

The Potential of Islamic Finance in Reinforcing and Regaining Economic Stability in Qatar

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ABSTRACT

The COVID-19 has put a severe dent in the resilience of several economies by slowing down the economic growth. The challenge for Qatar was more severe as the occurrence of pandemic collided with the ongoing political blockade from 4 neighboring counties and Qatar's commitment of hosting 2022 FIFA world cup. This contextual research of COVID-19 attempts to identify the potential of Islamic finance in reinforcing and regaining economic stability in Qatar. The desk research has adopted the explorative method and analyzed the research reports in the context of the current landscape particularly looking from the angles of economic, social, financial and health impact. Government and institution measures in response to COVID-19 and stimulus packages were discussed; and Islamic social finance tools, *Zakat*, *Infaq*, *Qard Hassan*, and *Waqf* were proven to be resilient to the situation. Moreover, the excessive liquidity in the Islamic banks in Qatar, Formosa *Sukuk*, *Waqf*, *Zakat* and policies based on objectives of Shari'ah have a great potential for reinforcing and regaining the economic stability in Qatar. The research shall help streamline the thought process for the policy makers and the practitioners of Islamic finance industry, especially in Qatar.

ملخص

لقد تسبب فيروس كورونا المستجد (كوفيد-19) في إحداث تأثير حاد في مرونة العديد من الاقتصادات من خلال إبطاء النمو الاقتصادي. وكان التحدي بالنسبة لقطر أكثر شدة حيث تضارب تفشي الوباء مع الحصار السياسي المستمر من 4 دول مجاورة والتزام قطر باستضافة كأس العالم لكرة القدم 2022. ويحاول هذا البحث السياقي حول كوفيد-19 تحديد إمكانات

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التمويل الإسلامي في تعزيز واستعادة الاستقرار الاقتصادي في قطر. واعتمد البحث المكتبي الأسلوب الاستكشافي وحلل التقارير البحثية في سياق المشهد الحالي وخاصة بالنظر من زوايا التأثير الاقتصادي والاجتماعي والمالي والصحي. تمت مناقشة التدابير الحكومية والمؤسسية المتخذة استجابة لفيروس كوفيد-19 وكذا الحزم التحفيزية، وأثبتت قدرة أدوات التمويل الاجتماعي الإسلامي، والزكاة، والإنفاق، والقرض الحسن، والوقف على الصمود في مواجهة الوضع. وعلاوة على ذلك، فإن السيولة المفرطة في البنوك الإسلامية في قطر، وصكوك فورموزا، والوقف، والزكاة والسياسات القائمة على أهداف الشريعة، تتوفر على إمكانات كبيرة لتعزيز واستعادة الاستقرار الاقتصادي في قطر. وسيساعد البحث في تبسيط عملية التفكير لدى صناعات السياسات وممارسي صناعة التمويل الإسلامي، خاصة في قطر. الكلمات الدلالية: تأثير كوفيد-19، الاقتصاد القطري، إمكانات التمويل الإسلامي.

ABSTRAITE

Le COVID-19 a fortement entamé la résilience de plusieurs économies en ralentissant la croissance économique. Le défi pour le Qatar était d'autant plus grave que l'apparition de la pandémie se heurtait au blocus politique en cours de 4 comtés voisins et à l'engagement du Qatar d'accueillir la coupe du monde de la FIFA en 2022. Cette recherche contextuelle de COVID-19 tente d'identifier le potentiel de la finance islamique dans le renforcement et le rétablissement de la stabilité économique au Qatar. La recherche documentaire a adopté la méthode exploratoire et a analysé les rapports de recherche dans le contexte du paysage actuel, en particulier sous l'angle de l'impact économique, social, financier et sanitaire. Les mesures prises par le gouvernement et les institutions en réponse à la COVID-19 et les plans de relance ont été examinés ; et les outils de finance sociale islamique, la zakat, l'infaaq, le qard hassan et le waqf se sont avérés résistants à la situation. De plus, les liquidités excessives des banques islamiques au Qatar, Formosa Sukuk, Waqf, Zakath et les politiques basées sur les objectifs de la Shari'ah ont un grand potentiel pour renforcer et retrouver la stabilité économique au Qatar. La recherche doit aider à rationaliser le processus de réflexion pour les décideurs politiques et les praticiens du secteur de la finance islamique, en particulier au Qatar.

Keywords: COVID-19, Qatar's Economy, Potential of Islamic finance

JEL Classification: E60, G18, H54, L52, O17

1. Introduction

The outbreak of COVID-19 in Wuhan - China has surpassed between 15 Dec 2019 and 10 Jan 2020, from being an epidemic to be a pandemic (Huang, Lin, & Xu, 2020). It has paralyzed the supply chain due to lack of inputs worldwide resulted from fall in labor supply and international trade and lowered the demand due to a reduced social consumption in the form of lockdowns, closure of restaurants and tourism. In the very early stage 'The Guardian' reported that over 22 million Americans filed for unemployment benefits (Cohen & Kammen, 2020), and the prices of US crude oil collapsed from \$18 a barrel to -\$38 in a matter of hours (Farrer, 2020).

Countries across the world had to response quickly to the healthcare emergency, regardless the fact that the response shall steepen the recession. The World Bank's Global Economic Prospects report of June 2020 envisioned and forecasted a contraction of 5.2% in global GDP, while the contraction is expected to be 7% for the developed countries and 2.5% for the developing countries (World Bank Group, 2020).

