SPECIAL DAILY EDITION WORLD BANK/IMF
THURSDAY OCTOBER 12 2023

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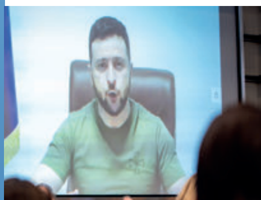

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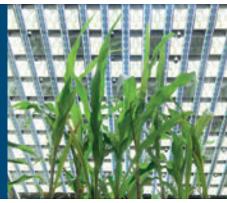

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Small states' climate pleas finally heard but COP 28 'cannot fail'

By Oliver West, Steve Gilmore

Years of protests by small climate-vulnerable nations have finally put critical reform of the global financial architecture high on the agenda of major international organisations and developed market governments. But the COP 28 climate conference in United Arab Emirates in November-December will be the true test of whether the talk leads to action.

"I think the anger and the advocacy of some of the vulnerable countries — particularly small island states — is being noticed," Biman Prasad, Fiji's deputy prime minister and minister for finance, told *GlobalMarkets*. "Now [we are] firmly on the agenda and hopefully a lot of discussion within groups like the Commonwealth will feed into this overall attempt to reform the global financial architecture. Many of these wonderful countries are at a cliff edge, and we cannot waste any more time."

Prasad said Janet Yellen, US treasury secretary, had this week invited him to attend a meeting to discuss innovations within the International Monetary Fund, including the Poverty Reduction and Growth Trust, its main vehicle for concessional financing.

Prasad: 'we cannot waste any more time'

Ryan Straughn, minister of finance and economic affairs for Barbados — whose prime minister Mia Mottley has become a leading voice calling for more support for climate-vulnerable

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World Bank gets 'enormous interest' in shareholder hybrids

By Dominic O'Neill

The World Bank has received a "very high level of interest" for the first phase of its hybrid debt issuance programme, treasurer Jorge Familiar told *GlobalMarkets*. Under pressure from its shareholders, the traditionally conservative Bank has pivoted in the last 15 months to become an enthusiastic adopter of new financial techniques.

MDBs are just beginning to explore issuing hybrid capital. It is subordinated debt, but if structured in the right way with loss absorption triggers, the rating agencies will treat it as 100% equity, enabling MDBs to increase their lending without raising more common equity capital.

The G20 and countries including the US have urged MDBs to issue hybrids as part of a panoply of reforms.

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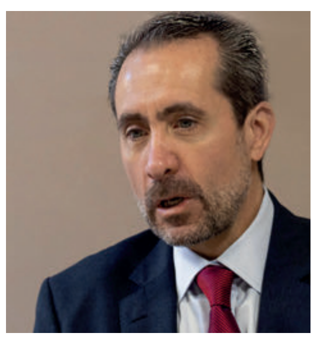

Familiar: 'it's full speed ahead in bringing new things to the table'

Africa risks being left out of supply chains by flaws in US IRA

By Steve Gilmore

The US's drive to wrest global supply chains away from China, fuelling a US-centric green manufacturing boom, risks undervaluing African countries' huge potential as economic and strategic partners, leading experts have warned.

In the last year, the US has unveiled a new strategy towards sub-Saharan Africa, in which economic opportunity is a key component. It has also enacted the Inflation Reduction Act, hailed as the most transformational piece of climate

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Success is a journey

Vulnerable states have got on the agenda — now they want action

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nations — told *GlobalMarkets* he was now seeing "better coordination in terms of what we have been doing" on climate.

Small island nations, which have barely contributed to greenhouse gas emissions, are particularly vulnerable to more frequent weather disasters, partly because one storm or flood can wipe out swathes of their GDP. But funding that would enable them to invest in becoming more resilient can be hard to come by.

"We need to ensure that climate vulnerability is factored into debt sustainability assessments and recognise the positive impact of climate-related investments," Baroness Patricia Scotland, secretary-general of the Commonwealth, told a meeting of the group's finance ministers in Marrakech on Wednesday. "Countries need the fiscal space to invest in the climate-resilient infrastructure which can ensure their survival and growth, irrespective of historical debt stock."

She added: "It is neither just nor sensible to prevent vulnerable countries from accessing the support they need because of debts they incur from a problem they have not caused."

Baroness Scotland called for reform to increase countries' access to both concessional and non-concessional financing. Developing and vulnerable countries needed cheaper development finance with longer maturities, she argued.

A financial system "engrained with conditionalities and heavy-handed eligibility criteria" was "loading the dice" against countries that most needed developmental finance.

"Business as usual is not an option," she said. "Business as usual provides insufficient support for the countries which is needed now, it will not help us overcome the grave, entrenched challenge we all face, and it's not enough for us to attain the Sustainable Development Goals."

LOSS AND DAMAGE

Some steps are seen as helpful, such as the IMF's Resilience and Sustainability Trust, launched in May 2022, which provides longer term loans than the Fund has ever offered before. But they are not enough to address the climate finance need. The RST, for example, still requires that borrowers meet IMF programme conditionality.

Vulnerable nations are therefore looking to the COP 28 climate conference, taking place in Dubai in December. At COP 27 last year, countries reached — after a decade of debate — an agreement to establish a Loss and Damage Fund to help developing countries with the effects of climate change.

The committee charged with putting this fund into operation issued an update on September 8 saying it had made "significant progress". But its funding remains up in the air.

Fijian minister Prasad said there had to be real action — COP 28 "cannot fail" in this respect. "Success would consist of creation of a Loss and Damage Fund with substantial allocations," he said, "so that many of these countries which are struggling under debt stress and with an infrastructure deficit can have concessional funding and grants support.

"These are required to build. If you don't build the infrastructure, you can't sustain the economy in the future."

Although climate-resilient infrastructure could become financially sustainable and funded with domestic resources a few years down the line, there is a "huge" funding gap.

"I'm not saying that [the Loss and Damage Fund] will forever be a need," Prasad said. "But to get there and for it to be sustainable, you need support. That's what many of these countries are asking."

Charities could buy WB hybrids

Continued from page 1

While the US intends to provide guarantees to boost multilateral lending, instead of buying hybrids, Germany already committed in September to a €305m hybrid private placement.

The World Bank's Development Committee is expected to formally endorse hybrid issuance on Thursday. Speaking on Wednesday morning, Familiar said he hoped more shareholders would make public their interest in investing in World Bank hybrids in "days, if not hours" — even if the size would be subject to subsequent budgetary discussions at a national level.

Germany intends to recognise the hybrid as official development assistance. Familiar said most other countries had indicated they would follow this path too, rather than treating hybrids as an investment.

"There's an enormous level of interest in this instrument and the power it can bring in sustainable development," he said.

If it is classed as ODA, Familiar said many countries were thinking about either forgoing the hybrid coupon payments or sending them to a trust fund for global public goods.

Issuance will begin with private placements to shareholders. But Familiar is attending the Global Philanthropy Forum in San Francisco next week, hoping to interest charitable foundations.

Issuance to both shareholders and philanthropic partners will be priced the same as the Bank's senior debt.

The Bank is considering whether some of this issuance could be tailored to support specific goals, such as combatting climate change.

The Bank will also start approaching commercial investors about a pilot deal of up to $1bn. Familiar said commercial banks' hybrid debt was typically priced at 200bp-300bp over senior debt, but he thought the fact that shareholders would buy at the World Bank's senior funding cost could help tighten pricing with commercial investors.

"The capital markets version might be worth having in our tool kit," he said. "If we need to really boost our lending in front of an emergency, it might be useful to have a capital market instrument that can be quickly issued and help us expand our financial capacity."

Since this is a new category of instrument, the World Bank will have to build an investor base almost from scratch. For now, however, the Bank is focusing on placements to shareholders and development partners.

Its ceiling for hybrid issuance will be at least $16bn, which Familiar suggested could be reached in a couple of years. The ceiling may even be higher, as dialogue with rating agencies is still in progress.

Residents of a village in Bacoor, Cavite province, Philippines receiving a dose of Moderna Covid-19 vaccine. Photo courtesy of The World Bank Photo Collection

"For every dollar of hybrid capital we issue we will be able to lend up to $8 in a period of 10 years," said Familiar, using a higher leverage multiple than the 6 ratio the Bank was using recently. He said the eight-to-one ratio had come out of talks with rating agencies.

Familiar said Germany's contribution alone could allow another $2.5bn of lending, while the total hybrid envelope could allow additional lending capacity of more than $100bn.

Triggers for not paying coupons will consider the World Bank's level of leverage and its volume of loans in 'non-accrual status', meaning the borrowers are not paying, but they have not been written, off due to the World Bank's preferred creditor status.

There will also be a period after the trigger takes effect when shareholders can take remedial action, including recapitalisation.

Looking further ahead, Familiar said there could be more scope to increase the World Bank's use of risk transfer instruments such as securitization, although the impossibility of transferring its preferred creditor status is a complicating factor.

"What we are picking up is significant excitement from our shareholders, with respect to the financial innovations we are putting in front of them," he said. "It's full speed ahead in bringing new things to the table that will allow us to expand our financial capacity."

IMF urged to cut cost of Resilience Trust climate loans

By Steve Gilmore

Developing country finance ministers have called for the International Monetary Fund's Resilience and Sustainability Trust to become truly concessional, amid concerns that not all countries can easily use its support because of the interest rates.

The Trust channels special drawing rights from rich members to help poorer ones build resilience to shocks including climate change and pandemics. It has a fundraising target of $42bn.

The RST's interest rate structure is at the top of the substantive changes developing countries want to see. "That needs to be addressed," Ryan Straughn, minister of finance and economic affairs for Barbados, told *GlobalMarkets*. "It really should be concessional in order to help [countries] build resilience."

Although the 20 year loans available from the RST have a 10.5 year grace period and the lowest rates available to developing countries, these rates are no longer low.

For the lowest income countries, the RST rates are around 2.5%, while more developed countries have to pay around 5.6%.

Barbados leads the Bridgetown Initiative, a campaign whose demands include more climate resilience funding for vulnerable countries. "We've been advocating that if you're going to do concessional lending, it has to be concessional, full stop," said Straughn. "Otherwise, it really erodes your fiscal space."

Opened in May 2022, the RST is the IMF's main climate finance facility. For many climate-vulnerable countries it could not have come sooner. "The RST was the right instrument at the right time," said Hekuran Murati, Kosovo's finance minister.

Kosovo has the world's fifth largest lignite reserves and is struggling with the high cost of decarbonisation. It has used the RST to help end blanket energy subsidies, replacing them with targeted subsidies for the most vulnerable.

But it is not straightforward for some countries to access the RST. States must have a functioning IMF programme. "Countries that don't have these programmes have to put one in place," said Mark Plant, COO of the Center for Global Development Europe. "That's a six to eight month lift."

Straughn: concessional should mean concessional

This potential delay is serious, since one of the aims is to give governments fiscal space to implement difficult policies, such as lowering subsidies and even raising the price of carbon.

Kenyan officials said that at last month's Africa Climate Summit participants discussed how carbon pricing could be implemented. "The number one priority area for reform is to incorporate climate risk into fiscal planning and even the investment framework," Njuguna Ndung'u, Kenya's finance minister, told the panel.

Plant said countries should be able to access climate financing without submitting their entire economic policymaking apparatus to IMF scrutiny.

Africa cut out

Continued from page 1

legislation in US history.

But little thought has been given to how these two policies work together.

Africa has deposits of many minerals critical to the green transition. "African countries can be key suppliers of essential inputs into clean energy hardware, whether it's electric vehicles, EV electric batteries, solar panels or wind turbines," Zainab Usman, director of the Africa programme at the Carnegie Endowment for International Peace, told *GlobalMarkets*. "But African countries also need investments to be able to develop some of those raw materials, so that they're not just exporting unprocessed commodities."

African leaders are well aware of the opportunity. "The crux of the matter is that there can be no green future without Africa's minerals," said Gwede Mantashe, South Africa's mineral resources and energy minister, at the inaugural African Critical Minerals Summit in August. "We must therefore insist on the creation of value in countries of origin, to change the status quo on the African continent."

Namibia this year banned the export

Mantashe: create value in countries of origin

of unprocessed critical minerals. Zimbabwe has done the same for lithium.

