

ERF

# Policy Research Report

## Accelerating the Economic Transition of Qatar

Nader Kabbani

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*The work has benefited from the comments of the Technical Experts Editorial Board (TEEB) of the Arab Development Portal (ADP) and from a financial grant provided by the AFESD and ADP partnership. The contents and recommendations do not necessarily reflect the views of the AFESD (on behalf of the Arab Coordination Group) nor the ERF.*

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# Summary

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Qatar is a country in transition. Once it began exporting liquefied natural gas (LNG) in the mid-1990s, Qatar entered a period of rapid economic growth and development. GDP increased from under 20 billion USD in 1995 to over 160 billion USD in 2015 (in constant terms), before settling around this level. Qatar channeled this revenue into modernizing the country. It expanded public services, executed large infrastructure projects, and engaged in new construction to accommodate a five-fold increase in its population driven by the arrival of migrant workers. The sense of urgency was maintained by Qatar's successful bid to host the 2022 FIFA World Cup. The post-World Cup period represents a new chapter for Qatar. As it works to complete infrastructure projects, it must also pivot from building to effectively utilizing what it has built.

This report provides a review of Qatar's economic situation and an analysis of its economic development outcomes focusing on the challenges and bottlenecks it faces as it transitions from a hydrocarbon-based to a knowledge-based economy. It diagnoses the key drivers of the country's economic development, including education, health, the labor force, institutions, the financial sector, energy, infrastructure, and the environment. The report examines these issues through the lens of Qatar's performance on its Sustainable Development Goal (SDG) targets as well as Qatar's own development priorities as articulated in Qatar National Vision 2030 and its Third National Development Strategy (NDS3), which focus on economic diversification and financial sustainability as the main economic priorities for the country.

In terms of the SDGs, Qatar has made substantial progress on public service delivery and infrastructure development, including Good Health and Well-Being (SDG3), Quality Education (SDG 4), and Industry, Innovation, and Infrastructure (SDG9). This aligns with the priorities that Qatar set as it began its rapid economic growth. The SDGs that Qatar is furthest away from achieving and where progress has stalled are Clean Water and Sanitation (SDG6), Responsible Consumption and Production (SDG12), Climate Action (SDG13), and Life on Land (SDG15). These are mostly environmental goals that deteriorated during Qatar's rapid economic growth and where Qatar is currently focusing its policy efforts. Indeed, NDS3 gives significant attention to environmental stability, social concerns, and improved governance.

In terms of progress on its own development priorities, the report finds that despite some indications that progress toward economic diversification has been made, there are other indications that Qatar's economy remains highly dependent on hydrocarbon revenues. Much economic activity remains indirectly connected to income from oil and natural gas and few globally competitive industries have emerged that could be sustained without this underlying revenue base, including sectors where Qatar is a regional leader such as education and health. Furthermore, while Qatar has a clear vision and strategy for transforming its economy, its main challenge will be in implementing its strategy and overcoming institutional inertia.

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# Summary

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The findings suggest that Qatar must accelerate its economic transition to a diversified, knowledge-based, non-hydrocarbon economy driven by innovation and supported by a diversified revenue base. As part of its transition, Qatar must identify and leverage areas of comparative advantage and improve its business and investment climates to allow competitive sectors and industries to develop and emerge. With its relatively small national population, Qatar must also make the country a destination of choice for skilled foreign workers who can help it to build and maintain these competitive industries. During this transition, Qatar must pay special attention to improving its environmental stewardship, including reducing its greenhouse gas emissions and protecting its scarce freshwater resources.

## Introduction

Qatar is a country in transition. During the mid-1990s, the country entered a period of rapid economic growth and development, as it began producing and exporting liquefied natural gas. A construction boom followed, as Qatar used its newfound revenues to build the country's infrastructure and expand public services. The sense of urgency was maintained by its successful bid to host the 2022 FIFA World Cup. The current post-World Cup period represents a new chapter for Qatar, as it works to complete large infrastructure projects, it must also pivot from building to effectively utilizing what is has built. The twin economic priorities for the country are economic diversification and financial sustainability.

Guiding the country's economic transition is the Qatar National Vision 2030, which was launched in October 2008. This vision was operationalized through three National Development Strategies, the most recent of which (NDS3) was launched in early 2024 and focuses primarily on elements supporting economic diversification, such as sustainable economic growth, fiscal sustainability, and a future-ready workforce. In terms of the Sustainable Development Goals (SDGs), Qatar has made substantial progress on public service delivery and infrastructure development, including: Good Health and Well-Being (SDG3), Quality Education (SDG4), and Industry, Innovation, and Infrastructure (SDG9).

However, having come to rely on revenues from oil and natural gas, Qatar faces a long road towards economic diversification and sustainable economic growth. NDS3 also gives attention to environmental stability, social concerns, and improved governance. Indeed, the SDGs that Qatar is furthest away from achieving and where progress has stalled are: Clean Water and Sanitation (SDG6), Responsible Consumption and Production (SDG12), Climate Action (SDG13), and Life on Land (SDG15). These are environmental goals that deteriorated during Qatar's rapid economic progress and where Qatar is currently focusing its policy efforts.

This report provides a review and analysis of Qatar's socioeconomic situation and development outcomes including the challenges, bottlenecks, and gaps it faces in its transition from a hydrocarbon-based to a knowledge-based economy. The report examines these issues from the perspective of the country's own development priorities articulated in its national vision and through the lens of the SDGs. The analysis finds that despite some indications that progress toward economic diversification has been made, there are other indications that Qatar's economy remains highly dependent on hydrocarbon revenues. Furthermore, while Qatar has a clear vision and

strategy for transforming its economy, its main challenge will be in implementing its strategy and overcoming institutional inertia.

Section 1 of this report provides an analysis of the country's economic development and growth performance, its macroeconomic policies, and its performance in terms of meeting the SDGs. Section 2 diagnoses the key drivers of the country's economic development, focusing on education, health, the labor force, institutional development, the financial sector, infrastructure development, energy, and the environment and climate change. Section 3 of the report concludes by proposing policy recommendations for accelerating progress towards achieving the SDGs.

## 1. Analysis of the economic development performance

### 1.1. Growth analysis

#### 1.1.1. Economic growth

Since 1995, Qatar has experienced extraordinary economic growth, arguably the fastest in the world. This growth was driven primarily by its production and export of liquefied natural gas (LNG). Between 1995 and 2015, Gross Domestic Product (GDP) increased more than 700 percent in constant terms, from under 20 billion USD in 1995 to over 160 billion USD in 2015 (Figure 1).<sup>1</sup> In the process, Qatar was transformed, within a short period of time, to become one of the wealthiest countries in the world on a per capita basis. Real GDP per capita nearly doubled from less than 40,000 USD in 1995 to over 73,000 in 2011, before falling back down to 67,000 USD per person in 2015 (Figure 2).<sup>2</sup>

By 2022, nominal GDP had reached 236 billion USD overall (171 billion USD at 2015 prices), while GDP per capita had reached 87,480 USD (63,428 at 2015 prices), ranking Qatar among the top five countries in the world.<sup>3</sup> The meteoric rise in GDP followed the increase in production and export of LNG as well as the increase in global oil prices. Thus, modern Qatar's economic fortunes have been inexorably linked to global energy. Following the decline in oil prices after 2015, economic growth rates have been under 4 percent (Figure 3).<sup>4</sup> The

<sup>1</sup>World Bank. World Development Indicators. Accessed July 2024.

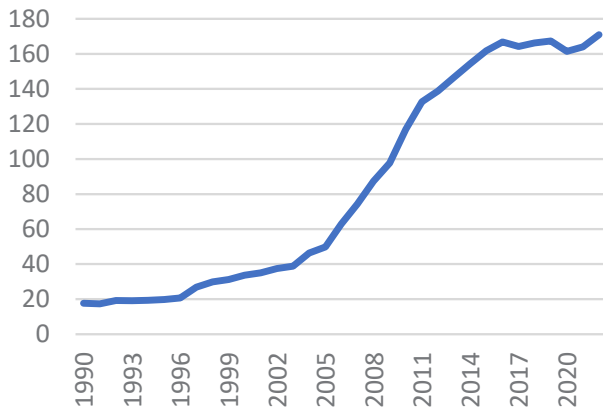
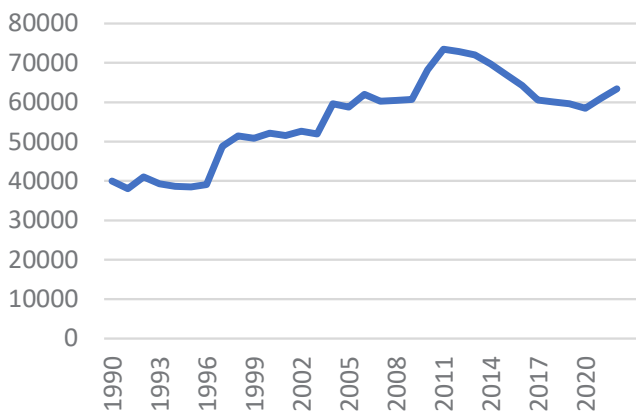
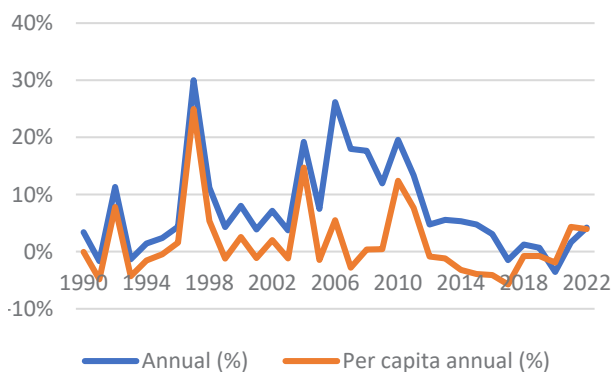
<sup>2</sup>Ibid.

<sup>3</sup>Ibid.

<sup>4</sup>Ibid.





*Figure 1. GDP (constant 2015 billions US\$)**Figure 2. GDP per capita (constant 2015 US\$)**Figure 3. GDP Growth Rates (1990-2022)*

next chapter of Qatar's economic development focuses on its efforts to diversify away from oil and natural gas and transition to a knowledge-based economy.

Once considered a byproduct of oil production, natural gas has come to play an increasingly important role as a transitional fuel that could replace dirtier coal and oil in the world's transition to green energy. Qatar played a critical role in driving innovation and demonstrating the economic viability of liquefying and transporting natural

gas. As a consequence, it reaped the economic rewards of this innovation.

Qatar began exporting LNG in 1997. By 2011, it was exporting over 120 billion cubic meters of natural gas (Figure 4),<sup>5</sup> second only to Russia.<sup>6</sup> It currently ranks third in the world behind the United States and Australia. After experiencing rapid expansion in production and exports between 2003 and 2013, natural gas production held steady over the subsequent decade, through 2022, at between 160 and 170 BCM per year. Plans are currently underway to expand Qatar's North Field, the world's largest natural gas field. As a result, natural gas production is expected to increase by 70 percent between 2027 and 2050.<sup>7</sup>

The rapid expansion in the production and export of natural gas resulted in a windfall of revenues to the state. The state in turn channeled these revenues into large construction and infrastructure projects. These included building a new business district (West Bay), a new city to the north of Doha (Lusail), a major overhaul of the country's road network, the construction of a modern rail system, a new airport (Hamad International Airport) to handle the expanding fleet of the national airlines, a new modern port to handle the inflow of goods, and more. The construction boom was given further impetus by Qatar's hosting of the 2022 FIFA World Cup and other major global events. Investments in infrastructure during the decade leading up to the World Cup was estimated at 200-300 billion USD.<sup>8</sup>

The expansion of economic activity led to a fivefold increase in population size, driven primarily by the arrival of migrant workers. Qatar's overall population increased from 442,000 in 1990 to 646,000 in 2000, before more than doubling to 1,714,000 by 2010, during the early boom in LNG production. It increased further to

<sup>5</sup> U.S. Energy Information Administration (EIA). Country Data. Report generated on: 07-31-2024. <https://www.eia.gov/international/data/country/QAT/natural-gas/dry-natural-gas-exports>

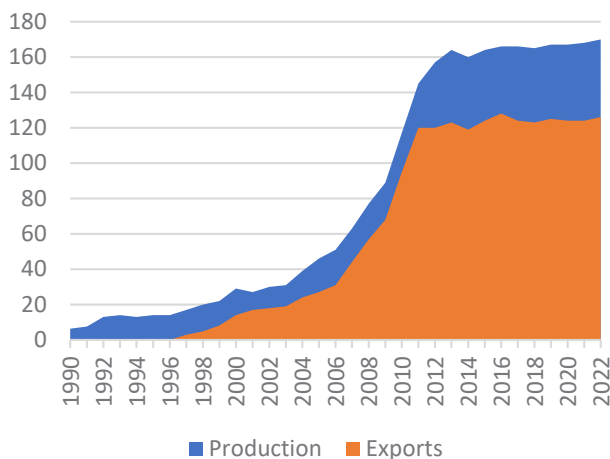
<sup>6</sup> Gas Exporting Countries Forum. 8th edition of the GECF Global Gas Outlook 2050. March 2024. <https://www.gecf.org/resources/files/pages/global-gas-outlook-2050/gecf-global-gas-outlook-20231.pdf>