The pandemic poised Qatar in a more challenging situation as the COVID-19 hit on Qatar economy had happened to be an addition to the ongoing challenges faced by country's economy. In addition to the declined oil prices since 2014, Qatar has been dealing with the political and economic blockade from neighboring GCC member countries, except Kuwait and Oman, since 2017. The infrastructure development commitment for hosting FIFA 2022 World Cup is still to be accomplished.

2. Literature Review

Ever since the outbreak of COVID-19, several events have been cancelled or turned them into online format, including the prestigious 12th International Conference of Islamic Economics and Finance which was organized by Istanbul Sabahattin Zaim University in June 2020. Conference was dominated by papers on Islamic social finance tools, digitalization, fintech, blockchain and digital models, which have demonstrated great promise during the COVID-19 and are creating a realization for the future.

Islamic Development Bank (IDB) launched the COVID-19 Funding program (Islamic Development Bank, 2020). The program has been successful in providing support to more than 19 IDB member countries to combat the deadly virus. Another program by to support IDB member countries in combating COVID-19 is UNOPS (Islamic Development Bank (a), 2020).

An important book project is underway under the editorship of M Kabir Hassan, Aishath Muneeza, and Adel M. Sarea on *COVID-19 and Islamic Social Finance* by Routledge scheduled to be published in 2021. It is divided into three major parts: Part I deals with poverty and COVID-19; Part II deals with innovation in Islamic social finance that rose against COVID-19, and finally Part III deals with impact of COVID-19 on Islamic microfinance. Some country models are presented such as Iran was covered in Part I and Kuwait, Saudi Arabia, and Turkey were examined in Part II. Part III which deals with Islamic microfinance has given special attention to Nigeria, Brunei, and Indonesia.

The Emerald has announced a special issue of *International Journal of Islamic and Middle Eastern Finance and Management* on COVID-19 Pandemic Crisis and Islamic Finance. Similarly, Hamad Bin Khalifa University, College of Islamic Studies announced in its next International Conference on Islamic Finance, a sub-theme on Implications for Islamic Finance and Economy in Post Pandemic Era to be held in Doha in April 2021. Sherif (2020) in his paper examines by utilizing performance of shariah-compliant stock returns by utilizing UK Dow Jones Index data. It argues that there is a strong and statistically significant relationship between the COVID-19 pandemic and the performance of the conventional stock market index.

Nienhaus discussed the impact of the pandemic on Islamic finance outlined pre-corona trends and the feedback efforts on its future focusing on more equity-like financing, ESG, and SDG-themed *Sukuk*. The important role of advanced digital technology in microfinance, as well as the social finance instruments and other philanthropic models were also discussed (Nienhaus, 2020). In conclusion, he draws that the Islamic finance future will be influenced by crisis-induced changes in human behavior, accelerated technological developments, market peculiarities, and strengthened awareness of Islamic values, among others.

A series of cases studies were presented on the Impact of COVID-19 Outbreak on Islamic Finance in the OIC Countries, Qatar was not among them, which was edited by Hidayat, Farooq and Alim (Hidayat, Farooq, & Alim, 2020). An overview of the impact provided by the editors is quite general in nature, mostly providing statistics about the COVID-19 cases and their recoveries, etc. The case of Bahrain suggested establishment of an *awqaf* fund by the Islamic finance institutions to support the affected families as part of CSR activities. The case study on Bangladesh described that the entire Islamic finance sector is in grave situation due to the outbreak of coronavirus. A few regularly measures were recommended including the need for revamping monetary and fiscal policies as prerequisites for fighting the crisis, along with attention to proper infrastructure and the utilization of technology (internet banking).

The Journal of Muamalat and Islamic Finance Research has published a special issue on COVID-19, to shed light on the pandemic's impacts on the economy and realization of *maqasid al-shariah* and Islamic finance. This special issue has given account of how the landscape of Malaysian businesses has changed in all sectors that resulted in a loss of huge revenue and how Islamic finance industry has taken the measures to overcome the COVID 19 challenges. Like other countries, consumer behavior has changed. The job market, salary and budget cuts are also observed in Malaysia Several papers include from the guest editor himself (Shaharuddin 2020). Each study has covered different aspects which directly and indirectly deals with impacts due to pandemic.

Indonesia has introduced several stimulus concessions such as tax benefits to corporate world, allowing sovereign bonds to be purchased directly from the primary market and increasing the domestic investment shares in the capital market stable. The performance of microfinance institutions and SMEs were severely impacted; however, the agricultural sector had shown some improvement. As part of social security Islamic social finance solution was recommended based on *Zakat* and *Waqf* (including cash *Waqf*) to cater to the basic needs of the community.

Iran was one of the first countries to face corona virus. Unemployment and shutting of the tourism industry made the country's economy take the downward trend drastically. Government has taken the measures to provide *Qard Hassan* and subsidize the goods and especial assistance to low-income families. While the industrial sector faced severe impacts but some increase in health and pharmaceutical industries can be well noticed.

Some suggestions including cash relief packages, deferring the repayment of loan can prevent check bouncing and deferred claims from commercial banks, while revitalizing the manufacturing units.

In Turkey various taxes were deferred, while different economic and financial aid packages were announced. Most important support initiatives introduced for businesses were to provide employment support so that companies do not lay off workers. Turkey's government launched an aid campaign across the country and was able to collect donations of about 2 billion liras. However, this figure turned out to be far below the required amount.

