The role of Sustainable investment funds in supporting the transformation to a circular economy: Applied to the Egyptian economy

(Adopting the idea of scenarios)

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Scientific Journal for Financial and Commercial Studies and Research (SJFCSR)

Faculty of Commerce – Damietta University

Vol.7, No.1, Part 1., January 2026

APA Citation

Al Mahdi, E. M. M. (2026). The role of Sustainable investment funds in supporting the transformation to a circular economy: Applied to the Egyptian economy, ***Scientific Journal for Financial and Commercial Studies and Research***, Faculty of Commerce, Damietta University, 7(1)1, 103-128.

Website: https://cfdj.journals.ekb.eg/

The role of Sustainable investment funds in supporting the transformation to a circular economy: Applied to the Egyptian economy

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Abstract

The world is now witnessing many political, economic and social crises, which have resulted in a decline in growth rates and a weakening in the volume of investments, especially in the economies of less developed countries in general and Egypt in particular, and then a decline in the ability to achieve the development goals for the current millennium, which negatively affects the Sustainable Development Goals and support the development path in the transition from a linear economy to a circular economy. Since investment is one of the determinants of economic growth, activating the role of investment funds enhances the volume of capital accumulation as well as the marginal sufficiency of capital and then increasing the demand for investment with more diversified investments that generate more income and then ensure the continuity of pushing the growth rates higher, but the matter has become linked to the quality of investments that provide a secure transition from a linear economy to a circular economy. Sustainable investment funds differ from traditional investment funds in that they focus more on environmental and climate issues, supporting companies with business practices but giving special importance to environmental factors.

Keywords: investment fund, circular economy (CE) , Sustainable investment funds ,sustainable development , Economic scenarios .

Introduction.

Investment serves as a measure of a country's competitiveness and its ability to foster economic growth, which is vital for addressing changes both globally and locally. These dynamics impact the development of a favorable environment for foreign investments, especially those that promise future gains and support efficient economic resource allocation. Emphasis should be placed on initiatives that harness renewable energy sources to meet sustainable development objectives. Financial risks pose major obstacles to investment as they face unforeseen shifts influenced by international and regional events, with varying capacities among nations to tackle these issues. In this landscape, investment funds are crucial for boosting national savings and increasing overall investment volumes. When these investments focus on projects that diversify the production framework, their effectiveness amplifies, benefiting not only individual businesses and organizations but also aiding in the alignment of the state's fiscal and monetary strategies. This study explores the general impact of investment funds, with a specific focus on sustainable investment funds, in promoting sustainable development and aiding the shift from a linear to a circular economy. Additionally, it clarifies the role of economic scenarios in managing Egypt's current economic landscape by enhancing the function of sustainable investment funds.

- Study Objectives:

This study outlines its objectives as follows:

• RO1: It examines the importance and function of investment funds in promoting economic growth.

• RO2: It assesses the contribution of investment funds to investment diversity in less developed economies, highlighting the impact of sustainable investment funds on the circular economy and their role in supporting Egypt's development trajectory.

• RO3: It also aims to identify the main challenges to enhancing the effectiveness of sustainable investment funds in Egypt.

• Research Problem:

This study emphasizes the various factors that highlight the crucial role of investment funds, particularly sustainable investment funds, in driving growth and promoting sustainable development. Recognizing the importance of investment funds in facilitating sustainable development involves maximizing the benefits these investments provide. This ensures a diverse approach that meets the needs of each development stage and reflects the characteristics of different investment sectors, enabling swift capital recovery. The emphasis is placed on sustainable mutual funds that prioritize environmental and social outcomes, striving for the best allocation of economic resources as a measure of their effectiveness in supporting developmental goals. The core issue of the study is defined by addressing the following questions:

- RQ1: Do the economies of the less developed countries have investment incentives in general, and Egypt in particular?

-RQ2 Is it possible to depend on investment funds, especially sustainable investment funds, as one of the tools to support the sustainable investment strategy, and then the transformation for the circular economy?

- Hypotheses of the study:

- RH 1: Investment funds may be one of the important tools in achieving sustainable development in the economies of countries in general and less developed countries in particular.

- RH 2: Sustainable investment funds have no additional advantages over traditional investment funds, especially in countries that are trying to shift towards a circular economy.

- RH3: There may be many obstacles that prevent sustainable investment funds from exercising their developmental role in the economies of less developed countries in general and Egypt in particular.

- RH4: If the role of sustainable investment funds is activated, there will be a positive impact on national and foreign investment rates, as well as supporting and increasing the competitiveness of national investments.

- Study Methodology:

The researcher followed the inductive methodology in studying and determining the role of sustainable investment funds in supporting the development path, their role in promoting the transformation of the circular economy in the Egyptian economy, and what are the challenges and requirements to implement and activate this role by using the idea of economic scenarios.