<sup>7</sup> John Deepak, "Qatar's natural gas production expected to rise 70% by 2050", The Peninsula, 10 April 2024. <https://thepeninsulaqatar.com/article/10/04/2024/qatars-natural-gas-production-expected-to-rise-70-by-2050>

<sup>8</sup> IMF. Qatar 2023 Article IV Consultation Staff Report, IMF Country Report No. 24/43, January 2024. <https://www.imf.org/en/Publications/CR/Issues/2024/02/06/Qatar-2023-Article-IV-Consultation-Press-Release-and-Staff-Report-544471>



Figure 4. Dry natural gas production and exports, Qatar, annual (BCM)



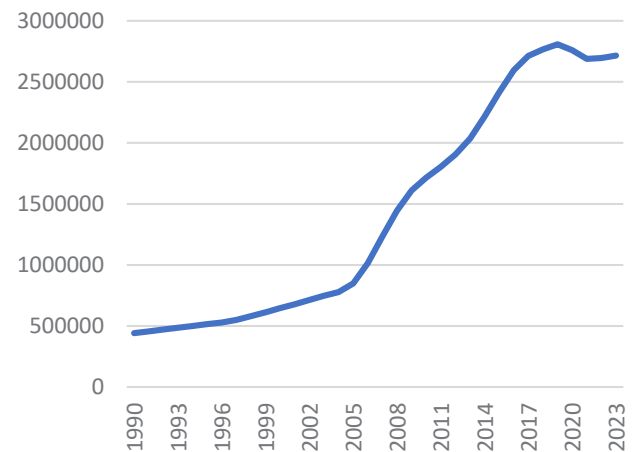
2,760,000 by 2020 (Figure 5).<sup>9</sup> Qatar does not publish separate population figures for nationals and migrants. But, the national population is estimated to be around 360,000 people, or roughly 13 percent of the country’s population.

Revenues from natural gas also helped fuel key development outcomes. Qatar built schools, universities, and research institutions and now boasts among the strongest tertiary education systems in the region, with branch campuses of several leading international universities based there. Qatar also expanded its health services and capabilities, which was evident during the global pandemic, when Qatar’s health system truly shined as it ensured among the highest vaccination rates and maintained among the lowest mortality rates in the world throughout the pandemic.

Thus, revenues from natural gas production and export helped fuel economic growth in the country. During the decade from 2000 through 2010, real economic growth averaged close to 25 percent per year, rising from 34 billion USD in 2000 to 112 billion USD by 2010 (in constant 2015 USD). Real GDP growth continued to rise through 2016, reaching 167 billion USD, before stagnating due to a drop in global oil and natural gas prices. Economic growth resumed in 2022, reaching 4.2 percent.<sup>10</sup>

With the third largest proven natural gas reserves in the world, estimated at over 900 trillion cubic feet, Qatar’s economic fortunes will continue to be linked to natural gas production. Its natural gas reserves are expected to last through the end of the century. However, Qatar remains vulnerable to changes in global demand for oil

Figure 5. Population, total



and natural gas over this time horizon, as well as more immediate concerns regarding the volatile price of hydrocarbons.

Over the past three decades, the real price of oil (in today’s USD) has ranged from a low of 23 USD per barrel in 1998 to a high of 143 USD in 2011 (Figure 7).<sup>11</sup> The fall in the price of oil (which is closely correlates with the price of natural gas) to below Qatar’s fiscal breakeven price of oil between 2015 and 2016 and again in 2020 strained the finances of the state focusing it to make budget cuts (Figure 8).<sup>12</sup> It is entirely possible that the price of oil might fall to below the breakeven price of oil for an extended period of time, as it did during the 1990s. This means that despite Qatar’s comfortable supply of natural gas, it might remain diligent about diversifying its economy away from oil and natural gas.

Thus, economic development in Qatar over the past two decades, and well into the current century must be examined through the lens of revenues derived from and economic activities support by the production and export of natural gas. Like most resource-rich Arab economies of the Gulf, Qatar has taken tangible steps towards diversifying its economy away from reliance on oil and natural gas. This has been given added urgency with the global transition away from fossil fuels towards renewable sources of energy, as well as the potential revenue shocks from volatile energy prices.

Qatar has taken seriously the need to diversify its economy. In 2008, it launched Qatar National Vision 2030 that

<sup>9</sup> World Bank. World Development Indicators. Accessed July 2024.

<sup>10</sup> Ibid.

<sup>11</sup> United States Energy Information Administration. Short-Term Energy Outlook. October 8, 2024. <https://www.eia.gov/outlooks/steo/realprices/>

<sup>12</sup> IMF. Article 4 Consultations. Statistical Tables from years 2023, 2018, 2016 and 2014.





Figure 6. Real Economic Growth in Qatar 1990-2022

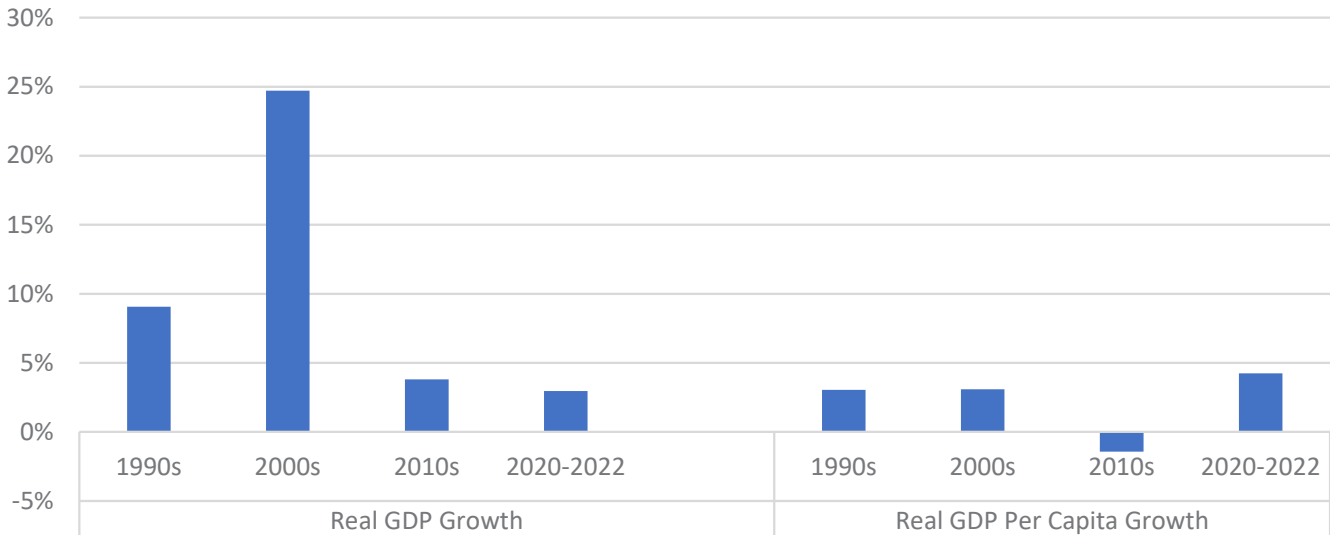


Figure 7. Imported crude oil prices

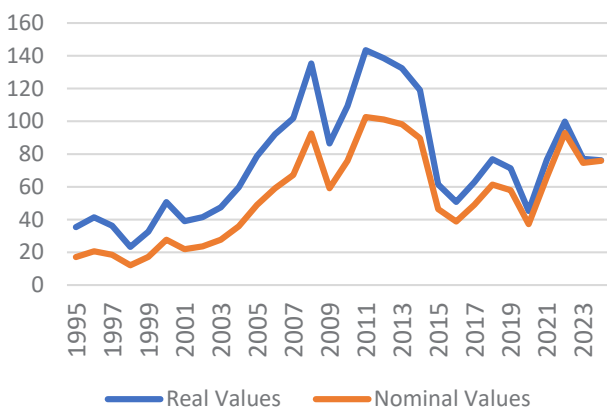
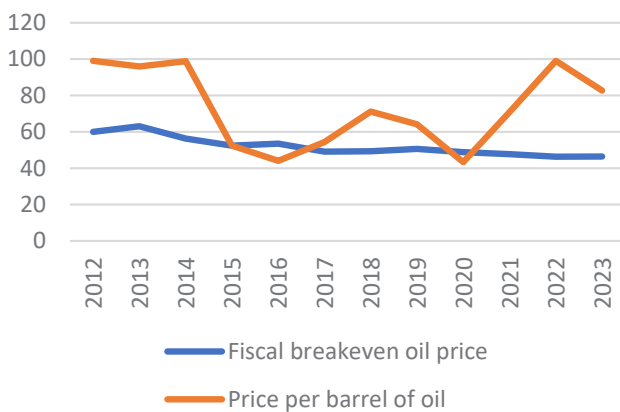


Figure 8. Price of oil vs fiscal breakeven price of oil



“aims at transforming Qatar into an advanced country by 2030, capable of sustaining its own development and providing for a high standard of living for all of its people for generations to come.”<sup>13</sup> In line with the overall vision, the economic pillar of the national vision aims at transforming the country into “a competitive and

diversified economy capable of meeting the needs of, and securing a high standard of living for, all its people for the present and for the future.”<sup>14</sup> To implement its national vision, Qatar has produced three National Development Strategies, the first covering the period 2011-2016, the second from 2018-2022 and the third, current strategy from 2024-2030.

### 1.1.2. Gross domestic product (GDP)

The extraction and export of oil and natural gas remain the dominant sector in Qatar’s economy. Over the past decade, its share of GDP has hovered between 30 and 50 percent (Figure 9).<sup>15</sup> Hydrocarbon’s share of the economy largely follows the global price of oil and natural gas. Even though Qatar’s strategy for selling its natural gas has relied primarily on long-term contracts, these agreements are linked to global oil prices and so revenues from natural gas fluctuate to a large degree with global oil prices.

In 2022, the hydrocarbon sector represented 44 percent of GDP, up from 36 percent in 2019 (Table 1).<sup>16</sup> reflecting the increased price of natural gas and oil during this period. The hydrocarbon sector will continue to be the dominant sector in the economy for the foreseeable future. The expansion of the North Field will ensure this state of affairs. Furthermore, even though the hydrocarbon sector is the largest in the economy, these estimates understate

<sup>14</sup> Ibid.

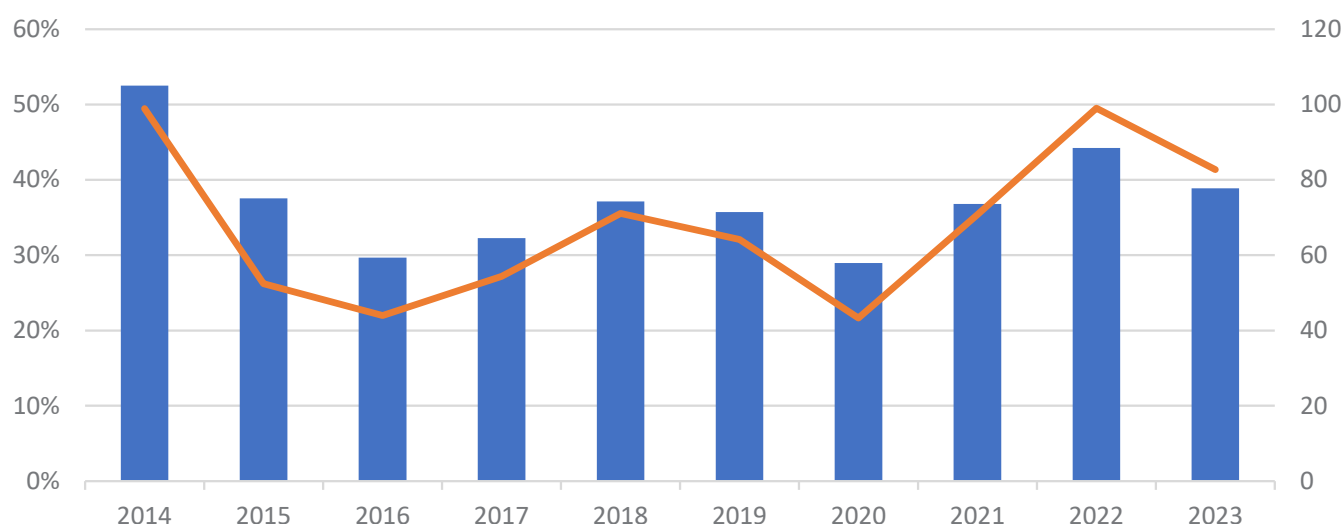
<sup>15</sup> IMF. Article 4 Consultations. Statistical Tables from years 2023, 2018, 2016 and 2014.

