

# RISK REPORT

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## Qatar in focus: Is the FIFA World Cup 2022 in danger?

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# LEADING OBSERVATIONS

1

If the FIFA World Cup 2022 takes place in Qatar it will be easily the most expensive tournament in the competition's history.

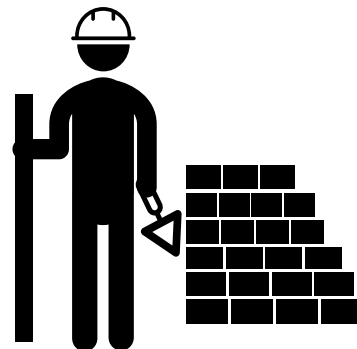
- Current estimates suggest Qatar will spend over \$200 billion on hosting the FIFA World Cup 2022.
- If the estimated costs are correct the per capita cost of hosting the tournament for each Qatari will be \$6.4 million.
- The 2014 World Cup in Brazil cost an estimated \$15 billion; the 2010 tournament in South Africa \$3 billion; and Germany 2006 \$2 billion.



2

Qatar's isolation by its Gulf neighbours has caused building costs to increase and put construction projects behind schedule.

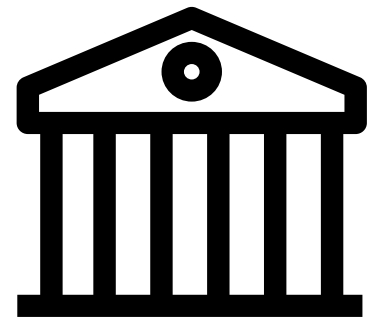
- Logistical costs have risen by between 20 and 25 percent for construction companies.
- Construction projects were by August 2017 running one month behind schedule as a result of Qatar's isolation.
- Construction project managers have so far failed in having their increased costs taken on by Qatari authorities.



3

Contractors are increasingly turning to international arbitration to secure fulfillment for unpaid completed work.

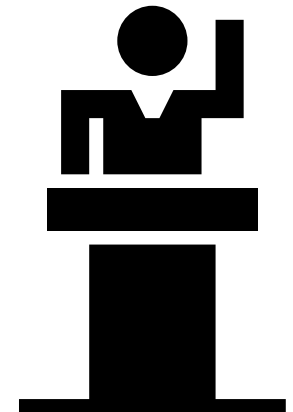
- In 2015 around 30 cases involving Qatar reached the International Chamber of Commerce arbitration body.
- In the 10 years previous to 2015 there were fewer than five cases involving Qatar at the International Chamber of Commerce arbitration body.
- It is likely there are more cases involving non-payment in Qatar but contractors fear being thrown out of the country if they raise a complaint.



4

Qatar's political stability is being threatened by the current crisis with its neighbours.

- Qatar's neighbours are giving airtime to the handful of Qataris who wish to voice opposition to the Doha regime.
- Any Qatari opposition is likely to be based outside the country because dissent is not tolerated by Doha.
- It is impossible to assess whether there is opposition to the Qatari regime because of restrictions on free speech in the country.





# OVERVIEW

On 2 December 2010 FIFA announced Qatar had won the right to host the World Cup in 2022. This risk paper aims to examine the risks surrounding the project and the likelihood of it being held in Qatar. It is timely to examine the state of tournament preparations given the current isolation of Qatar imposed by their neighbours over a dispute concerning Qatar's domestic and foreign policies.

This report is presented as an advisory note to entities either working on the World Cup project, or others who are considering bidding for tournament related work in Qatar. It includes off-the-record briefings with project managers working on the tournament, and intelligence from international figures involved with the tournament. Further details can be obtained, including a detailed, sector-specific assessment.



Photo credit: Tamim Loutfi Elabed, project manager of the construction of Lusail stadium, the 80,000-seater venue which will host the opening and final of the Qatar 2022 World Cup, points at the football to be used in the starting match at the site in Lusail, some 20 kilometres north of the capital Doha, on April 11, 2017. (AFP)

# FINANCIAL ANALYSIS AND SUPPLIER RISK

If the FIFA World Cup 2022 takes place in Qatar it will be easily the most expensive tournament in the competition's history. Estimates suggest Qatar will spend more than \$200 billion on hosting the World Cup, with the Gulf city-state said to be spending an average of \$500 million a week on preparations<sup>1</sup>.