NEED FOR FTA

The US has made selective progress in approaching African states, signing memorandums of understanding with the Democratic Republic of Congo and Zambia in December last year, to strengthen supply chains for EV batteries, "ranging from raw material extraction to processing, manufacturing and assembly".

But EV batteries are a prime example of the Inflation Reduction Act's exclusivity. To benefit from the IRA's lucrative tax incentives, EV battery minerals and components must be processed in or sourced from either the US or a country with which it has a free trade agreement.

Only one country in Africa — Morocco — has an FTA with the US. That means the IRA itself bars the rest of the continent from benefiting from the surge in manufacturing it will engender.

There could be ways round the problem. The IRA is flexible in how it defines an FTA.

The US does not have an FTA with Japan — a major source of battery materials — but managed to satisfy the IRA by signing a specific critical minerals agreement with Japan.

Usman said the US could do something similar by bolting on a section to the African Growth and Opportunity Act. It grants duty-free access to the US market and is due to be reauthorised in 2025.

The US could also invite African countries to join its new Minerals Security Partnership — a collection of 13 countries and the EU, designed to foster public and private investment in responsible critical minerals supply chains.

"The complaint we've heard over the past couple of years is that the West is very focused on outlining norms and standards and less around investments," said Usman. "So there need to be concrete investments going into these countries."

Financial, military support for Ukraine remain top priority

By John Crabb

Keeping on supporting Ukraine under its devastating attack from Russia is essential — that was the message from the international financial leaders of the West on Wednesday.

Ajay Banga, Kristalina Georgieva, Paolo Gentiloni and Janet Yellen, representing the World Bank, IMF, EU and US, joined Ukraine's president Volodymyr Zelensky and prime minister Denys Shmyhal in a discussion in Marrakech.

The group reaffirmed their commitment to Ukraine but called on the private sector to increase its support.

Addressing the roundtable virtually, Zelensky encouraged countries to impose stronger sanctions on anyone who endangers life. He called for asset confiscation to help fund Ukraine's defence, guarantees of financial support to defend life, and boosting export credit agency and project financing to ensure the implementation of investments and infrastructure projects.

He also stressed the need for transparency. "The resilience of defence is always based on the resilience of society," he said. "The use of arms should be fully accountable, as it is with funds in the Ukraine."

Shmyhal confirmed that fighting corruption would be a priority, and that international support, including significant support from the private sector, had helped the country stabilise its financial budget. But he added: "the aggressor must pay for the aggression".

World Bank president Banga emphasised the need for private sector buy-in to Ukraine's redevelopment, citing potential for green energy, among other infrastructure developments. IMF managing director Georgieva reaffirmed the Fund's commitment to provide $115bn in support over the next four years.

She said GDP growth was likely to be around 3% and commended policies that had contained inflation to single digits.

"This is all very good, but it can only be sustained with our unwavering support... our investment in Ukraine is not charity," she said. "No war can be allowed to crush a nation."

Commissioner Gentiloni confirmed the EC would continue to support Ukraine for as long as it takes and said the $50bn it has pledged "will allow us to help considerably in financing Ukraine's needs going forward..." But he added "we must align conditionality for support between donors and the international community".

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THE BANK TO TRUST

Japan enjoys rare economic sunshine, but can post-Covid rebound last?

By Elliot Wilson

A rebound in Japan's economic growth and stockmarket valuations is prompting global investors to ask if Asia's second largest economy can finally mount a sustained ascendancy after years of anaemic performance. But clouds are never far away and analysts believe growth could turn negative later this year.

The IMF has robustly forecast Japan's economy to expand by 2% in 2023 and 1% in 2024, making it one of the fastest-growing economies in the developed world over that period, according to its latest World Economic Outlook.

The broad Topix index hit a new multi-decade high in September, topping 2,400 for the first time since July 1990. Bank of America analysts believe it could soon exceed its all-time peak in 1989, just before the bursting of an almighty asset bubble.

Experts told *GlobalMarkets* they saw reasons for both hope and caution. Inflation looks set to stay moderate, after years of being super-low, interspersed with periods of deflation. The annual inflation rate edged down from 3.3% to 3.2% in August.

"One of the biggest narratives is the success in tackling inflation, with wages at their highest rate in the past 30 years," said Kohei Iwahara, economist, Japan and Pacific, at Natixis Japan Securities.

Global investors and companies have taken note. Japan ranks third in this year's foreign direct investment confidence index from Kearney, the management consultancy, up from fourth a year ago and behind only Canada and the US.

Several global chipmakers are in active talks to bring manufacturing back to Japan, motivated by a widespread redrawing of supply chains, as global companies seek to diversify away from an uncertain, slower-growing and capricious China.

PENT-UP DEMAND

But analysts and investors are also wondering how long the good mood can last. At least some of the renascent optimism is due to the government lifting its last remaining Covid-related entry restrictions in April. On one hand, Japan's risk aversion probably held back the economy for far too long. On the other, normalisation this year has come as an economic super-accelerant.

The return to normality has boosted car exports and "stimulated private consumption and released pent-up demand," said Iwahara.

In its latest Asia economic report, published last week, Japanese bank Nomura tipped the economy to expand by a whopping 1.3% quarter-on-quarter in the three months to September.

But beyond autumn the outlook dims. Nomura reckons output will contract 0.6% in the final quarter of the year and 0.5% in the first three months of 2024, "driven by a decline in public investments, slowing exports and a reactionary increase in imports".

Katrina Ell, director of economic research at Moody's Analytics, said Japan had enjoyed a "decent rebound" this year, with domestic demand staging "an impressive uptick", helped by the impressive return of international tourism.

"But the domestic rebound will fade into 2024 as export conditions remain mediocre." She believes GDP will grow just 0.4% next year.

MDBs must reform faster and shed 'culture of competition'

By Elliot Wilson

Multilateral development banks are failing to collaborate with one another in pursuing solutions to the world's myriad crises, preferring instead to tackle challenges solo, according to a leading development expert.

The result is a pervasive "culture of competition, not collaboration" that has stymied global development and prevented multilaterals from seeking more radical and much-needed reform agendas, Nancy Lee, director of sustainable development finance at the Center for Global Development in Washington, told *GlobalMarkets*.

The thinktank this week launched its MDB Reform Tracker, an online tool that assesses progress the world's six largest MDBs have made towards meeting the three most important reform agendas.

Two are from the Group of 20 nations: the Capital Adequacy Report published in 2022, and the G20 Experts Group on Strengthening the MDBs, which reported this year. The other is the Summit for a New Global Financing Pact in June, which closely followed the Bridgetown Initiative.

The tracker gives each MDB a score for whether it has made no or some progress on each of 43 reforms recommended by these groups, or completed them.

They include issuing hybrid capital and incorporating uplift from callable capital into their capital frameworks.

"The picture is very mixed," said Lee. "You can't single out one institution and call them a poor or a good performer. No one institution has performed well across the board."

She said the MDBs needed to do more in the face of huge problems, exacerbated by climate change, war and Covid-19. MDBs had the wherewithal to help countries tackle such challenges but they needed to expand their lending capacity, cooperate more and react faster to unfolding crises, Lee said.

"Changes to adapt to the 21st century have not happened — and we are well into a century that requires change. That's why you're seeing a rising chorus of voices in borrowing and non-borrowing countries saying the pace of [reform at MDBs] is too slow."

Lee: 'change has to come from the very top'

BOTTOM-UP STRATEGY

International financial institutions must get better at working with nations that support and rely on them. "They need to be better partners, more proactive in responding to their needs, more focused on mobilising private finance, on working with other MDBs, and on listening. The best strategy is a bottom-up one driven from the country level."

Lee said success would hinge on two critical factors. The first was to ensure the shareholders of MDBs remained committed to long term reform. Second, that the MDBs are led, now and in the future, by leaders with the vision to change their institutions from within.

"Institutional leadership is key," says Lee. "Change has to come from the very top."

Bolivia running out of cash after $1bn gold sale

By Oliver West

Bolivia is plunging into a balance of payments crisis amid a continued shortage of dollars, no recent official data on foreign currency reserves and a hefty fiscal deficit. Stirring the pot is former president Evo Morales, forced to flee the country in 2019. Morales has fallen out with President Luis Arce, his old finance minister, and said on September 24 that he would run for office in the 2025 election, as a result of what he sees as "attacks from the government".

Even after a precipitous drop in its dollar bond prices in the last month and although Bolivia has no bonds maturing until March 2028, investors are failing to see any value in its debt.

The approval of a so-called 'gold law' earlier in the year has allowed the Bolivian central bank to sell some 17 tonnes of gold and raise just over $1bn of cash since May 5. This eased earlier concerns about a $183m bond maturity payment due on August 22, which was duly made. It is also likely to have temporarily reversed a fall in international reserves that has caused demand for dollars to surge across the country.

But this has cut Bolivia's gold reserves from 43.5 tonnes to 26.1, according to a report from EMFI Securities published on Monday and — by law — the stock must not drop below 22 tonnes. The central bank stopped publishing weekly reserve data on February 8, but analysts believe the situation remains perilous.

"[This] is a textbook balance of payments crisis," said Nathalie Marshik, managing director in Latin American fixed income at BNP Paribas. "Arce has to balance political pressures, so subsidies will stay, the fiscal deficit will continue to be large, and meanwhile they're holding an overvalued peg."

Bolivia's sovereign bonds, having recovered after the gold law was passed, are again trading at all-time lows. Its 4.5% March 2028 bonds were bid at 45 cents on the dollar on Tuesday — 15 percentage points lower than on September 22.

Bolivia's fiscal deficit is likely to widen from 7.3% of GDP last year to 8% in 2023, according to EMFI.

The three unofficial exchange rates operating in the country have tumbled to a range of 7.00 to 7.90 bolivianos to the dollar, while the official rate is 6.90.

There is little immediate repayment risk on Bolivia's international bonds. But this is not enticing buyers. Marshik said it would be tough to find buyers in today's market environment. "If Morales were to win you would start worrying about sanctions, and there's still the risk of social unrest," she said. "It would be a very big bet to make."

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Zero hunger by 2030, as promised in the second UN Sustainable Development Goal, looks a distant dream. New technologies offer many solutions, from cutting pesticide use to solar-powered fridges. But public and private finance have made little inroads in rolling these out to the hungriest countries

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Hung Tran is a non-resident senior fellow at the Atlantic Council's Geoeconomics Center, a former executive managing director at the IIF and former deputy director at the IMF

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Event Print
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FROM THE PUBLISHERS OF
GlobalCapital

GLOBALMARKETS IS A PUBLICATION OF DELINIAN TRADING LTD,
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Food insecurity: why is finance failing?

Zero hunger by 2030, as promised in the second UN Sustainable Development Goal, looks a distant dream. New technologies offer many solutions, from cutting pesticide use to solar-powered fridges. But public and private finance have made little inroads in rolling these out to the hungriest countries

By John Crabb

The combined assault of extreme weather, inflation and reduced access to fuel and fertiliser in the wake of the Covid-19 pandemic and Ukraine war has meant that 345m people worldwide face acute food insecurity, according to the World Food Programme — 400,000 of them at catastrophic levels.

Food insecurity can not only cause death and damage people's physical, emotional and cognitive development — it can also provoke civil unrest and violence.

This is happening in a world where the UN Sustainable Development Goals pledge to eliminate hunger by 2030. Reluctantly, the UN has accepted that the "unprecedented wave" of hunger stemming from the war in Ukraine will make that difficult to achieve.

But the struggle must go on — ways must be found to produce more food in better ways.

"How do you find something that can help fight food insecurity and be more sustainable for the long term?" says Adam Bergman, global head of agtech investment banking at Citigroup in San Francisco. "Because with the growing global population it's going to be very challenging to feed 10bn people by 2050 and not use more land, water, chemicals, fertiliser and other inputs that go into agriculture. We'd struggle to do it and not have a huge impact on climate change." Enthusiasts even think a new revolution in agriculture could be coming.

"The potential of digital technologies to change the food system are immense," says Julian Lampietti, global engagement manager for the agriculture and food practice at the World Bank in Washington.

Computer chips might seem to have little to do with fields and plants. But digitisation can bring down transaction costs and harness data to create efficiencies and produce food in a more environmentally sustainable and equitable way.