- Study boundaries:

- Countries of study: Arab Republic of Egypt, Saudi Arabia, and China.

- Boundaries in Time: The study covers a period starting from the nineties until the twenty-first century. This is the period during which the role of reform programs in Egypt began to become clear.

- Study plan:

- The first topic: investment fund, concept, classification, and objectives.

- The second topic: crisis management scenarios (reality and application requirements).

- The third topic: sustainable investment funds, including:

- The role of sustainable investment funds concerned with the ecosystem in supporting the development path in the economies of the least developed countries in general and Egypt, in particular.

- Requirements for the development of the role of investment funds in supporting the transformation path of the circular economy (reality and challenges).

- Conclusions and recommendations.

The first content investment finances conception and objects.

During the mid-1920s, business was booming in the United States as the stock market began its steady rise to all-time highs. However, many hidden dangers for regular American families lurked below the surface of the US's largely unregulated stock market. The desire to increase capital accumulation among individuals has increased in light of the introduction of modern technologies in investing in various sectors of the economy.

The closed-end funds of the time, which were the most popular, but The regulations governing these funds were not fair, especially for small investors, what they buy from shares if they want to sell, an alternative investor must be provided, and usually the sale price is not at the disadvantage of the owner of the original shares, "Throughout his career selling individual securities, Leffler had witnessed firsthand from sitting at kitchen tables with his customers that "there was no sound investment vehicle" to help ordinary people "get somewhere financially." "He was determined to introduce a more durable and democratic investment platform that would not only stand the test of time but also change lives[1] ".

[1] - https://www.sec.gov/news/speech/spch500.htm

Over time, most assets of investment funds have become Subject to open-ended investment funds, which allow for the issuance of new shares, the addition of funds to the pool by investors, and the redemption of shares upon investor recovery .

All countries are seeking to intensify all their capabilities to create an attractive climate for national and foreign investments in all sectors, by developing a clear investment strategy in line with regional and international developments, by employing all its resources to support the development path, In this part of the study, the researcher will discuss the concept of investment funds, classification and objectives.

- The concept of investment funds:

Researchers have dealt with many concepts of investment funds. A mutual fund is a form of open-ended collective investment scheme, or investment fund. It is a pool of savings collected from multiple investors who buy units representing proportionate ownership of the fund. The resulting pool of funds, or the fund's capital, is collectively managed by a professional management company (World Bank 2015 [2]-p12).

Also known as a mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The combined holdings the investment fund owns are known as its portfolio. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate (U.S. Securities and Exchange Commission 2021[3]-p4) . can also be defined as a mutual fund is a trust that pools the savings of a number of investors who share a common financial goal. A mutual fund is the most suitable investment for the cautious investor as it offers an opportunity to invest in a diversified professionally managed basket of securities at a relatively low cost (VIRTUAL COACHING CLASSES.[4], part 2 2020 -p3)

Therefore, investment funds can be defined as one of the tools through which savings are directed more effectively towards new investments related to renewable energy resources or the development of existing industries to ensure the rate of economic growth .

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[2] - MUTUAL FUNDS in developing markets: addressing challenges to growth , International Bank for Reconstruction and Development / The World Bank 2015.

[3] - Mutual Funds , (U.S. Securities and Exchange Commission , Office of Investor Education and Advocacy , Washington,2021 .

[4] - VIRTUAL COACHING CLASSES , STRATEGIC FINANCIAL MANAGEMENT , 3rd Dec 2020 .

In addition to the above definitions of investment funds, Sustainable funds, also known as responsible investment funds or green funds, are investment vehicles that prioritize environmental, social, and governance (ESG) factors alongside financial performance. These funds have gained traction in recent years, as investors increasingly recognize the importance of sustainability in building resilient portfolios and promoting long-term value creation[5] . There are many different types of investment funds, each of which has different investment objectives and its own set of risks. Among the most common types are investment funds by offering, investment funds by description, and investment funds by assets. The following table shows the classifications of investment funds, their investment objectives, and the advantages and disadvantages of each of those classifications.

Table (1)

Classifications of investment funds, advantages, and disadvantages.

Classifications According to	Types of funds	Advantages	Disadvantages
Offering	**Public**	- Available to all individuals with the availability of minimum investment requirements. - Easy buying and selling stocks and bonds. - Characterized by security and transparency - Achieve high returns	- The fees and administrative costs imposed may affect the size of the return - More affected by market fluctuations in the short run
	Private	- Granting investment opportunities that may not be available in public funds. - Entering more advanced markets (foreign markets). - Transparency, where investment strategies are specific to the owners of capital	- Vulnerability to exchange rate fluctuations. - High international investment costs - Difficulty of monetization and limited alternatives
	Foreign	- It aims to invest in shares of non-local companies, limiting its work to	- Vulnerability to exchange rate fluctuations.