<sup>16</sup> Planning and Statistics Authority. Estimates of Annual Gross Domestic Product by Economic Activities, at Current Prices. Quarterly Estimates of Gross Domestic Product, Q4 2022. <https://www.psa.gov.qa/en/statistics1/pages/topicslisting.aspx?parent=Economic&child=NationalAccounts>

<sup>13</sup> Qatar General Secretariat For Development Planning. Qatar National Vision 2023. July 2008. <https://www.psa.gov.qa/en/qnv1/pages/default.aspx>



Figure 9. Hydrocarbon GDP (% share of total GDP)



Notes: Axis 1: Hydrocarbon GDP (% share of total GDP); Axis 2: Brent crude oil price (U.S. dollars per barrel)

Table 1. Value added and share of GDP by economic activity

Period/year	Value Added (USD)		Share of GDP		Share of Non-hydrocarbon GDP	
	2022	2019	2022	2019	2022	2019
Mining & Quarrying	104,181	62,828	44%	36%		
Construction	26,287	21,445	11%	12%	20%	19%
Manufacturing	21,827	14,658	9%	8%	17%	13%
Wholesale & Retail Trade	14,964	13,716	6%	8%	11%	12%
Public Administration	12,490	14,431	5%	8%	10%	13%
Real Estate	12,060	11,349	5%	6%	9%	10%
Transportation & Storage	10,030	7,471	4%	4%	8%	7%
Financial & insurance	8,380	6,463	4%	4%	6%	6%
Professional & Support	6,388	5,748	3%	3%	5%	5%
Health & Social Work	3,669	3,783	2%	2%	3%	3%
Education	3,142	3,273	1%	2%	2%	3%
Information	3,134	2,611	1%	1%	2%	2%
Agriculture & Fishing	603	457	0%	0%	0%	0%
Other	8,458	7,654	4%	4%	6%	7%
Total GDP	235,611	175,888				

Notes: \* Includes accommodation and food service, electricity and water, arts, entertainment and recreation, and services-producing activities of households. All are less than 1 percent of GDP.

the dominance of the sector. Hydrocarbon revenues drive most other economic activity in the country, funding everything from construction and infrastructure development, to health and education services, to public sector administration.

The construction sector was the second largest, representing 11 percent of total GDP in 2022 and 20 percent of non-hydrocarbon GDP.<sup>17</sup>

Its share of non-hydrocarbon GDP increased slightly in the lead up to the 2022 FIFA World Cup, and then declined. Indeed, much of the revenues of oil and gas have gone towards building things.

The construction sector increased This has resulted in massive overcapacity in real estate, retail, hospitality and other activities. The challenge facing Qatar is to encourage economic activity that would make productive use of these physical assets.

Manufacturing represented 9 percent of GDP in 2022, and

<sup>17</sup> Planning and Statistics Authority. Quarterly Estimates of Gross Domestic Product, Q4 2022.



17 percent of non-hydrocarbon GDP.<sup>18</sup> Manufacturing's share in non-hydrocarbon GDP has increased over time, as the government has provided access to finance to support industrial activity. The main actors in this space are Qatar Development Bank (QDB) and the Qatar Free Zones Authority. While most manufacturing endeavors are profitable, there is some question regarding the extent to which they would remain so were the government to reduce or remove its support.

Wholesale and retail trade accounted for 6 percent of GDP in 2022, followed by public administration and real estate, both at 5 percent. This is followed by transportation and financial services, at 4 percent each. Other services, including professional and support services, health services, education, and others, account for 12 percent of GDP (18 percent of non-hydrocarbon GDP). This remains low for a country that aims to develop into a knowledge-based economy. Furthermore, most services continue to ultimately derive their income from government spending, including education and healthcare. That said, service quality is high and has the potential to serve a regional, if not global, customer base.

Finally, agriculture represents less than 1 percent of GDP. This is to be expected, as Qatar is a peninsula that sits on water scarce, arid land with little natural vegetation.<sup>19</sup> Its traditional staples are fish and meat from pastoral activities. Qatar increased its agricultural capacity significantly in the aftermath of the blockade instigated by its neighbors between 2017 and 2020. Indeed, the introduction of greenhouses and hydroponics has significantly enhanced the country's ability to produce its own food. That said, Qatar continues to import over 90 percent of its food from outside the country.

Despite the government's efforts to diversify its economy, most economic activities continue to rely directly or indirectly on revenues from oil and natural gas. Very few industries and services would be able to function profitably without either direct or indirect government subsidies and support made available through these revenues. This can be seen clearly from the share of non-hydrocarbons exports, which has remained stubbornly between 10 and 15 percent of total exports.<sup>20</sup> Exports are a viable indicator of the extent to which non-hydrocarbon goods and services can compete in the global economy. Indeed, as Qatar reduces its dependence on

hydrocarbons, it needs to be able to trade other goods and services with the rest of the world in order to import the goods and services it needs.

Qatar's National Planning Council (formerly the Planning and Statistics Authority) disaggregates GDP by expenditure, but not by income. Examining GDP in terms of expenditure identifies exports as the largest component, representing 68 percent of GDP in 2022 (Table 2).<sup>21</sup> This is driven by exports of oil, LNG, and derivative products. The value of exports is followed by the value of imports, representing 32 percent of economic activity in 2022. Thus, the total value of trade (export plus imports) is equivalent to the value of the country's GDP. Qatar relies heavily on imports, covering everything from food to nearly all manufactured goods consumed in the country.

The high value of exports in GDP also highlights the primary role that hydrocarbons play in the economy.<sup>22</sup> In 2022, the value of exports was more than twice that of imports, whereas it was only 20 percent higher than imports in 2020, when oil prices were lower. Indeed, in 2020, the value of exports was less than 50 percent of GDP. This, again, highlights the precarious position that Qatar might find itself if global oil and gas prices enter a prolonged low-price regime, this time in terms of its balance of payments. It also highlights the importance of export diversification in the context of Qatar's economic diversification efforts. It is not enough for Qatar to produce goods and services that are not related or reliant on hydrocarbons, they also need to be goods and services that Qatar can trade with the rest of the World in exchange for goods and services it imports from elsewhere.

Outside of trade, the largest expenditure component of GDP in 2022 was capital formation at 31 percent. This reflects the major infrastructure projects undertaken in the lead up to the 2022 FIFA World Cup, with most of the resources coming from revenues from the export of natural gas. Household consumption stood at 19 percent in 2022 and government spending stood at 13 percent.

Qatar invested the massive increases in income that it accumulated from the production and export of LNG in building the infrastructure of the country. Over the past two decades, most of the economic activities associated with capital formation and government spending were financed, directly or indirectly, by revenues from oil and

<sup>18</sup> Ibid.

<sup>19</sup> Ibid.

<sup>20</sup> IMF. Article 4 Consultations. Statistical Tables from years 2023, 2018, 2016 and 2014.

<sup>21</sup> Planning and Statistics Authority. Quarterly Estimates of Gross Domestic Product, Q4 2022.

<sup>22</sup> Planning and Statistics Authority. National Accounts Data, 2014-2023. <https://www.psa.gov.qa/en/statistics1/pages/topicslisting.aspx?parent=Economic&child=NationalAccounts>



*Table 2. Gross domestic product by components of expenditure in current USDs*

	2019	2020	2021	2022	2022 (%)
Households	41,280	37,411	39,212	45,830	19%
Government	32,475	31,619	29,842	30,269	13%
Capital Formation	76,925	63,150	65,963	72,578	31%
Exports	91,794	70,739	105,260	161,250	68%
Imports	66,587	58,903	61,037	74,316	(32%)
Gross Domestic Product	175,888	144,016	179,240	235,611	100%

natural gas. Even household income is mainly derived from the salaries of workers covered by clients who in turn are paid, directly or indirectly, from revenues from hydrocarbons. Most workers then spend, invest, and remit what money they have left after covering basic expenses outside the country. Qatar has yet to redesign its economy around effectively utilizing the infrastructure it has built to produce goods and services and generate economic activity that is not derived from hydrocarbon revenues and that encourages citizens and expats to invest in the country.

Government spending is also enabled through revenues from oil and natural gas. As we discuss in section 2 below, revenue from hydrocarbons represents over 80 percent of total government revenues. While Qatar can diversify its revenue base by introducing income and consumption taxes, to the extent that these economic activities are also driven by revenues from hydrocarbons, simply provides the illusion of fiscal diversification. This is not to say that Qatar should not proceed with developing other mechanisms for generating revenue, such as VAT and income taxes, it is just a reminder that for these mechanisms to be truly effective, the country needs to develop a vibrant non-hydrocarbon economy.

Sustainable economic growth is the main objective of NDS3. The first two targets are (1) an average GDP growth rate of 4 percent per year and (2) an average annual non-hydrocarbon GDP growth of 4 percent per year.<sup>23</sup> This will not be easy. The IMF projects GDP growth for 2024 to be 1.9 percent and for 2025 to be 2 percent, with non-hydrocarbon growth slightly outpacing hydrocarbon growth during these two years.<sup>24</sup> These projections are further supported by a Purchasing Managers Index (PMI) of just over 50, which is only barely expansionary.<sup>25</sup> While it might seem that maintaining similar growth rates

for the hydrocarbon and non-hydrocarbon sectors is not in line with NDS3's economic diversification objectives, it is important to keep in mind the planned North Field expansion that would increase LNG production by 70 percent between 2027 and 2050. Within this context, being able to maintain non-hydrocarbon growth at the same ambitious pace would be an accomplishment.

### *1.1.3. Productivity growth*

GDP per hour worked in Qatar is fairly average for an oil-based economy (Figure 10).<sup>26</sup> It is higher than in most other Gulf economies, including the UAE, Kuwait, Oman, and Bahrain, but not as high as more developed economies of Norway and Singapore, which it aspires to emulate.

That said, while Qatar has witnessed incredible growth in economic activity over the past three decades, nearly all this economic growth is the result of factor accumulation, the increasing stock of labour and capital. Qatar has been using the revenues generated from the production and export of oil and natural gas to attract migrant workers and to build up its infrastructure. During this time, however, output per worker has been stagnant overall (Figure 11).<sup>27</sup> Indeed, the Qatari government estimates that labour productivity declined by 1.5 percent per year between 2010 and 2022.<sup>28</sup> This decline has been linked to business models that rely increasingly on lower wages, barriers and regulatory impediments to market entry and a weak innovation ecosystem. In addition, total factor productivity has been on a downward trajectory since 2000, falling by over 60 percent according to IMF estimates.<sup>29</sup>

<sup>26</sup> International Labour Organization. LABORSTAT. Statistics on Labour Productivity. Accessed 10 August 2024. <https://ilostat.ilo.org/topics/labour-productivity/>

<sup>27</sup> ILO. LABORSTAT. Accessed 10 August 2024.

<sup>28</sup> National Planning Council. NDS3.

<sup>29</sup> IMF. Qatar: Selected Issues. IMF Country Report No. 24/44, January 2024. <https://www.imf.org/en/Publications/CR/Issues/2024/02/06/Qatar-Selected-Issues-544476>

<sup>23</sup> National Planning Council. Third National Development Strategy 2024–2030: Building our sustainable future. <https://www.psa.gov.qa/en/nds1/nds3/Pages/default.aspx>

<sup>24</sup> IMF. Article 4 Consultation, 2023.

<sup>25</sup> Ibid.



Figure 10. GDP / hour worked (GDP constant 2017 US\$ at PPP)

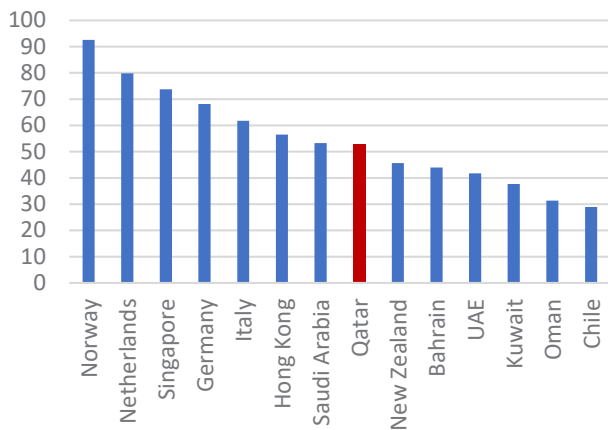
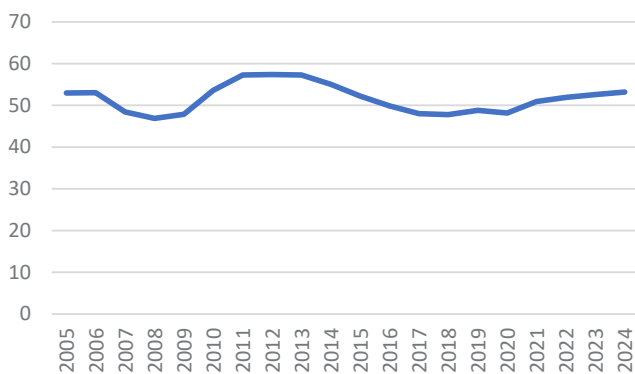


Figure 11. Output per hour worked (GDP constant 2017 USD at PPP)



While Qatar's increase in wealth and GDP per capita can mask the implications of this downward trend in productivity, lower productivity will become an increasingly important issue as the government looks to diversify its economy. As Qatar moves away from a rentier economy towards a knowledge-based economy, workers will need to contribute to economic output in proportions commensurate with their salaries. Indeed, low levels of productivity have important implications for the competitiveness of Qatari businesses in the global economy.