"Think about the problem of connecting 600m farms to 8bn consumers," Lampietti says. "For every tonne of wheat or rice sold, only something like 10% of the value of that actually goes at the farm gate to the producer. The rest is moving it around and getting it on to the plate, so to speak."

Unlike with previous agricultural advances, the latest innovations are taking place at multiple points along the agrifood value chain.

"Digital technologies have attributes that can shrink those transaction costs tremendously and make the whole system a lot more efficient," says Lampietti. "Real prices of food have come down for 100 years, partly due to technological evolution. They cannot come down necessarily any more at the farm level, without just running the farmers out of business or destroying the planet by mining every last resource."

Instead, he argues, it is time to tackle the inefficient way food gets from the farm to the consumer, using digital technology in ways that are replicable around the world. Done well, this could also mean getting more money into the hands of farmers.

> *"Even where there is blended finance, it's minuscule, it hasn't worked"*
>
> *—Carin Smaller, founder of the Shamba Project and co-director of Ceres2030*

WHO PAYS?

However, cutting edge digital innovations are not cheap. So getting them from the drawing board to the farm, especially in poor countries, presents a financing challenge.

The industry has found that implementing agtech advancements, particularly in regions with limited technological knowhow and energy supplies, is very difficult and often fails to generate returns for investors.

Because of agtech's high cost and risk, experts agree that the burden must be shared between the public and private sectors. The hard part is working out how to do that successfully.

The sums required are awesome. The research project Ceres2030 found that an additional $330bn is needed before 2030 to fill this gap, with around $190bn of that to come from countries affected by food insecurity and $140bn from donors.

"And that is not happening, that amount of money is not being spent, so it's basically about $33bn annually more than what's currently being spent annually — there is a massive

More food in better ways
Vertical farming in Sentral Farm building, Cimanggis, Depok, West Java and an automatic rice harvester machine in Pati, Indonesia

> *With the growing global population it's going to be very challenging to feed 10bn people by 2050 and not use more land, water, chemicals, fertiliser and other inputs*
>
> *—Adam Bergman, global head of agtech investment banking at Citigroup in San Francisco*

investment gap," says Carin Smaller, founder of the Shamba Project and co-director of Ceres2030. "The big question is how do we finance that, where do we find the money?"

Currently, much of the financing comes from grants and loans. Smaller believes grants are central to fighting hunger because they can reach "the poorest of the poor", in economies still too weak to attract capital markets funding.

She goes further: most of the funds to bridge the food insecurity gap "must come from public investments. It's really hard to tap into capital markets for the kind of agricultural investments we need, in the countries that we need, because the chance of a return is so low."

Bergman at Citi says there has been heavy private investment in foodtech innovations, but it has slowed down. "However, there's still a tremendous amount that needs to get done. One of the things that's is really needed is more money coming from the public sector."

But though public money is very important, it's never going to be enough. "The public sector has to be smarter at how it raises [additional] money from private, concessional or commercial loans," Smaller argues. "And that's where the World Bank and the IMF come in, but they're not doing very well. They're not succeeding in bringing institutional investors in."

In this difficult field, the multilateral development banks have to steer between two perils. If they take on too much risk at generous pricing, they could crowd out the private sector from profitable investments it would otherwise undertake. But if they are too cautious, not enough will get done.

Smaller argues the World Bank must be willing to take more risk, go to riskier countries — and allow the capital markets to take tranches of debt that are lower risk.

This is the category of techniques known as blended finance. "It is not about incentivising the private sector, it's about using the public money to go where the private money won't, in a way that makes that public sector investment attractive to private sector coming in," says Smaller. "That is the real trick of blended finance."

So far, that trick has not worked in agriculture. "Even where there is blended finance, it's minuscule, it hasn't worked," says Smaller. "The banks have been trying it for decades, governments have been trying it for decades — it often fails. It's risky. Because you want to be careful that your use of public money is not helping companies make more profits, but really going to help people."

INCUBATING THE NEW

But if public money is indispensable at some parts of the implementation chain, private capital is equally vital at others.

The sharp end of innovation, where new technologies are devised and brought to market readiness, is difficult to finance with money from government coffers and nonprofits alone.

Public sector funding can help get projects started but it can be hard to scale up this way, as public money often runs out.

Venture capital and private equity, whether impact-motivated or not, are the natural sources of capital.

"The role of the private sector is really to do the development," says Lampietti. "They need to figure out how to turn those data into something that the farmers can access and use in a friendly format. They're the ones that are best placed to invest and take the risks around which are the best ideas."

Georgie Thomas, environmental, social and governance associate at Cibus Capital, a private equity firm, believes investing in food security is an opportunity to create profitable, successful companies.

"Gone are the days where we have to sacrifice those returns for doing good," she says. "We've seen it in our companies — they've been able to reduce their costs through moving towards practices that are better for society and better for the planet."

Cibus invests in disruptive technologies, such as robotics that help with reducing pesticides and labour.

Farms that can lower their need for pesticides become more resilient to volatility, Thomas says.

OPENING UP

Apart from providing money, the public sector can foster new technologies in other ways. Regulatory sandboxes allow new technology to be tested in controlled environments. Public sources of open data such as satellite imagery can help market participants monitor and predict yields and soil moisture.

Lampietti says the Obama administration in the US made huge amounts of land data open source, a major asset for companies around the world. Although such data is still costly to process, it encouraged innovation.

Fertiliser companies are learning where to put machinery that works best with each type of soil. Agriculture is at least 20 years behind all other industrial sectors in adopting digital technologies, Lampietti adds. "Data is going to be key to helping drive the efficiency in the system, and it's going to be key for us to be able to reward the farmers fully for the things they do right," he says. "We know how much carbon you're sequestering, we know how much biodiversity you're producing, so we can reward you and the market can reward you." GM

Getting tech to the front line

How to make agricultural technologies work in the areas where they are most needed is one of the thorniest parts of the food security problem.

Efficient tools or apps are all well and good, but if they can't be deployed in the neediest areas they are more in the 'nice to have' bin than a necessity.

Vonnie Estes, vice-president of innovation at the International Fresh Produce Association, is particularly interested in combatting food waste. In developing countries, this does not occur in consumers' homes so much as in the supply chain, where transport is slow and cold storage scarce.

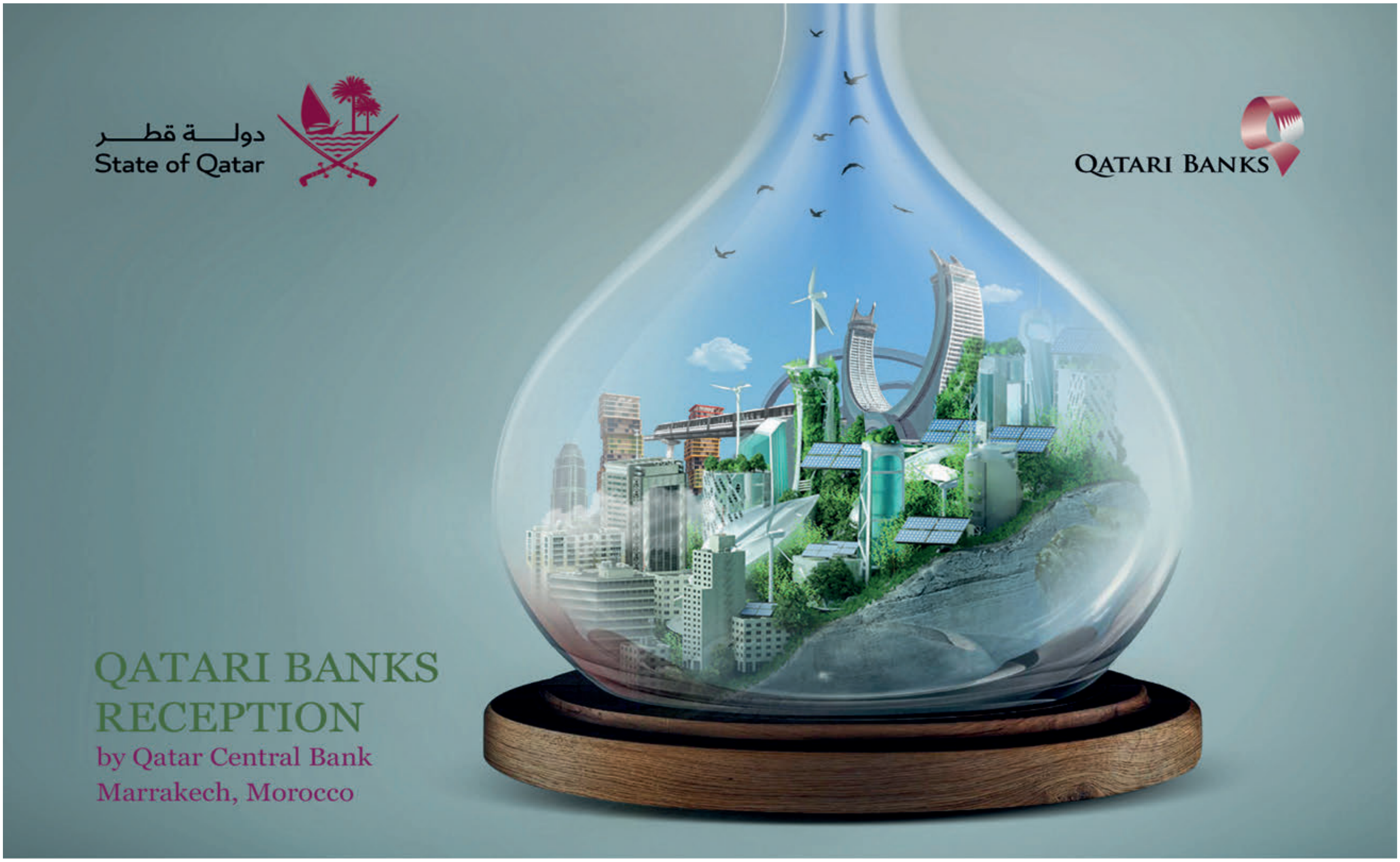
Technology can help track how old food is and what to sell first. "There is a market for almost every quality of food, but there is this huge mismatch of really good food that will get to a market that only sells at bottom prices, and food that doesn't sell," she says. "We can solve that mismatch through cell phones and even barcodes. A lot of the time it's not that food is scarce; it is that we have a distribution problem."

Technology that links markets with growers to cut waste is already beginning to happen in certain African countries, like Zimbabwe.

"If you were to try and scale up this technology, say in India, you would have to understand the local conditions and talk to the local farmers first, but the technology should work," Estes adds. "You would just have to spend time getting growers on their phones using the app, getting retailers connected and having a business model where it's not a burden on any one party, making sure that it actually works and people make more money and waste less food."

Another technology that can improve food security is solar power for small irrigation systems, drinking water pumps for humans and animals, and refrigerators.

An innovator in Nigeria called Cold Hub has developed cold storage units for farms. Because solar has become so much cheaper over the last decade, it can now be used at scale in urban areas and to support poor rural communities. Fruit, vegetables and animal and dairy products can now be kept for longer. Even batteries have become significantly cheaper. —J.C.



On the occasion of
The 2023 Annual Meetings of
The International Monetary Fund
and The World Bank Group

H.E. The Governor of Qatar Central Bank
H.E. The Minister of Finance of the State of Qatar
H.E. The Ambassador of the State of Qatar to Morocco
Chairpersons of the Board of Directors, Management of the Participating Qatari Banks
and the Qatar Financial Centre Authority

Cordially invite you to attend the Qatari Banks Joint Reception

Thursday, October 12th, 2023
From 6:00 p.m. to 9:00 p.m.

At Four Seasons Hotel, Ballroom – Marrakech, Morocco

RSVP
Kindly respond by September 30th, 2023
Attn: Mr. Fahad Yousuf Al-Emadi, Tel: (+974) 4440 7149
Email: fahad.alemadi@qnb.com

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QATAR'S ECONOMY SETS SIGHTS ON NEW HORIZONS

A successful FIFA World Cup helped put Qatar squarely in the centre of the world stage. Now, with the tournament behind it, the country is moving forward with the next stage of its incredible economic journey

There has been a great deal of focus on the World Cup as an end goal for Qatar. But hosting the tournament was just one of many milestones marking the country's physical and institutional transformation. "It was not that Qatar built up the country so it could host the World Cup," says Akber Khan, acting CEO at Al Rayan Investment. "Qatar built up the country and it also hosted a World Cup."