Comparatively, the World Cup 2014 in Brazil cost the host nation an estimated \$15 billion; in 2010 South Africa spent in the region of \$3 billion; the 2006 tournament cost Germany around \$2 billion; and the jointly hosted 2002 World Cup cost South Korea and Japan an estimated \$1.3 billion and \$2.5 billion respectively.

In terms of the cost to host nation citizens, Qataris will also be paying the highest amount per head in the history of the World Cup. At a cost of \$200 billion, the per capita cost to the total 313,000 citizens of Qatar would be \$6.4 million. For the previous four tournaments, the per capita cost was: \$72.2 in Brazil; \$53.65 in South Africa; \$24.19 in Germany; \$25.36 in South Korea and \$19.68 in Japan.

Qatar had originally planned to build 12 stadiums to host the tournament but early in 2017 Doha proposed to FIFA that they would scale back to build just eight, which is the minimum required by FIFA and is an amount that would represent the lowest amount of stadiums in a host country since the Argentina 1978 World

Cup, when six stadiums were used<sup>2</sup>.

Hassan al-Thawadi, Secretary-General of the Qatar 2022 Supreme Committee for Delivery and Legacy, said the decision to scale back construction was to ensure Qatar acted with "financial responsibility"<sup>3</sup>, however; the reality may be that the decision to scale back was the result of the Qatari government taking into account the vast cost involved in wider infrastructure costs for the tournament, which include building a metro system and a new city north of Doha that is to house 25,000 people. Sources within the project have indicated that several members of the Qatar 2022 Supreme Committee have threatened to resign over excessive interference by senior officials on spending and allegations of corruption in relation to procurement processes.

In June 2017 Qatar said 45 percent of construction for the World Cup had been completed<sup>4</sup>. With work not even half finished almost seven years on from being awarded the right to host the tournament in 2010, under normal circumstances Qatar would be under pressure to complete preparations over the next five years to host the World Cup as is planned during November and December 2022.

Doha imports more than half of its construction materials through the land border with Saudi Arabia, while aggregate – crushed stones used

1 Qatar spending \$500m a week on World Cup infrastructure projects; BBC; 8 February 2017; <http://www.bbc.co.uk/news/world-middle-east-38905510>

2 Qatar cuts FIFA budget, proposes fewer stadiums; Construction Week Online; 6 April 2017; <http://www.constructionweekonline.com/article-43853-qatar-cuts-fifa-budget-proposes-fewer-stadiums/>

3 Qatar slashes budget for 2022 World Cup by at least 40%; CNN Money; 5 April 2017; <http://money.cnn.com/2017/04/05/news/economy/qatar-2022-budget-soccer/index.html>

4 Qatar says Gulf crisis has no impact on World Cup preparations; Reuters; 15 June 2017; <https://www.reuters.com/article/us-gulf-qatar-worldcup-idUSKBN19621X?il=0>

for cement and building – is brought in from the UAE’s Ras al-Khaimah and iron, steel, and mechanical equipment is delivered via Dubai.

“There is the potential for significant disruption and massive cost overruns as **getting construction materials into Qatar to build stadiums may yet prove more difficult, time consuming and costly**,” Graham Robinson, director at Global Construction Perspective, told the Daily Telegraph in June 2017<sup>5</sup>.