The Qatari government has placed increasing labour productivity as a cornerstone of its Third National Development Strategy (NDS3), aiming to boost labour productivity by an ambitious average of 2 percent per year. In the context of a wealthy economy like Qatar, this goal is ambitious, but feasible. However, it requires doing things differently, including introducing incentives for business to create high-skilled, high-wage jobs after

years of trying to push wages down by hiring lower skilled workers.<sup>30</sup>

The main focus of NDS3 is sustainable economic growth. The aim is to transform Qatar into a competitive, productive, diversified, and innovative economy. NDS3 identifies sectors that the state feels it has a competitive advantage, starting with the energy sector, where Qatar already maintains a leadership position, and then also developing diversification clusters to drive non-hydrocarbon economic growth and spur exports. This diversification strategy will be underpinned by a business and investor-friendly environment that fosters entrepreneurship, promotes foreign investment, and enhances firm competitiveness.<sup>31</sup> NDS3 identified three specialization clusters where Qatar will aim to develop its competitive advantage driven by innovation in order to drive non-hydrocarbon economic growth.

- **Manufacturing:** Qatar aims to expand its manufacturing base, especially in areas that align with its leadership role in fossil fuels, such as chemicals and low-carbon metals.
- **Logistics:** Qatar aims to solidify its leadership position in air transport and become a re-export hub in high-value products. Qatar Airways is the second largest air freight carrier in the world.
- **Tourism:** Qatar aims to become a destination of choice for families. This would align with its conservative social norms. It also aims to develop business tourism and events. This would leverage the tourism infrastructure it built to host the 2022 FIFA World Cup.

Qatar will also aim to identify and develop additional innovation clusters over time. These will be developed around key technologies, such as green tech, and national assets, such as media.

NDS3 also highlights three enabling clusters that could be developed that would support its growth clusters and in which Qatar could develop a competitive advantage.

<sup>30</sup> Qatar, and other resource-rich economies, need to be careful about interpreting their productivity figures, especially in protected private sector industries. The lack of competitive pressures can be misleading, allowing sector to operate with fewer workers in sales, marketing, and other activities that firms in competitive markets must address. This allows them to hire fewer workers and this can provide the illusion of higher productivity.

<sup>31</sup> National Planning Council. Third National Development Strategy 2024–2030.





- *IT & Digital Services:* Qatar could develop its digital economy, focusing on artificial intelligence (AI) and other emerging technologies.
- *Financial Services:* Qatar could develop niche specializations in sectors such as insurtech, asset management and digital payments.
- *Education:* Qatar is already a regional hub for world class university education. This should be promoted, further specializations developed, and private sector participation increased.

Finally, NDS3 identified two clusters that it will support to improve its resiliency. These played critical roles in mitigating the impact of the 2017-2020 blockade and the COVID-19 pandemic.

- *Food & Agriculture:* Food security is a major concern for Qatar, which imports over 90 percent of its food. NDS3 would seek to develop long-term specializations such as agritech.
- *Health:* Qatar has world-class medical facilities. NDS3 aims to increase private sector participation, develop medical tourism and build capabilities of long-term specializations.

## 1.2. Macroeconomic policies

### 1.2.1. Fiscal situation

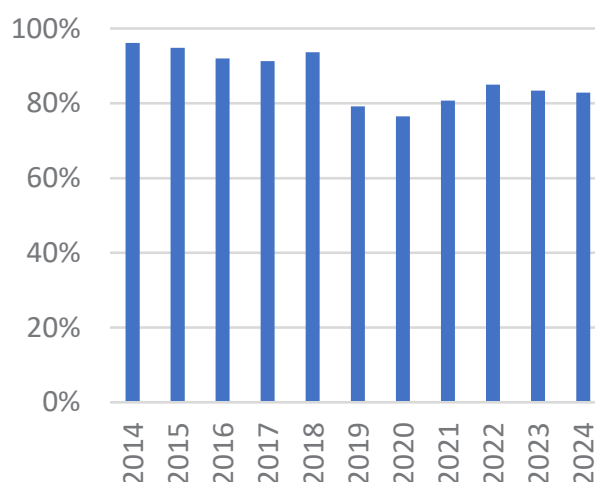
The revenues of the Qatari government remain highly dependent on the production and export of fossil fuels. In 2018, in an effort to diversify its revenue base, Qatar introduced an income tax of 10 percent across all activities. Also in 2018, in line with GCC-wide agreements, Qatar introduced excise taxes on tobacco products, carbonized drinks, and other goods. These reforms have had a positive impact on government revenues. The share of revenues from hydrocarbons fell from 96 percent in 2014 to just over 80 percent in 2024 (Figure 12).<sup>32</sup>

The IMF projects that hydrocarbon revenues will remain steady at just over 80 percent of the total through 2028. Thus, while Qatar has made progress in diversifying its revenue base, more needs to be done. Indeed, the Qatari government has identified “fiscal sustainability” as its second major strategic objective under NDS3 after sustainable economic growth.<sup>33</sup> A primary objective over the medium term is to increase the share of nonhydrocarbon government revenues, by diversifying the revenue base, strengthening tax administration

<sup>32</sup> IMF. Article 4 Consultations, 2023 and statistical tables from years 2023, 2018, 2016 and 2014.

<sup>33</sup> National Planning Council. Third National Development Strategy 2024–2030.

Figure 12. Hydrocarbon revenue as a share of total revenue



capacity, and enhancing tax compliance.

Qatar already applies a 5 percent customs duty on all non-exempted, non-GCC products, in line with the 2003 GCC Common External Tariff agreement. However, Qatar has yet to introduce a 5 percent Value Added Tax (VAT), which GCC countries agree to implement across the GCC in 2016. The UAE introduced a VAT of 5 percent in 2018. Oman introduced a VAT of 5 percent in 2021. Bahrain introduced a VAT of 5 percent in 2019 and raised it to 10 percent in 2022. Saudi Arabia introduced a VAT of 5 percent in 2018 and raised it to 15 percent in 2020.<sup>34</sup> So far, Kuwait and Qatar have not introduced a VAT tax and, as a consequence, are the GCC countries with the least diversified revenue streams. While NDS3 highlights the government’s objective to increase nonhydrocarbon revenues, it did not specify that it aims to introduce a VAT. Part of Qatar’s reluctance might be the perceived mixed experience with VAT implementation in other GCC countries.<sup>35</sup>

Qatar’s continued reliance on hydrocarbons means that its fiscal revenues are strongly affected by the global prices of oil and natural gas. While the government has some discretion over spending, much of the budget is earmarked for personnel, services, and long-term commitments. As a result, government fiscal balances are largely driven by its revenues and, thus, are largely in line with the global prices of oil and natural gas and fluctuate as they do.

In 2014, with global prices of oil over 100 USD per barrel,

<sup>34</sup> IMF. Gulf Cooperation Council Economic Prospects and Policy Priorities for The GCC Countries IMF Country Report No. 23/413. December 2023.

<sup>35</sup> PwC. “Qatar Value Added Tax (VAT) Readiness,” Qatar Economy Watch, May 09, 2024. <https://www.pwc.com/m1/en/publications/qatar-value-added-tax-readiness.html>





Qatar enjoyed a budget surplus of over 25 billion USD (Figure 13).<sup>36</sup> Between 2015 and 2021, the price of oil fluctuated between 50 and 70 USD a barrel, resulting in a net fiscal deficit during this period. Starting in 2022, high oil prices returned, generating a windfall for the state. As a result of controlling spending, the government's fiscal surplus increased to 10 percent of GDP in 2022, up from close to zero in 2021. Indeed, Qatar registered a fiscal surplus of 25 billion USD in 2022 and 18 billion USD in 2023. A further surplus is projected in 2024.

The strong link between Qatar's fiscal balance and the price of hydrocarbons is cause for concern. A prolonged downturn in the price of natural gas would exert sustained fiscal pressures on revenues, placing state finances in a precarious position. This is not a hypothetical situation. From the mid-1980's through the 1990s, the world entered into a low oil price regime that lasted 16 years, in which the price of oil hovered around 20 USD per barrel (around 40 USD per barrel in today's prices). This period of low oil prices severely affected state finances and economic development across the GCC. GCC countries, including Qatar, need to be ready with fiscal strategies to handle such an eventuality.

That said, unlike other Gulf countries, Qatar has the fiscal space to reduce expenditures if faced with sustained low hydrocarbon prices. Given the relatively small population of citizens, the sticky elements of its budget are manageable. Employee compensation, arguably the largest component, was 31 percent of total spending in 2023 (Figure 14).<sup>37</sup> Furthermore, in 2023, Qatari nationals represented only 53 percent of employees in government agencies and 19 percent of employees in state owned enterprises, leaving much room for staff reductions in non-Qatari employment if fiscal consolidation is required. By comparison, the public sector wage bill in Kuwait, for example, was 43 percent of total spending in 2022,<sup>38</sup> and over 80 percent of government position were filled by nationals,<sup>39</sup> leaving less room for fiscal retrenchment.

Energy price subsidies are another financial issue, both in terms of expenditure and in terms of forgone revenues. Qatar has long subsidized the price of energy. In 2015,

Figure 13. Fiscal surplus / deficit (billions USD)

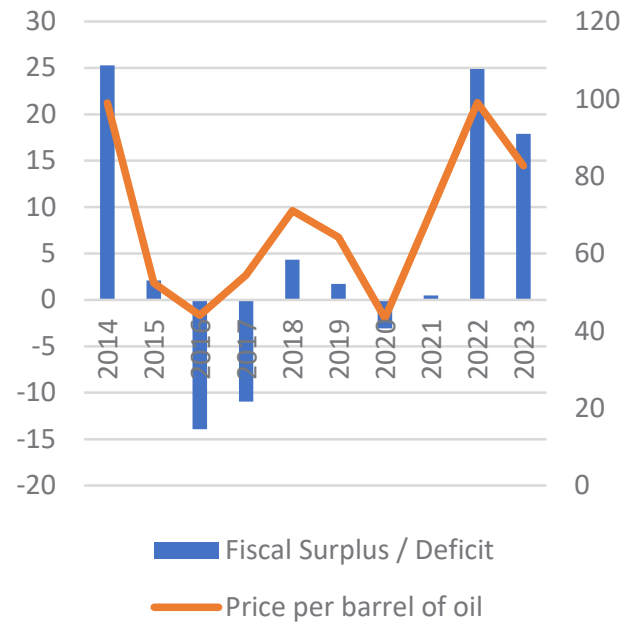
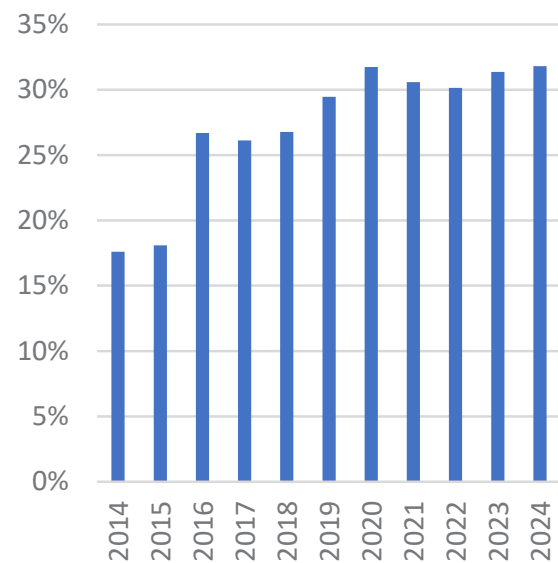


Figure 14. Compensation of employees (% total expenditure)



the IMF ranked it as the top country in the world in terms of energy subsidies per capita, amounting to nearly 6,000 USD per person. In total, energy subsidies amounted to 6.4 percent of GDP, with petroleum subsidies representing 47 percent of this amount, natural gas 36 percent, and electricity 17 percent.<sup>40</sup> In the face of mounting budget deficits due to low global oil prices, Qatar reduced energy subsidies in

<sup>36</sup> IMF. Article 4 Consultations. Statistical Tables from years 2023, 2018, 2016 and 2014.