When FIFA chose Qatar to host the competition back in 2010, the population had doubled in a relatively short space of time and the country's infrastructure was lagging. What Qatar managed over the subsequent 12 years was to complete a building programme that reflects not only the country it has become, but the country it wants to be.

Hundreds of kilometres of highways, rail, metro and tram lines were laid. Air and sea ports were built that are now the envy of the world. Qatar's population and business community enjoys modern real estate and cutting edge telecoms infrastructure.

Foreign direct investment has played a huge role in helping generate growth and diversification. Bassel Gamal, CEO of Qatar Islamic Bank (QIB), points to data showing 70% annual growth in FDI from 2019 to 2022. "In 2022 alone, Qatar attracted $29.7bn in FDI, generating new jobs across diverse sectors such as technology, business services and finance," he says. "Qatar has strategically positioned itself as an appealing global investment hub through well executed policies and a favourable business environment."

The World Cup proved a stellar demonstration of how well Qatar's infrastructure — from stadiums to social spaces — caters to mega-events. "Our successful hosting of the event changed the international perception of Qatar as an ultra-modern and dynamic country with a diverse and fast-growing economy," says Ahmed I. Hashem, acting group CEO of Dukhan Bank.

Maintaining this momentum, the authorities have built an impressive pipeline of future sporting competitions. This includes the Asian Football Confederation Cup and F1 Grand Prix in 2023, the World Swimming Championship Doha in 2024, the FIBA Basketball World Cup in 2027 and the Doha Asian Games in 2030.

Reflecting the country's success in becoming a go-to host for such events, Qatar's sports sector is projected to make $26bn by 2025.

Sport is far from the only category of event drawn to the country's world class capacity for spectacle. The World Horticulture Cultural Expo and the Geneva Motor Show will both take place in Doha this year.

"Our successful hosting of the [World Cup] changed the international perception of Qatar as an ultra-modern and dynamic country with a diverse and fast-growing economy"

— Ahmed I. Hashem, acting group CEO, Dukhan Bank

A BRIGHT FUTURE

A future filled with attendees and participants of global competitions and events is a boon for Qatar's already soaring construction and property industries. "Real estate is clearly a booming sector — not only in terms of residential property, but also, given the rise of the tourism sector, in hotels, resorts and entertainment destinations," says Al-Subeai. Tourism numbers are showing strong signs of recovering back to pre-pandemic levels.

In the residential sector, the authorities have implemented a series of reforms of foreign investment and property ownership regulations. These progressive legislative changes have opened the door for foreign investors

to own properties in newly designated areas including The Pearl, West Bay Lagoon and Al Khor.

Trade is another area where Qatar has already established primacy and is set to reap the benefits. It is home to one of the world's leading international carriers — Qatar Airways — and container volumes are soaring across its key ports.

Earlier this year, Hamad Port hit 8 million containers handled since its inception in 2016. Hamad ranked 8th in the world and 3rd in the Middle East region on the Container Port Performance Index for 2022.

"The local logistics market is forecast to outpace all competitors in the Gulf Cooperation Council region between 2020 and 2026, ranking in the top quintile globally and second in the Middle East," says Sheikh Fahad Bin Mohammad Bin Jabor Al Thani, chairman of Doha Bank.

The fact that Qatar's robust economic growth has been driven in large part by non-hydrocarbon sectors — not least construction and trade — is an important sign of evolution. This economic diversification has further contributed to Qatar's resilience and attractiveness to investors.

But Qatar also recognises the need to diversify its economy further. The country already offers businesses and investors world class physical infrastructure. Virtually the entire nation has 5G connectivity and one of the two local mobile operators was deemed to have the fastest mobile network in 2022.

One analogy likens Qatar to a house that has been prepared to welcome visitors from all over the world. "You have your house ready for a huge party and everything is exactly how you want it to be," says Khan at Al Rayan Investment. "The party was extraordinary. But now you want to continue to attract people, and that is an evolving proposition."

OPENING UP OWNERSHIP

Attracting businesses, investment and talent may require a different skill-set from one focused on construction projects, but it is a skill-set that Qatar's government has been judiciously cultivating over the last few years.

In addition to minimal taxes, the authorities have worked to create a robust and reliable investment framework that caters to every sector from transport and technology to energy and education.

Part of this involves allowing greater foreign participation across the economy. Firms are already responding to the government allowing full international ownership. Logistics firm GWC announced in July that it had become one of the first companies in Qatar to raise its foreign ownership limit to 100%. The Qatar Central Bank (QCB) now allows listed Qatari lenders to accept up to 100% foreign investment, and major firms including Commercial Bank have availed themselves of this option.

Large scale projects that were once the exclusive purview of the Qatari state are also being made available to foreign capital. "Private-Public Partnerships and divestitures of state-owned assets are increasingly common, enabling private sector involvement in major projects," says Ahmed I. Hashem at Dukhan Bank. He points out that Hamad International Airport was built and is operated through a partnership with the private sector.

PPPs are also helping transform Qatar's education sector — a strategic priority for the government, which has created strong investment incentives. Local firms are helping build schools and universities across the country.

The start of the 2022-2023 academic year saw the opening of schools built by Barwa Real Estate Group under the first phase of the government's Qatar Schools PPP Programme. Internationally renowned universities — including Georgetown and Cornell — have campuses in Doha.

The authorities have been vocal about their desire to create a knowledge economy, which by definition requires a high level of education and skills. Qatar expects an influx of highly skilled expatriates targeting growing sectors like technology, manufacturing and services.

In a similar vein, the government has put real effort into advancing technology and innovation. Qatar's Investment Promotion Agency has played a pivotal role in promoting the country's investment potential. "IPA Qatar has actively engaged with renowned companies, forging partnerships with industry leaders such as Microsoft and Google on the technology side," says Gamal at QIB. "Qatar has also committed itself to smart technology with the TASMU programme, and to leadership in

"Qatar has strategically positioned itself as an appealing global investment hub through well executed policies and a favourable business environment"

—Bassel Gamal, CEO of Qatar Islamic Bank

Qatar Formula One Grand Prix, Lusail; Hamad International Airport becomes an Orchard with curated, sustainable and Green Concourse; A Synchro-lift at Umm Alhoul Freezone; and Al Bidda Park where Dohar Expo 23 will host the first international horticultural exhibition in the Middle East and North Africa


The atrium in the student center at Georgetown University Qatar

"The local logistics market is forecast to outpace all competitors in the Gulf Cooperation Council region between 2020 and 2026"

—Sheikh Fahad Bin Mohammad Bin Jabor Al Thani, chairman of Doha Bank

innovation through initiatives such as the Qatar Science & Technology Park."

These collaborations have not only strengthened Qatar's global economic ties but positioned it as a prime destination for foreign investment.

INSTITUTIONAL IMPROVEMENTS

Qatar has a proven history of attracting global firms, but in the past its primary appeal was energy supply and available land.

A partnership with Norwegian firm Yara more than 50 years ago has resulted in one of the world's leading fertiliser exporters — Qatar Fertiliser Company (Qafco). The draw of abundant gas reserves has enticed Japanese petrochemical firms and European aluminium makers to set up major operations.

To sustain its economic journey, Qatar has sought to provide a comprehensive package that appeals on more fronts than simply power supply. Heavy industry and petrochemical operators have made Qatar their home, but the country wants to attract tech firms and light manufacturing too. And it is working.

French company Gaussin is one of many examples. It has partnered with a Qatari company to create the country's first electric vehicle assembly plant, in the Umm Alhoul Free Zone. "This is an example of a company that could have set up pretty much anywhere in the world," says Khan. But Gaussin chose Qatar.

There is no doubt the government recognises the need for continuous improvement. One such area is in the process of setting up companies — the permits, approvals and interactions with different government departments.

"Qatar needs to continue to enhance the regulatory environment, the frameworks and improve the ease of doing business," says Khan. "There's work to be done in a number of those areas to reach the country's ambitions."

Much of the registration process has already been digitised and the process brought on to an app. The launch of Qatar's Investment Portal, a digital platform aimed at introducing foreign investors to business opportunities and facilitating expansion in Qatar, has further streamlined the investment process.

Last but by no means least, Qatar has a well developed and well regulated banking sector, able to help support the government's economic development efforts. "In line with the Qatar National Vision 2030 and the country's desire for industrial diversification, the Qatari banking sector plays a key role in supporting privatisation in semi-government areas such as energy, transportation, infrastructure, healthcare, education and telecommunications," says Ahmed I. Hashem at Dukhan Bank.

The authorities are dedicated to fostering diversity and innovation in the financial sector. A perfect example is Qatar's Fintech Strategy 2023, unveiled by the central bank earlier this year. This is designed to boost financial inclusion and make the country a global leader in digital and financial innovation. By 2027, the strategy is intended to have tripled the number of licensed fintech companies and generated a twentyfold rise in the number of fintech jobs in the country.

"It also aspires to elevate Qatar as an appealing hub for foreign direct investment and expertise, all while laying the foundation for a knowledge-driven economy," says Gamal at QIB.

Qatar's economic transformation has been rapid and remarkable, but in some sense the journey is a never-ending one. Qatar is not developing in isolation, and there is a strong element of competition between regional neighbours trying to attract the same pools of knowledge and human and financial capital. Where Qatar stands out from potential rivals is its commitment to constant improvement.

"Every successful investor must take both short and long term views to achieve their most ambitious goals and fulfil their potential," says Sheikh Fahad Bin Mohammad Bin Jabor Al Thani at Doha Bank. "In a world where change has never been faster, every business and investor needs a like-minded partner to achieve that."

Combining award-winning infrastructure, a young and highly educated talent pool, a supportive business environment, world class healthcare and an unparalleled lifestyle in one of the safest countries globally, Qatar is the partner of choice in the Middle East. ●

The National Vision

The National Vision addresses five major challenges facing Qatar:

- Modernisation and preservation of traditions
- The needs of the current generation and of future generations
- Managed growth and uncontrolled expansion
- The size and quality of the expatriate labour force and the selected path of development
- Economic growth, social development, and environmental management

QNB GROUP

Following the successful World Cup, how is Qatar moving forward with the next phase of its development and what are the priorities?

The successful preparation and organisation of the 2022 FIFA World Cup — the largest event ever hosted in the region — led to strong economic growth. The momentum associated with the event contributed to an 8% year-on-year GDP growth for Qatar in Q4 2022, the strongest performance in more than a decade. Importantly, Qatar's non-energy sector was particularly buoyed, with close to 10% growth during the same period.

The event further consolidated the country's position as a regional and international hub for business, investments, commerce, tourism and culture. This accelerated the execution of the Qatar National Vision 2030 and assisted in the transition towards a knowledge-based economy. Private sector growth will be boosted by continuing structural reforms — including ownership liberalisation — the promotion of foreign direct investment, labour reforms, the permanent residency program and initiatives to support SMEs. Increasing self-sufficiency in strategic sectors, such as food security, will also provide support.

Qatar's energy industry is a huge growth driver of growth. What will be the main trends in that sector?

Tailwinds from increasing hydrocarbon production will help drive economic growth over the next decade. Six new LNG liquefaction trains are planned to increase Qatar's LNG production by 64% to 126 million tonnes per annum under the flagship North Field Expansion (NFE) project. This should maintain Qatar's leading position within this strategic segment for global energy security and the energy transition. The NFE is one of the largest capital expenditure projects regionally and industrial projects globally. The project will include an equivalent expansion of Qatar's refining, downstream, petrochemical and fertiliser capacity. Positive spillovers from these projects will combine with diversification efforts and structural reforms to boost economic activity and spending in the broader manufacturing and services sectors. We see continued economic expansion in 2023 and 2024, before the NFE will further accelerate GDP growth from 2025 and beyond.

How can the banking sector best support the next stage of Qatar's economic journey?

