Local debt market key to Qatar's infrastructure development: Seetharaman

The low oil prices may "affect" diversification and mega projects development funding, thus making local debt market a crucial solution for Qatar's infrastructure development needs, which will prove positive for private sector, according to Doha Bank.

"A local debt market can facilitate the sterilisation of large capital inflows. It provides tools for the government to finance large fiscal deficits," Doha Bank group chief executive Dr R Seetharaman told a conference, jointly organised by Qatar Financial Markets Authority and International Capital Market Association.

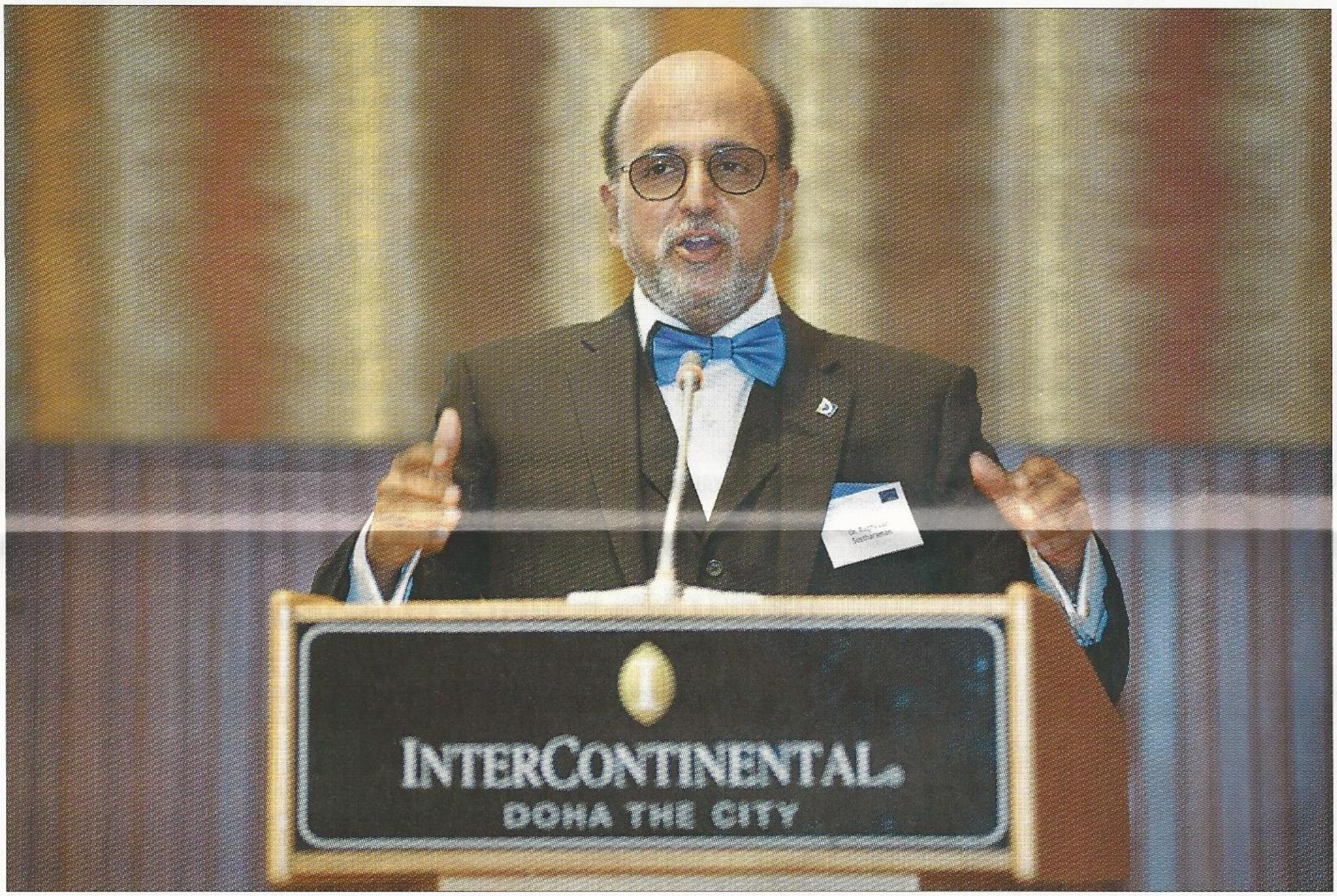
The developing of local debt instruments not only promotes market discipline and transparency through improving the quality and disclosure of information, but also enhances financial stability by having a more diverse financial system, he said.

Highlighting that the continued investment in infrastructure and other developmental projects increases the need for new sources of funding with long-term maturities; he said this can be partially addressed through the issuance of long-term debt instruments.

"The low oil prices may affect diversification and infrastructure development funding and hence debt is the ideal solution for Qatar's infrastructure development needs," according to him.

Qatar has one of the widest range of maturities as compared to international issuances of other GCC (Gulf Cooperation Council) countries, he said.

"Given this edge, the Qatari companies can benchmark the yield curve through debt issuances and benefit from lower interest rates," Seetharaman said, adding the wider range of maturities not only allows to benchmark but also benefits the companies to align with any mismatch in asset-liability.



Seetharaman speaking at the conference. "The low oil prices may affect diversification and infrastructure development funding and hence debt is the ideal solution for Qatar's infrastructure development needs," he said.

Qatar remains an attractive destination for debt investors on account of its strong credit rating at "AA". A higher credit rating of "AA" implies zero risk weight and 100% in liquidity coverage ratio.

"Given the climate change, resource scarcity and water distress; Green bonds can be considered as an option. The GCC banks can tap long term funds to finance the Green projects," he suggested.

There should also be appropriate reforms to existing bankruptcy laws in Qatar to ensure adequate investor protection, he said, adding further, Qatar may improve the efficiency of settling disputes by aligning arbitration regulation to international standards.

On the GCC bond market, Seetharaman said the region witnessed issuances exceeding $65bn this year with conventional debts exceeding $55bn.

The major conventional bond issuances came from Saudi Arabia at $17.5bn, Qatar at $9bn, Abu Dhabi at $5bn and QNB at $5.16bn, he highlighted.

The GCC sukuk bond issues exceeded $10bn this year and among the major issuances are DP World ($1.2bn), Investment Corporation of Dubai ($1bn) and Bahrain ($1bn).