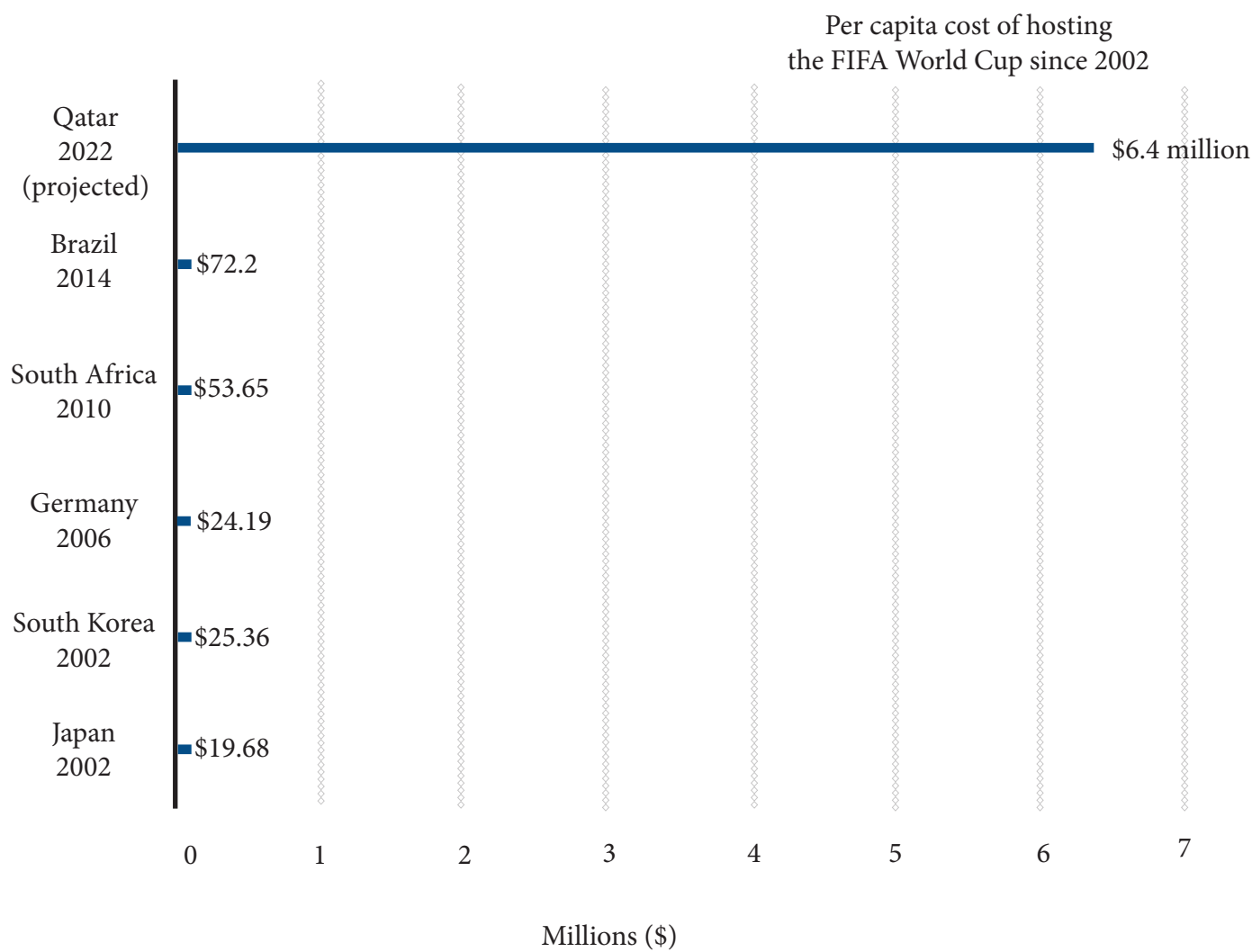
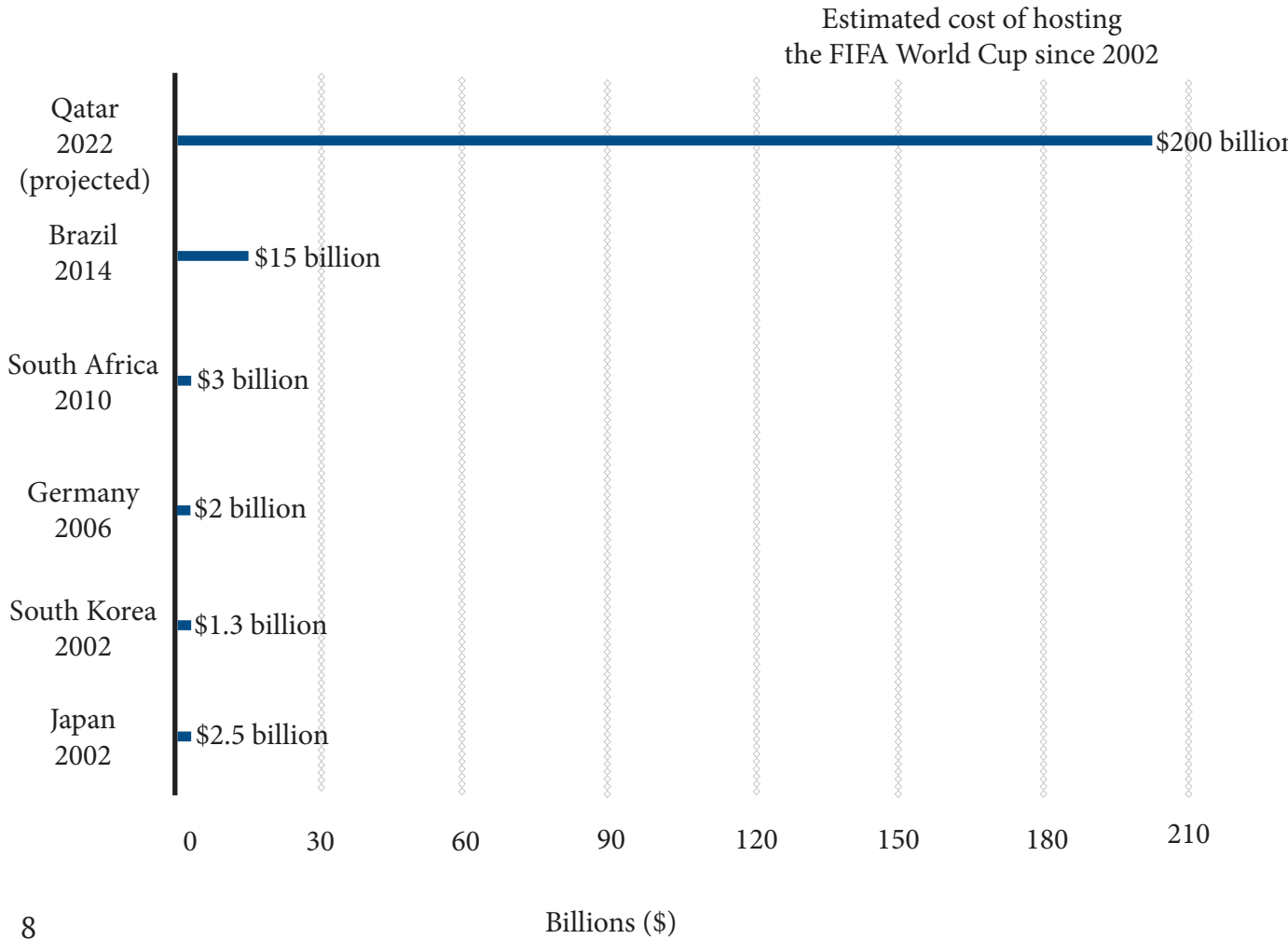
Concerns about Qatar’s financial liquidity have been raised amid a fall in foreign reserves and bank deposits caused by the Gulf crisis, leading to Standard & Poor’s Global Rating downgrading Doha’s rating<sup>6</sup> in June to AA- whilst also putting it on credit watch. Separately, Moody’s Investors Service on 8 August reclassified<sup>7</sup> Qatar’s banking system from stable to negative

