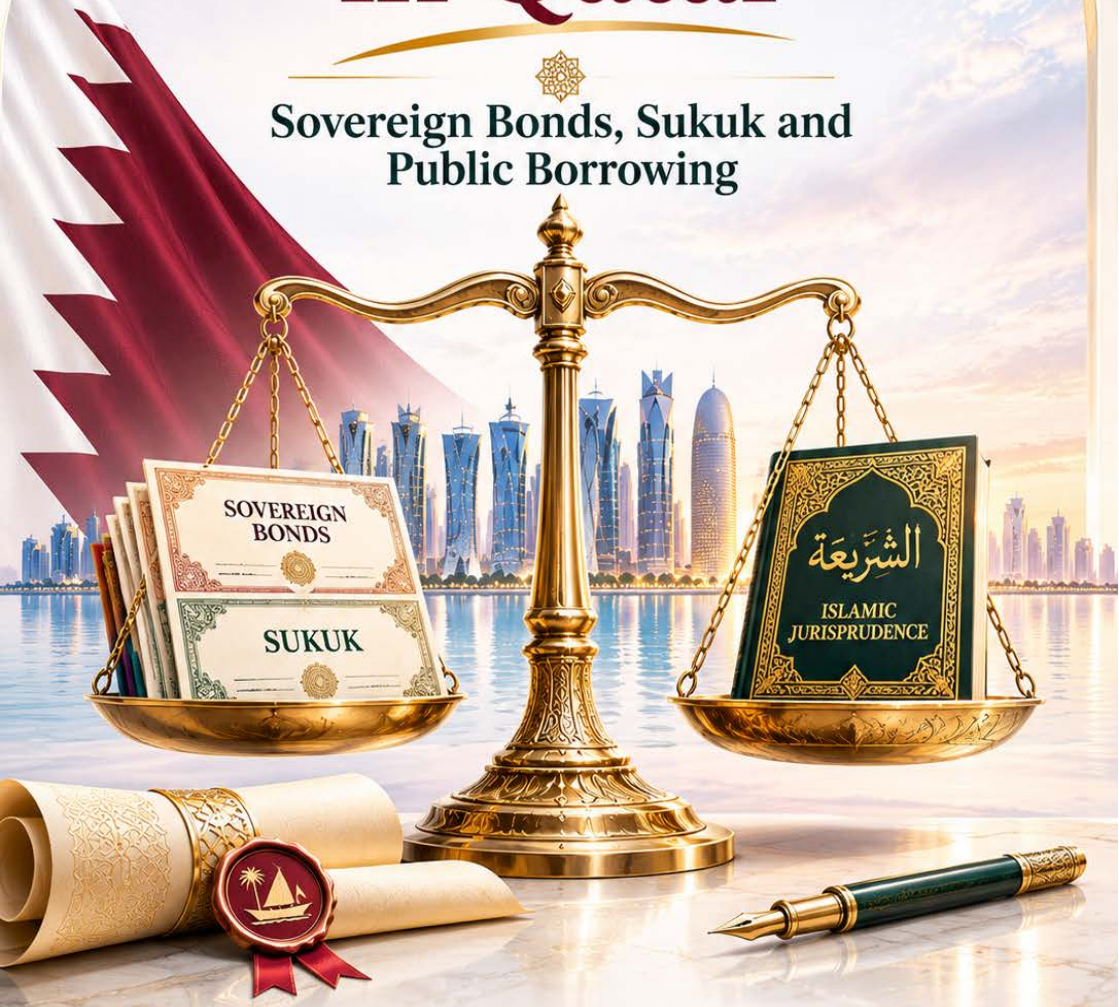
The Islamic Perspective on Sovereign Debt in Qatar

Sovereign Bonds, Sukuk and Public Borrowing



DAR AL THANI

© 2026 Dar Al Thani. All rights reserved.

No part of this publication may be reproduced, stored in a retrieval system, transmitted, or distributed in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the prior written permission of the publisher, except in the case of brief quotations used for scholarly, critical, or review purposes.

This book is published by Dar Al Thani.
The views and analyses expressed in this work are those of the author(s) and do not necessarily reflect the views of the publisher.
This publication is intended for academic, educational, and research purposes.

First edition.
Printed in United Kingdom.



DAR AL THANI

Abstract

This study examines Qatar's sovereign debt from the perspective of Islamic jurisprudence, focusing on sovereign bonds, sukuk, and public borrowing. It explains the prohibition of *riba* and its application to interest-bearing borrowing. By examining the substance, terms, and effects of these transactions, it identifies financing arrangements that reproduce the features of an interest-bearing loan under different contractual labels. The study sets out the Sharia grounds for this analysis, assesses how they apply to the transactions examined, and considers the responsibility of public authorities for imposing financing costs on the public treasury through arrangements that contravene Sharia.

