources of funding for sovereign funds, which are the surpluses of oil revenues, privatization,

public finance surpluses, balance of payments surpluses, or foreign currencies.

- 5– The principles required the necessity of reporting on the officials and those in charge of sovereign funds, as well as the relevant authorities of the fund. The management of investments in sovereign funds is often done by the Ministry of Finance or the Central Bank on the grounds that they are macroeconomics, and it is by sending data on a daily basis, and this is the original, And send reports and graphs to be included in the appropriate place, often on the fund's website or what is presented to the regulatory authorities that monitor the work of the sovereign fund.
- 6– The management of the sovereign fund should be highly controlled and compatible with the principles of governance in the management according to a specific and clear administrative structure, which requires that the executive management of the sovereign funds be independent to reach all the decisions issued by them, and be based on an economic, financial and technical consideration with far investment dimensions Stay away from political interference from the state that owns the funds or be influenced by it.
- 7– Accountability for the operations of the sovereign fund shall be for the board of directors or the operational management of the sovereign funds before the legislative institutions and the regulatory authorities.
- 8– The financial and accounting performance of the management of the sovereign fund and its assets should be based on a reliable

accounting system based on logical and consistent foundations, and it is necessary that the information be clear and accurate because it will be the subject of comparison and review by the regulatory authorities, and there may be accountability for these reports if there is a clear error.

9– Sovereign funds must respect the laws of the host countries in all their systems in all sectors, which requires the obligation to disclose all information related to the investments and activities of sovereign funds.

10– Sovereign funds were only established to increase the investment returns of the countries that own the sovereign funds, so the funds constitute one of the macroeconomic pillars of the countries that own the sovereign fund, given that the funds use speculation in their investments and they must bear the risks and that the risk management be aware of any investment that constitutes a high risk.

11– Sovereign funds are considered the property of governments, so it is natural for them to have influence inside and outside the country .Accordingly, the executive departments of sovereign funds may not use their influence and authority to access confidential or private information or communications to other entities, whether public or private, and they must Sovereign funds act as an honest and objective opponent towards other entities.

12– The work of sovereign funds is based on speculation, and this means that there are risks. Therefore, risk management must

be highly efficient and vigilant, and the risks should be within the established and legally permitted levels, because violating this would lead to accountability for the Fund and instability in the global financial market. And not to maintain the investment environment.

We conclude from the foregoing that the principles of Santiago are an onion for the sovereign funds to achieve their goals .

The third topic

Egypt's Sovereign Fund

Booting and partitioning:

In this topic, we discuss the legal system of the Sovereign Fund of Egypt in accordance with the provisions of Law No. 177 of 2018, amended by Law No. 197 of 2020, and identify its investment and development objectives, the current reality of the Fund, and the extent to which Egypt's sovereign fund is compatible with the principles of Santiago. We will divide this topic into two demands as follows the following:

The first requirement: the legal framework of Egypt's sovereign fund.

The second requirement: the objectives of Egypt's sovereign fund.

The first requirement

The legal framework of Egypt's sovereign fund.

First: Introduction to Egypt's Sovereign Fund:

Egypt has known sovereign funds for the first time with the issuance of Law No. 177 of 2008 regarding the establishment of the Egypt Fund, which was amended by Law No. 197 of 2020 ⁽¹⁾.

The second article of this law stipulates that “a sovereign fund called (Egypt’s Sovereign Investment and Development Fund) shall be established by virtue of this law .The Fund's statute is issued by a decision of the Prime Minister based on the submission of the competent minister and after the approval of the Council of Ministers within sixty days from the date this law comes into force (Article 4 of Law No. 177 of 2018) .

The real reason that prompted Egypt to establish a sovereign fund is that Egypt has a lot of potential and promising sectors, and it also has multiple development gaps at the sectoral and geographical level. Towards the exploitation of its neglected and untapped assets and the idea of the sovereign fund became a focus in light of the government’s announcement of the theses program for a number of companies

The business sector in the stock exchange through a timetable that includes all the details related to it, which is to put 33 companies and banks on the stock exchange within a year and a half, bearing in mind

1) See Law No. 177 of 2018 amended by Law No. 197 regarding Egypt's Sovereign Fund.

that Egyptian banks cannot play the role of the sovereign fund, because they operate according to an international banking system and are committed to implementing international requirements for deposits and how to dispose of them. Ratios and a system for investing bank money linked to strong legislation that cannot be penetrated, otherwise it will lose its international credibility.