<sup>37</sup> IMF. Article 4 Consultations. Statistical Tables from years 2023, 2018, 2016 and 2014.

<sup>38</sup> IMF. Article 4 Consultations. Kuwait 2022 <https://www.imf.org/en/Countries/KWT>;

<sup>39</sup> Kuwait Central Statistical Bureau. Employment Statistics in Government Sector (kuwaiti/non-kuwait) 30/6/2022. [https://www.csb.gov.kw/Pages/Statistics\\_en?ID=13&ParentCatID=1](https://www.csb.gov.kw/Pages/Statistics_en?ID=13&ParentCatID=1)

<sup>40</sup> Satish Kanady. "Qatar top per capita energy subsidizer," The Peninsula, 19 Jul 2015, updated: 12 Jan 2022. <https://thepeninsulaqatar.com/article/19/07/2015/qatar-top-per-capita-energy-subsidiser>



2016, raising the price of petroleum by 30 percent.<sup>41</sup> Still subsidies continue to play a role. For example, the cost of electricity in Qatar remains low, averaging 0.15 QR per kwh, compared to cost of production, the average global price, or the opportunity cost of not exporting LNG at market rates (between 0.40 - 1.50 QR per kwh).

Between 2014 and 2021, oil prices entered a prolonged downturn, fluctuating between 45 and 70 USD. During this time, Qatar was also undertaking massive infrastructure development projects in preparation for hosting the 2024 FIFA World Cup. The combined revenue shortfalls and increase in spending resulted in the accumulation of sizable debt. Central government debt increased from 25 percent of GDP in 2014 to 73 percent of GDP in 2020 before dropping to under 40 percent of GDP in 2023 (Figure 15).<sup>42</sup> The increase in debt obligations was mostly financed through external borrowing, which increased from 36 percent of central government debt in 2014 to 60 percent by 2020, before dropping down to 53 percent by 2023. During this period, total debt (including debt held by commercial banks) also increased from 56 percent of GDP in 2014 to 187 percent of GDP in 2020 before falling to 116 percent of GDP in 2022.<sup>43</sup> Debt burdens are expected to continue falling through at least 2024, driven by large fiscal surpluses resulting from high oil prices and continued control of spending.

Hosting the World Cup served as an action-forcing event. Highways were built, a modern public transportation system was introduced, a sewage network was constructed, and critical infrastructure projects were completed. Within a decade, the country was transformed into a modern state. However, the buildup to the World Cup also required Qatar to provide accommodations, restaurants, and entertainment venues for an anticipated 800,000 visitors over the course of two months. These were built, but after the event, Qatar was left with problems of overcapacity, especially in the real estate, retail, and hospitality sectors. There was also an increase in non-performing loans.

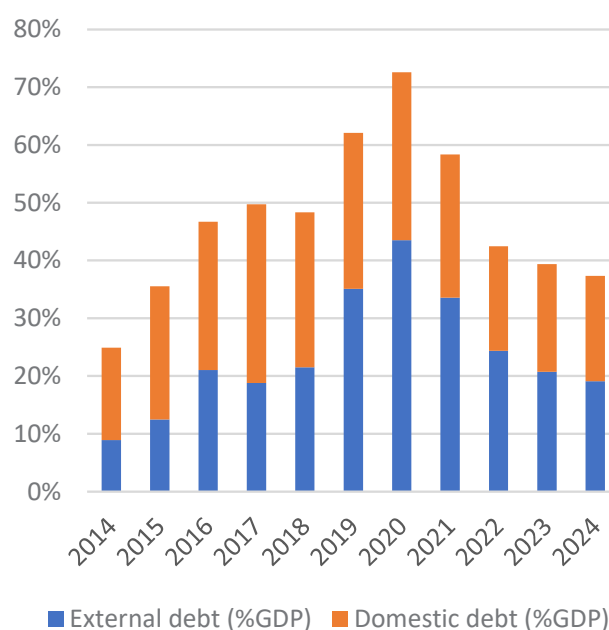
One reason for the government's control of spending post-World Cup has been to limit further economic expansion, especially in sectors with overcapacity. This is one of the

<sup>41</sup> Wil Crisp. "Qatar slashes fuel subsidies," Middle East Business Intelligence, 17 January 2016. <https://www.meed.com/qatar-slashes-fuel-subsidies/>

<sup>42</sup> These data follow the IMF definition of external and central government debt. Briefly, external debt refers to the total debt citizens of a country owe to foreign lenders. Central government debt is the country's public debt to both internal and external lenders.

<sup>43</sup> IMF. Article 4 Consultations. Statistical Tables from years 2023, 2018, 2016 and 2014.

Figure 15. External and domestic central government debt (% GDP)



main challenges that Qatar has to deal with. Qatar must find a way to encourage private sector economic activity that can utilize the excess capacity in the country, but without creating inflationary pressures or allowing further expansions that would continue to dampen profits and affect loan performance. At the same time, Qatar wishes to limit population growth, so as not to dilute the unique cultural identity of the country. This is the critical balance that the country must find a way of maintaining.

Qatar's 2024 budget aims to increase spending efficiency and supporting economic diversification efforts, including involving the private sector more in government project and enhancing public-private partnerships.<sup>44</sup> A review of Qatar's budget documents over the past five years can be instructive in understanding the budgetary priorities of the state. Wages and salaries, as reflected in the state budget, have been on an upward trajectory, except for a slight dip during the COVID-19 pandemic.

In nominal terms, the largest increase in the budget has been on current expenditure, which increased by 24 percent, from 58 billion Qatari Riyals (QAR) in 2020 to nearly 72 billion QAR in 2024 (Table 3).<sup>45</sup> This reflects an increased focus on providing public services. The budget highlights spending increases on health and education, which represent 11 percent and 9 percent of the total budget, respectively, in the 2024 budget. Minor capital

<sup>44</sup> Ministry of Finance. Qatar State Budget 2024. <https://www.mof.gov.qa/en/Pages/StateBudget2024.aspx>

<sup>45</sup> Ministry of Finance. Qatar State Budgets for 2024, 2023, 2022, and 2021.



*Table 3. Official Qatar budget expenditures 2020-2024*

	2020	2021	2022	2023	2024
Salaries and Wages	59	57.9	58.5	62.5	64
Current Expenditure	58	60.7	67.2	67.5	71.8
Minor Capex	3.5	4	4.6	5.1	6.5
Major Projects	90	72.1	74	63.9	58.6
Total Expenditure	210.5	194.7	204.3	199	200.9

expenditures also increased substantially, in relative terms, from 3.5 QAR to 6.5 QAR between 2020 and 2024, reflecting a focus on finalizing projects and rising maintenance allocations. The one large drop has been budgetary allocations to major capital projects. These declined by 35 percent from 90 billion QAR in 2020 to just under 60 billion QAR by 2024.

### 1.2.2. External situation

Qatar's economy is highly integrated with the rest of the world. Qatar exports oil and natural gas and imports practically everything else, from goods and services to workers who engage in the economic activities of the country. Indeed, in terms of its balance of payments, Qatar maintains a positive trade balance with the rest of the world through its export of hydrocarbons, and a negative balance on everything else (Table 4).<sup>46</sup> This includes other elements of its current account, including services, income, and transfers, as well as its capital account and financial account. That said, Qatar's large quantities of natural gas reserves will allow it to maintain this economic model for years to come, as it transitions to a non-hydrocarbon knowledge-based economy.

Qatar's economic terms of trade with the rest of the world are highly dependent on the global prices of oil and natural gas. When prices are high, Qatar has maintained a strong current account surplus. When oil prices fall to below 50 USD a barrel, its current account turns negative (Figure 16)<sup>47</sup>. It is worth remembering that oil prices hovered under 40 USD per barrel (in current prices) for much of the 1980s and 1990s. As such, Qatar is taking seriously its plans and efforts to diversify its economy.

Trade is a large part of Qatar's economy. While domestic production of agriculture and manufactured goods is increasing slowly, they will not come close to meeting

local demand. As such, Qatar remains dependent on the rest of the world for everything from food to building material to consumer goods. Over the past five years, Qatar's imports have represented between 30-40 percent of GDP (Figure 17).<sup>48</sup>

Qatar's production and export of large quantities of hydrocarbons has allowed it to maintain a healthy trade balance with the rest of the world. However, here too, the value of its exports is dependent on the global prices of oil and natural gas. In 2023, exports represented close to 60 percent of GDP, while imports were just over 30 percent. However, as early as 2020, during a period of relatively low oil prices, the values of imports and exports were much closer (41 percent vs. 49 percent). This highlights another aspect of the Qatari economy's vulnerability to a prolonged low oil price regime.

As Qatar diversifies its economy it needs to replace hydrocarbon exports with exports of other goods and services. It needs to trade something with the rest of the world to continue to import goods and services from elsewhere. A clear indicator of how far Qatar has to go in this regard is the profile of its exports. Since 2014, the share of hydrocarbons in total exports has remained stubbornly stuck at around 85-90 percent of the total (Figure 18).<sup>49</sup> Furthermore, most of Qatar other exports are hydrocarbon derivatives such as nitrogen fertilizers and ethylene polymer. Despite increases in the share of non-hydrocarbon GDP, the goods and services produced outside the hydrocarbon industry and its derivatives, broadly defined, are for the most part not globally competitive.

As discussed above, as part of NDS3, Qatar has identified three industries, or specialization clusters, where it believes it has a comparative advantage and that it will

<sup>46</sup> MF. Article 4 Consultations. Statistical Tables from years 2023, 2018, 2016 and 2014.

<sup>47</sup> Ibid.

<sup>48</sup> Ibid.

<sup>49</sup> Ibid.



Table 4. Qatar's balance of payments (2019 – 2023)

	2019	2020	2021	2022	2023
Current Account	4.3	-3	26.3	63.1	41.2
Trade (net)	41.6	27.1	60.3	97.4	78
Exports	72.9	51.5	87.2	131	111.5
Imports	-31.4	-24.4	-26.9	-33.5	-33.4
Services (net)	-16.3	-15.3	-16	-10.3	-16.4
Income (net)	-4.4	-3	-2.8	-8.3	-4.3
Credit	8.9	10.5	10.4	14.2	16.2
Debit	-13.4	-13.5	-13.1	-22.5	-20.5
Transfers (net)	-16.6	-11.8	-15.3	-15.8	-16.1
Capital Account	-0.1	-0.2	-0.1	-0.2	-0.2
Financial Account	6.1	5.6	-23.4	-54	-37
Errors & Omissions	-0.9	-1.3	-1.7	-2	0
Balance (Change in QCB Reserves)	-9.4	-0.5	-1.1	-6.9	-4

Figure 16. Current account balance (2014-2023)

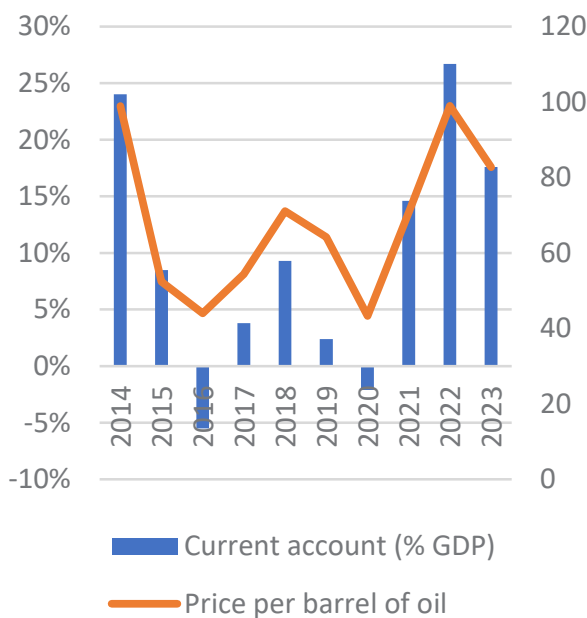


Figure 18. Hydrocarbon exports (share of total exports)