The first chapter examines the Sharia foundations for the prohibition of *riba* and the grounds for classifying interest on loans and bonds as *riba*. It considers how Sharia rules apply to government borrowing and critically evaluates appeals to necessity and the public interest as justifications for interest-bearing financing.

The second chapter analyses the contractual terms and effects of Qatar's sovereign debt instruments. It identifies the forms of prohibited increases in bonds and loans and examines sukuk structures that have drawn objections under Islamic jurisprudence. Particular attention is given to whether the contracts confer genuine ownership, how guarantees operate, and who bears the associated risks. The chapter also considers refinancing and its role in prolonging indebtedness.

The third chapter examines the responsibility of the Qatari authorities for entering into and continuing to use

these arrangements. It assesses the reasons given for resorting to them, the burden they place on public finances, and their implications for the rights of future generations. The study calls for greater accountability and Sharia oversight of public borrowing and for each transaction to be assessed on the basis of its substance and actual terms. Such scrutiny helps safeguard public funds and prevent contractual forms from being used to circumvent the prohibition of *riba*.

Introduction

Islam warns sternly against *riba* because of the injustice inherent in such transactions and because their consequences extend beyond the debtor to the well-being of families and the stability of communities. When money is lent on condition that it be repaid with an additional amount, the passage of time itself becomes a basis for claiming more. The borrower's need becomes a lasting burden that drains income and makes repayment more difficult. The Qur'an links its command to abandon *riba* with a principle of fairness in the recovery of debts: "If you repent, you are entitled to your principal. You shall neither wrong nor be wronged" (Al-Baqarah 2:279). This principle safeguards the creditor's right to recover the principal, protects the debtor from the interest charge, and establishes fairness as the basis of their relationship.

The prohibition of *riba* is an expression of mercy towards humanity. It protects people from having their needs exploited and prevents money from becoming a means of exerting control over those in financial difficulty and deepening their hardship. Islamic law recognises lending as a means of offering assistance and practising benevolence, while prohibiting any stipulated increase in return for the loan and the time allowed for repayment. The danger becomes particularly evident when borrowers struggle to repay. They may face obligations that drain their resources or take out new loans to repay existing debts, increasing their indebtedness and making it harder to break the cycle.

In modern finance, *riba* has taken more complex and structured forms. It appears in financial products and

contracts that go by different names but may produce similar effects. Alongside interest-bearing bank loans, bonds, refinancing instruments, and other arrangements allow borrowers to raise funds in exchange for a commitment to repay more than they received. Some arrangements are marketed as Islamic finance. Assessing their compliance with Sharia requires examining the underlying contracts, whether they confer genuine ownership, how returns are generated, and who bears the risks. Each arrangement must therefore be assessed on its own terms and in light of what the contracts actually do.

Governments around the world have increasingly relied on borrowing to finance budget deficits and public projects and to meet obligations as they fall due. Debt management has consequently become a central part of fiscal policy. When governments borrow at interest, debt service places a burden on public resources and commits future revenues to obligations incurred under earlier decisions. This broadens the scope of accountability. Officials enter into contracts on behalf of the state, while the public treasury and, ultimately, society and future generations bear the consequences.

Against this background, the study examines Qatar's sovereign debt, focusing on its bonds, loans, and sukuk in light of Islamic jurisprudence. The state's status as borrower does not exempt its transactions from Sharia, and a public purpose does not in itself make the chosen method of financing permissible. The analysis therefore examines the substance of each obligation, distinguishes lawful returns from increases prohibited as *riba*, and identifies contractual structures that may disguise an interest-bearing loan.

Chapter One — The Sharia Foundations for the Prohibition of Interest-Bearing Borrowing

1. The Prohibition of *Riba* in the Qur'an and the Sunnah

The prohibition of *riba* is an established principle of Islamic law, grounded in the Qur'an and the Sunnah and affirmed by jurists in their rulings on loans and debts. It governs the relationship between capital, economic activity, and the right to a financial return. In lending, it protects borrowers from increases imposed by creditors in exchange for granting a loan or extending the time for repayment. Islamic law distinguishes a loan intended to assist the borrower, under which the principal is repaid without a stipulated increase, from a transaction that entitles the lender to receive more than the amount lent. It also distinguishes *riba* from lawful returns arising from a valid sale, lease, or partnership that meets the applicable requirements of Sharia.