In fact, Egypt owns many unused buildings, facilities and projects belonging to the government, but it did not achieve the goal for which it was established.

In view of the sovereign funds in many Arab countries and the successes they have achieved, Egypt has been late in establishing a sovereign fund whose mission is to invest government funds in projects inside and outside Egypt with the aim of maximizing financial and government returns and being a soft economic and political arm for Egypt abroad, but the Egypt Fund The sovereign is proceeding according to an accurate road map and professionally managed, and it is expected to achieve great successes in the short term.

Second: The capital of Egypt's sovereign fund: The authorized capital of the fund shall be two hundred billion Egyptian pounds, and its issued capital shall be five billion Egyptian pounds, of which one billion pounds shall be paid from the state's public treasury upon establishment, and the rest shall be paid according to the investment opportunities plans submitted by the fund within three years from the date of incorporation. The fund's capital may be increased, in cash or in kind, in accordance with the controls and procedures set forth in the articles of association.

The funds of the Fund are privately owned by the state. ⁽¹⁾

The ownership of any of the untapped assets that are privately owned by the state or any of its affiliates may be transferred to the fund or any of the funds it establishes and which are wholly owned by it, and this is in accordance with a decision of the President of the Republic based on the presentation of the Prime Minister and the competent minister. As for the exploited assets, the offer shall be made by the Prime Minister and the competent minister in agreement with the Minister of Finance and in coordination with the concerned minister. The assets are recorded in the fund's books at the market value in accordance with the evaluation rules and procedures determined by the statute, and in a manner that does not conflict with the mechanisms and provisions stipulated in Article (8) of Law No. 177 of 2018.

Third: Resources of the Egyptian Sovereign Fund: The fund's resources consist of the following ⁽²⁾:

- 1– Assets whose ownership is transferred to the fund in accordance with the provisions of this law.
- 2– The return on investing his money and exploiting his assets.
- 3– The loans and facilities he obtains, and the proceeds of issuing bonds and other financial instruments.
- 4– Other resources approved by the Board of Directors, and their acceptance is issued by a decision of the Prime Minister. The fund shall have an independent budget, in its setting and the

1) See Law No. 177 of 2018 amended by Law No. 197 regarding Egypt's Sovereign Fund.

2) Article (9) of Law No. 177 of 2018 amended by Law No. 197 of 2020.

preparation of the financial statements, which shall follow the Egyptian accounting standards. The financial year of the fund shall begin and end on

The date set by its statute, and the fund prepares annual and quarterly financial statements, provided that the surplus is carried over from one year to another ⁽¹⁾.

Fourth: Controlling the Fund's Funds: The fund's accounts are audited by two auditors, one from the Central Auditing Organization and the other from the auditors registered with the Central Bank of Egypt or the General Authority for Financial Supervision in accordance with the Egyptian reference standards. The auditors review the annual and quarterly financial statements, and the annual and financial statements, the auditor's report, and a detailed annual report on the fund's activity and its plan for the following year are presented to the fund's general assembly in preparation for submission to the President of the Republic within three months from the end of the fiscal year.

The annual report of the fund and its plan for the following year must include the topics and data stipulated in its statute. A copy of the fund's annual financial statements shall be sent to the Speaker of the House of Representatives within three months from the end of the fiscal year.

Fifth: Managing the Fund's Funds: The fund has the right to manage its own money and assets, and it may also entrust its management, or

1) Article (10) of Law No. 177 of 2018 amended by Law No. 197 of 2020.

some of it, to companies and institutions specialized in asset management in accordance with the controls stipulated in its articles of association based on a decision of the Board of Directors ⁽¹⁾.

The Fund may establish subsidiary funds alone or in partnership with Egyptian, Arab and foreign counterpart funds, banks, financial institutions, and Egyptian and foreign companies, or any of them.

The Fund's bylaw defines the procedures and controls necessary for establishing subsidiary funds, their management and control systems by the fund, the areas and controls for investing their funds, evaluating and distributing the return from them, auditing and liquidating the fund's accounts, and other controls of activity and control, without being restricted by the rules stipulated in any other legislation.