[5] - Sustainable Fund , **Zach Stein | Reviewed** by Subject Matter Experts ,Updated on October , 2024 .

		the shares of the market of one or more countries. - Foreign investors add additional capital to the local economy while allowing local investors to share their risks with a more diverse group of participants.	- High international investment costs
Nature	**Open**	- Its returns may increase by offering new shares and investments or decrease by stock owners recovering part or all of their investments. - Diversity of the production base. - Generates regular income.	- More affected by fluctuations in the stock market. - More affected by changes in inflation rates and changes in purchasing power. - More exposed to the risks of sectoral concentration.
	Closed	- Allows individuals to invest in real estate as in other industries - Shareholders receive a share of the income generated from real estate without having to manage or finance it directly. For example, real estate investment funds .	- Refunds are allowed only after the Sale of the fund's property. - - Regulations are unfair to small business owners
The type of asset		- Diversity of assets of the fund	- The diversity of the fund's assets reduces the risks that may occur in the event of losses - Generates regular income.

The table is prepared by the researcher

It can be said that there is a correlation between the methods of managing investment funds and their effectiveness in achieving their goal There are inactive and active methods where the managers of these funds seek to predict market trends and change their ownership ratios accordingly, and while inactive methods, the fund managers only look so that the proportions of shares in the fund's portfolio are somewhat identical to are similar to the ratio of stocks in the index.

Return on Investment in the fund is measured by comparing the prices of the investment fund's units at the beginning and the end of the investment period. The higher the investment fund's unit value, the higher the return on investment in this fund. The performance of the investment funds is affected, like other investment tools, by different factors according to the affected listed securities. This reflects the fund's total performance and the value of its units. Managers and workers of these funds work hard to score the highest possible growth rates[6].

After identifying the importance of the role that investment funds play, represented in maintaining capital, achieving income, and growth, how to activate the role of sustainable investment funds in the transformation from a linear economy to a circular economy in Egypt.

But before determining the role of sustainable investment funds in supporting the development path in general and Egypt in particular, we will give a brief vision of what the world is going through crises and how a scenario can be developed to manage those crises that negatively affect the development path in Egypt based on the pivotal role of sustainable investment funds.

The second topic: crisis management scenarios (reality and application requirements).

International developments and successive economic crises pose many challenges to the economies of less developed countries in general and Egypt in particular, which has made all countries search for a mechanism by which they can ensure the preservation of growth rates accompanying these changes. Therefore, it may be necessary to make many difficult decisions related to the path of development to ensure that policymakers achieve a balance between necessary short-term needs and long-term priorities that require advanced planning. Good planning and anticipating crises and the return of those crises and dealing with them is a reflection of the ideas of good strategic planning.

In the context of successive international crises, including political crises, wars and epidemics, it will be difficult to determine the future of the economies of the least developed countries in a way that guarantees them a secure development path that ensures adaptation to what is happening from

[6] - Measuring Investment Funds' Performance (cma.org.sa)

international developments to reduce their negative effects. The global economic situation did not reflect who would carry the flag among the most developed countries. So, adopting the idea of scenarios would be the best.

A scenario is defined as a series of events supposed to occur in the future and related to a set of causes and decisions related to them, or Stories and outlines of stories about possible futures[7] .

But both "Hannah Kosow and Robert Gassner "see that the scenario can be defined at two levels: First scenario describes a possible future situation, second level: The different ways of development that lead to those future goals[8] .

From the previous definitions, the scenario can be the plan for a future that we seek to reach, which requires identifying all the way that led us to a better future. It is necessary to use Scenario Analysis to ascertain and analyze possible events that can take place in the future. This is an important tool in the world of finance and economics and is used extensively to make projections for the future.

There are many forms of scenarios that can be prepared to overcome the different crises, which differ according to the available data and the economic, social impact of these crises, as well as the sectors most affected by the crisis.

In this research, the focus will be on two types of scenarios, the first type which are forward scenarios, which are consistent with the vision of the French school (la prospective) School that developed by "Gaston Berger" Which is based on finding alternatives for the future and the goals to be achieve. the second: normative -scenarios, which are consistent with the vision of the "intuitive logics" school, which sets the starting point for the necessary objectives to be implemented.

[7] - Herman kahn and anthony J .Wiener "the use of scenarios "Hudson institute http://hudson.org/research/2214-the-use-of scenarios .