5 Gulf crisis threatens Qatar’s £160bn World Cup building plans; Daily Telegraph; 12 June 2017; <http://www.telegraph.co.uk/business/2017/06/11/gulf-crisis-threatens-qatars-160bn-world-cup-building-plans/>  
6 S&P lowers Qatar’s credit rating; BBC; 7 June 2017; <http://www.bbc.co.uk/news/business-40194255>  
7 Moody’s changes outlook on Qatar’s banking system to negative from stable owing to weakening operating conditions; Moody’s; 8 August 2017; [https://www.moody.com/research/Moodys-Changes-outlook-on-Qatars-banking-system-to-negative-from--PR\\_370513](https://www.moody.com/research/Moodys-Changes-outlook-on-Qatars-banking-system-to-negative-from--PR_370513)

due to doubts over funding for local financial institutions.

With Qatar refusing to meet the demands made by their neighbours, there is the prospect of Doha’s regional opponents imposing economic sanctions – including disinvestment from Qatar, withdrawal of deposits, and tighter air sanctions – all of which would further impact Qatar’s financial liquidity and challenge their ability to maintain construction work in line with World Cup completion deadlines.

Construction sources in Qatar told Cornerstone that companies working on the World Cup, whilst not panicking yet, are already feeling the impact of the sanctions, with logistics proving costly and challenging to reorganize in light of the border closures with its neighbours.



A group of five project managers working for a variety of small multi-national companies, all with government contracts related to World Cup construction, told us in July 2017 that their costs have increased by between 20 and 25 per cent due to logistical problems.

“Preparations for the World Cup will be impacted by the crisis. **The government says it has found alternative routes for importing goods to the country but that hasn’t been the case for us.** They need to find a way of getting goods here quickly because it isn’t happening at the moment,” one project manager said on condition of anonymity.

Despite claims to the contrary by Qatari officials, companies working on the World Cup

8 Qatar launches new shipping routes to Oman amid food shortage fears; Reuters; 12 June 2017; <http://www.reuters.com/article/gulf-qatar-ports-idUSL8N1J9112>

have thus far failed to find adequate alternative routes to importing goods to Qatar. After the sanctions were first imposed on 5 June Qatar responded by establishing a new shipping import route running three times a week from Oman’s Sohar and Salalah ports to Doha’s Hamad Port<sup>8</sup> – but this hasn’t delivered enough goods to meet the needs of companies working on World Cup construction and has added substantially to costs.

Not only did project managers tell us that logistic costs have risen, they said the time it takes to import materials has almost trebled. Prior to the crisis building material orders, for example from India, would take in the region of 10 days to be fulfilled – now, with materials being imported via Oman instead of from Dubai’s Je-



bel Ali Port, a delivery takes an average of four weeks to be fulfilled.

Delays are being caused because at Jebel Ali materials were moved from large ships to smaller ships for delivery to Doha within 24 hours of arrival into Dubai, whereas in Oman there is lower port capacity and less availability for smaller ships required to move the goods on to Doha, leading to materials being delayed for long periods of time. Whilst India has established a direct shipping route<sup>9</sup> to the Hamad Port in Doha, the relatively new Qatari port is unable directly to handle the sheer volume of materials that need to be imported for Qatar to keep up with World Cup construction projects.

Sources working in Qatar interviewed for this report said that the crisis has already led to delays of over one month to construction schedules in Qatar.

The issue of contractors trying and, so far, failing to get the Qatari government to cover the increase in logistical costs represents a risk for companies who are in the supply chain of World Cup construction projects. Qatar is known for its convoluted and inaccessible bureaucracy,

which has historically led to government contractors finding it difficult to get paid for work and, in some cases, caused companies to close due to non-payment.

The problem is demonstrably increasing because in 2015 around 30 cases of commercial disputes in Qatar reached the International Chamber of Commerce arbitration body, compared with fewer than five cases in the previous ten years<sup>10</sup>. It is likely that there are far more disputes taking place over government non-payment in Qatar but they are not taken to court by companies who fear being expelled from the country.

“I’ve spoken to a number of in-house counsel recently and the view is by and large, that there may be more claims about, but there is no appreciable increase in formal disputes yet. The difficulty is that, the majority of projects in the sector are government-led and **there remains a fear, within international companies at least, that they can only consider taking legal action against a government body if they accept that they are never going to work in Qatar again,**” Suzannah Newbould, a construction specialist, told Construction Week

Online<sup>11</sup>.

The issue of non-payment is an extremely serious one for government contractors in Qatar – as it is everywhere – because companies are usually not in a position to bankroll projects themselves and are often working to tight financial margins. The knock-on effect of government contractors not being paid is that lower down the supply chain there are smaller companies who do not have access to the significant funds required to take disputes for international arbitration.

If, as expected, the isolation of Qatar is maintained, then government contractors and all those in the supply chain of the World Cup will face the risk of struggling to be paid for their work, let alone covering the increased logistics costs as set out above.

This risk will be compounded if economic sanctions are imposed that impact Qatar’s financial liquidity, such as withdrawal of deposits and disinvestment.

and regional experts have both stated to Cornerstone that it is far from certain Doha will actually host the tournament.

