Qatar Development Bank
A supporting arm to the private sector

March 2014
Our Journey

QDB’s strategy is aimed towards achieving economic diversification through:

• Increase the private sector's contribution to GDP, and
• Executing governmental projects with developmental and social dimensions.

1997

The establishment of Qatar Industrial Development Bank

QIDB started diversifying its services in sectors other than the Industrial, such as: Health Care, Education, Tourism, Agriculture & Livestock, and Fisheries

2007

The establishment of Qatar Industrial Development Bank becomes Qatar Development Bank

2008

Capital Increases from QR200M to QR10B

New strategic plan includes additional services to support the private sector. QDB launches improved housing schemes

2009

“Al Dhameen” Indirect Lending Program Launch

2010

“Tasdeer” Qatar Export Development Agency Launch

2011

New Brand Identity Launch

2012

Introduction of Islamic financing
New Website launch
Bedaya Center
Qatar Business Incubation Center
Private Sector Magazine
BDS
SME Toolkit
Exp -Trade & Access Maps
Trade Secrets & Exporters directory

2013

2014
How QDB makes an impact on economy?

- Contribute to Qatar’s economic diversification
- Decrease Government spending by increasing Private Sector involvement
- Facilitate credit lending activity by lowering the risk assumed by financial institutions
- Support the Food Security Program Promote the decrease of dependence on imports through Promoting export of products & services
- Enhancement of Services and lifestyle in Qatar
Provide direct financing to SMEs and MSCs, often at competitive or subsidised rates

Provide credit guarantees to enable firms with low collateral and/or little credit history to obtain financing from commercial banks

Provide equity to SMEs and MSCs, either through in-house venture capital funds or through existing funds

Provide advisory services to SMEs and MSCs including incubation support, Training, Consulting, and Regulatory support

Promote internalisation of SMEs and MSCs through export financing, trade insurance, and advisory activities

Support the government in service provision, e.g. through disbursement of housing loans and education loans

Foster large-scale investments through debt and/or equity financing (joint ventures)

Around the world, 7 core activities are needed for economic development and private sector promotion.

When the private sector fails to perform these activities, development banks are required to fill the gap.

QDB’s strategy ensures that the gap is filled.
QDB activities are in line development banks

<table>
<thead>
<tr>
<th>Direct Lending</th>
<th>Credit Guarantees</th>
<th>Venture Capital</th>
<th>Advisory</th>
<th>Export promotion</th>
<th>Development Support</th>
<th>Strategic Investments</th>
</tr>
</thead>
<tbody>
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Around the world, 7 core activities are needed for economic development and private sector promotion.

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QDB’s strategy ensures that the gap is filled.
Al Dhameen is an indirect lending program to assist Private Sector businesses that are unable to borrow money from banks due to one or more of the following:
   a) Lack of collateral
   b) High Equity Contribution Margins
   c) Lack of Credit History
   d) Lack of financial statements
   e) High interest rates

QDB guarantees up to 85% of the loan amount to partner banks for lending to Start-ups / Greenfield projects (up to 75% for existing SMEs)

Start-up / Greenfield projects are encouraged through lower guarantee fee

Focus on manufacturing, education, health-care and knowledge-based sectors
<table>
<thead>
<tr>
<th>Sector</th>
<th>QDB non eligible sectors</th>
<th>QDB direct lending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, fisheries &amp; livestock</td>
<td></td>
<td></td>
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<tr>
<td>Manufaturing</td>
<td></td>
<td></td>
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<tr>
<td>Education</td>
<td></td>
<td></td>
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<tr>
<td>Human health &amp; social work</td>
<td></td>
<td></td>
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<tr>
<td>Services</td>
<td></td>
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<tr>
<td>Finance and insurance services</td>
<td></td>
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<tr>
<td>Real estate</td>
<td></td>
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<tr>
<td>Wholesale trade</td>
<td></td>
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<tr>
<td>Retail trade</td>
<td></td>
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</tbody>
</table>

**SME cut off:** Revenue $\leq$ QAR 30 m

**Start up SME cut off:** Facility size $\leq$ 15m
## Target Clients

### Included

- Manufacturing, healthcare, education, tourism, services sector and other approved sectors.
- Entrepreneurs with a viable business idea
- Start-up companies (defined as having been in operation for less than 3 years).
- Existing companies with an annual turnover of less than QR 30 Million.
- Company must be based in Qatar, with head office and main operations located here.

### Not Included

- Non-profit seeking companies
- Non-value added and speculative sectors - e.g. Wholesale and retail trade, financial services, real estate, etc.
- Critical sectors - Addressed directly by QDB e.g. Agriculture, livestock, and fisheries, etc.
## Eligibility Criteria