The Qur'an makes this distinction explicit. "Allah has permitted trade and forbidden *riba*" (Al-Baqarah 2:275). The verse rejects the claim that trade and *riba* are equivalent. Both transactions may yield a financial return, but their legal treatment depends on the nature of the underlying contract and the basis on which the return is due. Mutual consent alone does not make an increase lawful. It must rest on a ground recognised by Sharia. The Qur'an also warns of the consequences of *riba* while affirming the value of generosity and charity. "Allah deprives *riba* of increase and causes charity to

grow. Allah does not love any ungrateful sinner" (Al-Baqarah 2:276).

The Qur'an gives its sternest warning in the following verses.

"O you who believe, be mindful of Allah and give up what remains of *riba*, if you are believers. If you do not, then be warned of war from Allah and His Messenger. If you repent, you are entitled to your principal. You shall neither wrong nor be wronged" (Al-Baqarah 2:278–279).

These verses command believers to relinquish outstanding claims to *riba*, warn against persisting in the practice, and limit the repentant creditor's entitlement to the principal. This preserves the lender's right to recover the amount lent and protects the borrower against the prohibited increase. The following verse sets out how a debtor in hardship should be treated.

"If the debtor is in hardship, grant them time until they are able to pay. But if you remit the debt as charity, that is better for you, if only you knew" (Al-Baqarah 2:280).

Financial hardship is thus addressed by giving the debtor time and, where possible, forgiving the debt. Difficulty in repayment gives the creditor no ground for increasing the amount owed.

The Sunnah reaffirms the prohibition and underscores the seriousness of participating in a transaction involving *riba*. Jābir ibn ʿAbd Allāh reported that the Messenger of Allah "cursed the one who receives *riba*, the one who pays it, the one who records it, and the two who witness it," and said, "They are all alike" (Ṣaḥīḥ Muslim, no.

1598). The warning extends to the specified roles in concluding and documenting the transaction. It therefore encompasses both the transaction itself and direct assistance in carrying it out. In applying the ruling to individuals, due regard must be given to the conditions for holding them responsible and to their particular circumstances.

On the basis of these texts, Islamic jurists held that a stipulated increase on a loan is prohibited. The prohibition applies where the borrower is required, by reason of the loan, to provide the lender with an additional payment or benefit. An incidental benefit that was neither stipulated nor agreed in advance falls outside this rule. The same principle applies to interest in modern financial transactions. When a lender advances money as a loan and makes repayment conditional on an additional amount in return for the time allowed, the transaction constitutes prohibited *riba*, regardless of what the charge is called or how it is calculated.

The same test applies to sovereign debt. The analysis must establish the substance of the obligations undertaken by the state and determine whether they arise from a loan repayable with a stipulated increase or from a lawful financing contract that meets the applicable Sharia requirements. This requires examining the documentation for bonds, loans, and sukuk to identify how the return is generated, the basis on which it is due, and the rights and obligations it creates. This examination is particularly important for sukuk, whose permissibility depends on the substance of the contracts they represent and how those contracts are performed. The label alone cannot establish either permissibility or prohibition. Applying the Sharia principles to the actual

terms and operation of each transaction makes it possible to identify where *riba* arises and to recognise structures that conceal it behind contractual formalities.

2. State Borrowing and the Application of Sharia to Public Funds

The state's financial transactions are subject to the rules of Sharia governing how funds are raised and spent and how financial obligations are incurred. The public status of the borrower does not make a prohibited contract permissible or exempt public funds from the prohibition of *riba*. A debt incurred in the name of the state therefore remains subject to that prohibition whenever the underlying loan requires repayment with a stipulated increase in exchange for the time allowed. Assessing state borrowing requires examining both the purpose of the financing and the permissibility of the contract used to secure it. Financing may be sought to build a hospital, develop an educational institution, or provide infrastructure that the community needs. The public benefit of such a project does not make an interest-bearing loan permissible, and the expected economic return on the project does not turn the stipulated interest into a lawful profit.

The management of public funds is a matter of public trust. Officials are entrusted with those funds to serve the public interest within the limits of their authority. Those who authorise borrowing on behalf of the state must therefore answer for the need to borrow, the terms agreed, the use of the proceeds, and the state's ability to meet its obligations. Their responsibility extends beyond

securing the funds to the consequences that could reasonably have been foreseen when the contract was signed.

Accountability becomes particularly important when those who decide to borrow and those who bear the cost of repayment are separated in time. The authorities in office may enter into contracts whose obligations extend for years, committing a share of the public resources on which services and facilities depend. An assessment of the borrowing decision should therefore cover the cost of servicing the debt over its full term, the risks arising from the financing terms and any changes the contract allows, and the impact of the new obligations on the state's ability to meet the needs of society. The size of the debt alone gives an incomplete picture of its financial impact. The recurring costs and the constraints it places on future budgets and decisions also matter.