The reasons for this are many and include open allegations of corruption<sup>12</sup> – both in the bidding process and in the infrastructure development – the current Gulf crisis has also added to the pressure Qatar regarding its hosting of the tournament.

Qatar’s isolation by its neighbours undermines the World Cup as being a tournament for the Arab World, as stated it would be by former FIFA chief Sepp Blatter<sup>13</sup>. If the current crisis continues – and there is nothing yet to suggest it will be resolved – then it is difficult to foresee Qatar’s foes taking part in the tournament should they qualify.

Amid the current political crisis Qatar’s opponents, principally Saudi Arabia and the UAE, have given airtime to Qataris who have called for a change of leadership in Doha, raising the question of whether there is – or could be – a Qatari opposition movement.

Qatar national Khalid al-Hail – who has been criticised in some sections of allegedly Qatar funded media as not being a credible Qatari opposition activist<sup>14</sup> – hosted a conference in September 2017 in London purporting to analyse Doha’s role in the world during which

## POLITICAL RISK

There is a political risk that Qatar may not host the FIFA World Cup 2022. Tournament insiders

9 New Qatar-India shipping line launched; Gulf Times; 15 June 2017; <http://www.gulf-times.com/story/553366/New-Qatar-India-shipping-line-launched>

10 Late payments challenge Qatar construction sector; Construction Week Online; 3 March 2016; <http://www.constructionweekonline.com/article-37759-late-payments-challenge-qatar-construction-sector/>

11 Late payments challenge Qatar construction sector; Construction Week Online; 3 March 2016; <http://www.constructionweekonline.com/article-37759-late-payments-challenge-qatar-construction-sector/>

12 World Cup 2022: Claims of corruption in Qatar bid published in Germany; BBC; 27 June 2017; <http://www.bbc.co.uk/sport/football/40412928>

13 Fifa’s Sepp Blatter dismisses fears over 2022 World Cup in Qatar; Guardian; 13 December 2010; <https://www.theguardian.com/football/2010/dec/13/fifa-sepp-blatter-discrimination-qatar-2022>

14 A Qatari exile, a spin war, and a ‘cack-handed’ push for a coup; Middle East Eye; 12 September 2017; <http://www.middleeasteye.net/news/qatar-conference-fake-news-british-monarchists-and-information-war-fare-gulf-552249045>



Photo credit: Foreign laborers work at the construction site of the al-Wakrah football stadium, one of the Qatar’s 2022 World Cup stadiums, on May 4, 2015, in Doha’s Al-Wakrah southern suburbs. (AFP)

he projected himself as a leading opposition figure from the Gulf state. Hail has suggested<sup>15</sup> that Qataris who oppose the current leadership agree that a new leader for the country could be Qatari Sheikh Abdullah bin Ali bin Jassem al-Thani.

Sheikh Abdullah is a mysterious figure but he is a member of Qatar's royal family by virtue of being a brother of a former emir of the Gulf state. It is not known how much influence he has- if any - but he was received by Saudi King Salman in Morocco during August 2017<sup>16</sup>, again demonstrating how Qatar's neighbours are prepared to support alternatives to the current government in Doha.

The political risk posed by potential regime instability – or even change – would be significant, however; in a secretive country where opposition voices are not tolerated it is nearly impossible to gauge any scale of dissent that may or may not exist. On the same point, whilst Qatar has mostly appeared to outsiders as a united nation amidst the country's isolation, it is difficult to assess how genuine this unity is given the lack of free expression in Doha.

There is speculation about political dissent existing among local tribes in Qatar, which, if accurate, would represent a potential risk to regime stability, especially if support does emerge for the mysterious Sheikh Abdullah. It must be

said, however; it is not possible to fairly gauge the political conscious of a nation - be it in support of the state or opposition to it - when free expression is not tolerated.

Overall, the political risk posed to the World Cup 2022 is significant enough for Western diplomats to have privately stated they do not know whether or not the tournament will take place as planned. The uncertainty surrounding Qatar has only grown with the current regional crisis, and this means an increased risk for those working on, or seeking contracts for, World Cup 2022 infrastructure.