The multi-billion dollar NFE is a major opportunity for banks as financial partners to support large scale infrastructure development in the coming years. The banking sector can mainly support the NFE through credit facilitation in two areas: credit to contractors working on project development and execution as well as funding of projects in adjacent downstream petrochemical industries and sectors. The first contribution can range from the financing of LNG mega-trains to wells, pipelines, LNG storage tanks and new LNG tankers. The downstream and petrochemical-related contribution could include support for new plants for liquefied petroleum gas, helium plants as well as other related petrochemical projects.

The economy will also benefit from the spillover effects of the LNG expansion on a wider scale through the inflow of a new qualified labour force to Qatar. Banks can support this evolution through the provision of all typical banking services around payments and transactions, financing, saving, investing and bancassurance services in the retail banking space.

Last but not least, the execution of Vision 2030 and the transition towards a knowledge-based economy will drive economic activity and spending in the broader manufacturing and services sectors. Banks are well positioned to support this private sector growth and engagement. They can act as a one stop shop through their various financing services and transaction banking services, such as trade finance and cash management, payments, merchant banking and e-commerce-related services.

How strong is the banking sector in the face of rising inflation and interest rates?

There has been a significant tightening of monetary conditions since March last year, when the US started to raise interest rates. But overall credit demand in Qatar tends not to be significantly impacted by rate increases, given the dominance of government-related capital expenditure projects as well as other autonomous investments from the private sector. We expect that the capex associated with the NFE and its ancillary projects will drive credit demand over the medium term.

Liquidity conditions in Qatar and the region are also impacted by oil prices, which are still providing large fiscal account surpluses that can be directed into the local banking system. The banking sector remains resilient and healthy. We see significant growth, ample liquidity, adequate levels of capitalisation, high asset quality and robust profitability. Total assets grew by 4.2% in 2022, driven mainly by strong private sector activity. During the same period, growth in domestic loans and deposits was also healthy and stable at 4.4% and 2.6%, respectively. Banks remain well capitalised, with a capital adequacy ratio of 18%, well above Basel III guidelines. Asset quality also remains strong with non-performing loans at 2.4%. Overall sector profitability is solid, with return-on-equity at 14.7%. ●

> **"The multi-billion dollar North Field Expansion is a major opportunity for banks"**

AHMED I. HASHEM, ACTING GROUP CHIEF EXECUTIVE OFFICER, DUKHAN BANK

> **"The banking sector plays a crucial role in facilitating state entity privatisation by providing financing, advisory services, market access, and risk management."**

Following the successful World Cup, how is Qatar moving forward with the next phase of its development and what are the priorities?
After the successful World Cup, Qatar is diligently pursuing its National Vision 2030 through a multifaceted approach focused on a number of priorities. These include diversifying its economy through investing in infrastructure and sustainability projects, expanding its tourism sector, enhancing sports and cultural initiatives. The World Cup served as a catalyst for these efforts, helping Qatar transition into a more diversified and globally connected economy.

Qatar can distinguish itself in a competitive regional landscape through a multi-pronged approach. Firstly, its commitment to diversifying the economy beyond oil and gas, focusing on sectors such as finance, technology, and tourism, will bolster its resilience and appeal to investors. Second, fostering innovation and becoming a regional tech hub can attract talent and businesses. Third, a continued emphasis on education and research, exemplified by institutions like Qatar Foundation, can create a knowledge-based economy.

How best can the banking sector support the next stage of Qatar's economic journey?
The banking sector can support Qatar's economic journey by providing access to capital for diversification, facilitating foreign investment, and supporting infrastructure projects. For example, Dukhan Bank, a key player in Qatar's banking sector, supports the country's economic journey by offering tailored financial solutions for businesses and individuals, financing infrastructure and oil and gas expansion projects, and adhering to responsible banking practices that contribute to economic stability and growth.

What is the role for the banking sector in helping attract foreign investment and assist with privitisation efforts?
With the active support of the government, the financial industry plays a key role in realising major projects in property, energy, infrastructure, transport, telecommunications and many other sectors. As a bank, our contribution is to develop relationships that serve the evolving needs of business, from corporate lending and project finance to treasury services. On the retail side, the rise of AI and data analytics will create a more sophisticated personal banking sector. For investors, industries such as renewable energy, healthcare, technology, and infrastructure development typically stand out as attractive sectors for foreign investment due to their potential for growth, innovation, and long-term sustainability.

The banking sector plays a crucial role in facilitating state entity privatisation by providing financing, advisory services, market access, and risk management. Qatar has made significant progress in privatisation, with notable examples like the privatisation of telecommunications giant Ooredoo, and the listing of various state-owned companies on the Qatar Stock Exchange. These efforts align with Qatar's economic diversification strategy, attracting private investment and boosting economic growth.

How strong is the banking sector in the face of rising inflation and interest rates?
The resilience of the banking sector amid rising inflation and interest rates differs by country and bank. As long as the financial sector continues to meet the evolving needs of the citizens, residents and the business community, then the economy can build from a strong base. How effectively banks can adjust interest rates to counteract purchasing power erosion determines the impact of inflation. In essence, the banking sector's strength in this situation hinges on factors such as risk management, asset quality, and the broader economic conditions.

What is your bank's strategy for growth and development for the coming years?
Dukhan Bank is continuing to focus on its ongoing digital transformation program, which has encouraged a new world of innovative, multi-channel banking products and next-generation smart services. This year, our listing on the Qatar Stock Exchange has been the latest milestone in the Bank's progress. Our objectives now are to attract a broader base of international investors, raise our profile on the global stage, and build on the exciting digital transformation that has begun.

Can you outline the highlights of the bank's financial performance over the last year?
In the face of challenging market conditions, our 2022 financial performance yielded remarkable results. Total income rose by 10% to reach QAR 4.5bn, and our net profits experienced a solid 5% growth to reach QAR 1.25bn. Furthermore, our total assets expanded to QAR 106bn, with total equity showing a commendable 3% increase, now standing at QAR 12.5bn. In terms of industry accolades, we proudly secured the title of "World's Best Islamic Private Bank" for the second consecutive year at the Global Finance Awards.

What are priorities for digitalisation across the bank's products and overall operations?
The bank's top priorities for digitalisation include enhancing customer experience through user-friendly digital interfaces. For example, our virtual assistant, named 'Rashid,' efficiently addresses customer inquiries on all of the bank's online channels. We're also prioritising robust cybersecurity measures, streamlining internal operations for efficiency gains, and developing innovative digital products and services to meet evolving customer needs and preferences.

Sustainability and ESG are becoming ever more important for the banking industry. How is your bank addressing these issues?
At our bank, we are fully committed to sustainability Environmental, Social, and Governance principles. We have set clear ESG targets, implemented rigorous reporting and transparency measures, and actively developed sustainable financial products. Our aim is to align our banking practices with the global drive towards a more sustainable and responsible financial industry. Bank financing opportunities in Qatar are abundant across various sustainable energy sectors. Banks can provide capital for solar and wind energy projects, supporting the country's transition to cleaner sources. Green hydrogen production, with its potential for export, also presents investment opportunities. ●

JOSEPH ABRAHAM, CHIEF EXECUTIVE OFFICER, COMMERCIAL BANK

> "We have identified key sustainability topics that are highly relevant to our business and our commitment to a sustainable future"

How can lenders like Commercial Bank support the next stage of Qatar's economic journey?

Supporting the next stage of Qatar's economic journey is a priority for Commercial Bank, and we believe that the banking sector can play a pivotal role. We aim to provide tailored financial solutions that enable both local and international investors to participate in Qatar's economic development. This includes offering competitive lending terms, structured finance solutions, and investment advisory services to help businesses thrive and expand. We empower SMEs — which are vital drivers of economic diversification and job creation - by providing access to capital, financial advice, and specialised banking solutions. Commercial Bank's efficient and convenient digital platforms allow businesses and individuals to conduct financial transactions seamlessly. We aim to be a catalyst for economic growth, innovation, and prosperity in Qatar.

What is your bank's strategy for growth and development for the coming years?

Our approach is tailored to address both short-term challenges in 2023 and longer-term objectives. Building sustainable revenue streams not solely reliant on lending activities is one key pillar. This includes fees from various financial services and products that expand our revenue base. This diversification allows the bank to reduce risk and enhance its financial stability. Increasing low-cost deposits is another key pillar. Commercial Bank has achieved remarkable success in this regard through market-leading transaction banking initiatives and the popularity of its digital products. These initiatives contribute to a stable and cost-effective funding base. I would also mention our guiding principles — the 5Cs of Commercial Bank are Client Centricity, Creativity, Collaboration, Compliance and Corporate Earnings. We adhere to the 5Cs as the guiding principles for our actions and decisions. This framework ensures that the bank maintains a customer-centric approach and stays aligned with its core values.

What are some of the highlights from the bank's financial performance over the last year?

Commercial Bank achieved a consolidated net profit of QAR1.5bn for H1 2023 - an 8.5% increase on the same period in 2022. This growth in profitability is a testament to our ability to generate sustainable earnings. A significant contributor to our improved financial performance has been the growth in operating income. This expansion demonstrates our capacity to generate revenue through a diverse range of banking activities. Our ability to recover assets and mitigate potential losses has also played a pivotal role in enhancing our bottom-line performance. This highlights our prudent risk management practices. Commercial Bank has leveraged its strategic partnerships and investments in associates to contribute positively to our overall performance. These results not only highlight the bank's resilience but also showcase our ongoing commitment to operational excellence in alignment with Qatar's strong macroeconomic fundamentals.

What are the priorities for digitalization across the bank's products and overall operations?

In today's rapidly evolving financial landscape, banks that fail to innovate and adapt risk losing ground to more agile competitors. Recognising this, Commercial Bank has made digital transformation a central pillar of its five-year strategic plan. Over recent years, we have made substantial investments to reshape our revenue and cost structures, enhance the customer experience, and leverage digital innovation in both client-facing and operational aspects of our business. Our approach is geared towards delivering client-centric solutions through mobile engagement, innovative digital products and enabling self-service and on-demand services:

As part of these efforts, we have introduced cutting-edge solutions like Samsung Wallet and Apple Pay, which offer fast, secure, and convenient payment options for everyday transactions. In the competitive payments space, where fintech companies are making significant inroads, our aim is to simplify payment processes for consumers. Our solutions blend advanced technology with a deep understanding of customer needs, ensuring a superior banking experience for every service.

We also pioneered with Lulu Group the first cashierless check out system in Qatar and the Middle East powered by Commercial Bank payment systems. Our innovation has been recognized by multiple awards the latest being "The Top Innovation in Mobile Banking" award in the World by Global Finance, "The Most Innovative Bank" award in the Middle East by World Finance, and "The Best Corporate Mobile Banking App" award in the Middle East by Global Finance, and the "Best Customer Service Initiative" award in Qatar by International Finance.

Sustainability and ESG are becoming ever more important for the banking industry. How is your bank addressing these issues?

Commercial Bank is deeply committed to sustainability and ESG considerations, both as an integral part of our corporate strategy and as a reflection of our responsibility to our stakeholders. We have identified key sustainability topics that are highly relevant to our business and our commitment to a sustainable future. In line with Qatar's National Environment and Climate Change Strategy, we are intensifying our efforts to reduce our carbon footprint. Our goal is to achieve a 25% reduction in greenhouse gas emissions associated with our own operations by 2030 compared to 2021 levels. Furthermore, our commitment to ESG is reflected in our approach to lending and social and governance aspects. As an example, we are one of the few banks in the Middle East with a deferred bonus arrangements for senior executives which is a component of good governance. As part of our lending and investment activities, we have implemented a comprehensive methodology to identify and measure ESG risks associated with our customers. This demonstrates our dedication to responsible lending practices and aligns with our broader sustainability goals. ●

QATAR STRIVES TO LEAD ON SUSTAINABILITY

For a country with Qatar's incredible fossil fuel resources, the move towards decarbonisation is a substantial challenge. But its leaders have acknowledged the importance of placing renewable power and sustainable economic growth at the forefront of the country's strategy

"The portfolio of Qatari banks is expected to accommodate ESG projects in line with the country's objectives"

—Sheikh Fahad Bin Mohammad Bin Jabor Al Thani

The Al Kharsaah solar plant project

Qatar famously has the world's third largest gas reserves, which have provided plentiful, cheap electricity and served as a major driver of economic growth.

The hydrocarbon sector contributed an average 38% of real GDP between 2019 and 2021, according to S&P Global Ratings. This fell only slightly in 2022, when hosting the football World Cup increased the contribution from other sectors.