[8] - Hannah Kosow and Robert Gassner "Methods of futures analysis and scenario analysis" (2007-2008, German Development Institute, DIE

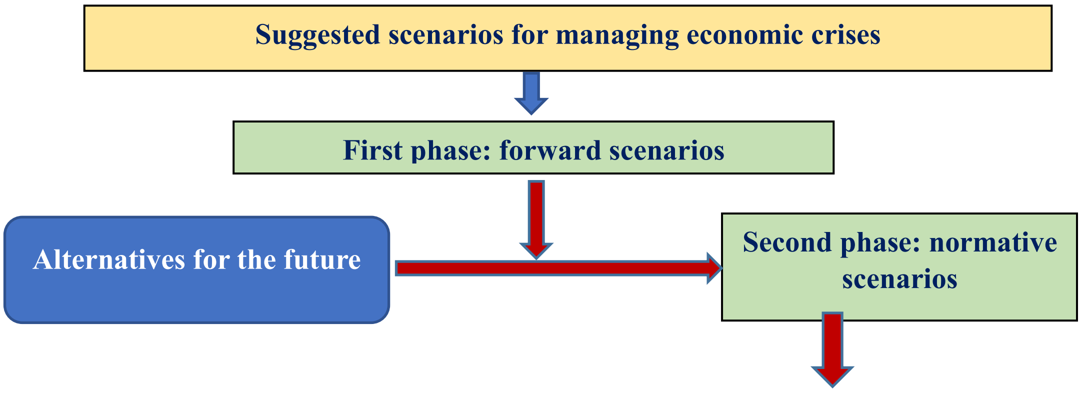

Figure (1)

The figure is prepared by the researcher

we must read performance indicators of the payments balance and the public debt, so that we can determine a scenario for managing the economic crisis in Egypt.

The payments balance is of very importance because it reflects the degree of economic progress of this country and enables to determination of financial position in relation to the world.

In this part of the study, we will be reading the main indicators of the Egyptian payments balance [9] in the period from 2019 to 2021 and the repercussions of the Corona crisis ,so that we can answer the previous question .

payments Balance[10] achieved a total surplus of 1.86 billion dollars in 2020/2021, compared to a total deficit of 8.59 billion dollars in 2019/2020. The reason for this is a noticeable improvement in the capital account to reach 23.4 billion dollars as a result of the increase in foreign investments, a result of the increase in investors' confidence in the Egyptian economy, after Egypt's political stability.

Increase in the current account deficit of 18.4 billion dollars in 2020/2021 compared to 2019/2020 by 11.2%, In addition, service balance surplus decreased by 42.9%, about $5.1 billion, compared to a surplus of $9 billion during 2019/2020, as a result of the decline in tourism sector revenues during that period by 50.7% during 2020/2021.

[9] - https://www.cbe.org.eg

Increasing the trade balance deficit by 15% to reach $42.1 billion, compared to $36.5 billion in 2019/2020. The reason for this is the increase in the revenue of non-oil exports to 12.2% by about $20.1 billion, as well as an increase in non-oil imports (intermediate goods) by 15.2% by about 62.13 billion compared to 2019/2020٠.

The deficit in the trade balance reflects the decline in the state's productive capacity and consequently the state's inability to meet the needs of citizens, which makes the state turn to other countries to get its needs (increase imports), which affects of economic growth negatively, then increases of public debt also confirms the relationship between public debt and GDP, which is financed by two sources, contributing sources to it, and the second is external funding sources.

Figure (2)

This figure refers to a gradual rise in external debt to reach high rates in 2017 of $79.03 billion, which was not the case in previous years, and this rise continued to reach $145.5 billion in 2021.

The government deficit is the main reason for the issuance of domestic public debt and refers to a change in the net assets of the government, as this deficit can be paid through one of two ways: first, reducing the assets owned by the government, the so-called privatization. but this way is very difficult. Second, increasing borrowing, whether from inside or the outside. As a result of the difficulty of the first choice, governments had no other choice, so they borrowed.

So, the crises that direct the Egyptian economy, the external conditions, have contributed to the exacerbation of its effects, and the increase in global inflation indicators is one of the most significant obstacles facing the Egyptian economy, and will have an impact on vital sectors of the Egyptian economy. Where Main commodities prices increase and the return of the tourism sector in Egypt declined, to reach main inflation rate to 14.6% in June 2022, according to what was announced by the Central Bank of Egypt, and with the increase in global inflation rates, the US Federal Bank moved to raise interest rates to 0.25% and then indirect investments exited, which led to more Pressure on the Egyptian pound and then increase the need for hot money[11] , where Investors move their money between countries based on local economic conditions. Mostly, this means taking advantage of changing interest rates. However, it can also mean taking advantage of changing currency values.