Companies working on Qatar FIFA World Cup 2022 projects should consider it as a contract with attached risks, including the potential for non-payment and no realistic ability to enforce any legal contracts.

Given the current political situation, supply-chain challenges and delays to the delivery of the project, in addition to corruption allegations surrounding the bid, it is certainly possible that the tournament will not be held in Qatar. Any cancellation of Qatar hosting the World Cup 2022 would likely be abrupt and would leave contractors involved in a precarious situation that may not be easily resolved.

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15 London conference hosts Qatari opposition, discusses Doha's terror funding; Al Arabiya; 14 September 2017; <http://english.alarabiya.net/en/News/gulf/2017/09/14/London-conference-hosting-Qatari-opposition-begins.html>

16 King Salman receives Sheikh Abdullah bin Ali al-Thani; Al Arabiya; 18 August 2017; <http://english.alarabiya.net/en/News/gulf/2017/08/18/King-Salman-recv-Sheikh-Abdullah-bin-Ali-Al-Thani.html>

## QATAR'S RESPONSE

On 6 October 2017 BBC Sport reported exclusively on the contents of this report<sup>17</sup>. The BBC coverage prompted a slew of other articles, many of which commented on the content of the report without having access to it. In terms of the media, only the BBC had access to this report prior to its publication online.

The BBC coverage led to Qatar responding to this report by stating that “there is absolutely no risk to the future of the first World Cup in the Middle East”. Qatar's Supreme Committee for Delivery & Legacy also called into question the impartiality of this report, stating that Cornerstone “makes no secret of its affiliation to the countries blockading Qatar”.

This report was written professionally and impartially, independent of any personal views expressed by any individual associated with Cornerstone. The balanced content of this report, which provides a small amount of the information gathered by Cornerstone's research, is evidence of the honest approach taken in assessing risks associated for companies either working on or seeking to work on World Cup related projects.

The reason sources in Qatar have been kept anonymous in this report is the same reason they are kept anonymous in any authoritarian state: their freedom would be at risk – or at the very least their jobs put on the line – if they were to be named as criticising Qatar in a report such as this. All the media reports used to supplement on-the-ground research have been taken from internationally reputable sources.

Cornerstone makes no judgement on the morality of Qatar's isolation by their neighbours,

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17 Qatar 2022 World Cup: Row developing over 'risk report' claims; BBC; 6 October 2017; <http://www.bbc.co.uk/sport/football/41522970>

18 Qatar World Cup head say blockaded poses 'no risk' to event; Associated Press; 6 October 2017; <https://apnews.com/860ed17ee49d42ec84f0bb0585459096/Qatar-World-Cup-head-say-blockade-poses-'no-risk'-to-event>

again regardless of any personal views expressed by any individual associated with the organisation. Political risk is political risk, and a clear-eyed analysis of the facts are required to be able to understand the reality of working in what is a volatile and complex region.

Moreover, whilst Qatar has dismissed this report, our findings that logistical costs have increased as a result of Doha's isolation were implicitly confirmed by the secretary general of the Supreme Committee. Hassan al-Thawadi told the Associated Press on 6 October 2017: “There might have been some minimal [cost] increase in terms of establishing alternative supply chains but these have been absorbed very, very quickly and been normalised as these supply chains have been put in place.”<sup>18</sup>

Our view is that it is highly likely Qatar would seek to play down any negative impact of their isolation, as any state would do when in a defensive position. However, it is quite clear that the isolation of Qatar has had a negative impact on the country's financial health, and we stand by our reporting of supply chains not being effectively replaced and increased costs not being absorbed by Qatari authorities.



# ABOUT US

**Cornerstone Global Associates** is a Mayfair-based management and strategy consultancy, with offices in Dubai, Washington DC, and Singapore. We strive to provide our clients with advisory services that give them unique insights to the reality of doing business in complex and challenging environments.

This report has been edited for publication and it forms a short insight into the research Cornerstone has carried out on risks associated with Qatar's hosting of the FIFA World Cup 2022.

Neither Cornerstone Global Associates nor any person associated with it take responsibility for the way the report may be used. For further insight please email [contact@cstoneglobal.com](mailto:contact@cstoneglobal.com)



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