The fund may entrust the management of subsidiary funds that it establishes alone or contribute in to companies and institutions specialized in this field in accordance with the rules and provisions stipulated in its statute without being bound by governmental rules and regulations. ⁽²⁾

The Fund, its subsidiary funds, and the companies established by the Fund or participating in its founding are considered private law persons, whatever the percentage of the state's contribution, the public sector or the public business sector therein, and none of them are bound by government rules and regulations. ⁽³⁾

1) Article (12) of Law No. 177 of 2018 amended by Law No. 197 of 2020.

2) Article (13) of Law No. 177 of 2018 amended by Law No. 197 of 2020.

3) Article (14) of Law No. 177 of 2018 amended by Law No. 197 of 2020.

Sixth: The tax treatment of Egypt's sovereign fund: The legislator stipulates that the intra-fund transactions and the entities owned by it shall be fully exempted from all taxes, fees and the like.

The exemptions referred to in the first paragraph do not apply to subsidiary funds and companies in which the fund contributes.

The tax shall be refunded on the added value that is paid from subsidiary funds or companies in which the fund contributes at a rate of more than fifty percent of its capital, and within the limits of the percentage of its participation in it from any of those funds or companies.

The legislator also stipulated that the above-mentioned tax exemptions do not prevent the sovereign fund of Egypt from enjoying any exemptions stipulated in any other law ⁽¹⁾.

The second requirement

Objectives of the Sovereign Fund of Egypt ⁽²⁾

The legislator defined the objectives of the Sovereign Fund of Egypt in accordance with Article Three and Seven of Law No. 177 of 2008, and Article Three stated that “The Fund aims to contribute to sustainable economic development through the management of its funds and assets or the funds and assets of entities, entities and companies owned by the state, affiliated with it, or which It contributes in which the fund is entrusted with its management in accordance with the controls

1) Article (19) of Law No. 177 of 2018 amended by Law No. 197 of 2020.

2) Article (7-3) of Law No. 177 of 2018 amended by Law No. 197 of 2020.

stipulated in the statute, and to achieve the optimum utilization of those funds and assets in accordance with the best international standards and rules, in order to maximize their value for the sake of future generations, The different.

In order to achieve its previous objectives, the Fund may carry out all economic and investment activities, including:

- 1– Contributing, alone or with others, to the establishment of companies or to the increase of their capital.
- 2– Investment in securities listed and unlisted in the stock exchanges, debt instruments and other securities inside or outside the Arab Republic of Egypt.
- 3– Borrowing, obtaining credit facilities, issuing bonds, financing instruments and other debt instruments.
- 4– Buying, selling, leasing, leasing, utilizing and utilizing fixed and movable assets.
- 5– Lending or guaranteeing investment funds and subsidiaries that he owns or shares in with others. The board of directors determines the powers of investment, contracting, lending, borrowing and spending in light of the controls and limits contained in the statute to achieve the objectives of the fund.
(Article 7 of Law No. 177 of 2008).

Disposition of the Fund's Fund: Within the framework of the Fund achieving its objectives, the legislator has authorized the

disposal of the assets owned by the Fund or the funds owned entirely by it in one of the following ways ⁽¹⁾:

- Sale or lease ending with ownership, or license to use, or participation as a share in kind, according to the market value and not less than the valuation that is carried out on the basis of the average values determined under three Reports from financial evaluators accredited by the Financial Supervisory Authority and the Central Bank of Egypt, and the fund's board of directors may entrust evaluation procedures to one or more international expert firms, Egyptian or foreign, all in accordance with the controls set by the board of directors. (Article 8 of Law 177 of 2008).

Establishment of subsidiary funds: Within the framework of the fund's achievement of its objectives, the legislator authorized the fund to establish subsidiary funds alone or in partnership with counterpart Egyptian, Arab and foreign funds, banks, financial institutions and Egyptian and foreign companies or any of them.