So, the current economic crisis is due to the increasing severity of the repercussions of successive international developments and the challenges that are imposed on the economies of the least developed countries, which require amending their development plans and identifying normative and forward scenarios to enable them to overcome these challenges.

Resolving the public debt crisis by minimizing government funding needs) starting point (Developing the local market for government debt securities to ensure efficiency and effectiveness (Alternatives for the future).

For public debt management strategies to achieve their objective, they must first be linked to the macroeconomic framework with indicators that are easy to measure and performance evaluation. That all required obligations must be provided at the lowest possible costs and with the least amount of risk .

Resolving the energy crisis by: Searching for renewable energy sources (solar energy, wind energy, nuclear reactors) to get out of the cycle of being forced to purchase and use, as is happening in European countries now (Alternatives for the future).

[11] - Hot money is a form of short-term investing in which investors move their money between financial markets to take advantage of interest rate fluctuations. Generally, this refers to moving money between countries and currencies.

Based on the idea of forward scenarios and related to the idea of sustainability, focusing on the long-term positive impact on society and the environment, the next part of the study deals with the role of sustainable investment funds in supporting the transformation of the circular economy by directing capital to projects that apply the principles of the circular economy.

The third topic: sustainable investment funds.

The role of a sustainable investment fund is concerned with the ecosystem in supporting the development path.

In the previous part of this study, we discussed the concepts, classification, and objectives of investment funds, and we discussed the concept of a sustainable investment fund, also known as responsible investment funds or green funds, which are investment vehicles that prioritize environmental, social, and governance (ESG) factors alongside financial performance. In this part of the study, we will highlight the importance of this type of investment fund in achieving sustainable development and supporting the transformation path of the circular economy, and what are the most prominent experiences in this regard, and how can its benefits be maximized? At the beginning, the three principles of the concept of sustainability should be recognized: social equity, economic development, and environmental protection. The three aspects work together to ensure a better life for current generations and secure future generations, stressing the importance of relying on environmentally friendly renewable energy sources and reducing the consumption of non-renewable energy sources. Together, they form the basis for the transformation of the circular economy. The circular economy is a model of production and consumption that involves minimizing the waste of resources, goods, and energy sources, reusing, repairing, replenishing, and recycling them for as long as possible to ensure an increase in the life cycle of the product. The importance of the transformation of the economy to the circular economy can be summarized in the following points: to the circular economy can be summarized in the following points:

- Maximizing the utilization of resources, metals, and energy in various forms, and recycling.
- Efficient use of resources and minimizing the negative effects of traditional economic patterns. - Industry development, innovation, and infrastructure through research and development for innovative

technologies that promote sustainable production processes. This is one of the biggest challenges for less developed countries in general.

- Creating investment opportunities with social and environmental benefits

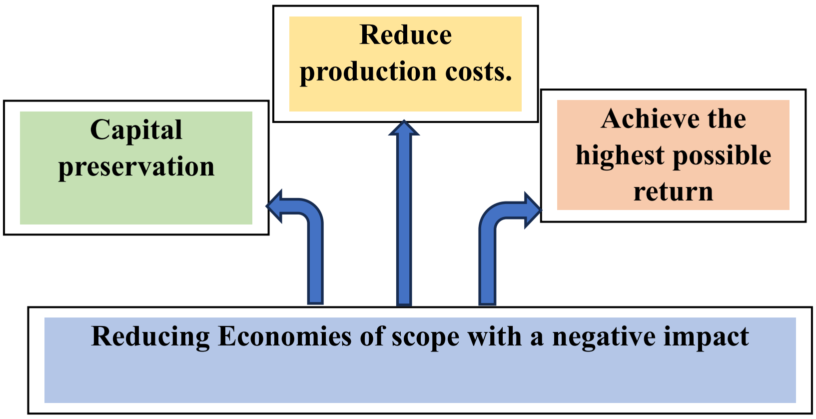

Figure (2)

The importance of the circular economy

- **The figure prepared by the researcher**

Is it possible to achieve the previous goals by activating the role of sustainable investment funds? sustainable funds aim to minimize negative externalities and support companies with responsible business practices. It is one of the main pillars of the former circular economy. The following figure shows the Requirements for activating the role of sustainable investment funds.