Looking to the future, the country's abundant gas fields will continue to help finance Qatar's transformation and provide an important source of activity for domestic banks.

The flagship North Field Expansion (NFE) project — one of the largest industrial projects in the world — will bring six new gas liquefaction trains, boosting production by over 60%. This will help maintain Qatar's dominance in the liquefied natural gas market, ensuring the country is protected from inflationary pressures being felt elsewhere in the region.

There will be attendant benefits for industries that rely on LNG, including Qatar's world-beating petrochemical and fertiliser firms. For the banks, there will be ample opportunity to help finance sub-contractors and downstream operators.

Natural gas is also an important base fuel that can help drive the global energy transition and there is much Qatar can do to reduce LNG emissions. Sheikh Fahad Bin Mohammad Bin Jabor Al Thani, chairman of Doha Bank, notes that Qatar's Vision 2030 aims to have the country assume a leading international role in assessing the impact of climate change and how to improve mitigation.

Although Qatar will continue to develop its natural gas sources, Vision 2030 also highlights the importance of energy efficiency. The country's energy sustainability strategy includes a variety of targets to improve performance across the LNG sector and boost renewable energy capacity. In total, Qatar aims to reduce the carbon intensity of its LNG operations by around 30%.

CAPTURING VALUE AND EMISSIONS

The authorities are already hard at work making this vision a reality. Earlier this year, French firm Technip Energies was awarded the engineering, procurement, and construction contract for the North Field South project. This will include two new LNG mega-trains with a combined capacity of 16 million tonnes per annum, but the project also includes a large CO2 carbon capture and sequestration (CCS) facility. Technip estimates that the CCS system will capture 1.5 million tonnes of carbon each year — reducing emissions by 25%. The firm has a similar contract for the North Field East project.

Recognising the huge potential for combining LNG production with CCS, Qatar's government is working hard to support and develop carbon capture technology. The first ever MENA region Capture Capital Utilisation and Storage (CCUS) forum took place in Qatar in May this year, and the authorities are investing heavily to meet a target of capturing 11 million

BASSEL GAMAL, GROUP CHIEF EXECUTIVE OFFICER, QIB

Following the successful World Cup, what are the priorities for the next phase of Qatar's development?
Following the 2022 World Cup, we are experiencing a transformative 2023. Slower credit growth is signalling a shift from rapid non-oil sector expansion, which was driven by extensive infrastructure investments tied to the event. The remarkable infrastructure built for the World Cup will find a new purpose, boosting the economy through international events. The tourism and hospitality sectors, along with upcoming events like the Asian Football Cup and Formula 1 Qatar Grand Prix, will enhance global attention.

While a temporary population decline is expected due to departing blue collar workers, skilled expatriates will drive sectors like technology and manufacturing. Sustainability is a core focus, with carbon footprint reduction and investments in education and research. As Qatar embarks on this crucial phase, its strategic vision, modern infrastructure and dynamic economy promise enduring growth and global influence, building upon the World Cup legacy.

How has the banking sector managed rising inflation and interest rates?
Qatar's banking sector remains robust amid global inflation and rising interest rates, boosted by the country's strong economy and the North Field expansion. This expansion involves funding sub-contractors and supporting downstream industry development, which are promising opportunities for banks. Qatar's favourable liquefied natural gas market position shields it from high inflation, resulting in a lower consumer price inflation rate compared with the Arab world and Gulf Cooperation Council region. Self-sufficiency in dairy and vegetables helps counter imported inflation.

Limited credit growth driven by government repayments will intensify competition among banks to maintain low interest rates. Yet the retail banking sector shows promise, driven by new residential policies. Qatar's banking sector remains resilient and poised to seize emerging opportunities for sustained economic growth.

What is your bank's strategy for growth and development for the coming years?
Qatar Islamic Bank has devised a comprehensive growth and development strategy for the coming years, with customers at the centre. Our approach involves the strategic evolution of our business model, exploration of novel revenue streams and the seamless integration of environmental, social and governance principles into our operations. QIB recently formulated a sustainability strategy aligned with the aspirations of Qatar National Vision 2030, the sustainability criteria set forth by the Qatar Stock Exchange, and the United Nations Sustainable Development Goals. These guiding frameworks steer our future endeavours, emphasising sustainability in our financing activities, support for local communities and pioneering initiatives to mitigate our environmental footprint.

QIB's dedication to Qatar's long term vision includes rigorous ESG assessments for all business finance requests, leading to substantial investments in areas such as green buildings, pollution prevention, education, healthcare and small and medium-sized enterprise support. Furthermore, QIB actively engages in initiatives aimed at facilitating Qatar's transition towards renewable energy and decarbonisation, underscoring our commitment to environmental stewardship. Concurrently, our pursuit of digitalisation serves a dual purpose, promoting financial inclusion while enhancing resource efficiency, thereby contributing to both the nation's development goals and environmental sustainability.

What are some of the key highlights from QIB's financial performance over the last year?
QIB achieved strong financial results in 2022, with a record-breaking net profit of QR4bn ($1.1bn) and total income of nearly QR9bn. Over the past five years, QIB has demonstrated substantial growth, with a 63% increase in net profit and a 30% surge in total assets. The bank achieved a return on equity in 2022 of 18.2%, a return on assets of 2.1% and an efficiency ratio of 17.4%, making it Qatar's best-performing bank. QIB's strategic investments in technology and digital banking have also improved revenue growth and efficiency. The bank maintained sound financial stability with a capital ratio of 19.9% and exemplary asset impairment management, remaining the largest Islamic and private bank in Qatar.

Speaking of digitalisation, can you expand on the bank's investments on that front?
Since 2018, QIB has undergone a comprehensive digital transformation, resulting in increased sales and revenue, while shifting branch transactions to digital channels. In 2022, there was a 20% increase in retail mobile app users and a 48% rise in app-based transactions. Branch transactions have decreased by 44% since early 2020, and digital channels now contribute to almost 60% of the total sales volume for key retail products. On the corporate side, digital channels account for 94% of transfers and 60% of digital check clearing. QIB's digital solutions offer 24/7 banking, a user-friendly interface and instant service fulfilment.

This focus on innovation and customer experience has made QIB the most customer-centric and efficient bank in Qatar. The firm leverages advanced technologies like optical character recognition, artificial intelligence and data science, setting new standards in digital banking in Qatar. Going forward, we will continue our investment in digitalisation, with a greater focus on strategic partnerships with fintech and other innovative players.

Earlier this year, the Qatar Central Bank unveiled the Qatar FinTech Strategy 2023, in line with the Qatar National Vision 2030 objective of fostering diversification and innovation in the financial sector. In this context, the Qatari banking sector is actively reshaping its services and operations to maintain competitiveness amid the ever-evolving technological landscape. ●

> **"The remarkable infrastructure built for the World Cup will find a new purpose"**

> **"Qatar Central Bank's Fintech Strategy 2023 fuels Qatari banks' drive for competitiveness**

Gord Insitute reseach and development Technohub; Qatar Energy CEO and Qatar's State Ministerat the inauguration event of the Al Kharsaah solar plant project

tonnes of CO2 each year by 2035.

Key technology incubators include the Gulf Organisation for Research & Development (GORD) Institute based in the Qatar Science and Technology Park. Focussed on using scientific research to improve sustainability, the institute's research projects include reducing CO2 emissions in the built environment and — in collaboration with University College London — CCUS systems for gas-fired combined heat and power schemes. Visitors to the science park during the carbon capture forum were treated to demonstrations of the latest innovations from global leaders including Shell, ExxonMobil and General Electric.

"CCS is being used to reduce emissions from the country's operations in the already cleaner-burning natural gas sector, while green building initiatives promote sustainable building practices and environmentally friendly construction," says Ahmed I. Hashem, acting group CEO of Dukhan Bank. "All of these areas offer excellent prospects to potential investors."

Qatar has multiple attributes that make it suitable for carbon capture. The country's geology and underground gas deposits are ideal for storing CO2. Its large scale, concentrated LNG infrastructure, meanwhile, is optimal for CCUS hubs.

Major industrial centres like Ras Laffan have large manufacturing operations that could also benefit from carbon capture. QatarEnergy has signed a memorandum of understanding with GE to develop a carbon capture roadmap for the country's energy sector. This includes exploring the development of a "world scale" carbon hub at Ras Laffan.

SUN AND WIND

The ambition and intent do not end there. As part of Qatar's commitments to the Paris Agreement and its own Vision 2030 goals, the authorities have set a target to bring renewables up to 20% of its total electricity generation capacity by 2030.

"Qatar has made significant progress in recent years in advancing renewable energy and energy efficiency initiatives," says Joseph Abraham, group CEO of Commercial Bank of Qatar. "This strategic commitment aligns with the nation's goals to diversify its energy sources, reduce its carbon footprint and contribute to global sustainability efforts."

The government itself has set an example, by widely installing solar panels on ministry buildings and establishing the Qatar Environment and Energy Research Institute to explore renewable energy and environmental responsibility.

One important entity dedicated to building out renewables is Siraj Energy, formed through a joint venture between QatarEnergy and Qatar Electricity & Water (QEWC). Last year, QatarEnergy agreed to buy the remaining 49% stake in Siraj from QEWC as part of its 4C Climate Framework, which will significantly reduce the carbon intensity of its upstream operations and LNG facilities by 2030.

Given its location, Qatar's solar potential is enormous and this is reflected in the scale of the projects. Late last year, the country inaugurated its first large solar power installation — the 1,000 hectare Al Kharsaah plant, developed by a consortium that includes Siraj and TotalEnergies.

Two million solar modules spread over an area the size of 1,400 football fields have the potential to generate 800MW — enough to cover 10% of the country's peak demand. TotalEnergies estimates that over the plant's lifetime it will reduce the country's CO2 emissions by 26 million tonnes.

Several other major projects are already under way. QatarEnergy Renewables Solutions has picked Samsung C&T as the contractor for its industrial cities solar power project IC Solar.

This will see two more large scale solar photovoltaic plants built at the Mesaieed Ras Laffan Industrial cities. The authorities hope these will come online in late 2024, taking the country's total renewable generation capacity up to 1.675GW.

That will have to increase much more if the country is to meet its goal of 5GW of solar power by 2035, but BMI analysts expect solar generation capacity to increase rapidly, at an

Selected aspects of QatarEnergy's Sustainability Strategy

- Methane intensity reduction to 0.2% by 2025
- Carbon intensity reduction of 15%-25% from upstream and 25%-35% from LNG facilities by 2030
- Zero routine flaring by 2030
- Addition of 2GW to 4GW of renewable energy by 2030
- Deployment of carbon capture and sequestration technology to capture over 11 million tonnes per annum of CO2 by 2035

Source: International Energy Agency

SHEIKH FAHAD BIN MOHAMMAD BIN JABOR AL THANI, CHAIRMAN, DOHA BANK

Following the successful World Cup, how is Qatar moving forward with the next phase of its development and what are the priorities?
The success of the FIFA World Cup has raised Qatar's profile as a destination for tourism and foreign direct investment and highlighted its potential as a host for international events. The country invested more than $200bn in infrastructure for the World Cup, which is now expected to result in positive economic multiplier effects. The increase in FDI is a crucial component of economic diversification.

In addition, the North Field Expansion to increase liquefied natural gas production will provide financial resources to diversify the economic fabric of Qatar. The legacy of advancements in transport — in particular improvements in the aviation sector — and in innovation, sustainability, digitisation and utility infrastructure will bring a major boost for the country's long term competitiveness and international standing.

How strong is the banking sector in the face of rising inflation and interest rates?
The International Monetary Fund's review in May 2023 indicated that the Qatar Central Bank had maintained price and financial stability. Furthermore, the IMF indicates that Qatar's monetary policy has been broadly tightened, following the similar moves from the US Federal Reserve. This is consistent with Qatar's currency peg to the US dollar. Monetary policy transmission has also been strengthened through more effective liquidity management.

The country's banks remain well capitalised, have sufficient liquidity and are very profitable. The non-performing loans ratio has edged up amid monetary policy tightening. On the other hand, sound regulation that includes relatively high provisioning for NPLs helps mitigate any risk.