The fund's statute defines the necessary procedures and controls for establishing subsidiary funds, their management and control systems on the part of the fund, areas and controls for investing their funds, evaluating and distributing the return from them, auditing and liquidating the fund's accounts, and other activity and control controls, without being bound by the rules stipulated in any other legislation. The fund may entrust the management of

1) Article (8) of Law No. 177 of 2018 amended by Law No. 197 of 2020.

subsidiary funds that it establishes alone or contribute in to companies and institutions specialized in this field in accordance with the rules and provisions stipulated in its statute without being bound by governmental rules and regulations. ⁽¹⁾

The fourth topic

The current reality of the Sovereign Fund of Egypt and its compatibility with the Santiago principles

Booting and splitting:

In this section, we discuss the forms and types of activities carried out by the Sovereign Fund of Egypt, as well as the extent to which the provisions of the law establishing the Sovereign Fund of Egypt are compatible with the principles of Santiago, in two requirement as follows:

The first requirement: the current status of Egypt's sovereign fund.

The second requirement: the extent to which Egypt's sovereign fund is compatible with the principles of Santiago.

The first requirement

The current status of Egypt's sovereign fund

The Sovereign Fund of Egypt was established by Law No. 177 of 2018 and its statute was issued in February by Prime Minister

1) Article (13) of Law No. 177 of 2018 amended by Law No. 197 of 2020.

Decree No. 555 of 2019. The Fund is a member of the Global Forum of Global Sovereign Funds.

By extrapolating the activity of the Sovereign Fund of Egypt ⁽¹⁾, it turns out that the Sovereign Fund of Egypt, despite its recent inception, works through a special law that allows the formation of investment partnerships that allow it to provide unique opportunities for investment and for investors in a supportive manner to the government in its quest to implement structural reforms in the various sectors of the country, which Lead to increased diversified economic growth.

The fund operates in accordance with international best practices in all respects, starting with its clear and flexible investment system, which allows the formation of different companies with multiple investment structures and taking into account governance in management.

The fund is supervised by a board of directors and a general assembly, the majority of whose members are from the private sector.

The most important activities of the Sovereign Fund of Egypt are as follows ⁽²⁾:

1– The Egyptian Sovereign Fund (Tharaa) was established in 2018 in accordance with Law No. 177 of 2018 by the decision of the President of the Republic to transfer the ownership of untapped

1) A report issued by the Ministry of Planning for the year 2019-2020-2021.

2) In this regard, the Media Center of the Council of Ministers published a report that included infographics highlighting the role of Egypt's Sovereign Fund in offering new investment opportunities in the national economy, in partnership with the private sector.

assets in the country and for the purpose of contributing to economic development and increasing the Egyptian domestic product. The Tahrir Complex building was added to this fund.

- 2– The Egyptian government issued a decision to establish four subsidiary funds affiliated with the sovereign fund, with the authorized capital of each fund amounting to 30 billion Egyptian pounds (1.8 billion US dollars) ⁽¹⁾.

The first fund is “Egypt Sub–Fund for Utilities and Infrastructure” and the purpose of its establishment is to invest in the field of infrastructure and utilities, according to the best international standards and rules.

The second fund is "Egypt's Sub–Fund for Tourism, Real Estate Investment and Antiquities Development" for the purpose of investing in the field of tourism, real estate investment, and developing antiquities and buildings of a distinguished architectural character.

The third fund "Egypt Sub–Fund for Health Services and Pharmaceutical Industry" for the purpose of investing in the field of health services and pharmaceutical industries.

The fourth fund "Egypt Sub–Fund for Financial Services and Digital Transformation" and the fund's purpose is to invest in the field of non–

1) The previous report indicated that 4 sub-funds of the Sovereign Fund had been launched, with a licensed capital of 30 billion pounds per fund, and added that each fund had an independent legal personality, and enjoyed financial and administrative independence. The term of each fund was set for 99 years, and it may be extended by a decision From the Board of Directors of Egypt’s Sovereign Fund, and the decision to establish was published in the Official Gazette in September 2020.

bank financial services, digital transformation, financial inclusion and financial technology ⁽¹⁾.

3– The board of directors of Egypt’s Sovereign Fund (Tharaa) is now working on discussing mechanisms for the private sector’s participation in the implementation of seawater desalination plants to maximize the benefit of the available water resources, and improve services provided to the Egyptian citizen, in the coastal governorates and cities, within the framework of a national strategic plan adopted by the Ministry Housing, with regard to the rationalization of drinking water, and maximizing the use of all available water resources.