In UAE, the Higher Shariah Authority reiterated the general sentiment as it urged Islamic financial institutions to support the most affected customers and economic sectors. Elsewhere, a similar statement might have also been issued by the Shariah board of Islamic financial institutions.

Arfah et al (2020) has conducted an interesting study of the economic role of sharia as a way to cope up as post COVID 19 agenda to recover from the pandemic recession. It emphasizes the optimization of the shariah economy based social tools such as *Zakat*, *Infaq*, *Sadaqah* and *Waqf*. Topcu and Gulal (2020) has undertaken another study comparing the emerging stock markets in Asia and Europe. Although this study does not deal with Islamic stocks but as a general indicator it is interesting to find that the impact of COVID 19 outbreak had the highest on Asian emerging markets compared to Europe.

Ashara's (2020) study reveals that government initiatives of social distancing measures had a direct negative effect on stock markets returns whereas other measures such as public awareness program, testing and quarantine policies and stimulus packages results in positive market returns. Ali (2020) in a Qatari newspaper, *The Peninsula* covered a story to conclude that despite several cases reported and the support of Qatar has seen unprecedented growth in E-commerce market. According to Qatari Transport and Communications Ministry there are more than 350 E-commerce initiatives which is an indication of the growth in online retail market.

Al-Dosari (2020) found to be an interesting as it deals with sporting industry especially Qatar being the country which is scheduled to host

2022 FIFA World Cup. This case study involves the different stakeholders and the impact of COVID-19. The data collected by the author via questionnaire suggested that COVID-19 has adverse impact on economic, social and financial and health impact. In conclusion it recommended that FIFA and the hosting country should take full precautionary measures to expect any unforeseen atrocities such as pandemic.

3. Dynamics Of Qatar's Economy

The demographic outlook shows that Qatar is comprised of 88% immigrants and 12% natives. Mere 1.34% of the population is above 65 years, while most of the population at 73.56% is between 25 to 64 years, 14.12% of the population is less than 15 years, and 10.97% of population is between 15 to 24 years. (State of Qatar (e), 2020). Thus, the policy of not allowing the immigrants of 60 years and above to stay in Qatar has partially contributed to low impact of COVID-19 on Qatar.

3.1. Qatar's Political Leadership And Economic Circuits

Qatar's major revenue comes from the extraction of natural gas as well as oil funds the country's state expenses and imports. The revenue is then used in the diversification of the economy. The citizens in Qatar also benefit from the extraction of oil that is solely done by the government through healthcare funding, housing and high compensation for public work (Kaya & Tsai, 2016).

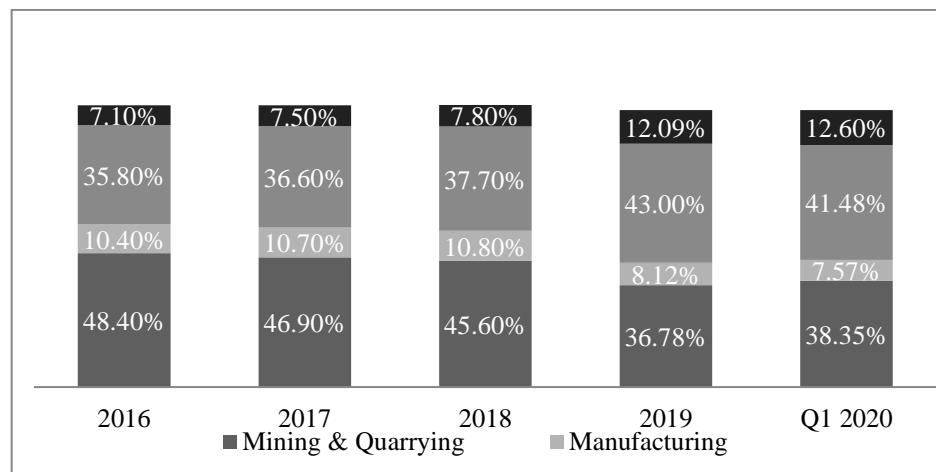
The three major economic circuits are productive, financial circuits and commodity circuits. These circuits are important for any transformative economic system (Hanieh, 2016). The export revenue is brought in the country through the productive circuit. Investing in steel and aluminum and other energy-intensive projects is part of the expansion through utilizing cheap energy (Hertog, 2010).

The finance circuit is the second most important sector in a transformative state. Numerous banks in GCC banks were developed to transfer funds and income obtained from the extraction of oil and gas. The extra money circulates in the economy as credits to individuals and domestic firms thus stimulating the local economy within the countries of the GCC. The majority of the local banks within the GCC countries are owned and controlled by the government, ruling families and merchant families

(Hanieh, 2016). These influential merchant families involved in the management of these banks are elite and have political influence over other citizens. “The ruling agreement” clearly outlines the most efficient method of allocating finances and capital to individual groups and families.(Al-Muharrami, Matthews, & Khabari, 2006). The commodities sector is the last sector in any transformative economy. It includes the selling and buying of non-tradable goods and services which include healthcare, education and dealership (Kaya, Tok, Koc, Mezher, & Tsai, 2019). The increase in prices increases the overall income in the country (Ismail, 2010). The higher the profits in non-tradable commodities the better for the industries dealing in those commodities (Matsen & Torvik, 2005). Known tribal leaders and royal family members are the majority of the conglomerates that control the commodity circuits in the GCC states (Hanieh, 2016).