Figure (3)

1- An attractive regulatory and legislative framework for investment

2- Strengthening international partnerships with institutions supporting sustainable development thinking

3- Determining the nature of projects by focusing on the small and medium-sized industries sector (SMES)

4- Encouraging and supporting innovations in the field of sustainable production

5- Achieving a balance between financial resources and sustainable impact, for example, financing renewable energy sources

- The figure prepared by the researcher

Requirements for activating the role of sustainable investment funds

The previous figure reflects the elements of the success of the Sustainable Investment Fund, which include several interrelated aspects that ensure the achievement of its financial, environmental, and social goals. To begin with, the laws must be regulated for the performance of companies socially and environmentally to grant privileges to sustainable investment funds and link their impact with the goals of sustainable development, emphasizing the importance of having a regulatory framework to sign companies with institutions supporting sustainable thinking while taking advantage of international initiatives on green finance. The small and medium-sized industries sector is a key pillar in the success of sustainable investment funds, helping to address the missing middle gap in the industrial structures of less developed countries. This cycle can be maximized by supporting innovations in sustainable production. The following table shows the types of sustainable investment funds, the advantages, and disadvantages of each type.

Table (2)

Types of sustainable funds[12] and the advantages related to it

Types of funds	Advantages
Equity Funds	Sustainable equity funds invest primarily in the stocks of companies that meet specific ESG criteria. These funds can focus on a particular sector, such as clean technology or renewable energy, or have a more diversified approach across multiple industries.
Fixed Income Funds	Sustainable fixed income funds invest in bonds and other debt securities issued by governments, corporations, or financial institutions that demonstrate strong ESG performance. Green bonds are a popular instrument within this category.
Balanced Fund	Sustainable balanced funds combine both equity and fixed income investments to provide a diversified and risk-adjusted portfolio.
Index Funds and ETFs	Sustainable index funds and exchange-traded funds (ETFs) replicate the performance of a specific ESG-focused index, such as the MSCI ESG Leaders Index or the S&P 500 ESG Index. These funds offer a cost-effective and passive way to gain exposure to sustainable investments.
Thematic Funds	Thematic funds focus on specific sustainability themes, such as clean energy, water, or gender diversity. These funds enable investors to target particular areas of interest or capitalize on emerging trends.

These types can help investors identify best-in-class sustainable funds and gauge their relative performance. The choice of a sustainable fund is related to the goal to be reached, as well as the size of the expected risks. There are successful international experiences in this regard, which necessitate taking advantage of them and trying to provide the requirements for applying the development strategies followed by those countries, where less developed countries lack these elements.

[12] - Sustainable Fund , **Zach Stein | Reviewed** by Subject Matter Experts ,Updated on October , 2024 .

The Saudi experience: The Saudi experience is one of the leading experiences in this field, as it has succeeded in linking its investments with sustainable development. The Public Investment Fund (PIF) is responsible for the development of 70% of the kingdom's renewable energy goals.

which is a key pillar in the experience, and the Public Investment Fund ranked second globally in terms of commitment to sustainability standards (Global SWF 2023).

In 2022, the first green bonds worth 3 billion dollars were issued; the proceeds were directed to financing renewable energy projects, green hydrogen, and water desalination, as the investments were linked to the Saudi Vision 2030, which emphasizes the importance of economic diversity and improving the quality of life. In October 2023, the Public Investment Fund in the kingdom approved the first international green sukuk worth 1.25 billion US dollars to finance sustainable financing projects, including solar energy, wind, green buildings, and waste treatment. Saudi Arabia has become a founding member of many international initiatives that aim to focus on climate issues in investment decisions, and the fund's assets reached 941 billion dollars at the end of 2023, placing it as one of the largest sovereign funds in the world.

The Chinese experience is the best in this regard. China's sustainability funds have tripled since the launch of the dual carbon goals. The sustainability funds have tripled since the launch of 'dual carbon goals, The circular economy in China has contributed to the development of new industries in the field of (environmental industry, waste management, saving and reducing energy consumption, health sector) . China has become a market for the waste management department as follows :

- Industrial waste, solid waste, hazardous waste, plastic waste, electronic waste, and medical waste), the Waste Management Market in China has become a competitive market. The World Bank's December 2022 China climate and Development report notes that if China cannot neutralize the impact of carbon emissions by 2060, it will be impossible to achieve global climate change goals. China emits 27% of global carbon dioxide emissions and a third of the world's greenhouse gases. This transformation will require huge changes in the available resources, as well as innovations introduced by employing modern technologies in order to raise energy efficiency and resource productivity, emphasizing the need to achieve integration between the public and private sectors in this matter. Perhaps China's technological progress reflects its ability to neutralize the impact of carbon emissions and thus open up areas for new, environmentally friendly industries that support its development path by:

- Increased production returns and the introduction of low-carbon technologies such as wind energy storage, electricity, and a high domestic savings rate.

- The leading role in the field of green funds, the ability to create highly skilled jobs[13] in high productivity industries, ensuring the recycling of what is produced-closed-loop production systems.

- The Egypt experience: Egypt's Vision 2030 paid special attention to sustainable investment, and the move began to integrate environmental and social standards into the investment system, mainly.