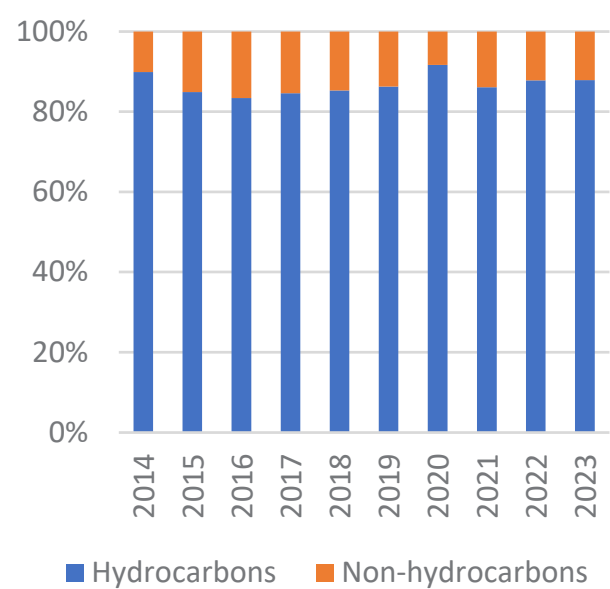
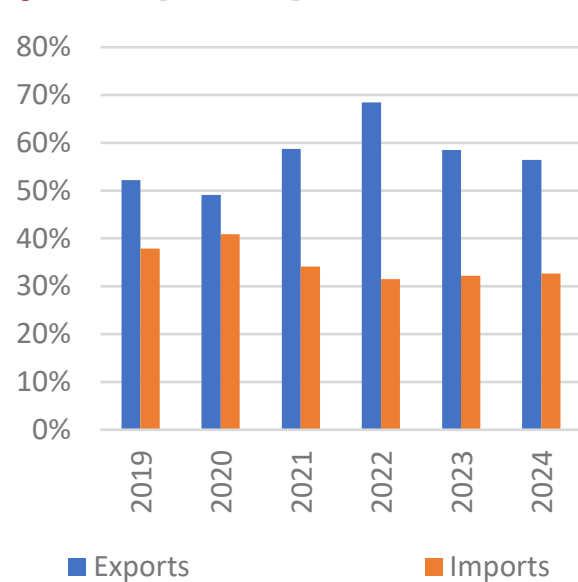


Figure 17. Exports & imports (% GDP)



invest in to drive non-hydrocarbon economic growth.<sup>50</sup> The first is high-value manufacturing, including chemicals and low-carbon metals that would benefit from low-cost energy. The second is logistics, which would benefit from Qatar's strong global position in air freight. The third is tourism geared towards families and businesses.

Qatar has seen increases in tourism in recent years, especially in the lead up to and the following the massive media boost provided by hosting the 2022 FIFA World Cup. Qatar has also introduced new institutions and initiatives to help promote economic development, including establishing the Qatar Investment Promotion Agency

<sup>50</sup> National Planning Council. Third National Development Strategy 2024–2030.





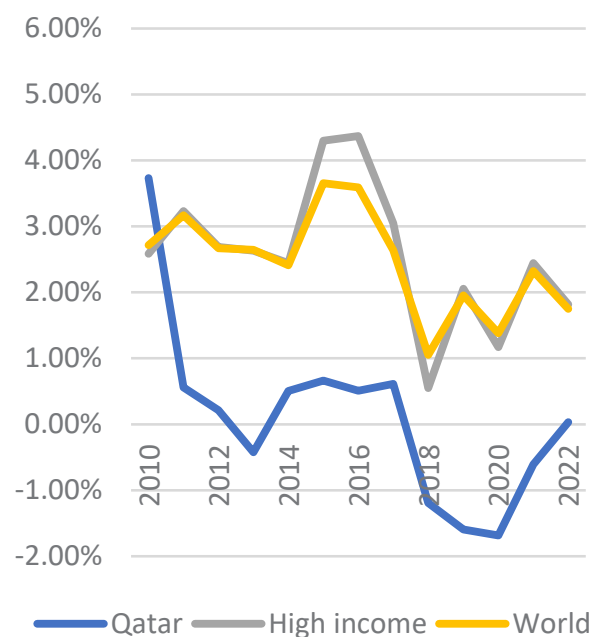
(Invest Qatar) in 2019, which launched a 1 billion USD venture capital Fund of Funds to support startups.<sup>51</sup> For its efforts to succeed, Qatar must improve its business climate. Indeed, one of the key targets of NDS3, coming right after sustained economic growth of 4 percent per year, is to become a top-10 destination for investors and businesses.<sup>52</sup>

Qatar would also benefit from improving its ability to attract and retain talent. The country is home to an exceptional cadre of high-skilled foreign workers. However, there are few policies in place that create incentives for them to spend and invest in the country. Expat workers can face issues or delays obtaining residency permits for their family members, they have limited options for remaining in the country when transitioning between jobs, and options for purchasing property are limited. As a result, most foreign workers choose not to spend money, invest in, or purchase a home in the country. Remittances from Qatar are 5-6 percent of GDP, among the highest shares in the world.<sup>53</sup> This is an area where Qatar can easily adapt its policies. Indeed, it has already expanded the areas in the country where foreigners can own property and has introduced a golden visa, not tied to employment.

Indeed, as part of its economic diversification agenda, Qatar aims to attract greater amounts of foreign investment, which have remained close to zero since 2011 (Figure 19).<sup>54</sup> Qatar has already introduced a number of reforms to make the country more attractive to foreign investors, including improving protection of investor rights, allowing for up to 100 percent foreign ownership of businesses in most sectors and real estate in newly designated areas, the development and regulation of public-private partnerships, and strengthening protections supporting unrestricted transfer of funds, and assurances against expropriation.<sup>55</sup>

Finally, Qatar's sovereign wealth fund plays an important

Figure 19. Foreign direct investment, net inflows (% of GDP)



role in balancing the economy and managing downstream risks. Sovereign wealth funds transform the natural resources of research-rich economies into financial assets that can continue to generate revenues for the state and its citizens long after the natural resources have been depleted or supplanted by alternatives. Diversifying assets and revenue streams complements efforts to diversify economies. The Qatar Investment Authority, Qatar's sovereign wealth fund, was established in 2005 and is estimated to currently manage assets valued at 526 billion USD.<sup>56</sup> Most of these investments are overseas, and thus serves to migrate local and regional risks. Managed correctly, this fund can grow over the coming decades to provide a financial cushion during periods of low oil prices as well as a stable stream of income to future generations of Qatari citizens.

### 1.2.3. Monetary and exchange rate policy

Since its inception in 1993, the Qatar Central Bank's primary monetary policy objective has been to target and support the country's fixed exchange rate. This continued the policy of its predecessor, the Qatar Monetary Agency, of pegging the country's currency to various instruments at various times, including Pound Sterling, the Saudi Riyal and the US dollar. Since 1980, the exchange rate has remained fixed and pegged to the US dollar at 3.64 Qatari

<sup>51</sup> Peter Alago, "QIA's \$1bn 'fund of funds' seen as key catalyst for VC activity in Qatar", Gulf Times, Sep 13, 2024. <https://www.gulf-times.com/article/690592/business/qias-1bn-fund-of-funds-seen-as-key-catalyst-for-vc-activity-in-qatar>

<sup>52</sup> National Planning Council. Third National Development Strategy 2024–2030.

<sup>53</sup> MF. 2014 Article IV Consultation—Staff Report, IMF Country Report No. 24/43, January 2014

<sup>54</sup> World Bank. World Development Indicators.

<sup>55</sup> Kularatne, Chandana, Ken Miyajima, and Dirk Muir. 2024. "From HydroCarbon to Hightech: Mapping the Economic Transformation of Qatar." IMF Selected Issues Paper (SIP/2024/010).

<sup>56</sup> Sovereign Wealth Fund Institute, "Top 100 Largest Sovereign Wealth Fund Rankings by Total Assets," Accessed 20 November 2024. <https://www.swfinstitute.org/fund-rankings/sovereign-wealth-fund>



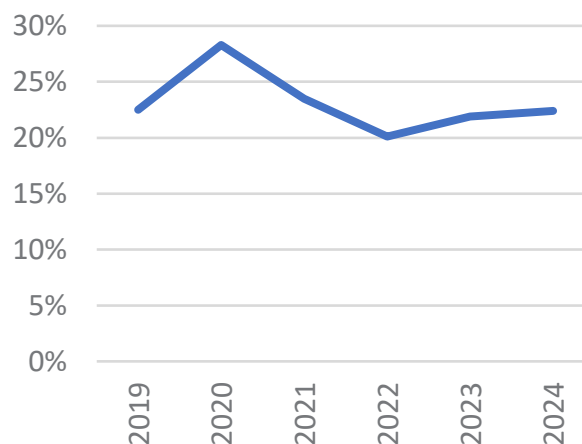
Riyal to the USD. This fixed exchange rate regime was set into law by Royal Decree No.34 of 2001.<sup>57</sup> Other elements of monetary policy in Qatar, such as managing the short-term interbank rates, are undertaken with the fixed exchange rate between the Riyal and the USD in mind. The interest rate framework of the Central Bank focuses on the average overnight interbank rate as the operating target.<sup>58</sup>

Over the past decades, inflation has largely remained in check. The Consumer Price Index (CPI) averaged close to zero between 2020 and 2021, rising to 5.0 percent in 2022 in response to rising global prices following the COVID-19 pandemic and increases in demand across the country in the lead up to the 2022 FIFA World Cup<sup>59</sup>. However, the CPI quickly fell down to 2.8 in 2023 and is expected to fall further to 2.4 in 2024. The government has successfully managed inflationary pressures through a combination of interest rate hikes, price controls, and subsidies.<sup>60</sup> Qatar also benefited from a strong US dollar throughout in keeping local prices in check.

Defending a fixed exchange rate requires the Central Bank to maintain a strong fiscal position. Indeed, the Central Bank has maintained official reserves of between 20-30 percent of GDP (Figure 20).<sup>61</sup> From this strong position, the Central Bank is more than able to defend the Qatari Riyal's fixed exchange rate against the US dollar.

The IMF suggests that this “exchange rate peg continues to serve the country well” and represents “a credible monetary anchor”.<sup>62</sup> Given its fixed exchange rate regime against the US dollar, Qatar's Central Bank pursued a tighter monetary policy that has roughly matched the rate increases by the U.S. Federal Reserve. This has contributed to a moderation in credit growth.<sup>63</sup> While some this tightening transferred over to private

Figure 20. Central bank's official reserves (% GDP)



banks, the IMF contends that private domestic demand for credit during this time was driven more by idiosyncratic drivers of demand growth than by rather than higher bank lending rates.<sup>64</sup>

The banking sector in Qatar remains solid. Most Qatar banks are well capitalized and profitable, with a Capital Adequacy Ratio of 19 percent and an average return on equity of 14.6 percent in 2023,<sup>65</sup> noting a couple of exceptions among the smaller private banks. Non-performing loans are an area of potential concern. The ratio of non-performing loans has increased steadily from 2 percent in 2020 to 3.9 percent by the end of 2023.<sup>66</sup> Qatari banks, especially smaller private banks, are highly exposed to real estate and construction, which are suffering from oversupply. Stage 2 loans ratios are over 30 percent for some banks.<sup>67</sup> The government's control of public expenditure has squeezed businesses and strained their debt service capacity, especially in the real estate market.<sup>68</sup>

The economy continues to rely directly and indirectly on the flow of revenues from oil and gas. Thus, the government's control of spending over the past two years has created

<sup>57</sup> Central Bank of Qatar. Monetary Policy Tools. Accessed 10 September 2024. <https://www.qcb.gov.qa/en/Pages/MonetaryPolicyTools.aspx>

<sup>58</sup> Ibid.

<sup>59</sup> IMF. Article 4 Consultations. Statistical Tables from years 2023, 2018, 2016 and 2014.

<sup>60</sup> Ibid.

<sup>61</sup> IMF. Article 4 Consultations, 2023.

<sup>62</sup> Ibid.

<sup>63</sup> IMF. Gulf Cooperation Council Economic Prospects And Policy Priorities For the GCC Countries, Country, Report No. 23/413. December 2023.

<sup>64</sup> Ibid.

<sup>65</sup> IMF. Article 4 Consultations. Statistical Tables from years 2023, 2018, 2016 and 2014.

<sup>66</sup> James King, “Qatar banks set for steady growth despite government credit paydowns. Lenders are set to benefit from the Gulf state's significant gas infrastructure expansion,” May 24, 2024. <https://www.thebanker.com/Qatar-banks-set-for-steady-growth-despite-government-credit-paydowns-1716537534>

<sup>67</sup> Fitch Ratings. “Qatari Banks Continue to Face Asset Quality Pressures,” Fitch Wire, 28 October 2024. <https://www.fitchratings.com/research/banks/qatari-banks-continue-to-face-asset-quality-pressures-28-10-2024>

<sup>68</sup> IMF. Article 4 Consultations. Statistical Tables from years 2023, 2018, 2016 and 2014.





liquidity and credit constraints in the economy. However, overcapacity in the real estate, hospitality, and retail sectors – preferred sectors of Qatari business owners – suggests that increasing public spending would simply postpone, and even add to, the problem of non-performing loans. How to direct economic activity away from areas of overcapacity is one of the major challenges facing policymakers in Qatar today.