3.2. Qatari Economy’s Sectoral Composition

Figure 1: Qatar Real GDP Decomposition by Sectors (%)

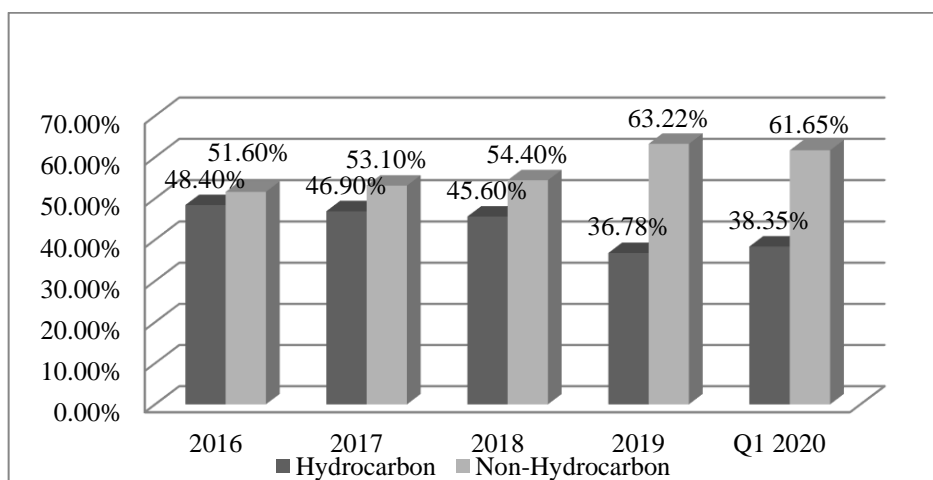


Source: International Monetary Fund, Regional Economic Outlook: Middle East and Central Asia: 2018; Planning and Statistics Authority of Qatar, Press Release Qatari National Accounts: 1st Quarter 2020

Before the discovery of oil reserves in Qatar, the main economic activity in the region was pearling and fishing. The Planning and Statistics Authority has categorized the production and exploration of oil and gas

under the mining and quarrying sector while the production of petrochemicals is grouped under the manufacturing sector in Qatar. Most production in the manufacturing sector is linked to oil and gas for the production of petrochemicals.

Figure 2: Hydrocarbon and Non-Hydrocarbon Sectors Composition (2016-2020)



Source: International Monetary Fund, Regional Economic Outlook: Middle East and Central Asia: 2018; Planning and Statistics Authority of Qatar, Press Release Qatari National Accounts: 1st Quarter 2020

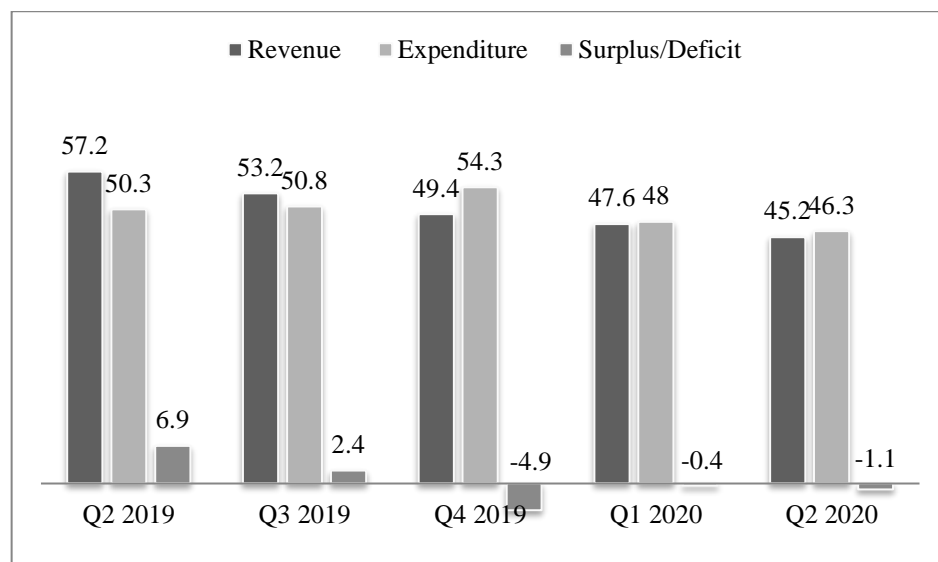
Qatari economy can be broadly divided into hydrocarbon and non-hydrocarbon sectors. Although Qatar has adopted the policy of diversifying the economy by lessening the dependency on the hydrocarbon sector of economy, the hydrocarbon sector has been contributing a considerable, if not the major, share to the GDP of Qatar (State of Qatar (a), 2020). Oil, another composite of hydrocarbon sector of Qatar, encompasses proved oil reserves of more than 25 billion barrels which are expected to be the potential for continuing the production for another 56 years at the current levels (fanack.com, 2020).

4. Impact of Covid-19 on Qatar Economy

In this section, the statistics and figures reported by the ministries and different authorities of Qatar before and during the prevalence of pandemic will be reviewed to assess its impact on Qatar economy.