<table>
<thead>
<tr>
<th>Type of Companies</th>
<th>Existing</th>
<th>Start-up</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years in Operation</td>
<td>&gt;=3 Years</td>
<td>&lt; 3 years</td>
</tr>
<tr>
<td>Annual Turnover</td>
<td>&lt;QR 30 Mn</td>
<td>N.A.</td>
</tr>
<tr>
<td>Maximum Loan Amount</td>
<td>QR 15 Mn</td>
<td>QR 15 Mn</td>
</tr>
<tr>
<td>Minimum Equity</td>
<td>13% of Project Cost</td>
<td>13% of Project Cost</td>
</tr>
<tr>
<td>Al Dhameen Guarantee (% of Loan Principal Amount)</td>
<td>75% of the Loan</td>
<td>85% of the Loan</td>
</tr>
<tr>
<td>Maximum Grace Period</td>
<td>2 Years</td>
<td>2 Years</td>
</tr>
<tr>
<td>Maximum Tenor</td>
<td>8 Years</td>
<td>8 Years</td>
</tr>
<tr>
<td>QDB Annual Guarantee Fee</td>
<td>1.5% p.a.</td>
<td>1.2% p.a.</td>
</tr>
<tr>
<td>Maximum Interest Rate</td>
<td>7% p.a.</td>
<td>7% p.a.</td>
</tr>
<tr>
<td>Maximum Partner Bank Fee (One-time)</td>
<td>Project Finance - 2% Working Capital – 1%</td>
<td>Project Finance - 2% Working Capital – 1%</td>
</tr>
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</table>
Sme’s play a vital role in economic development
How QDB makes an impact on economy?

QDB’S STRATEGY MAP

Vision: To be the Primary Enabler of Qatar’s Private Sector and Economic Diversification
Mission: To accelerate the development of the private sector in line with the diversification needs of Qatar

Your Financing Partner for Development

Build & Capture Demand
Market QDB products locally and internationally.
Provide valuable services to develop and sustain demand.
Develop attractive products with economic impact.

Win-Win-Win Partnership
Develop customized solutions based on win-win-win outcomes.
Understand partner's real roles and needs.

Operational Excellence & Optimization
Provide seamless integrated end-to-end processes with internal & external partners.
Harmonize service levels with customer needs.

Balance Risk & Returns
Improve available funds allocation.
Balance risk flexibility with given appetite throughout all business products and strategic sectors.

High-performing Organization
Build high-performing and collaborative team.
Embed culture of talent development and retention.
Improve key strategic skills and disciplines.
Build a value-adding IT platform.
QDB plans to adopt a Hybrid Model of Portfolio Approach with both Portfolio approach and Case by case (CBC) approach co-existing.

Main drivers of Hybrid approach will be:
- Risk Levels
- Partner Bank Capabilities and
- Amount Thresholds

**NEXT STEPS: Al Dhameen Portfolio Cover – Background and context**

**CONTEXT**

- To give traction to Al-Dhameen programme where case-by-case approach seems to have reached its saturation point with some banks.
- To reduce operational delays and costs
- To institutionalize the system of PB differentiation in terms of capabilities of PB’s to handle SME’s
- Cover many more sectors and businesses which may not be covered by way of present programme.
Portfolio Approach Basic Design is geared towards ensuring that:

1. Only eligible partner banks enroll into programme
2. Only Low risk clients are routed through Portfolio cover
3. Partner banks have sufficient stake in portfolio covered clients

TOM and its Components

Partner Bank Enrollment
- Designing the PB Risk Profile – Limit Matrix

RAC for Clients acceptance through Portfolio cover
- Designing the RAC at client level

Portfolio Cover sub-categories
- Discretionary Limits
- Non-Discretionary Limits

Maintaining the Programme
- Portfolio MIS
- Claims Management
- Performance Review

Each component of TOM is explained in following slides.
Priority Sectors

The Industrial Sector

- Decreases dependence on imports; Potential increase of export and export revenues.

- Risk mitigation tool of economic cycles: absorbs economic shocks & increases sustainable development. (Industries with long filter through (e.g. pharmaceuticals) have a stable demand (inelastic). They absorb economic shocks and increases sustainable development).

- Creating more opportunity for the private sector firms through long-term development of clusters and value chains.

- Takes advantage of natural resources and reduces value leakage.
Priority Sectors

The Education & Healthcare Sector

- Reduce the burden of education, healthcare and related facilities on the government’s budget.

- Government education & training expenditure was 21% of government spending in 2008 while government health expenditure increased by 68% since 2006 (QR4.8 BN to QR8.1 BN).

- Private sector is more efficient and performance-driven in the provision of services.

- Creation of well-paying jobs.
Priority Sectors

The Tourism Sector

- Establish a sustainable source of export revenue/cash inflow (tourism is an export service).

- Total contribution of travel & tourism to GDP was 3.2% in 2011 (QAR21.2 BN) and is forecasted to reach QAR41.9 BN in 2022.

- Tourism helps to establish and sustain Qatar’s brand name.

- Tourism creates demand for competitive world class services and products:
  - supplied by Qatar’s private sector therefore raising the private sector income
  - promoting Qatar as a place to invest and to do business

- Contributes significantly to the development of Qatar hospitality in preparation for 2022.
Priority Sectors

The Agricultural, Livestock & Fishing Sector

- Contributes to food security.

- Reduce dependency on imports.

- A lot of agricultural products provides supply and value chain to tourism.

- Fills gaps which causes a price hike in Qatar as a result of shortages Promote price competitiveness.
The Services Sector

- Economic development increases the standard and diversity of service.

- Private sector expected to be 75% service base.

- Significant revenue opportunities in service sector tied to World Cup preparations, particularly maintenance and operations.

- Economic development tends to increase demand for services creating a significant opportunity for private sector development.