Under NDS3, the Qatari government aims to develop a more sustainable, shock-resistant medium-term fiscal framework. Qatar only recently introduced medium- and long-term financial planning, including a medium-term fiscal framework. The Ministry of Finance is in the process of implementing program-based budgeting. Developing a stronger financial management system will help the country to better manage its finances and plan for the future.

#### *1.2.4. Sustainable development goal (SDG) performance*

Qatar has committed to the global effort aimed at achieving the United Nation's Sustainable Development Goals (SDGs). Indeed, Qatar has made significant progress towards achieving the SDGs, with an overall score of 65 at the global level, meaning that it is nearly two-thirds of the way towards achieving all 17 goals, according to the 2024 Sustainable Development Report.<sup>69</sup> This is close to the average score of 67 for the Middle East and North Africa (MENA) region. However, more can be done. Qatar ranks only 102<sup>nd</sup> among the 167 countries included in the global rankings.<sup>70</sup>

The SDGs that Qatar is closest to meeting, and where progress is continuing, are: Good Health and Well-Being (SDG3), Quality Education (SDG 4), and Industry, Innovation, and Infrastructure (SDG9).<sup>71</sup> These are areas that Qatar has invested considerable resources in over the past two decades. The SDGs that Qatar is furthest away from achieving and where progress has stagnated are: Clean Water and Sanitation (SDG6), Responsible Consumption and Production (SDG12),

<sup>69</sup> Sachs, J.D., Lafortune, G., Fuller, G. (2024). The SDGs and the UN Summit of the Future. Sustainable Development Report 2024. Paris: SDSN, Dublin: Dublin University Press. <https://s3.amazonaws.com/sustainabledevelopmentreport/2024/sustainable-development-report-2024.pdf>

<sup>70</sup> To reduce bias, only countries that report data on more than 80 percent of SDG indicators are given a score and included in the rankings.

<sup>71</sup> Sustainable Development Report 2024 Dashboard. <https://dashboards.sdginde.org/profiles/qatar>

Climate Action (SDG13), and Life on Land (SDG15). These are environmental goals that deteriorated during Qatar's rapid economic expansion during the previous two decades, and where Qatar has now shifted policy focus to tackling.

Qatar has also developed its own national indicators to track its progress towards achieving the SDGs. Some of these differ from the global indicators, but in many ways also highlights Qatar's priorities as it sees them.<sup>72</sup> This section uses the global indicators as a base, but also integrates national indicators as part of the narrative to provide a more comprehensive picture of the SDGs in the state.<sup>73</sup>

*SDG 1: No Poverty:* Qatar has no recorded poverty among its citizens. As such, it has taken the position that the eradication of extreme poverty and the reduction of national poverty rates by half do not apply, noting that one recent UN report did in fact estimate poverty rates among Qatari nationals in 2021 at 0.4 percent.<sup>74</sup> That said, it is important to note that the goal of no poverty applies only to citizens. While poverty among Qatar's migrant population is a real issue, it is not tracked through official statistics and no reliable unofficial estimates are available.<sup>75</sup> In terms of other SDG1 indicators, 100 percent of the population is estimated to live in households with access to basic services, including clean drinking water and sanitation. Also, the proportion of total government spending that goes to essential services (education, health and social protection) was estimated at 19.4 percent in 2021.

*SDG 2: Zero Hunger:* The prevalence of undernourishment in Qatar was 2.5 percent in 2021, down from 3.2 percent in 2016. Qatar is on track to reaching its target of zero percent by 2030. Similarly, in 2021, the prevalence of stunting and wasting among children under 5 year of age was 2.6 percent and 0.7 percent, respectively. Both indicators are considered to be on track to meeting SDG targets by 2030. Where Qatar is struggling is the prevalence of obesity,

<sup>72</sup> Planning and Statistics Authority, Summary Report of the Sustainable Development Goals 2022 in the State of Qatar. [https://www.npc.qa/en/media/Doc/Sustainable/SDG\\_Report\\_2022.pdf](https://www.npc.qa/en/media/Doc/Sustainable/SDG_Report_2022.pdf)

<sup>73</sup> The remainder of this section references data from Sustainable Development Report 2024, including the Sustainable Development Report, Dashboard (<https://dashboards.sdginde.org/profiles/qatar>) and PSA 2022.

<sup>74</sup> Sustainable Development Report, Dashboard. <https://dashboards.sdginde.org/profiles/qatar/fact-sheet>

<sup>75</sup> Qatar is home to 2.4 million migrant workers, many of whom live in poor living conditions and a large number are in debt to recruitment agencies in their home countries that (illegally) charge them fees to bring them to Qatar. Those who could not find work are quite destitute, without income or the means to return home.



which reached 43 percent among its adult and 7.5 percent among its child population in 2021. Far from improving, these rates have been increasing over time. In terms of the prevalence of moderate or severe food insecurity in the population, Qatar ranked 37th in the world and 3rd in the Arab region in 2020, down from 13th and 1st in 2019. **SDG3: Good Health and Well-Being:** SDG3 is one of the areas that Qatar has excelled in, having achieved close to 85 percent of its goals by 2021 and well on its way to achieving most by 2023. The maternal mortality ratio was 7.6 out of 100,000 live births in 2020.<sup>76</sup> This ranks Qatar 34th in the world. In 2022, the neonatal mortality rate and the mortality rate under 5 were 2.9 and 5.2 per 1000 live births, respectively. Both indicators compare well with global averages and are on target to meet their 2030 targets. Other health indicators that Qatar is performing well on including death rates due to non-communicable diseases, vaccination rates, traffic deaths, and adolescent fertility rates. Targets that are at risk of not being met include, deaths due to air pollution and universal health coverage.

**SDG 4: Quality Education:** Education is a second key area where Qatar has excelled. Qatar is on track to meeting 90 percent of its goals under the SDGs. In 2020, net primary enrollment rate was 98 percent and primary school completion rate was 99 percent. The completion rate for lower secondary was 98 percent and for upper secondary was 85 percent. One area where Qatar is at risk of falling short of its targets for 2030 is the participation rate in pre-primary organized learning, which was 88 percent of children aged 4 to 6 years old. There is a gender gap in educational outcomes, but it strongly favors young women. For example, upper secondary completion rates were 78 percent for males and 92 percent for females. In terms of its national targets, Qatar has emphasized students achieving minimum proficiency levels in reading, mathematics and English on national tests. Here the results are mixed. For example, English proficiency has improved at the primary stage, but declined at the secondary stage.

**SDG 5: Gender Equality:** Qatar is on track to meeting only 50 percent of its goals on gender equality, according to global indicators. The one major goal that it is on track to achieving is the ratio of female-to-male average years of education, which stood at over 1.2 in 2022. Qatar has also done remarkably well in terms of labour force participation among women, which was nearly

two-thirds that of men (0.664) in 2023. While this might be average by global standards, it is among the highest ratios in the MENA region. Targets where Qatar is falling short include demand for family planning (69 percent of women between 15-49) and seats held by women in the Shoura Council (4 percent). In terms of its national targets, Qatar has emphasized putting in place legal and policy frameworks to promote, enforce and monitor equality and non-discrimination on the basis of sex. With 84 percent of these frameworks in place by 2022, Qatar is on track to meeting this target by 2030.

**SDG 6: Clean Water and Sanitation:** Qatar is on track to achieving 50 percent of global targets under SDG6. The country has met, by 2022, the two main targets with 100 percent of its population using basic drinking water and 100 percent using basic sanitation services. Where the country is falling short is in terms of its water usage. For example, freshwater withdraws were estimated at 431 percent of available freshwater resources in 2021. Qatar has limited fresh groundwater and as they are depleted, saltwater is seeping into its aquifers increasing their salination and decreasing their usability. In terms of national targets, Qatar has identified the proportion of safely treated wastewater as a key target, which it has essentially met, reaching 99.7 percent in 2021.

**SDG 7: Affordable and Clean Energy:** Qatar is on track to achieving 70 percent of global targets under SDG7. As a major producer of energy, this is not a surprise. Indeed, as early as 2016, when indicators were first tracked, the country had already met the two main targets: 100 percent of its population had access to electricity and 100 percent had access to clean fuels and technology (for cooking). Where Qatar is falling short is in its carbon emissions per electricity output and renewable energy share in total energy consumption. That said, Qatar has been making progress on both these indicators.

**SDG 8: Decent Work and Economic Growth:** Qatar has achieved two thirds of its targets on SDG8. GDP growth was 2.3 percent in 2022 and its unemployment rate was exceptionally low at less than 1 percent. It is also close to being on track to meeting its targets with regard to victims of modern slavery (6.8 per 1,000 population) and financial inclusion (66 percent of adults have an account at a financial institution or service provider). It is falling short on a few global indicators, including its targets for fatal work-related accidents which imbodyes in imports (5 per million population). In terms of national indicators, Qatar has virtually no informal employment in the total employment and no child labour. The proportion of youth (aged 15 - 24 years) not in education, employment or training in 2020 was only 2.4 percent.

<sup>76</sup> According to Qatar's official statistics, this figure is even lower, at 3.5 out of 100,000 live births in 2020. When official statistics and global statistics do not align, we report on the global estimates. This is because many of the differences are due to how indicators are defined, and the global indicators are more familiar to readers.



*SDG9: Industry, Innovation, and Infrastructure:* Qatar is meeting over 80 percent of its targets on SDG9. Practically all global targets were on track in 2022, including population using the internet (100 percent) and population with mobile broadband subscriptions (174 percent). Logistics performance, university rankings, and knowledge production were all also on track versus targets. The one global target that is lagging was expenditure on research and development (0.7 percent of GDP). In terms of its national targets, Qatar has not made progress on industrialization, an objective linked to economic diversification efforts. Manufacturing value added as a share of GDP has remained at 8.0 percent (same as in 2016), whereas manufacturing value employment as a proportion of total employment has declined.

*SDG 10: Reduced Inequalities:* Qatar has not produced recent statistics on inequality, and so it is not possible to track its progress. In 2017/2018, the latest year data are available, the Gini coefficient was estimated to be 0.425, which reflects high levels of income inequality overall. This is to be expected given the country's population makeup of citizens and non-citizens. Disaggregating this figure by nationality, the Gini coefficient among Qataris nationals was 0.284, which is quite low and on par with Denmark. Among non-Qataris the Gini coefficient was 0.350, which is relatively high and reflects the divergence in skill sets and salaries among the migrant workforce. In 2017/2018, the share of Qatar's population living below 50 percent of median income (a measure of the relative poverty rate) was estimated to be 15.2 percent (3.7 percent among Qatari nationals and 23.2 percent among non-Qataris).

*SDG 11: Sustainable Cities and Communities:* Qatar is meeting around 60 percent of its targets on SDG11. The reported share of the urban population living in slums is zero. However, many low skill migrant workers do live in sparse and crowded conditions. Recent labour laws are improving these conditions. Qatar also has a modern and well-developed public transportation system, which an estimated 94 percent of the population can easily access. Where Qatar is falling short on global targets is the large concentration of particulate matter in the air, which at 106 ug/m<sup>3</sup> for PM<sub>2.5</sub> is considered poor.

*SDG 12: Responsible Consumption and Production:* Qatar's progress on meeting global targets set under SDG12 have been around 45 percent. Key areas of concern in terms of falling short include electronic waste per capita, production-based air pollution, and nitrogen emissions. On the important target of municipal waste, there have been no updates to the benchmark figure of 1.2 kg/capita/day in 2012. Some national indicators have

shown a positive trend. The proportion of hazardous waste being recycled has increased from 29 percent in 2016 to 46 percent by 2021. However, the recycling of solid waste has declined from 0.63 percent of total municipal waste in 2016 to 0.18 percent in 2021.

*SDG13: Climate Action:* Qatar is off track to achieving any of the global targets around SDG13. After a decade of rapid economic growth and infrastructure development, Qatar has the highest per capital emissions of greenhouse gases (GHGs) in the world and this is reflected in high levels of CO<sub>2</sub> emissions from fossil fuel combustion and cement production (37.8 tCO<sub>2</sub>/capita in 2022) and other indicators, such as GHG emissions embodied in imports (18.8 tCO<sub>2</sub>/capita in 2021). Qatar's national targets focus on the impact of natural disasters, the integration of climate change measures into national policies, strategies and planning, and raising awareness, all of which Qatar has taken tangible steps to achieving.

*SDG14: Life Below Water:* Qatar is meeting around 80 percent of its targets on SDG14. Most of the positive outcome is from sustainable fishing practices; 90 percent of Qatar's fish stock were within biologically sustainable levels in 2021, up from 80 percent in 2016. Areas for improvement include conservation; only 60 percent of marine sites important to biodiversity were protected in 2023. Qatar has made improvements in its clean water score of 76, but more can be done to reach a top score of 100.