4.1. Impact of COVID-19 on Public Budget

Figure 3: Revenue, Expenditure and Surplus/Deficit

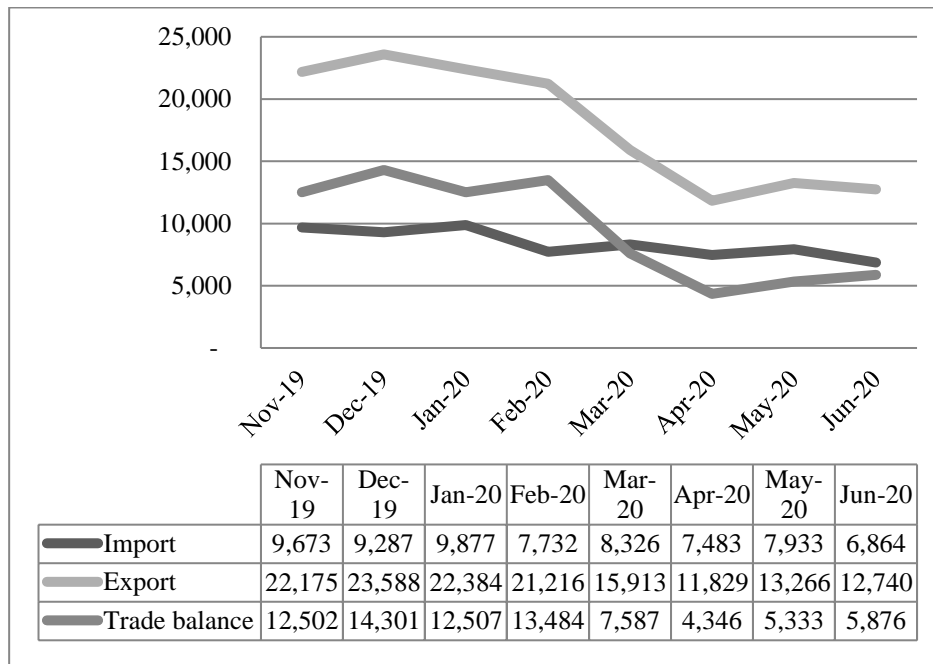


Source: Ministry of Finance, Statistics: 2020

The impact of COVID-19 on Qatar economy was much evident in shrinking public budget reported by the Ministry of Finance ever since the beginning of this year. The government curtailed the expenditure substantially on major projects from QR26.1 billion in Q4 2019 to QR15.3 billion in Q2 2020. The review of surplus/deficit status shows that the public budget is unable to fully recover from deficit ever since Q4 2019. The deficit in Q2 has further declined from being -0.4 at the end of Q1 to be at -1.1 by the end of Q2 2020 to evidence the negative impact of COVID-19 (State of Qatar (c), 2020).

4.2. Impact of COVID-19 on Foreign Trade

Figure 4: Qatar Import, Export and Trade Balance (in Millions)



Source: Planning and Statistics Authority of Qatar, monthly statistics report: December 2019 to July 2020

The foreign trade also succumbed to decline in both the terms of imports and exports. Within the period of 6 months from January 2020 the imports declined by almost QR3000 million, while the exports declined by around QR10000 million. So, the trend is heralding a negative impact of COVID-19 not only Qatar but also on the rest of the world (State of Qatar (d), 2020).

4.3. Impact of COVID-19 on Consumer Price Index

Table 1: Impact of COVID-19 on Consumer Price Index (Base Year 2018)

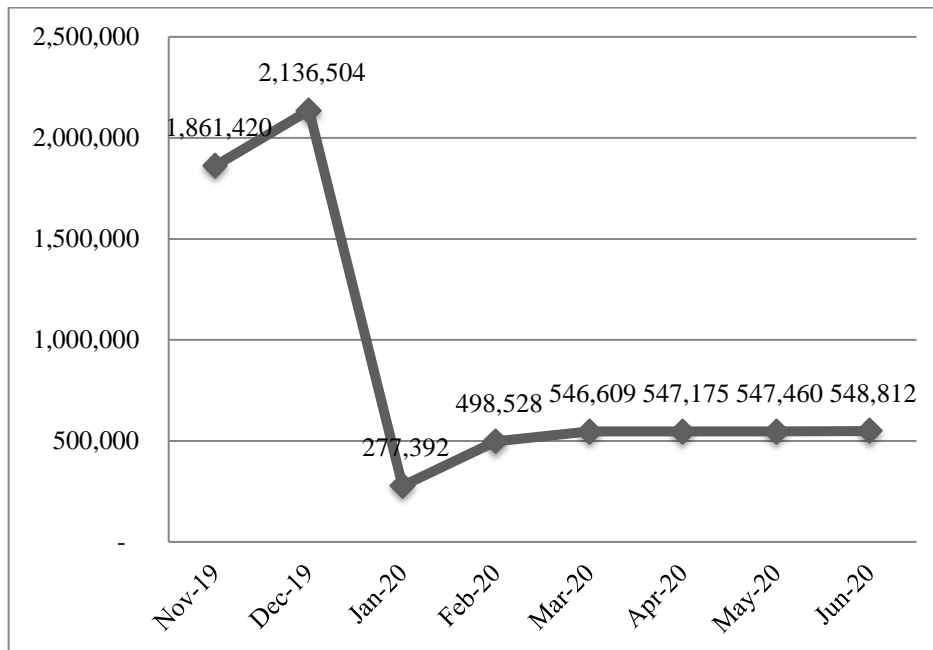
	General Index	Health	Transport	Communication	Recreation	Education	Restaurants & Hotels
Jan-20	98.4	102.8	97.5	90.8	92.1	106.1	104.1
Feb-20	98.4	102.8	99.7	90.8	88.9	106.3	104
Mar-20	97.5	102.8	101	90.8	80.7	106.3	103.5
Apr-20	96.2	101.5	96.1	89.8	80.7	106.3	100.9
May-20	95.7	101.5	94.9	89.8	80.7	106.3	100.5
Jun-20	95.9	101.5	98	89.8	75.8	106.3	100.5

Source: Planning and Statistics Authority of Qatar, monthly statistics reports: December 2019 to July 2020

The impact of COVID-19 is also well witnessed by the downward trend appeared in the general index related to Consumer Price Index (CPI) of household consumption. Recreation had a great fall of almost 17 points to reflect the impact of lockdown on the economy of Qatar (State of Qatar (d), 2020); *In fact*, such decline will have a negative impact on the expenditure of the households, which in turn shall reduce the income of business entities in Qatar.