4– The President of the Republic issued a republican decision transferring the dependency of a group of real estate to the Sovereign Fund of Egypt, which included the permanent headquarters of the Ministry of Interior, lands and buildings of the Liberation Complex, and land belonging to the dissolved National Party next to the Egyptian Museum, in addition to lands and buildings belonging to the Global Village on the sixth of October in Giza Governorate.

The land and buildings of the Nasser Institute annex in Cairo, and the land of the Zoo in Tanta in the Gharbia Governorate.

5– The Council of Ministers approved a draft law to establish a body called “the administration and disposal of the recovered

1) The report mentioned the economic and investment activities carried out by the Fund, which include contributing, alone or with others, to establishing companies or increasing their capital, as well as investing in securities and financial instruments, as well as borrowing and obtaining credit facilities, and issuing bonds and financing instruments and other tools. Religion.

funds, affiliated with the Minister of Finance, and it will have a personality.”

It is a public corporate body, and its main headquarters shall be the Cairo governorate, and the head of the LIS may establish branches or offices for it in other governorates ⁽¹⁾.

The recovered funds include the funds that were previously confiscated under final provisions, in addition to the funds that were owned by the state following the procedures for imposing guards and seizing them, and their owners were compensated for them through the guard's liquidation device, and other funds recovered by the state.

The Agency shall manage and dispose of the reserved funds whose management was entrusted to the Ministry of Finance on the date this law comes into force, as well as the management of the reserved funds that are entrusted to the Agency after that date, and disposing of them whenever this is permissible. He is obligated to return the money entrusted to him to manage it to whoever has the right to it with its yield after deducting the actual management expenses and state dues, in accordance with the rules determined by the executive regulations. ⁽²⁾

1) understanding were signed, in addition to partnerships with various stakeholders from the private sector at different levels.

2) In addition to the above, the report indicated the signing of a memorandum of understanding with the National Service Projects Organization to develop and maximize the investment exploitation of the agency's companies in February 2020, as well as the signing of two framework agreements with the Ministry of Public Business Sector and the National Investment Bank, to maximize the use of some owned assets. Them in November 2019.

6– Egypt and the UAE established in November 2019 a joint strategic investment platform with a value of 20 billion dollars for joint investment in a variety of sectors, fields and assets, through the Abu Dhabi Development Holding Company and the Sovereign Fund of Egypt, and this partnership aims

To establish joint strategic investment projects or specialized funds or investment tools to invest in several sectors, most notably manufacturing industries, traditional and renewable energy, technology, food, real estate, tourism, health care, logistics, financial services, infrastructure and others.

7– In fact, the establishment of the new administrative capital played an important role in the establishment of the Sovereign Fund of Egypt, which is one of its main tasks to exploit the assets owned by the state after transferring ministries, vital facilities and government interests to the new administrative capital, with the necessity of managing and utilizing assets in the old capital in the best way. To maximize its return.

8– The Sovereign Fund of Egypt officially joined the membership of the “One Planet” initiative, which includes about 18 sovereign funds around the world working together to integrate hedging against the risks of climate change in the investment decision-making process, in addition to investing in accelerating Transition towards a low carbon economy, in line with the Paris Climate Agreement, and it was announced that the Sovereign Fund of Egypt and three other sovereign funds (the Gabon Fund

for Strategic Investments, the Hellenic Foundation for Assets and Partnerships and the Nigerian Sovereign Investment Authority) joined the initiative during the fourth annual summit of sovereign wealth funds “One Planet” chaired by one planet. French President Emmanuel Macron, held on October 4, 2021⁽¹⁾.

In fact, the joining of the Sovereign Fund of Egypt to the Sovereign Wealth Funds One Planet initiative confirms the fund’s keenness and commitment to follow the best international standards and practices in making its investment decisions and managing its portfolio to achieve sustainable development in accordance with the goals of Egypt’s Vision 2030 by taking into account all the economic, social and environmental dimensions of development.

The joining of the Sovereign Fund of Egypt to this initiative also enhances the Fund's compliance with the Santiago Principles, which the Fund is committed to applying as a member of the International Forum for sovereign wealth funds since May 2019, which includes sovereign funds around the world, and the conference of the Wealth Funds Initiative is being held. Sovereignty One Planet annually to follow up the group’s work and review the models and applications of sovereign funds in contributing in a tangible way to achieving the goals of the initiative and the Paris Agreement for the transition towards a low carbon economy⁽²⁾.