EGX is one of four pioneer exchanges that joined the United Nations' Sustainable Stock Exchanges initiative (SSE) in 2009. The aim of the initiative, founded by the UN Secretary-General, is to enhance exchange-listed companies' transparency and commitment to environmental, social, and corporate governance issues. Additionally, EGX launched its S&P EGX ESG index in March 2010; the first and only ESG index in the Middle East and North Africa Region designed to track the performance of companies listed on the EGX that demonstrate leadership in environmental, social, and corporate governance (ESG) issues.

The S&P/EGX ESG Index measures the performance of 30 companies listed on the Egyptian Exchange (EGX) that are among the highest ESG scoring and also meet the requirements detailed in the Eligibility Criteria. Index constituents are ESG score weighted. ESG stands for Environmental, Social, Governance & Economic[14].

In 2018, the Sovereign Fund of Egypt[15] (TSFE) It is a private investment fund established (by Law 177 of 2018) to shape, manage, and perfect opportunities for investment in Egypt’s state-owned assets by creating partnerships and co-investments with private investors.

[13] - The circular economy in China: Achievements, challenges and potential implications for decarburization Raimund Bleischwitz * , Miying Yang, Beijia Huang, Xiaozhen XU, Jie Zhou, Will McDowall, Philip Andrews-Speed, Zhe Liu, Geng Yong , Resources, Conservation and Recycling , Volume 183, August 2022.

[14] -S&P Dow Jones Indices: Index Methodology ,March 2024 . https://www.egx.com.eg/

[15] - Egypt Sovereign Fund , The Sovereign Fund of Egypt | At A Glance .

TSFE aims to drive investment initiatives by utilizing a strategically targeted multi-sectoral approach, allowing it to support Egypt's economic growth and structural reforms that promote private sector engagement in Egypt's journey towards inclusive sustainable development, "Egypt Vision 2030".

In March 2022, Catalyst Private Equity[16], a leading private equity fund manager focused on Egypt, launched the first private closed-end Impact Investing Fund in Egypt and the Middle East, Catalyst Capital Egypt Fund (CCE). The fund is established according to the rules of the Egyptian Financial Regulatory Authority (FRA) with a target size of EGP1 Bn, whereas the first closing reached. EGP450 Mn.

CCE aims to invest in Small and Medium Enterprises (SMEs) in Egypt according to the Central Bank of Egypt (CBE) guidance on investing in SMEs. The Fund seeks to generate a positive, measurable social and environmental impact alongside a financial return, as one of the key methods to achieve the Sustainable Development Goals (SDGs). With UNDP's partnership, the fund will adopt the globally recognized SDG impact standards, utilizing several measurement principles and tools to create a concrete pool of investment-ready SMEs that will help these enterprises measure, manage, and promote their social and environmental impact in society.

The fund's limited partners (LPs) include Egypt's largest institutions: Misr Insurance Holding Company, Misr Insurance, Misr Life Insurance, Post for Investment, Misr Fund for Finance and Investment, Banque du Caire, Ahli United Bank, Suez Canal Bank, and Al Baraka Bank.

But despite this, Egypt faces many challenges that this in a way that ensures a more stable growth rate.

[16] - https://www.undp.org/

Table (3)

The most important achievements of the Catalyst Capital Egypt fund (CCE)

Time	Event	Details
March 2022	Official fund launch	Establishment of Egypt, the first impact investment fund in collaboration with UNDP, targeting EGP 1 billion.
Nov 2023	EGP 100 million investment in an AID company	Funding the development of ready industrial factories within the Suez Canal Economic Zone to support industry and attract investment,
Mar 2024	Announced EGP250 million in 3 companies	Investment targets companies in pharmaceuticals, retail, and agricultural exports to support SMEs and promote sustainable growth.
2025 (ongoing)	Strategic partnership with UNDP	Enhancing alignment with sustainable development goals (SDGs) by integrating environmental and social impact criteria into investment decisions.

Source: UNDP Egypt .

- Requirements for the development of the role of investment funds in supporting the transformation path of the circular economy.

First, it is possible to summarize the most important challenges facing Egypt in the transition to a circular economy faster, and then the ability to benefit from sustainable investment funds and activate their role.

-The number of orientations and strategies that determine investment priorities.

- Dysfunction of administrative structures.

- The decline of private enterprises in applying the requirements of the circular economy due to the risks of competition, and the need to rely on high-cost technical efficiency.

- Weak legislative and institutional environment to facilitate attracting investment in the field of clean technology, to rationalize energy use. Consumers ' lack confidence in the ability of industrialists to provide high-quality products from recycled resources.

- Not providing sufficient awareness about the importance and culture of self-employment.