4.4. Impact of COVID-19 on Tourism

Figure: 5: Impact of COVID-19 on Tourism

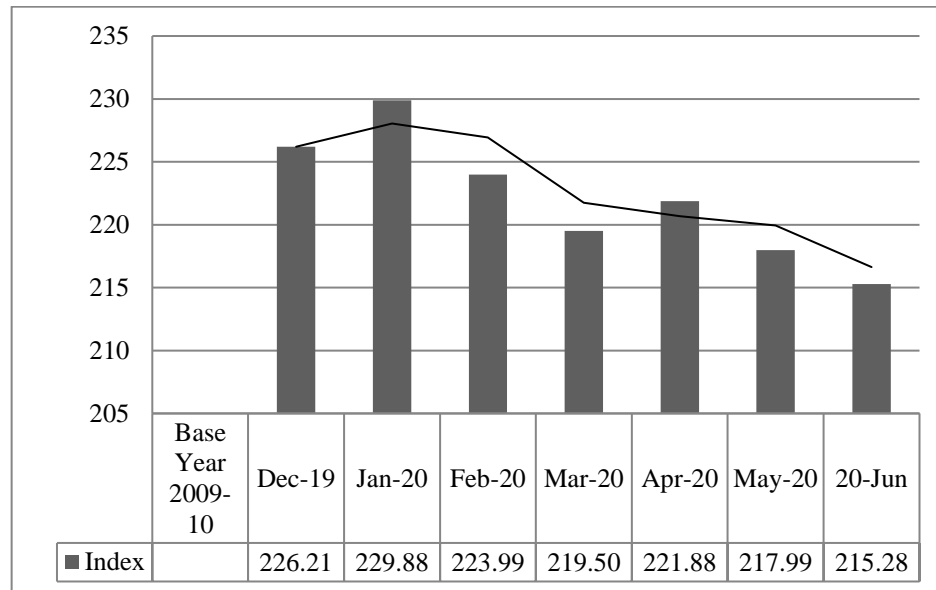


Source: Planning and Statistics Authority of Qatar, monthly statistics reports: December 2019 to July 2020

The tourism sector is the most badly hit sector of Qatar economy in the context of COVID-19. Due to the geopolitical blockade of neighboring countries the channel of land is not in function, while the sea routes are mostly used for importing the goods from other countries. Thus, the only active and preferred channel for tourists is the airways. In the context of pandemic, Qatar has been experiencing a very sharp decline of tourists which brought the figures of tourists from millions per month to the thousands per month. The declined number of tourists shall impact negatively on the revenue of the state and justifies the low figures in last two quarters of public budget by the Ministry of Finance reported under the revenue by other than oil and gas income category of the public budget.

4.5. Impact of COVID-19 on Real Estate Price Index

Figure 6: Impact of COVID-19 on Real Estate Price Index



Source: Qatar Central Bank, real estate price index: 2020

The price index of real estate in Qatar picked up by around 4 points in Q1 2020, however soon after the breakout of pandemic the real estate price index plunged down by around 7 points and the trend continued in the month of May and June after a slight recovery in the month of April. The market never reached the price index of January 2020 or December 2019 (Qatar Central Bank (a), 2020). Thus, the impact of COVID-19 is very much apparent in the real estate sector, which might be due to the fallen demand aroused from job losses and repatriation plans of number of expats who already went back to their domicile lands.

The other important composites of Qatar economy like Qatar Stock Exchange, insurance, banking, and non-banking financial institutions with due support of Qatar government's stimulus package are playing a very hopeful role in reviving the economy and restoring the economic growth in either the same or better instance.

5. Proactive Response of Qatari Government: Economic and Financial Frontier

The Supreme Committee for Crisis Management (SCCM) under the presidency of the emir of Qatar passed eight crucial decisions that provided the framework for the economic stimulus packages in Qatar. The decisions were directly related to the economic and financial sector.

Table 2: Economic Stimulus Package Framework

Decision1	A financial support and economic incentive package of QR 75 billion for private sector.
Decision2	A directive to Qatar Central Bank (QCB) for installing an appropriate mechanism for enabling the banks to postpone loan installments and obligations of the private sector with a grace period of six months.
Decision3	A directive to Qatar Development Bank for postponing the installment of all borrowers for a period of six months.
Decision4	The government funds were instructed to increase their investment in stock exchange by QR 10 billion.
Decision5	QCB had to provide liquidity to the banks operating in the country
Decision6	Exemption from custom duties on food and medical goods for a period of six months.
Decision7	Exemption from water and electricity bills for six months granted to hospitality and tourism, retail, SMEs, commercial complexes, so that the exemptions shall benefit the tenants.
Decision8	Exemption from rents for logistical and SMEs for a period of six months

Source: Official Website of Amiri Diwan

Qatar Islamic Bank (QIB), the biggest Islamic bank in Qatar, has introduced a new certificate of deposit called “Thank You” with higher rate of profits as a token of appreciation to the frontline workers combating COVID-19 like police workforces, medical professionals, and volunteers. The certificate is also a long-term savings tool as there is no limit for maximum deposit. Additionally, certificate holders are eligible to obtain finance up to 95% of the certificate deposit amount (Qatar Islamic Bank (a), 2020).