1) Sovereign Wealth Fund Institute – SWFI, 2021.

2) Sovereign Wealth Fund Institute – SWFI, 2021.

9– At the international level, a memorandum of understanding was signed with Act is for direct investment in January 2020 to promote investments in the energy and infrastructure sectors. 2021 by subscribing to the Egyptian Education Fund of EFG Hermes, as well as several agreements at the local level.

In light of these achievements made by the Sovereign Fund of Egypt, despite its recent inception, the Sovereign Fund of Egypt ranked 41st among the list of 95 sovereign wealth funds worldwide, according to the report of the Institute of Sovereign Funds, with total assets of \$9.11 billion ⁽¹⁾.

The second requirement

The compatibility of Egypt's sovereign fund with the Santiago principles

It is important to identify the compatibility of Egypt's sovereign fund with the principles of Santiago, as the Sovereign Fund of Egypt officially joined its membership in the "One Planet Sovereign Wealth Funds Principles", which includes about 18 sovereign funds around the world working together to integrate hedge against Climate change risks in investment decision-making as well as investment in accelerating the transition towards a low-carbon economy, in line with the Paris Climate Agreement ⁽²⁾.

1) Sovereign Wealth Fund Institute – SWFI, 2021.

2) IBID.

In order to determine the extent to which the law establishing the Sovereign Fund of Egypt is compatible with the principles of Santiago, this requires that we clarify the extent of compatibility or not by familiarizing with governance, objectives, investment management, risks, disclosure and transparency, and we will address each element separately:

1– Governance:

The principles of Santiago included the element of governance for sovereign funds as a basis for their work, and we can clarify the position of the law establishing the Sovereign Fund of Egypt from them.

Law No. 177 of 2018 amended by Law No. 197 of 2020 included a number of controls that lead to the governance of the management of the Sovereign Egypt Fund, where Article (15) stipulates that the board of directors of the Fund shall be formed by a decision of the President of the Republic based on the presentation of the Prime Minister and consists of:

- The Competent Minister (Non–Executive Chairman of the Board of Directors).
- Five independent members with experience.
- A representative from each of the ministries concerned with planning, finance and investment affairs. The membership term for a council of independent members with experience is four years, renewable for a similar period.

The Fund shall have a full-time Executive Director to manage it, who shall represent the Fund in its relationship with third parties and before the judiciary.

The board of directors meets at least once every three months, or whenever the need arises for its meeting based on an invitation from its president or a written request by one third of its members or one of the auditors. Valid in the presence of one-third of the members.

Decisions of the board of directors are issued by a majority vote of those present. ⁽¹⁾

The Board of Directors is responsible for setting the general policies of the fund and supervising its management in a manner that ensures the achievement of its objectives.

The powers required to do so, which are determined by its statute, in particular setting the strategic vision, policy and general investment for the fund in accordance with:

- Its objectives stipulated in this law in preparation for presenting it to its general assembly.
- Follow up the general performance of the fund according to the performance indicators set by the fund's board of directors.
- Supervising a regular evaluation of the performance of the fund's investment portfolios.
- Approval of the annual budget of the Fund and approval of its financial statements and the proposal for distributing profits, in preparation for submission to the General Assembly.

1) Article (16) of Law 177 of 2018 amended by Law 197 of 2020.

- Forming the committees stipulated in the Fund's Articles of Association and defining their terms of reference, provided that they include investment committees, governance, internal audit, risks and benefits.
- Discussing and approving the fund's investment plan proposed by the Executive Director after approval by the Investment Committee and monitoring its implementation.
- Approval of the fund's governance controls and the rules of non-conflict of interest for its employees, board members and advisors.
- Laying down the financial, administrative and technical regulations for the fund and regulations for personnel affairs, contracts and purchases, without being bound by governmental rules and regulations.
- Approving appointments to the fund's senior positions, as determined by its statute.
- Suggesting the appointment or change of the auditor from those whose names are registered with the Central Bank of Egypt or the General Authority for Financial Supervision and determining his fees, in preparation for submission to the General Assembly.

The Fund shall have a general assembly formed by a decision of the President of the Republic, headed by the Prime Minister, with the membership of the competent minister, the two ministers appointed for financial and investment affairs, and one of the two deputy governors of the Central Bank, in addition to seven

members with experience in the financial, economic, and legal fields and in managing counterpart funds and international investment companies, to be nominated by the Chairman. Council of Ministers.