Applied to Qatar's sovereign debt, these principles call for an examination of the decisions and contracts that create obligations payable from public funds. This examination should establish the nature and purpose of those obligations, identify the authorities that approved them, and determine which resources were allocated to repayment. Where a transaction is found to be a loan with a stipulated increase, entering into it in the name of the state does not alter its classification as *riba*. The duty to safeguard public funds requires the authorities to examine the available alternatives, assess their costs and consequences, and hold decision-makers accountable according to their respective powers and roles. The authority to manage public funds carries with it the duty to protect them and administer them in accordance with Sharia.

Chapter Two — Forms of *Riba* in Qatar's Sovereign Debt Instruments

1. Sovereign Bonds

When a government issues a conventional interest-bearing bond, it receives the amount paid by investors at issuance and undertakes to repay the bond's face value at maturity and to pay interest in accordance with the terms of the issue. The issue price may be equal to, above, or below the face value. The maturity date determines when the face value is due, while the terms of the bond specify the amount of interest or how it is calculated, as well as when it is payable. Under Islamic jurisprudence, the classification of the transaction depends on the nature of the obligation created by the bond. The bondholder is a creditor of the state and is contractually entitled to interest regardless of the performance of any project financed with the proceeds. The ground for prohibition is the stipulated increase over the principal payable to the creditor in exchange for the time allowed for repayment. This applies whether the interest rate is fixed in advance or linked to a benchmark that varies over the life of the bond.

The increase may also take the form of a difference between the issue price and the amount payable at maturity. If the state issues a bond for 950 monetary units with no periodic payments and undertakes to repay 1,000 units at maturity, the additional 50 units constitute the increase to which the bondholder is entitled under the terms of the issue. A bond structured in this way, known as a zero-coupon bond, falls within the category of loans with a stipulated increase.

The prohibition of these transactions rests on the Qur'anic injunctions "Allah has permitted trade and forbidden *riba*" (Al-Baqarah 2:275) and "If you repent, you are entitled to your principal. You shall neither wrong nor be wronged" (Al-Baqarah 2:279). In applying this principle to modern transactions, the International Islamic Fiqh Academy held in Resolution No. 10 (2/10) that any increase or interest stipulated at the outset of a loan constitutes prohibited *riba*. The Academy addressed bonds specifically in Resolution No. 60 (6/11)**.** It prohibited the issuance, purchase, and trading of bonds that require the issuer to repay their face value with interest or another stipulated benefit, whether the issuer is a private entity or a public body associated with the state. The ruling also covers zero-coupon bonds issued below face value, under which the holder receives the difference at maturity. .

Qatar's interest-bearing sovereign bonds fall within the scope of the Academy's ruling. Under their terms, the state undertakes to repay the principal at maturity and to pay bondholders interest at rates set in advance. Two issues brought to market by the State of Qatar through its Ministry of Finance illustrate this structure.

In April 2020, Qatar offered sovereign bonds on international markets with an aggregate face value of US$10 billion. The offering comprised three tranches. The first, worth US$2 billion, carried an annual interest rate of 3.40% and matured on 16 April 2025. The second, worth US$3 billion, carried an annual rate of 3.75% and matures on 16 April 2030. The third, worth US$5 billion, carried an annual rate of 4.40% and matures on 16 April 2050. The offering circular provided for interest to accrue from 16 April 2020 and to be paid semi-annually,

with the principal of each tranche repayable at maturity unless the bonds were redeemed earlier.

On 21 May 2024, Qatar launched its first sovereign green bond offering, worth US$2.5 billion in total. The offering comprised a US$1 billion tranche carrying a fixed annual interest rate of 4.625% and maturing on 29 May 2029, and a US$1.5 billion tranche carrying a fixed annual interest rate of 4.75% and maturing on 29 May 2034**.** The terms of these issues show that the state is contractually bound to repay the principal at maturity and to pay bondholders interest set in advance. That interest is a stipulated increase over the principal, which is the basis for the prohibition under the Academy's resolution.

2. Public Loans and Credit Facilities

Governments use public loans and credit facilities to finance budgeted expenditure, carry out public projects, or meet short-term cash needs until revenues are collected. A public loan differs from a credit facility in how the funds are made available and when the obligation to repay them arises. This distinction affects the basis on which interest and fees are calculated and when they fall due. Under a public loan agreement, the lender undertakes to provide the state with a specified amount, disbursed either in a single payment or in instalments. The agreement sets out the disbursement schedule and provides for repayment either in instalments over the life of the loan or in a single

payment at maturity. It may also provide for a grace period before principal repayments begin and specify whether interest accrues during that period, when it is payable, and how unpaid interest is treated.

