

Qatar's strong start to a testing year

Perhaps it is no longer a hidden fact that 2016 will be a difficult year for the Qatari market. With more governmental or quasi-governmental entities announcing reductions or cancellations of projects, staff redundancies and consolidations within departments, it is likely that business opportunities will be significantly fewer than previous years with huge growth numbers. Banks (including Islamic banks) have also suffered the wrath of the economic downturn, with lending in Qatar decreasing generally, despite the recorded growth of bank assets to QAR1.11 trillion (US\$304.53 billion) by the end of 2015. AMJAD HUSSAIN writes.



QATAR

By Amjad Hussain

However, amid the negative speculation and forecasts for this year, Islamic banks in Qatar have remained active in the market and are still keen on issuing Shariah compliant instruments. A prediction has been made by the Qatar Central Bank that bonds and Sukuk worth over QAR15 billion (US\$4.12 billion) will be issued in 2016 in Doha.

Qatar Islamic Bank (QIB) has remained very active with respect to Sukuk issuances, with its shareholders approving the board's recommendation concerning its Sukuk programs. Additionally, the board has approved an extension of the QAR3 billion (US\$823.06 million) remaining from the additional Tier 1 capital perpetual Sukuk that were previously approved and also approved increasing the QIB Sukuk program to US\$3 billion instead of US\$1.5 billion.

Additionally, Ooredoo (the leading telecommunications company in Qatar) announced that it is seeking to raise over US\$1.5 billion through bonds and loans in 2016 and is in talks with banks over the matter, according to Reuters. Quoting unnamed sources, the telecommunications firm is looking to raise funds to refinance the existing US\$1 billion revolving credit facility (RCF) maturing in March 2017 and is exploring options in Islamic financing or conventional RCF and in the US dollar or a combination of currencies. Ooredoo is also planning a benchmark-sized bond issuance and is open to issuing in Islamic and/or conventional formats, in dollar or a combination of currencies.

Barwa Real Estate Company announced that it has entered into a number of Islamic financing arrangements in recent weeks. The company announced on the 14th January 2016 that it has entered into a Shariah compliant financing arrangement with Masraf Al Rayan, worth US\$444.3 million for a term of



five to seven years which will be used to refinance an existing Islamic financing liability of Barwa Real Estate, and which fits into the company's strategy to refinance its existing financing liabilities in order to strengthen its overall financial position. Additionally, the company announced on the 17th January 2016 that it has secured a US\$157.1 million Shariah compliant facility for a term of five years to finance its financial liabilities.

Ezdan Holding Group (a leading real estate development company in Qatar) announced that the board has agreed to recommend the issuance of Islamic Sukuk through many stages (worth up to US\$2 billion), once the required approvals have been obtained. The matter has now been put to the shareholders to approve during the annual general assembly meeting in March.

Elsewhere, QInvest announced that it has provided a five-year US\$30 million Murabahah mezzanine finance facility to Crescent Capital to fund its acquisition of a 100% stake in Akocak HPP, an operational 81 MW hydroelectric power plant in Turkey. QInvest reported

that it structured and invested in this transaction, which is the first of its kind, alongside Garanti Bank, Turkey's leading energy and infrastructure financier and the sole senior lender for the dual-tranche funding package of US\$100 million.

From a regulatory standpoint, Sheikh Abdullah Saud Al Thani, the governor of Qatar Central Bank, recently announced in a press release that the bank has sought the assistance of a unified Shariah Compliance Committee (in cooperation with the Islamic finance institutions in Qatar) to achieve the following objectives:

- The issuance of a unified procedures manual relating to Islamic financial instruments, which establishes the legal and Shariah compliance guidelines governing each instrument in a manner that achieves and maintains the required transparency and market discipline along with a basis of adjudication and dispute resolution.
- Providing Shariah opinions (Fatwa) with respect to Islamic financial instruments.
- Providing a general framework to monitor and regulate Shariah compliant transactions.
- Preparing research papers and studies for the purpose of promoting and developing the Islamic finance industry.

In light of recent developments in the market and the drive of the Qatari government and the Qatar Central Bank to find alternative sources of income to oil and gas, the role of Islamic financing as an alternative means to fund projects will certainly be a pivotal one. It is encouraging to see that despite a cautious start to the year, there is a strong drive to push ahead.⁽²⁾

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