Article (18) of the law defines the functions of the general assembly, the mechanisms of control over the fund's work, and the follow-up and evaluation of the fund's performance.

It is clear from the foregoing that the Egyptian legislator has taken into account all the elements of governance contained in the principles of Santiago (the first six articles), and this is an important matter for the accuracy, professionalism and integrity of the work of the Sovereign Fund of Egypt, and the matter then depends on the extent of the commitment of those in charge of managing the fund to follow and implement these principles.

2– Objectives: By extrapolating the objectives of the Sovereign Fund of Egypt contained in Articles (3–7) of Law No. 177 of 2018 and amended by Law 197 of 2020, it becomes clear that the legislator has set the objectives in light of the principles of Santiago contained in the principle (seventh and eighth), and this is praiseworthy. Egyptian legislator.

3– Investment and risk management: The organizational structure of the Sovereign Fund of Egypt consists of investment management and risk management, and these departments are formed by a team of experts specialized in the field of investment, and this is evident from the text of

Article (12) of Law No. 177 of 2018, which states: The Fund may manage its own money and assets, and it may also entrust its management or some of it to companies and founders specialized in asset management in accordance with the controls stipulated in the articles of association and based on the decision of the Board of Directors, and this is consistent with the principles (18–19) of the Santiago Principles.

4– Disclosure and Transparency: By extrapolating the law establishing the Sovereign Fund of Egypt and its statute, it is clear that it includes a number of controls that ensure the achievement of disclosure and transparency in the management of the fund. The accounts of one of them are from the Central Auditing Organization and the other is from the auditors registered with the Central Bank of Egypt or the General Authority for Financial Supervision in accordance with the Egyptian auditing standards, and this is consistent with the principles of Santiago (Principles Nos. 4–5–6–11–16–17–18).

However, we believe that it is necessary to amend Law No. 177 of 2008, provided that the amendment be by adding an article as follows (It criminalizes anyone who discloses a secret of the work of the Sovereign Fund of Egypt or submits a statement or information that he has seen by virtue of his work), and this

opinion was taken by the Kuwaiti legislator in Public Investment Authority Law No. 47 of 1982 in its ninth article.

Conclusion

This research dealt with the issue of sovereign funds and their investment and development role in light of the principles of Santiago and the provisions of Egyptian Law No. 177 of 2018 amended by Law No. 197 of 2020. The first section dealt with the nature of sovereign funds in terms of defining sovereign funds, their origins, objectives, characteristics, types, and their investment and development role, and the second topic dealt with principles Santiago for the work of sovereign wealth funds, and the third topic dealt with the legal system of the Sovereign Fund of Egypt in light of the provisions of Egyptian Law No. 177 of 2018, amended by Law No. 197 of 2020, and the fourth topic dealt with the current reality of the Sovereign Fund of Egypt and its compatibility with Santiago principles for the work of investment funds, and ended with its conclusion that included The most important findings and recommendations.

Research results:

A number of results can be drawn from the research, as follows:

- 1– Sovereign funds are distinguished from other stock market instruments by reducing risks through diversification and the ease of liquidating the value of the sukuk when needed.

- 2– The Egyptian Sovereign Fund constitutes an important qualitative leap at the helm of the investment and development wheel, as it would maximize the utilization of the state's untapped wealth and assets, and use the Fund's funds to achieve many sustainable development goals.
- 3– Despite the modernity of the Sovereign Fund of Egypt, it was able to achieve tangible successes, foremost of which is the establishment of four subsidiary funds in important areas to be the cultivation of new investment.
- 4– Egypt's sovereign fund succeeded in concluding important investment partnership agreements, including the agreement with the United Arab Emirates in November 2019, and as a result, a strategic investment platform was established with a value of \$20 billion for joint investment in a variety of important sectors and areas.
- 5– The Sovereign Fund of Egypt is not interested in using websites to promote its investment fields in comparison to the sovereign funds owned by developed countries and some Arab countries such as Kuwait.
- 6– Not developing a strategic plan to manage the risks that Egypt's sovereign fund may face.