- The absence of an information base on which these projects rely in planning future production stages to ensure the preservation of environmental components and their effective use.

After presenting three models of three international experiments on the management of sustainable investment funds and the positive results they have achieved supporting the transition to a circular economy, he stressed that the idea of forward scenarios is one of the important tools to support the transformation process, as it gives a vision of the future of the economy through application in its various sectors With the study of the impact of the policies that are followed to support the transformation process through the creation of sustainable investment opportunities with the identification of opportunities and challenges and the development of flexible plans through Which can be achieved by supporting and developing sustainable investment funds.

- **Conclusion:**

- First: the results of the study:

- Investment funds offer investors the opportunity to invest in a variety of assets and achieve diversity in their investment portfolio without requiring the need for special skills in analyzing markets and making investment decisions.

- Multiplicity in investment funds can also help reduce the risks associated with money market fluctuations. To ensure a balance between the potential returns of investment funds and the expected risks

- The need to benefit from international experience regarding the management of sustainable investment funds, and the transformation of the circular economy- The use of international expertise in the management of business incubators guided by the owners of successful experiences in this field. This is confirmed by the experience of the Kingdom of Saudi Arabia and China, by provides an advanced model in sustainable finance while strengthening international partnerships.

- Activating the advantages of investment funds in accordance with the requirements of sustainable development.

-The Chinese experience has confirmed the importance of the small and medium-sized industries sector, but therefore, it requires the restoration of the National private sector to be able to achieve sustainable development, through a more effective private sector administratively, organizationally, technically, socially, and environmentally.

- Integrating the economic and social dimensions with the environmental dimension to clarify the importance of the transition to a circular economy, this is a desire to achieve the short and long - term goals of the circular economy, while working to spread awareness, both at the level of companies and individuals; to facilitate the process of transformation.

- The success of the development path in any country is related to the compatibility of development plans and projects with the advanced technological environment.

- Facing all the challenges posed by successive crises and sustainable investment depends on the scenarios to predict the possible effects.

- Sustainable investment funds base their strategy on reducing the future risks associated with the idea of scenarios, such as investing in renewable energy sources.

- **Second: recommendations:**

- Stimulating small and medium-sized entrepreneurs who do not have experience in investing in securities. They rely on funds as a safe and low-risk investment tool.

- Activating the role of sustainable investment funds, to confirm a positive impact on national and foreign investment rates, as well as to support and increase the competitiveness of national investments.

- Direct support to adequate economic policies and initiatives for the transformation of the circular economy, emphasizing the integration between the public and private sectors in this regard, where the application of sustainable growth thinking requires there to be government supervision and flexible management.

- Identify priorities in the various investment sectors in which the policies of transition to the circular economy are applied, with the start being in the industrial sector and infrastructure projects.

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دور الصناديق الاستثمارية المستدامة في دعم التحول نحو الاقتصاد الدائري بالتطبيق على الاقتصاد المصري (الواقع والتحديات)

الملخص

يشهد العالم الآن العديد من الازمات السياسية والاقتصادية والاجتماعية ، والتي خلفت تراجع في معدلات النمو وضعف في حجم الاستثمارات خاصة في اقتصادات الدول الاقل تطورا بشكل عام ومصر بشكل خاص ، ومن ثم تراجع القدرة على بلوغ الاهداف الانمائية للألفية الحالية، الامر الذي يؤثر بالسلب على اهداف التنمية المستدامة ودعم المسار التنموي في التحول من الاقتصاد الخطى إلى الاقتصاد الدائري .

وحيث يعد الاستثمار أحد محددات النمو الاقتصادي ، فان دور صناديق الاستثمار يعزز من حجم التراكم الرأسمالي وكذلك الكفاية الحدية لرأس المال ومن ثم زيادة الطلب على الاستثمار بمزيد من الاستثمارات الاكثر تنوعا التي تدر المزيد من الدخول ومن ثم ضمان استمرارية دفع معدل النمو لأعلى ، لكن الامر أصبح مرتبط بنوعية الاستثمارات التي تضمن التحول الامن من الاقتصاد الخطى نحو الاقتصاد الدائري . وتختلف صناديق الاستثمار المستدامة عن صناديق الاستثمار التقليدية في كونها أكثر تركيزا على قضايا البيئة والمناخ ، حيث تقدم الدعم للشركات ذات الممارسات التجارية لكنها تعطى أهمية خاصة للعوامل البيئية .كما أن تحديد السيناريو المناسب في ادارة الازمة تساعد الصناديق الاستثمارية على تصميم محافظ قادرة على التكيف على ما تفرضه الازمة من تحديدات والتي تبنى استراتيجيتها على تقليل حجم المخاطر المستقبلية من خلال التركيز على الاستثمار المستدام .