Speeches

A Review of economic and financial dev in Qatar ,

The High-level Euro system Seminar with Central banks and monetary agencies of the Gulf Cooperation Council (GCC) ,March 2008 - Germany

Excellencies,

Ladies & Gentlemen,

I am pleased and it is an honor for me to be with you today in the great country of Germany, the city of Maize.

At the out set, I would like to thank European Central Bank and Deutsche Bundesbank for inviting me to speak at the High-level Euro system Seminar with Central banks and monetary agencies of the Gulf Cooperation Council (GCC). Also I would like to thank H.E Jean-Claude (president of European Central Bank) and H.E Axel A Weber (president of Deutsche Bundesbank) for their high achievement and contribution to the world financial stability.

Qatar's economy has expanded quickly over the past five years and growth is expected to remain robust over the medium term. Qatar's 2007 preliminary nominal GDP is estimated by about $70 billion, a 30% increase above 2006 GDP. In 2010, we expect the economy will be roughly 3 times as large as it was in 2005 and GDP per capita will exceed USD100, 000 despite strong population growth.

Qatar has adopted a diversified gas strategy consisting of four approaches: LNG exports, Gas to Liquids products exports, Pipeline Gas Exports (via Dolphin project) and as feed to petrochemical and power plants. Reflecting the implementation of an ongoing development strategy, hydrocarbon production has become more diversified in terms of products and Qatar is now the world's largest exporter of liquefied natural gas (LNG). LNG capacity is expected to more than double and to reach 77 million tons by 2012. Gas is also supporting the expansion of other energy-intensive industries ranging from petrochemicals to steel and aluminum.

Away from the energy sector, big efforts are being made to build a ground of diversification away from oil dependency. The main feature of the diversification program is to enhance the role of the private sector in the economy, widen a hydrocarbon-based industry, utilizing Qatar's vast natural gas reserve, and the developing of tourism, financial services, education and healthcare. The education and health sectors in Qatar are being restructured to upgrade their services in a way that turn Qatar into a hub for education and health services in the region.

Due to the rapid growth imbalances and bottlenecks in the real estate sector, Inflation has escalated in the period 2003-2007. CPI inflation jumped from just 0.24% in 2002 to reach 11.8%in 2006 and rose to an annualized level of 13.74% by the fourth quarter of 2007. Inflation became a worldwide phenomenon, as prices of many commodities, especially the energy, food and metals, increased in 2007 due to several reasons such as; the increase of demand, decline of supplies as a result of wars and natural disasters and depreciation of the dollar.

Monetary conditions in Qatar were characterized by ample liquidity and strong credit growth in the previous years. Broad money growth averaged 34% a year during 2004-07. QCB has taken the necessary steps to absorb the excess liquidity either through the QMR outstanding facilities or by issuance of certificate deposits.

To promote financial stability and efficiency, QCB stresses the importance of efficient payments system. In this regard, QCB has been able to facilitate online payments for e-commerce and e-government transactions through the National Payment Gateway System.

Banking sector in Qatar has been one of the fastest growing sectors, expanding in line with economic growth of the country where, in 2007 total assets grew by 56.5% to $80.9 billion. Banks complied with the QCB's prudential norms and have started to implement Basle II successfully since the beginning of 2006. Qatar banking sector is highly matured in terms of corporate governance, regulatory framework and integration with other sector. Financial services sector in Qatar has been opened to foreigners through Qatar Financial Center.

Macro-prudential indicators of the banking sector remain strong:

* The average capital assets adequacy ratio of commercial banks increased to 18.9% at the end of 2007 compared with 15.1% one year earlier.
* The gross nonperforming loan ratio declined to 1.5% by the end of 2007 compared with 2.2% at end of 2006.
* The banking sector's profits increased by 50% from $1.6 billion in 2006 to $2.4 billion in 2007

The government finance is strong as the budget has been in surplus since fiscal year 2000/01. Government debt is low at an estimated 11% of GDP, while government financial assets have grown rapidly over the past five years and probably exceed 100% of GDP. The government’s balance sheet provides a substantial cushion against oil price or other economic shocks and the accumulation of financial assets is likely to be an important source of income for future generations.

External liquidity is substantial. The current account surplus is estimated at 22% of GDP in 2007 and is likely to remain above 20% over the medium term, covering amortization payments on external debt by a large margin and enabling to build up of foreign assets.

On behalf of all my colleagues of the GCC central banks, we would like to thank the European central bank and the Deutsche Bundesbank for the kind hospitality.

Thank you.

“A cross-sectoral approach to the supervision of Islamic financial services: Market players’ perspectives”
H.E. The QCB Governor’s remarks for the 4th IFSB At Dubai – May 2007

Ladies and gentlemen,

It is my privilege to chair this session of the 4th Islamic Financial Services Board Summit hosted by Central Bank of UAE in conjunction with IFSB. At the outset, please allow me to express my extreme gratitude to His Highness Sheikh Mohamed bin Rashid Al Makhtoum, the Prime Minister of UAE and the ruler of Dubai. This demonstrates the level of concern and commitment His Highness has for issues and challenges facing Islamic Finance and the economies of GCC and Middle East countries. I am sure his association with this summit has given it a new dimension and has raised the deliberations to a higher level.

I would also like to thank His Excellency Sultan Al Suwaidi, Governor of the Central Bank of UAE, and his colleagues for all their efforts in hosting this summit. I also extend a warm welcome to all the delegates to the seminar. Let me also record my appreciation to the distinguished speakers and panelists from various international institutions, financial practitioners, and other prominent leaders in Islamic finance to the seminar, who have taken their precious time to make their valuable contributions.

I have to express my sincere thanks and appreciation to Islamic Financial Services Board under the dynamic leadership of Professor Rifaat Ahmed Abdel Karim for not only arranging this seminar but also for their role in raising awareness about Islamic finance across the world, designing standards, and harmonizing the regulatory practices governing Islamic finance.

The topic for today's deliberation, "A cross-sectoral approach to the supervision of Islamic financial services: Market players' perspectives" is a manifestation of the recent upsurge of interest in Islamic finance.

IFSB has already developed three regulatory standards on capital adequacy and risk management, and corporate governance for Islamic banking, and the work is in progress to develop many other standards covering all aspects of Islamic finance. But, the challenges in developing a cross sectoral supervisory approach are indeed profound, as there are structural gaps in supervisory arrangements for a wide range of activities under the Islamic finance.

In this session, we have brought together some of the most eminent industry practitioners as we would like to listen from them about the cross sectoral nature of the Islamic financial services, and how best we can have an integrated supervisory approach in respect of Islamic finance.

First and foremost issue to be deliberated is the expectations of institutions offering Islamic financial services in this regard.

Second issue in this context is the trade-off between regulatory requirements and market needs.
Thirdly, we have to reach a convergence between the regulatory standards and the needs of market players.

Lastly, we shall focus on the need for a process for building a regulatory framework so as to achieve a gradual integration of Islamic finance with the international financial system.
With these few words, I would like to introduce the most distinguished panel to the audience. We are lucky to have with us this morning:

Mr. David Shraa, Director of Regulatory Affairs Department, The Institute of International Finance; Mr. John Weguelin, Executive Director and Managing Director, European Islamic Investment Bank; and Dr. Adnan Buyukdeniz, General Manager, Albarka Turk Participation Bank.

May I start by kindly asking David Shraa to start the discussion by giving his perspective on the subject.

Thank you!!