How best can banks support the next stage of Qatar's economic journey?
The expansion of Qatar's North Field project is expected to be a key driver of the economy. This provides an opportunity for banks to support infrastructure development. As analysts and commentators have noted, major project investments are likely to have beneficial multiplier effects for the economy and the banking system. These come through the positive knock-on effects that project investments have in other areas of the economy like the consumer sector. Also, the Qatar National Vision 2030 presents significant opportunities for banks. Recently, Qatari banks have populated their books with environmental, social and governance-related projects. The proportion of such projects on banks' loan books is expected to rise, given the project priorities of the country.

What is your bank's strategy for growth and development for the coming years?
Doha Bank has set a clear vision and mission. The bank's focus remains on achieving its objectives through a well versed strategy, which encompasses eight strategic guiding principles. These principles help us to focus on growth and development in key business segments, such as customer experience enhancement, prudent risk management, revenue enhancement and cost optimisation opportunities.

Could you outline the highlights of the bank's financial performance?
Doha Bank has a well established banking franchise with strong brand value, a diversified shareholder base, strong capital and liquidity management, healthy diversification of income and asset portfolio, digitisation focus, global footprint and a continued commitment to ESG.

Net profit for the first half of 2023 reached QAR 392m. This is after taking additional provisions for the first half of the year to support the bank's financial position. In the first six months of 2023 net fee and commission income was up 7% on the same period in 2022. Our net loans and advances reached QAR 55.8bn in the first half of 2023, which was helped by a 2.2% year-on-year increase in lending to the private sector. Doha Bank's customer deposits stood at QAR 44.1bn. Other highlights include a QAR 1bn year-on-year rise in securities investments and an impressive average return on shareholders' equity of 5.8%.

What are some of the key operational areas where the bank is planning to increase investment?
Considering the rapid evolution of the technological landscape, automation, digitisation and innovation are at the heart of Doha Bank's strategy. Doha Bank will continue embracing emerging trends and technologies to build world class, customer-centric solutions. Our ongoing investment in technology — with a priority focus on digitisation across all banking channels — will further enhance the customer experience across all products and services.

> "Doha Bank considers ESG and sustainability as a key component of its strategy"

Sustainability and ESG are becoming ever more important for the banking industry. How is your bank addressing these issues?
Doha Bank considers ESG and sustainability as a key component of its strategy. The bank has made exemplary progress in sustainability since we published our first corporate social responsibility report and launched our first green accounts in 2009. We offer a variety of green products including mortgages and car loans. Our engagement with ESG disclosure and various reporting frameworks including GRI and UNGC-COP has seen Doha Bank included in the FTSE4Good Index Series.

Most recently, in May this year Doha Bank published its inaugural Sustainable Finance Framework. This allows for the issuance of green, social and sustainability financing instruments. The proceeds raised will be dedicated to (re)financing eligible green and social assets.

We focus on collaboration to heighten our contribution to improving local and regional financial sectors. Our approach includes responsible lending to the commercial banking sector, sustainable products and a focus on energy efficiency, among other objectives. In the medium and long term, Doha Bank will ensure a culture of transformational growth and continuous improvement, with sustainability remaining at the top of our agenda in pursuing the four pillars of the Qatar National Vision 2030, by building a responsible business as well as helping Qatar to prosper. ●

"CCS is being used to reduce emissions from the country's operations in the already cleaner-burning natural gas sector"

—Ahmed I. Hashem, acting group CEO of Dukhan Bank

average of over 16% each year between 2022 and 2032.

Qatar's wind power potential may not match that of its solar endowment. But the authorities have recognised a resource of major value. The Asia Wind Energy Association highlights the particular promise for projects along the Qatar-Bahrain Causeway. "Although wind energy has less potential than solar in Qatar, technological advances and falling costs have led to the development of offshore wind energy projects," says Ahmed I. Hashem at Dukhan Bank.

HOLISTIC APPROACH

Sustainability is about far more than simply building renewable energy capacity, and Qatar's efforts are placing the country at the cutting edge of sustainability on multiple fronts.

It boasts the Middle East's largest waste management facility — the Domestic Solid Waste Management Centre in Mesaieed — which generates 50MW of electricity and helps produce organic fertilisers.

Ooredoo Qatar has partnered with Ericsson to install the firm's Smart Connected Site Solution across its telecom operations. This allows Ooredoo sites to use lithium ion batteries, dramatically reducing reliance on diesel generators and the grid.

Qatar's desert environment brings sunlight for solar, but also challenges when it comes to water.

ConocoPhillips operates a Global Water Sustainability Center in Doha's Science and Technology Park, developing water-related technologies and promoting conservation awareness. Qatar's colossal desalination plants are becoming increasingly environmentally friendly through more efficient chemical processes and lower energy use.

"Qatar's sustainability initiatives extend beyond energy to encompass water conservation, waste management and green transportation," says Abraham at Commercial Bank. "These efforts contribute to a holistic approach to sustainability and resource management."

BANKS ON BOARD

Sustainability has been a priority for the nation's banks for years now, providing investors, business and entrepreneurs with expertise across the environmental, social and governance spectrum. "As one of the main funding engines in the country, the banking system appears to be well placed to help facilitate the growth of new economic activity, including sustainability-linked projects," says Benjamin Young, director at S&P Global Ratings.

The landscape of green loan products available from major lenders continues to grow. "Commercial Bank offers green loan products designed to finance environmentally responsible initiatives," says Abraham. "These loans are directed toward projects that promote energy efficiency, renewable energy, water conservation, waste management and other sustainable practices."

Dukhan Bank's suite of green lending products includes electric vehicle financing — appropriate for a country that now hosts international EV manufacturing operations.

Lenders are also financing eco-friendly real estate projects and sustainable infrastructure. Qatar has introduced green building standards and certifications to promote sustainable construction practices. The Qatar Sustainability Assessment System encourages the design and construction of environmentally friendly buildings. This type of involvement reflects a broader global shift toward environmentally responsible finance and Qatar's own sustainability objectives.

In the capital markets, Qatari banks have already become issuers of green bonds and more are putting issuance plans in place. In May 2023, Doha Bank published its inaugural Sustainable Finance Framework, which allows for the issuance of green, social and sustainability financing instruments. "The portfolio of Qatari banks is expected to accommodate ESG projects in line with the country's objectives," says Sheikh Fahad Bin

© Photos courtesy of QatarEnergy LLG

Mohammad Bin Jabor Al Thani.

Part of adopting an ESG mindset involves banks improving their own internal operations. Many lenders have been working diligently to track and lower their emissions across key areas including fuel, water and waste usage. Doha Bank's annual sustainability reports show that over the last five years it has managed to steadily reduce carbon dioxide-equivalent emissions. "The bank has embraced the principles outlined in the Qatar National Vision 2030," says its chairman. "In its operations, the bank not only reviews the emissions, but also investigates the retail and wholesale loans of customers and their impact on climate change."

Dukhan Bank's community initiatives have included a partnership with the Al Meera supermarket chain to reduce the use of plastic bags. In 2022, the bank announced a new ESG strategy that includes a commitment to achieving a net zero carbon footprint by 2035.

"Not only will this help protect the planet, but it is good business, since customers and investors increasingly choose banks that recognise the importance of sustainability and ESG principles," says Hashem.

All this serves to illustrate the significant strides Qatar has made in advancing renewable energy and energy efficiency initiatives, and positioning itself as a regional leader in sustainability. These efforts not only contribute to Qatar's environmental goals but enhance its energy security, economic resilience and global reputation among investors as a responsible partner. ●

"The banking system appears to be well placed to help facilitate the growth of new economic activity, including sustain-ability-linked projects"

—Benjamin Young, director at S&P Global Ratings

The Education City Tram — a pioneering transport system that brings a new form of sustainable travel to Qatar

What's happening Thursday, October 12

8:45 AM – 9:30 AM
Press Briefing: **IMF Managing Director on the Global Policy Agenda**
Speaker: **Kristalina Georgieva**, Managing Director, IMF
Moderator: **Julie Kozack**, Director, Communications Department, IMF
Location: AB01 Toubkal

9:00 AM – 9:30 AM
Governor Talks: **Qatar: Beyond "Now Is all" – Seizing Opportunities for Prosperity**
Speaker: **Ali bin Ahmed Al Kuwari**, Minister of Finance, Qatar
Moderator: **Jihad Azour**, Director, Middle East and Central Asia Department, IMF
Location: AB02 Irhoud

9:00 AM – 10:00 AM
Seminar: **New Economy Forum: Building an Inclusive Growth: Strategies for GovTech Transformation**
Moderator: **Amanda Walker**, Journalist, IMF Today
Speakers: **Ghita Mezzour**, Minister of Digital Transition and Administration Reform, Morocco; **James Stewart**, CTO, Public Digital, UK; **Gerardo Una**, Fiscal Affairs Department, IMF
Location: AA03 Volubilis

10:00 AM – 10:30 AM
Governor Talks: **Botswana**
Speaker: **Moses Dinekere Pelaelo**, Governor, Bank of Botswana
Moderator: **Abebe Aemro Selassie**, Director, African Department, IMF
Location: AB02 Irhoud

10:00 AM – 11:00 AM
New Economy Forum: **Artificial Intelligence – Leapfrogging Potential in Africa**
Moderator: Shirin Hamid, Chief Information Officer, IMF
Speakers: **Pierrette Mahoro Mastel**, AI Researcher; **Tholang Mathopa**, Founder, Leriba.ai; **Kofi Dadzie**, Consultant/Advisor, Technology Strategy & Risk Governance; **Kais Mejri**, General Director of Innovation & Technology, Tunisia; **Doron Avni**, Vice President of Government Affairs, Google
Location: AA03 Volubilis

10:30 AM – 11:15 AM
IMF Press Briefing: **Middle East and Central Asia Department**
Speaker: **Jihad Azour**, Director, Middle East and Central Asia Department, IMF
Moderator: **Wafa Amr**, Senior Communications Officer, IMF
Location: AA05 Ouzoud

11:00 AM – 12:00 PM
New Economy Forum: **Tokenization: Mapping the Present and Charting the Path Ahead**
Moderator: **Tommaso Mancini-Griffoli**, Division Chief, Monetary and Capital Markets Department, IMF
Speakers: **Sopnendu Mohanty**, Chief Fintech Officer, Monetary Authority of Singapore; **Yan Liu**, Deputy General Counsel, IMF; **Fabian Schar**, Professor for Blockchain and FinTech, University of Basel; **Sunil Sabharwal**, President, Payments International; **Alexandre Fleury**, Co-Head of Global Banking & Investor Solutions, Société Générale
Location: AA03 Volubilis

12:00 PM – 12:45 PM
IMF Seminar: **Boosting Growth with Domestic Resources: How to Pay for It All**
Moderator: **Martin Wolf**, Associate Editor and Chief Economics Commentator, Financial Times
Speakers: **Gita Gopinath**, First Deputy Managing Director, IMF; **Chrystia Freeland**, Deputy Prime Minister and Minister of Finance, Canada; **Jason Furman**, Aetna Professor of the Practice of Economic Policy, Harvard Kennedy School; Christian Lindner, Federal Minister of Finance, Germany
Mohamed Maait, Minister of Finance, Egypt
Location: AA02 Al Karaouine

12:00 PM – 1:00 PM
New Economy Forum: **Future-proofing Central Bank Money: CBDC Lessons Learnt**

Speakers: **Fabio Panetta**, Member of the Executive Board, European Central Bank; **Tobias Adrian**, Financial Counsellor, Director, Monetary and Capital Markets Department, IMF; **Ernest Addison**, Governor, Bank of Ghana; Moderator: **Lubna Bouza**, Editor in Chief, Sky News Arabia
Location: AA03 Volubilis

1:30 PM – 2:00 PM
Governor Talks: **India: Frontiers of Central Banking in Asia**
Speaker: **Shaktikanta Das**, Governor, Reserve Bank of India
Moderator: **Krishna Srinivasan**, Director, Asia and Pacific Department, IMF
Location: AB02 Irhoud