A credit facility gives the state the right to draw funds up to an agreed limit within a specified period. If the facility makes 100 million available and the state draws 40 million, the principal owed on that drawing is 40 million. The undrawn balance remains available under the terms of the agreement, which may include a commitment fee on that balance. If the facility is revolving, the agreement may allow the state to redraw amounts it has repaid, up to the agreed limit. The cost of financing depends on what the lender is entitled to receive and when each payment falls due. Interest may be calculated on the outstanding principal after each repayment, and the rate may reset on dates specified in the agreement in line with a benchmark. Additional fees may be payable for arranging the financing, making funds available for drawdown, or extending the term of the facility.

Examining each clause helps establish whether a charge relates to the amount drawn, the credit limit made available, or a specific service actually provided. The element of *riba* arises when the lender stipulates an increase over the principal in exchange for the time allowed for repayment. If the state borrows 10 million under an agreement requiring it to repay that amount with annual interest, the interest is an additional payment to which the lender is entitled under the loan agreement. A stipulated increase of this kind constitutes prohibited *riba* whether the interest rate is fixed at signing or varies in line with an agreed benchmark.

Another form of *riba* arises when the lender requires an additional payment in exchange for extending the repayment period or because the borrower has failed to pay on time. The agreement may provide for a higher interest rate once a payment is overdue or require the borrower to pay an additional amount to the lender on account of the delay. Unpaid interest may also be added to the outstanding balance, on which further interest is then calculated.

An example of public borrowing in Qatar is the syndicated bank loan that the government concluded in January 2016 for US$5.5 billion, with a five-year term and the participation of 13 banks.[3] The government had invited banks to participate in the financing in December 2015. When the loan was launched, Reuters reported that the proposed pricing was based on the London Interbank Offered Rate (LIBOR) plus a margin of 85 to 95 basis points, equivalent to 0.85 to 0.95 percentage points**.** The proposed pricing illustrates how floating-rate interest is calculated on a sovereign loan. The amount of interest varies with the benchmark, while the lender's entitlement to it rests on the contractual requirement to repay more than the principal. It is that stipulated increase that constitutes *riba*, whether the rate is fixed or linked to a benchmark.

3. Sukuk Structures That Raise Sharia Objections

Some sukuk structures raise objections under Islamic jurisprudence when their documentation is framed as a sale, lease, or partnership, yet the combined effect of the

contractual terms is that the recipient receives funds upfront and undertakes to repay them at a specified date with a predetermined increase. Assessing such arrangements requires examining the rights acquired by sukuk holders, the risks they bear, and the source of their returns. The International Islamic Fiqh Academy held that a sukuk certificate represents an undivided share in genuine ownership and is subject to the rules of the underlying contract, including the obligations and risks arising from ownership of the assets it represents.[4]

Whether ownership is genuine depends on what passes to sukuk holders, either directly or through a trustee acting on their behalf. A certificate may represent a share in a leased asset or in a right to use or benefit from an asset under the contract. The assessment therefore requires identifying the asset or right of use, determining which rights were transferred and how they can be enforced, and examining what happens to those rights upon default or at the end of the issue. If the contracts, in practice, merely entitle sukuk holders to claim specified amounts from the recipient of the financing and confer neither the rights nor the obligations of ownership, this suggests that the asset was included to give a financial obligation the appearance of a sale or lease.

The allocation of risk depends on the underlying contract. In *ijara* sukuk, which are based on a lease, the rent may be agreed in advance. The relevant question is who bears the consequences of ownership if the asset is destroyed or becomes unusable. In *mudaraba*, *musharaka*, and investment *wakala* sukuk, the assessment focuses on whether distributions reflect actual investment performance and whether sukuk holders bear losses in accordance with the contract. A manager's liability for misconduct, negligence, or breach

of contract is distinct from an obligation to repay the principal when an ordinary investment loss occurs.

A purchase undertaking at the end of the issue can also operate as a guarantee. If the *mudarib*, partner, or investment agent undertakes to purchase the assets at a predetermined price equal to the principal, the undertaking effectively guarantees the principal and shifts to the manager a loss that the underlying contract allocates to the investor. For *ijara* sukuk, the purchase undertaking must be assessed in light of who gives it, the conditions governing the transfer of ownership, and how the purchase price is calculated. These terms must be read together to determine whether the price is paid for existing rights in the asset or serves to guarantee repayment of the amount financed.