Recommendations:

- 1– The need for the government to expedite an inventory of all state assets at home and abroad, as well as those owned by government-affiliated companies, and to prepare a strategic plan that includes all the assets owned by the

state and their current status and determine the best ways to exploit them in line with the nature of each asset, as well as the need to evaluate these assets in a way A minute so that it is easy to deal with, whether through direct exploitation or partnership with other parties.

- 2- The necessity of benefiting from the experiences of successful sovereign funds in different countries, especially in preparing the structure of Egypt's sovereign fund, provided that it includes elements characterized by efficiency and economic, financial and investment expertise internally and externally.
- 3- Entering into partnership contracts with the private sector regarding the exploitation of state assets in order to achieve maximizing the investment return from the management of these assets, given the great experience of the private sector in the technical, technological, economic, financial and investment fields on which it depends for its investments.
- 4- The use of foreign companies specialized in technical fields, advanced technology, and investments in various fields.
- 5- Develop a strategic plan to manage the risks that Egypt's sovereign fund may face, and another plan to face unexpected circumstances.
- 6- The necessity of issuing a law that includes the establishment of an apparatus called (the apparatus for

managing and disposing of the recovered funds) provided that it is affiliated with the Minister of Finance and has a public legal personality.

- 7- The necessity of amending Law No. 177 of 2018 to include one or more articles to criminalize anyone who discloses a secret of the work of the Sovereign Fund of Egypt or submits a statement or information that he has seen by virtue of his work.

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Index

Introduction-----	2
The first topic: What are sovereign funds ----	6
The first requirement: the concept of sovereign funds, their characteristics and types-----	7
The second requirement: Sovereign funds and their investment and development role-----	14
The second topic: Santiago principles for the work of sovereign funds-----	19
The first requirement: the reasons for establishing the principles of Santiago-----	19
The second requirement: an analytical study of the principles of Santiago-----	22
The third topic: the legal system of Egypt's sovereign fund----	31
The first requirement: the legal system of Egypt's sovereign fund -----	32
The second requirement: the objectives of Egypt's sovereign fund -----	37
The fourth topic: the current reality of the Sovereign Fund of Egypt and its compatibility with the principles of Santiago -----	40

The first requirement: the current status of Egypt's sovereign fund
-----40

The second requirement: the extent to which Egypt's sovereign
fund is compatible with the principles of Santiago ----- 48

Conclusion: -----54

Meet the references: ----- 58

Index: -----61

Research Summary

This research dealt with the issue of sovereign funds and their investment and development role in light of the principles of Santiago and the provisions of Egyptian Law No. 177 of 2018 amended by Law No. 197 of 2020. The first section dealt with the nature of sovereign funds in terms of defining sovereign funds, their origins, objectives, characteristics, types, and their investment and development role, and the second topic dealt with principles Santiago for the work of sovereign wealth funds, and the third topic dealt with the legal system of the Sovereign Fund of Egypt in light of the provisions of Egyptian Law No. 177 of 2018, amended by Law No. 197 of 2020, and the fourth topic dealt with the current reality of the Sovereign Fund of Egypt and its compatibility with Santiago principles for the work of investment funds, and ended with its conclusion that included The most important findings and recommendations.

ملخص البحث

تناول هذا البحث موضوع الصناديق السيادية ودورها الاستثماري والتنموي في ضوء مبادئ سانتياغو واحكام القانون المصري رقم ١٧٧ لسنة ٢٠١٨ المعدل بالقانون رقم ١٩٧ لسنة ٢٠٢٠، وتناول المبحث الاول ماهية الصناديق السيادية من حيث التعريف بالصناديق السيادية ونشاتها واهدافها وخصائصها وانواعها ودورها الاستثماري والتنموي، وتناول المبحث الثاني مبادئ سانتياغو لعمل صناديق الثروة السيادية، وتناول المبحث الثالث النظام القانوني لصندوق مصر السيادي في ضوء احكام القانون المصري رقم ١٧٧ لسنة ٢٠١٨ المعدل بالقانون رقم ١٩٧ لسنة ٢٠٢٠، وتناول المبحث الرابع الواقع الحالي لصندوق مصر السيادي ومدى توافقه مع مبادئ

سانتياغو لعمل صناديق الاستثمار، وانتهى بخاتمه اشتملت علي اهم النتائج والتوصيات.