2:00 PM – 2:45 PM
IMF Seminar: **Reviving Growth and Shaping Transformations in Emerging Market and Developing Economies**
Moderator: **Lubna Bouza**, Editor-in-Chief, Sky News Arabia
Speakers: **Antoinette Monsio Sayeh**, Deputy Managing Director, IMF; **Nizar Baraka**, Minister of Equipment and Water, Morocco; **Amer Bisat**, Head of Emerging Markets Fixed Income, BlackRock; **Magdalena Rzeczkowska**, Minister of Finance, Republic of Poland
Location: AA02 Al Karaouine

3:00 PM – 3:30 PM
Governor Talks: **Jamaica: Public Debt and Jamaica Climate Agenda**
Speaker: **Nigel Clarke**, Minister of Finance and Public Service of Jamaica
Moderator: **Rodrigo Valdes**, Director, Western Hemisphere Department, IMF
Location: AB02 Irhoud

3:45 PM – 4:45 PM
Joint Seminar: **Reform Priorities for Tackling Debt**
Moderator: **Joumanna Bercetche**, Anchor, CNBC
Speakers: **Kristalina Georgieva**, Managing Director, IMF; **Ajay Banga**, President, World Bank; **Mohammed Al-Jadaan**, Minister of Finance, Kingdom of Saudi Arabia
Anna Gelpern, Scott K. Ginsburg Professor of Law and International Finance, Georgetown Law; **Situmbeko Musokotwane**, Minister of Finance and National Planning, Zambia
Location: AA02 Al Karaouine

5:00 PM – 6:00 PM
IMF TODAY – LiveLocation: AA01 Menara
MS13 - IMF Live Studio

6:00 PM – 9:00 PM
Reception: **Qatari Banks**
Location: Four Seasons Hotel, Ballroom, RSVP: Mr. Fahad Yousuf Al-Emadi, (+974) 4440 7149, Email: fahad.alemadi@qnb.com

Developing world PPPs struggle for sponsors amid high rates

By Steve Gilmore

Soaring global interest rates are making it even harder to tempt private sector companies into infrastructure public-private partnership projects in developing countries. This is cramping the extent to which PPPs can fill some of the massive shortfalls in infrastructure financing.

Uzbekistan has massive infrastructure needs and wants to implement $30bn of PPP projects by 2030, according to Odilbek Isakov, its former deputy finance minister, who helped create the country's PPP framework.

Isakov left government earlier this year to set up a consulting firm dedicated to helping bring infrastructure projects to fruition. The firm, Infrasia Capital, already has five PPP projects and strategic advisory mandates in Uzbekistan, which include building new hospitals and modernising irrigation pumps.

But drawing in private investors remains difficult. "There isn't a playbook for that yet," said Isakov. "There is a clear gap in infrastructure funds and infrastructure sponsors that focus on emerging markets."

In attractive sectors like the Uzbek energy industry, foreign firms including Masdar, ACWA Power and TotalEnergies have been enthusiastic sponsors. But finding private sector investment in less lucrative areas is far harder.

This has become even more arduous now that investors can find higher interest rates in more established markets. "That's a very recent phenomenon, but even when interest rates were close to zero that didn't push those financial sponsors to emerging markets," Isakov said.

GOVERNMENT CAPACITY

The sheer number of things a developing country needs to put in place to make PPPs a reality can be daunting. The country itself — let alone the project — needs to be bankable and the PPP legislation needs to be robust and clear, Isakov said. The investors must have a degree of familiarity with the country.

"Then there's the question of whether the government has enough capacity to embark on such a journey," he said.

New international financial institution programmes could help catalyse private sector funding. Kosovo aims to use funds from the IMF's Resilience and Sustainability Trust to hold auctions for wind and solar power projects, and leverage this to attract investment into power sector PPPs.

THE final word

Five reforms the Global South must demand in Marrakech

By Hung Tran

The Global South has come of age during the geopolitical rivalry between the US and China. The large group of countries often referred to as the Global South have many and varied characteristics. But despite this diversity, they share a common desire for change in a global economic and financial system underpinned by the US and Europe, which they see as having failed to meet their development needs.

This desire is still not fully formulated, but the West should not underestimate its strength. It has begun to shape international affairs, such as the recent expansion of the BRICS grouping from five to 11 members, with many more countries wanting to join, and the successful G20 Summit under India's presidency in September.

The Global South is also a banner under which developing countries are trying to coordinate their international economic policies, rendering their demands more coherent.

That would strengthen their hand in negotiating reforms, especially of the International Monetary Fund and World Bank — whose annual meetings are taking place in Africa for the first time for 50 years.

Five reforms would be particularly powerful in advancing the Global South's cause.

First, developing countries have already helped promote the G20's roadmap for implementing the recommendations of last year's report on Multilateral Development Banks' Capital Adequacy Frameworks.

The report by a panel of independent experts commissioned by the G20 argued for putting climate financing at the core of the MDBs' missions, and called on them to optimise their balance sheets, to free up $200bn over the next decade for sustainable investments in developing and low income countries (DLICs).

Developing countries should push for these improvements to be realised, and beyond that, continue to demand an actual capital increase for the MDBs, to further expand their financing capacity. Shareholders could also expand support to the MDBs in other ways, such as guarantees or hybrid capital investments.

GIVE US A SAY

Second, the Global South must strengthen its appeal for an increase and change in the distribution of quotas and voting shares at the IMF and the Bank to better reflect its increasing weight in the global economy.

This issue is under negotiation during the IMF's 16th General Review of Quotas, scheduled to conclude by December 15.

The previous quota reform in 2010, which came into force in 2016, increased China's voting share at the IMF from 3.8% to 6.1%. Europe lost 1.5 percentage points, while Africa's collective vote was reduced by 0.5 percentage points and the Middle East and Turkey's by a similar amount. The US, meanwhile, retained veto power over key decisions at 16.5%.

This time, developing countries want more profound change, with an increase in their relative voting shares.

Several major countries such as the US and Japan have said they support a proportional increase in quotas, without change in their distribution pattern, preserving the current relative voting power.

Such a proportional quota increase may come to pass, but it will not satisfy developing countries' demand to increase their voting shares at these institutions.

Third, many developing countries have criticised the IMF as too rigid and intrusive in using its 'open economy, free trade' orthodoxy to set conditions for financial assistance to members in need.

Now that countries including the US, Europe and China have used trade and investment controls and industrial policy to safeguard their national security, developing countries will press the IMF to be more flexible in its policy advice and formulation of financing conditionality.

Fourth, developing countries should try harder to challenge the presumption that the US can nominate, and effectively select, the president of the World Bank and Europe the managing director of the IMF.

When these top jobs come up for renewal later this decade, developing countries need to overcome their differences and unite behind a single credible candidate, if they hope to contest the leadership of these institutions.

LIFTING THE BURDEN OF DEBT

Last but not least, developing countries have made some small steps forward in improving the framework for sovereign debt restructuring — by launching the Global Sovereign Debt Roundtable, co-chaired by the IMF, World Bank and the Presidency of the G20, and reaching a restructuring deal for Zambia.

They should maintain pressure on creditors — both official and private — to grant adequate and timely relief to highly indebted DLICs. In particular, they can discuss more seriously various ideas of debt-for-climate swaps — linking substantial debt relief to climate-related projects.

They should also press the G20, IMF and World Bank to set out a roadmap containing a sequence and timeline of steps to be taken when a debtor country applies for restructuring under the Common Framework — improving the transparency of the process.

In sum, the Global South can promote reforms of the global economic and financial system to help developing countries deal with their difficult challenges.

However, while international solidarity is important, developing countries need to recognise that they themselves are responsible for their development.

Countries unable to overcome problems of autocracy, corruption and ineptitude in their governance will be unlikely to break out of the vicious circle of underdevelopment, debt and adverse global shocks which have kept many of their people in poverty — regardless of international reforms or debt restructurings.

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EUROPEAN INVESTMENT BANK: FINANCING THE CLIMATE TRANSITION

European Investment Bank

Sustainable finance has come a long way — but not far enough. Two European Investment Bank climate finance experts discuss why capital markets are not yet turning the tide against climate change, and why rigorous guidance on transition finance is so badly needed.

Nancy Saich (left) the EIB's chief climate change expert and Eila Kreivi (right) chief sustainable finance advisor

Nancy Saich, chief climate change expert at the European Investment Bank, is unequivocal about the contribution she hopes this week's World Bank/IMF meetings will make to the battle against climate change: "I hope people listen to the scientists and realise how urgently we need to act, rather than talk about what they'll be doing in a few decades' time. The message is: urgency, urgency, urgency."

Saich's impatience is understandable. According to estimates from the Climate Bonds Initiative, issuance of green bonds has now reached $2.3tr. It sounds an impressive number. But $2.3tr is modest in the context of a global bond market which was valued at about $133tr at the end of 2022.

Besides, the green capital market has not succeeded in stopping the impact of climate change. "It's great news that so much finance is flowing through the green bond market," says Saich. "But carbon dioxide emissions are still rising, which means that the global warming situation is getting worse. There's still not enough investment flowing into the technologies we need, such as renewables and low carbon transport."

Saich says the private sector has interpreted the commitment enshrined in the Paris Agreement to "make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development" as a commitment to reaching net zero by 2040, 2050 or even 2060. That is not fast enough.

"The future of the climate will be determined by what we do this decade," she says. "As well as decarbonising dramatically, we need to invest in climate resilience. We're still not working towards these goals with sufficient ambition."

STOP THE HARM

Eila Kreivi, chief sustainable finance advisor at the EIB, points out that sustainable finance does not just occur through green bonds. But she shares Saich's scepticism about the progress being made in the "iceberg" of financing, below the "tip" represented by the green bond market. She says no part of the financial markets is yet coming close to fulfilling the Paris commitment.

Increasing the flow of green investment is just one aspect of the problem. All the mainstream financing "should all be at least not doing any harm to this transition, to the Paris goal."

Institutions claiming to be net zero if they finance "100 units of carbon emissions increase at the same time [as financing] 100 units of carbon emissions decrease" was "not going to work," she said.

As a UN expert group had argued at COP 27, Kreivi said, "if you want to be net zero by 2050, well then stop financing new fossil fuel investments already now. We just have to stop this."

One way of channelling funding into more effective areas would be via a stronger and more coordinated commitment to transition finance.

Kreivi says there are some encouraging signs that this is gathering momentum, pointing to Japan's plans to issue transition bonds and recent discussions at the Green Bond Principles organisation.

> "The future of the climate will be determined by what we do this decade. As well as decarbonising dramatically, we need to invest in climate resilience. We're still not working towards these goals with sufficient ambition" **—Nancy Saich**

Many attempts to raise transition five or six years ago were "a little bit misleading", she says, as they represented only incremental improvements, like "drilling oil with solar power panels".

Now, she said, borrowers "are required to tell a convincing story — how does this issue help your transition? And you have to explain what that transition is."

But she adds that if this market is to gain more traction worldwide, it will need clearer guidance from regulators and legislators about the true meaning of a sufficiently ambitious transition.

ALL ROUND HONESTY

"Transition has to represent a change which is fully compatible with the climate and environmental goals," says Saich. "This means we need to be honest about the things which aren't sufficiently ambitious. But we also need to be honest about the type of activities that can't transition without putting people's livelihoods and jobs at risk."

Saich says that ensuring this just transition is a reality rather than a slogan will call for productive partnerships between the public and private sectors. This may require government intervention in some industries.

In the automotive sector, the leading car manufacturers are all making progress in transitioning towards electric vehicles. But companies in their supply chains may find it less easy to transition quickly. Vulnerable companies and employees will probably require assistance from the public sector. The EIB is committed to supporting this process by proactively identifying the regions and industries most at risk from transition and financing initiatives supporting education and job creation.

In fairness to investors and lenders, assessing which sectors and projects are appropriate candidates for sustainable finance is not always straightforward. Take natural gas, regarded by some as a clean alternative to coal or oil. It is, however, a fossil fuel which generates huge carbon emissions.

"We repeatedly hear that we should be using gas rather than coal in the power industry," says Kreivi. "That's rather like telling me I can lose weight by only eating half a pizza or half a chocolate cake."

Saich describes the idea that gas is a valid transition option for power generation as a myth. "We know how to produce electricity in a way that's low emission," she says. "But there is still a place for gas in other industries, such as using it as a source of heating buildings, where efficient gas boilers are an important part of the transition dynamic." ●

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