Qatar's July 2012 sovereign ijara sukuk issue illustrates these concerns. The US$4 billion in proceeds were used to purchase rights in real estate assets that were then leased to the state. Sukuk holders received predetermined periodic distributions, and the prospectus provided for the rights to be repurchased at maturity at a price that included the face value of the certificates and any accrued but unpaid distributions.

The Sharia objection rests on three features taken together. The purchase undertaking provides for repayment of the principal at face value, the distributions are set in advance, and the issue documents restrict the holders' ability to sell or otherwise dispose of the assets. In the event of a total loss of the assets, rent ceases and the insurance proceeds are applied towards redemption of the certificates. On this reading of the terms as a whole, the issue falls under the ruling on loans

involving *riba*. In substance, the arrangement provides for repayment of the amount financed with a stipulated increase, while limiting the holders' ability to exercise ownership rights over the assets.

Chapter Three — The Responsibility of the Qatari Authorities for Prohibited Borrowing

1. Responsibility under Sharia for Entering into Prohibited Transactions

The state must refrain from borrowing on terms that involve *riba*. A stipulated increase over the principal of a loan is prohibited whether the borrower is an individual or a state. This prohibition covers interest-bearing bank loans and bonds under which the state undertakes to repay the principal and pay interest to bondholders.

In Qatar, approval of these transactions raises a further question about whether fiscal policy is consistent with the principles laid down in the Constitution. Article 1 of the Permanent Constitution of the State of Qatar states **that** "Islam is its religion, and Islamic Sharia is a principal source of its legislation." When the authorities take out interest-bearing loans or issue sovereign bonds that pay interest, their financing practices conflict with the constitutional recognition of Sharia as a source of legislation. This inconsistency is evident in the rules and decisions that authorise the creation of such obligations for the public treasury. Giving effect to that constitutional principle requires the prohibition of *riba* to be reflected both in the rules governing public borrowing and in the decisions taken under them.

Primary responsibility rests with those who have the authority to choose the method of financing and approve its terms. It also extends to those who authorise the transaction or take part in concluding or implementing

it, according to their respective powers, their knowledge of the substance of the contract, and their actual involvement. Before the contract is signed, oversight bodies are responsible for reviewing its terms, identifying any stipulated increases that constitute *riba*, and raising their objections with the competent authority. If a breach is identified after the contract has been concluded, their duty is to document it, establish its cost, and follow up on corrective action within the limits of their remit. Accountability thus extends to those who made the decision, those who helped give effect to it, and those who failed to discharge an established oversight duty.

2. The Burden of Debt on Public Finances and the Rights of Future Generations

Qatar's 2018 and 2020 sovereign bond issues illustrate how interest-bearing borrowing can burden public finances for decades. Acting through the Ministry of Finance, the state undertook to repay the principal and pay fixed interest over the life of the bonds. These issues involve *riba* because the terms require the state to pay interest over and above the principal. As a result, a portion of public revenue must be set aside to service debt incurred in earlier years, leaving less room in the budget to meet present and future needs.

In April 2018, Qatar issued US$12 billion in sovereign bonds.[5] The longest-dated tranche amounted to US$6 billion, carried a fixed annual interest rate of 5.103%, and matures in April 2048. This rate translates into US$306.18 million in annual interest on that tranche

alone. If the full principal remains outstanding until maturity, total interest over thirty years will amount to approximately US$9.19 billion, in addition to repayment of the principal. The scheduled interest payments on this tranche therefore exceed the amount borrowed.

In April 2020, Qatar issued a further US$10 billion in sovereign bonds.[6] The issue included a US$5 billion tranche carrying a fixed annual interest rate of 4.4% and maturing in April 2050. This amounts to US$220 million in annual interest, or US$6.6 billion over thirty years if the full principal remains outstanding until maturity. Under the original terms of the two issues, the tranches maturing in 2048 and 2050 together carry approximately US$15.79 billion in scheduled interest, in addition to US$11 billion in principal repayments.

International Monetary Fund data show the scale of the interest burden on Qatar's public finances.[7] Interest payments recorded in the central government accounts amounted to QAR 12.2 billion in 2020, QAR 11.6 billion in 2021, QAR 11.7 billion in 2022, and QAR 11.2 billion in 2023, for a total of QAR 46.7 billion over four years. These figures represent total interest payments recorded in the central government accounts. Every amount allocated to those payments reduces the resources available for education, healthcare, and public investment, or for reserves that could help cushion a decline in revenue.

The question of intergenerational equity arises because the state receives the proceeds at issuance, while subsequent budgets bear interest payments extending to 2048 and 2050, as well as principal repayments at maturity. Part of the revenue on which future

generations will depend is thus committed to obligations arising from decisions in which they had no say, limiting their ability to direct public resources towards their own priorities. Future generations have a right to see those resources protected from depletion. The state must refrain from borrowing on terms that involve *riba*, which Sharia prohibits, and meet its financing needs through permissible means that safeguard public funds and respect the rights of future generations.