Table 3: COVID-19 National Response Program

Islamic Bank Name	Tenor of Guarantee	Repayment period	Profit 0-6 months	Profit 7-12 months	Profit 2-3 years
Qatar International Islamic Bank	6 months	24 monthly installments with a grace period of one year maximum	1.5%	QMR +1%	QMR+2%
Al-Rayan Bank Qatar	6 months	2 years and a grace period of up to 1 year	1.5%	QMRL+1% (minimum 3.5%)	QMRL+2% (minimum 4.5%)
Barwa Bank Qatar	3 months	Not in public access	Not in public access	Not in public access	Not in public access
Qatar Islamic Bank	3 months	2 years and a grace period of up to 1 year	Not in public access	Not in public access	Not in public access

Source: Official websites of QIIB, Al Rayan, Barwa, and QIB banks

QIB and all other Islamic banks in Qatar also participated in the COVID-19 National Response Program (NRP) launched as part SCCM's decree. QCB set the framework of NRP and instructed the banks to issue the guarantees favoring all the private companies holding accounts on Wage Protection System for guaranteeing the wages and rental payments which are payable over 3 months to a maximum of 2.5 million per month for each entity. Interestingly, the profit rate of the guarantee under the said program was covered by Qatar Development Bank (QDB) to a maximum of 1.5%, and 1% for the first and second six months respectively, and thereafter the profit rate will not exceed 2% + QCB Lending Rate for the second and third years and it shall be borne by the customer (Qatar Central Bank, 2020).

To augment the economic stimulus initiatives, the General Authority of Customs exempted 905 items related to food and medical goods from custom duties for six months. All those items were also cancelled from the electronic custom clearance tool '*alnadeeb*' for effective implementation of the policy (State of Qatar (d), 2020).

6. The Potential of Islamic Finance Industry in Qatar

A total of 20 Islamic financial institutions have a very prominent place in the economy of Qatar and they are performing historically better than the conventional banks (QFC-REFINITIV, 2019). The banking assets held by Islamic banks in Qatar are accounted for 26.1% of total banking assets in the country; also, they comprise 6.1% of global Islamic banking assets. Interestingly, the Islamic banks are not only excelling in their profit earnings but also the Capital Adequacy Ratio and Liquidity Coverage Ratio (LCR) are also sound, the LCR is well above the 100% requirement by BASEL and IFSB (Islamic Financial Services Board, July 2020). The surplus liquidity position in Islamic banking of Qatar is confirming the capability and readiness of Islamic banks in Qatar for their extended contribution to future economic policies and plans.

The Islamic finance industry in Qatar also depends heavily on *Sukuk*. Qatar issued the maiden Formosa *Sukuk* from the GCC in January 2020 (Islamic Financial Services Board, July 2020). Qatar's Formosa *Sukuk* are primary listed in Taiwan since January 2020 and also in Dublin since February 2020. Qatari government had to inject QR10 million to Qatar Stock Exchange as part of stimulus package, whereas the Formosa *Sukuk*, which was initially planned to raise \$650 million, ended in raising \$800 million due to oversubscription. The successful issuance of Formosa *Sukuk* during the time of pandemic is further endorsing the potential of Qatar's Islamic finance industry in reinforcing and regaining the economic stability of Qatar through geographical diversification.

Takaful industry in Qatar is promising and expected to show further growth due to the massive infrastructure development projects in Qatar for catering to the needs of QNV 2030 as well as the preparation of 2022 FIFA World Cup. The assets of conventional *Takaful* are far greater than the assets of Islamic insurance, the situation of having 45% market share of Islamic insurance by the subsidiaries of conventional insurance (Islamic Financial Services Board, July 2020) assures and amplifies the capacity of Islamic finance industry in Qatar to cater to the needs of systemic risk management of Qatar.

The downward trend in the CPI index of Qatar during last six months imposed by COVID-19 was very acute and sharp in the entertainment sector. Given the fact that most of Qatar's demography is comprising of

Muslims, the Islamic finance industry has a huge potential embodied in funding those Shari'ah compliant entertainment initiatives on the print and broadcasting media which are aimed at promoting cultural and Islamic values.

The government of Qatar has been known for its humanitarian and philanthropic contributions which encompasses the entire world. Recently, the government of Qatar extended a massive assistance package to the Lebanon following the explosion at the Beirut port on Tuesday, August 4, 2020. On the other hand, the economy of Qatar is struggling at the side of public budget, especially in managing the major projects as eluded by the shrinking figures of the MOF public budget. The *Waqf* can ease the pressure on Qatar's public budget by channeling the revenue of *Waqf* for participating actively in the humanitarian and philanthropic initiatives of Qatar's government, while the amounts allocated by government for humanitarian philanthropic initiatives could be redirected to the development projects.

In Qatar, the government institution called '*Zakat Fund*' has played its role during the early phase of COVID-19 by issuing grocery coupons to the employees of low income as well as the labors residing in the industrial area of Qatar. Such act of charity has underscored the potential of Islamic finance industry in Qatar to deal with the emergency situation with the people at the bottom of pyramid; similarly, it also proved that Islamic finance has an emergency buffer for Qatar in case of need.