Recommendations

1. **End interest-bearing borrowing.** Adopt a sovereign financing policy that requires the competent authorities to refrain from issuing interest-bearing bonds or entering into loan and credit facility agreements that stipulate interest. This would uphold the prohibition of *riba* and protect the public treasury from the drain on its resources.
2. **Develop a plan to address existing interest-bearing debt.** Compile an inventory of outstanding obligations by maturity and debt service cost. Assess whether early repayment is permitted under the contracts and would generate savings for the treasury. Meet upcoming maturities using available resources or financing arrangements permitted under Sharia.
3. **Subject sovereign financing instruments to independent Sharia oversight.** Review contracts before approval. For sukuk issues, verify that ownership of the underlying assets is genuine and examine how risks are allocated and how guarantees and purchase undertakings operate. Publish a summary of each Sharia determination and its reasoning, and verify that the transaction is carried out in accordance with the approved contracts.
4. **Publish debt service data and subject it to oversight.** Issue an annual report detailing the principal of each debt obligation, the interest and fees paid, the amounts falling due in future years, and their impact on public expenditure. Submit the report to the Shura Council and the relevant oversight bodies so they can hold the authorities accountable for their financing decisions and monitor how those decisions are implemented.

5. **Consider the rights of future generations when assessing long-term financing.** Before approving any long-term financing commitment permitted under Sharia, assess its impact on future budgets and identify the benefits it will deliver to the generations that will bear its cost. The assessment should test whether the treasury could meet its obligations if revenues declined while maintaining funding for essential public services.

Conclusion

Riba undermines people's financial security and their ability to plan for the future. A person who borrows to meet an immediate need commits part of their future income to an obligation that remains even if their circumstances change and their resources dwindle. As reliance on interest-bearing debt grows, its effects spread through society. Households become more vulnerable to hardship and have less scope to save or pursue new opportunities. The prohibition of *riba* thus serves the aim of fairness in financial dealings and protects people from having their need for money become a source of further hardship.

The harm reaches further when the state borrows at interest, because it takes the decision on behalf of society and charges the cost to the public treasury. As obligations accumulate, the state has less discretion over how it uses its revenues and less capacity to respond to emerging needs. This becomes especially apparent in a crisis, when the state needs greater fiscal flexibility while payments arising from earlier decisions continue to fall due. Sound stewardship of public funds requires the state to meet today's needs while preserving its capacity to make choices and act in the future.

Intergenerational equity requires public funds to be treated as a trust that extends beyond the annual budget. Future generations have a right to inherit the resources they need to shape their own future and the freedom to set priorities in light of their circumstances and needs. Safeguarding that right begins with assessing the consequences of today's decisions for those who will bear them, keeping commitments within the state's means,

and preserving the treasury's ability to meet its responsibilities over the long term.

The State of Qatar should make adherence to the prohibition of *riba* a governing principle of its financing policy, both to comply with Sharia and to safeguard public funds. This requires meeting public needs through permissible means, setting priorities in line with available resources, and taking responsibility for the long-term consequences of financial decisions. The state's stewardship of public funds is measured in part by the resources and freedom of action it leaves to future generations.

References

1. International Islamic Fiqh Academy. (1990). *Resolution No. 60 (6/11) on Bonds*. https://iifa-aifi.org/1813.html
2. State of Qatar, acting through the Ministry of Finance. (2020). *Offering Circular for the State of Qatar's US$10 Billion Sovereign Bond Issue*. Luxembourg Stock Exchange. https://dl.bourse.lu/dl?v=1tWWdip141BVwwCiid6p6tXL8SvySM4x6QyNv%2FOe+SgJka3ZNlSYj17xLZHxQ7izymcR6%2FW03pTMm59BC+nfSlCw8m1YCQoEWGspJcxHvtyCB%2F9FTA9jxFnXut3BkGa9ZOgX6zbYDaRCDLok4pnJXmz2SE%2FIPoTuULpFyWG5SVI%3D
3. Whittaker, E. (26 January 2016). *Qatar Completes Mega Loan, Leaving Big Tickets at the Top Level*. GlobalCapital. https://www.globalcapital.com/article/28mssyp51jgqspwku1i7d/syndicated-loans/emerging-market-loans/qatar-completes-mega-loan-leaving-big-tickets-at-the-top-level
4. International Islamic Fiqh Academy. (2009). *Resolution No. 178 (19/4) on Islamic Sukuk (Securitisation), Their Contemporary Applications, and Trading*. https://iifa-aifi.org/2300.html
   See also the Academy's *Resolution on Ijara Sukuk*. https://iifa-aifi.org/ar/2148.html
5. State of Qatar, acting through the Ministry of Finance. (2018). *Offering Circular for the State of Qatar's US$12 Billion Sovereign Bond Issue*. Luxembourg Stock Exchange. https://dl.bourse.lu/dl?v=IzRI2n5mja6hEBzWzYlz4w20DkxuF5whsZNInXeGNfiecWsBOy8AoiLuO2MGhhoh4MUqNob1P52Bid3LXLhorppXlt5OdUcr39M05wzuLIy1Or5l5DyANhoKEUfbGbPjPYie2bydYW2QMUJamXWrjLbCmdYbeOhaI6ru5Ea+dvQ%3D
6. State of Qatar, acting through the Ministry of Finance. (2020). *Offering Circular for the State of Qatar's US$10 Billion Sovereign Bond Issue*. Luxembourg Stock Exchange. https://dl.bourse.lu/dl?v=1tWWdip141BVwwCiid6p6tXL8SvySM4x6QyNv%2FOe+SgJka3ZNlSYj17xLZHxQ7izymcR6%2FW03pTMm59BC+nfSlCw8m1YCQoEWGspJcxHvtyCB%2F9FTA9jxFnXut3BkGa9ZOgX6zbYDaRCDLok4pnJXmz2SE%2FIPoTuULpFyWG5SVI
7. International Monetary Fund. (2025). *Qatar*. IMF Country Report No. 25/47.

   https://www.imf.org//media/Files/Publications/CR/2025/English/1qatea2025001-print-pdf.ashx

Table of Contents

The Topic	The Page
Abstract	2
Introduction	4
Chapter One — The Sharia Foundations for the Prohibition of Interest-Bearing Borrowing	6
1. The Concept of Bay'ah and Its Legal Nature	6
2. State Borrowing and the Application of Sharia to Public Funds	9
Chapter Two — Forms of Riba in Qatar's Sovereign Debt Instruments	11
1. Sovereign Bonds	11
2. Public Loans and Credit Facilities	13
3. Sukuk Structures That Raise Sharia Objections	15
Chapter Three — The Responsibility of the Qatari Authorities for Prohibited Borrowing	19
1. Responsibility under Sharia for Entering into Prohibited Transactions	19
2. The Burden of Debt on Public Finances and the Rights of Future Generations	20
Recommendations	23
Conclusion	25
References	27

The Islamic Perspective on
Sovereign Debt in Qatar

Sovereign Bonds, Sukuk and Public Borrowing

This book examines Qatar's sovereign debt through the lens of Islamic jurisprudence, analysing sovereign bonds, sukuk and public borrowing in light of the prohibition of riba (interest) and the broader objectives of Sharia in protecting public wealth, ensuring justice and preventing exploitation.

It explains the Islamic principles governing borrowing, assesses the contractual structure and real effects of Qatar's debt instruments, and identifies arrangements that reproduce the features of interest-based loans under different labels. The study also reviews the justifications offered for such borrowing, the financial burden it creates for the state and future generations, and the responsibilities of the authorities in entering into and continuing these commitments.

The book concludes with clear recommendations for Sharia-compliant financing, independent oversight of public borrowing, and greater accountability to safeguard Qatar's wealth and ensure that financial policies align with the principles and values of Islam.

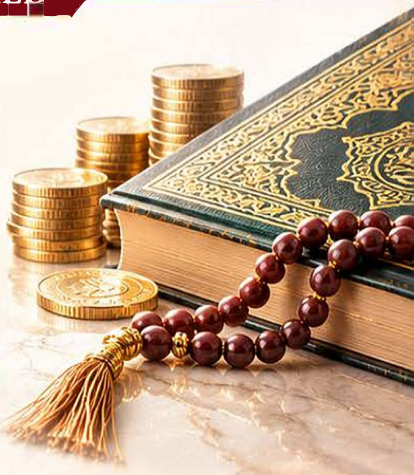
KEY ISSUES EXPLORED

THE PROHIBITION OF RIBA
The Sharia foundations and their application to government borrowing.

BONDS, LOANS AND SUKUK
A critical analysis of Qatar's debt instruments and their Sharia compliance.

RESPONSIBILITY AND ACCOUNTABILITY
The duty of the authorities in public borrowing and its impact on the national treasury.

THE BURDEN ON FUTURE GENERATIONS
The long-term financial and ethical implications and pathways to Sharia-compliant alternatives.



DAR AL THANI