Table 4: Blended Financing Model for Islamic Finance

Blending model	Structure	Applicable contracts	Islamic participant	Beneficiaries
Concessional Capital	Concessional Capital Debt/Equity	<i>Murabaha, Mudaraba, Musharaka, Istisna' and Salam</i>	Multilateral institutions, Islamic Banks and <i>Waqf</i> entities	Commercial startups, MSMEs and Agricultural projects
Technical Assistance Funds	Debt/Equity	<i>Ijara for services and Qard Hassan or Hiba</i>	Multilateral institutions, Islamic Banks and NBFIs	Microfinance and SRI projects
Guarantee/Risk Insurance	Guarantee / Insurance Debt/Equity	<i>Kafalah, Wakalah and mortgage</i>	Islamic banks and <i>Takaful</i> companies	Infrastructural projects of clean energy, water and sanitation
Design-Stage Grant	Debt/ Equity Design Grant	Forward lease and <i>Istisna'</i>	Multilateral institutions, <i>Waqf</i> and <i>Zakat</i>	Social enterprises
Results-Based Financing	Debt Grants	<i>Ijara for services, Murabaha and Hiba</i>	<i>Waqf</i> and <i>Zakat</i>	Education, Health & Housing projects

Source: Authors' own

The different structures of blended financing model may better serve the goals of Islamic finance, in case of Concession Capital blending, the Islamic blending participant will offer the finance with preferential rates and, if possible, share the fewer portions of revenues so that the value created will benefit the private participant and the society at large.

Technical Assistance Funds can be better served through *Ijarah* for services where the Islamic blending participant will provide the assistance on not-for-profit basis or on the basis of *Qard Hasaan* based on the payment capacity of the project, while it may offer such services on gratis basis if the situation requires and funds are available.

The Islamic contracts of *Kafalah*, *Wakalah* and mortgage are ideal for proving guarantee to the infrastructural projects, and risk mitigation can

be done by *Takaful* operators with a preferential contribution amount and investment *Wakalah* fee can be waived off.

The seed capital is the biggest challenge for social entrepreneurs, the need can be better served through forward lease and *Istisna'* contracts based on the nature of projects while the entrepreneur will pay the due only in case of success of the project.

Result Based Financing is optimal for the value-based investment projects related to education, health and housing wherein the positive externality spillover has the domino effect on development thus the *Waqf* and *Zakat* funds can better serve the long-term financing needs through the contracts of *Ijarah* and Murabaha so that in adverse situations the returns and capital contribution of the Islamic blending participant can be waived without a harm to the rest of the participants.

The Islamic finance industry in Qatar with their excessive liquidity position has a huge potential to be a part of Public and Private Partnership (PPP) initiative through the blended finance arrangements. The distinct feature of Islamic finance entities participating through blended finance would be the wide range of flexible contracts suitable for both debt and equity financing in different settings that too for a long-term project. For instance, in order to rectify the declining real estate price index, the Islamic bank can replace the funds by government budget through concessional capital blended financing; wherein the Islamic bank would offer the finance to the real estate developer together with the private contracting company on preferential rates. As a result, a high positive impact will surface on government budget in the form of release of pressure from the budget, and on the private sector by assuring the business for a long-term.

7. Conclusion

The stocktaking of COVID-19 hit to Qatar concludes that the quick response by the government of Qatar with due cooperation by all the sectors of Qatar's economy, including the Islamic finance industry, has been successful and enabled the government of Qatar to announce the lifting of restrictions imposed due to the pandemic through 4 gradual phases (Hamad Medical Corporation, 2020). Nevertheless, the United Nations identified the crisis to be much more than a health crisis, it is a human crisis (United Nations, March 2020); the focus of Qatar's government policy, so far has, been on prioritizing health policies and

undertaking economic stimulus packages. Therefore, from the perspective of Islamic finance, the policy making should take due consideration of the objectives of Shari'ah pertaining to the preservation of life and wealth by contemplating on *fiqhi* maxim “الضرورة تقدر بقدرها” i.e., the necessity must be assessed and responded proportionately. So, the response should be proportionate in terms of prioritizing the matters and holistic in setting the long-term strategies for avoiding a global economic recession and to preserving the economy of Qatar for the future generations. Such holistic response shall also include an adequate response to the biodiversity emergency in order to avoid recourse of similar or further worst pandemic. To address the biodiversity emergency and climate degradation issues, Qatar policy makers shall consider the issuance of green *Sukuk* which are well in line with Qatar National Vision of 2030 (QNV-2030) which aims at ‘Human’, ‘Social’, ‘Economic’ and ‘Environmental’ development.

Eventually, the study suggests that, Islamic insurance (*Takaful*), *Awqaf* and *Zakat* have been resilient to the shocks of COVID-19 and exhibited the stability in their instance, while the economic stimulus package by the government of Qatar played a very crucial role in restoring the resilience to Qatar Stock Exchange and the private sector of the economy. Moreover, the study establishes that Islamic finance industry has a very high potential for reinforcing and regaining the economic stability in the sections of economy that have negatively impacted due to COVID-19. However, the political and economic circuits as explained in section 3.1 impose several challenges to the reformers of Islamic finance in Qatar. Therefore, the realization of the potential of Islamic finance industry, especially for introducing the new policies and implementing the models of blended financing, depends majorly on convincing the ruling family and their representatives in each of those economic circuits in Qatar.

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