*SDG15: Life on Land:* Qatar is meeting only 50 percent of its targets on SDG15. Here too, the main issue is conservation; only 60 percent of terrestrial sites important to biodiversity were protected in 2023. Qatar's red list index of species survival is 0.81, which is extremely high. Qatar's score has declined slightly from 0.84 in 2016. Finally, Qatar's efforts at increasing forestation have progressed too slowly.

*SDG16: Peace, Justice and Strong Institutions:* Qatar is meeting 75 percent of its targets on SDG16, noting that several key global indicators are not reported. Qatar is among the safest countries in the world with a homicide rate of 0.3 per 100,000 population in 2021, among the lowest in the world. Qatar also does marginally well on issues of unsentenced detainees (36 percent of the total prison population) and perceptions of corruption score of 58 out of a top score of 100 in 2022, and a press freedom score of 59 in 2024, out of a top score of 100, noting that more can be done to improve all three indicators. In terms of national targets, in 2021 Qatar was ranked 29th in the world and 1st in the Middle East in the proportion of population that feel safe walking alone around the area they live after dark.





*SDG17: Partnerships for the Goals:* Finally, Qatar is meeting only around 50 percent of its targets on SDG17. Government spending on health and education is not that high; at 5.7 percent of GDP in 2021. However, this indicator misrepresents Qatar's needs. Qatar has a very high income per capita and most of the people living in Qatar are foreign working-age adults without their families. Overall expenses on health and education (as a share of GDP) should be expected to be low. In terms of development assistance, Qatar spends 0.3 percent of Gross National Income (GNI) on international concessional public finance. This is less than the Development Assistance Committee (DAC) target of 0.7 percent of GNI and has been in decline. On the other hand, Qatar ranks relatively high on the index of countries that support UN-based multilateralism (score of 76 out of 100). In terms of its national targets, the percentage of remittances was 7.25 percent of GDP in 2020.

## 2. Diagnosing the drivers of the economic development

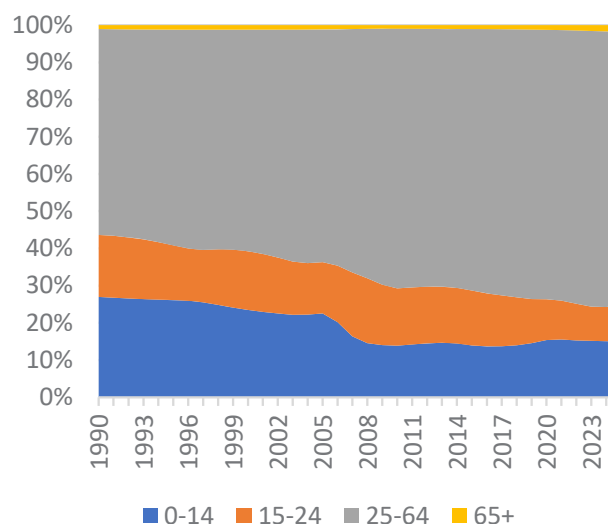
### 2.1. Education

Over the past three decades, Qatar used its new wealth to invest in educational infrastructure and institutions. Public and private schools were built to accommodate the rapid increase in the number of school children. Between 1990 and 2023, the number of children and youth under 25 more than tripled, from 192,000 to 725,000 (Figure 21).<sup>77</sup> However, the share of children and youth in the population declined from 44 percent in 1990 to 24 percent in 2023, since most migrants to Qatar during this time were low-wage workers who arrived without their families to engage in construction, domestic help, and other blue-collar activities.

Improving the quality of education was a top priority for the Qatari state during this time. In 2001, Qatar began a massive effort to reform its public education system. Its three pillars were to increase school autonomy, improve curriculum standards and accountability, and support teacher and school leaders' standards and licensing. The most radical element of the reforms was to transform all public schools into autonomous independent schools. The reforms helped to improve education outcomes, such as student achievement on international tests. However, despite these achievements, the experiment with independent schools was deemed to be unsuccessful

<sup>77</sup> United Nations, Department of Economic and Social Affairs, Population Division (2024). World Population Prospects 2024: Data Sources. (UN DESA/POP/2024). <https://population.un.org/wpp/>

Figure 21. Population shares by age group



and, in 2017, they were brought back under the control of the Ministry.

Spending on education reflects this evolution. Between 2000 and 2008, it increased from under 10 percent to over 15 percent of total government spending (Figure 22).<sup>78</sup> Education spending declined in subsequent years as school infrastructure was completed. However, by 2017, it had fallen to significantly below 2000 levels, both relative to total government spending and as a share of GDP.

This appears to reflect a reduced focus on education during this time, as the number of students in public schools and universities continued to increase steadily, except for a brief slowdown between 2017 and 2019 (Figure 23).<sup>79</sup> Since 2017, spending on education as a share of total government spending had plateaued. Education spending as a share of GDP is more difficult to track, as it correlates negatively with the rise and fall of the global prices of oil and natural gas.

As a result of its investments in education, Qatar has near universal enrollment rates in primary and secondary school (Figure 24).<sup>80</sup> Qatar has also achieved remarkable increases in preprimary enrollment rates, reaching over 60 percent. At the tertiary level, Qatar offers amazing opportunities, both through its flagship national institution,

<sup>78</sup> World Bank. World Development Indicators. Accessed September 2024. For years 2021, 2022, and 2023, figures are based on education budget outlays published by the Qatar Ministry of Finance.

<sup>79</sup> National Planning Council. Statistical Abstract, Chapter 4: Education, 2023, 2019, 2015, and 2012.

<sup>80</sup> World Bank. World Development Indicators. Accessed September 2024.



Figure 22. Government spending on education

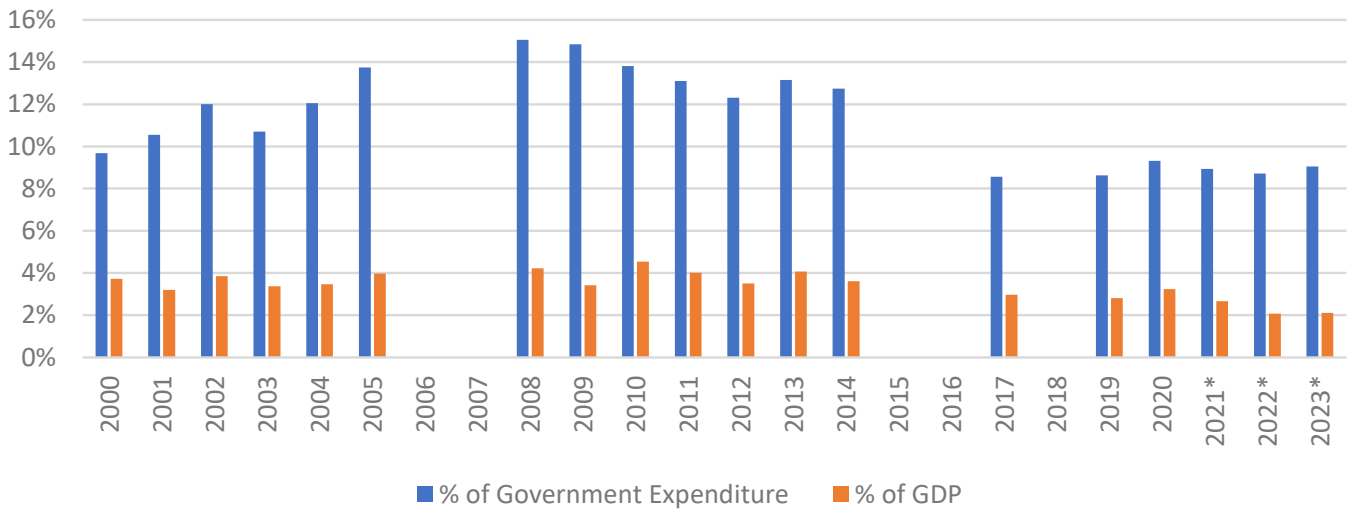


Figure 23. Number of students in schools and universities (2007 - 2023)

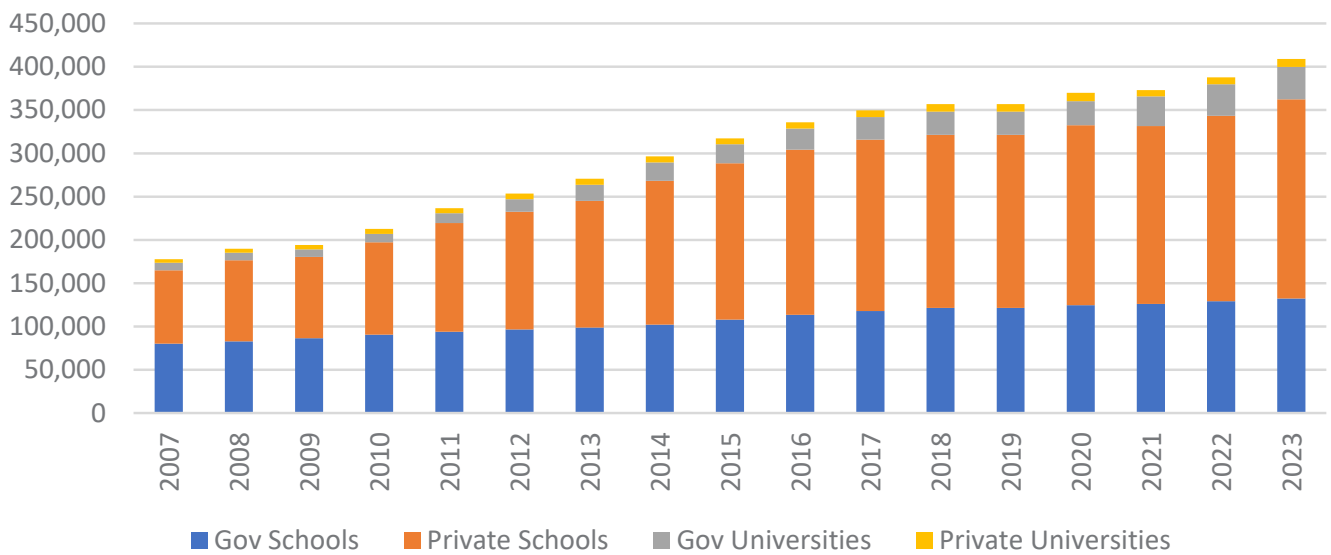
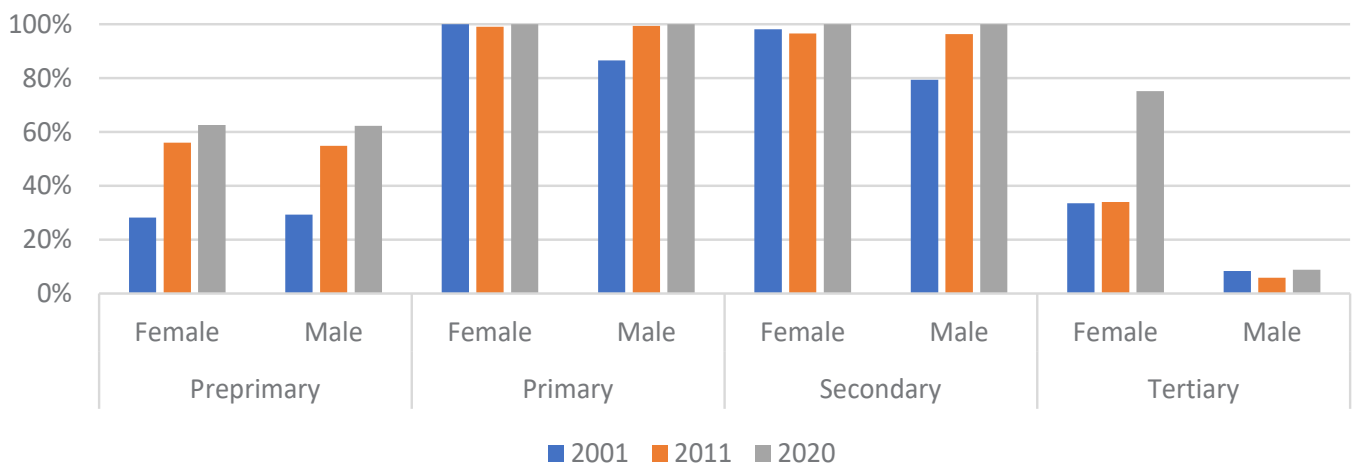


Figure 24. School enrolment rates (% gross)



Qatar University, but also through a number of smaller public and private colleges and universities as well as branch campuses of seven leading universities in the world. Tertiary enrolment rates among females have responded, reaching close to 80 percent. However, tertiary enrolment rates among young men are less than 10 percent. Part of this reflects the fact that young men are more likely to study abroad. However, young male nationals are also drawn to high salaries they can earn in government positions with only a secondary or vocational degree.

Students in Qatar witnessed significant improvements in average scores on international standardized tests. Student scores on the Trends in International Mathematics and Science Study (TIMSS) increased from just under 300 on 4<sup>th</sup> grade math and science assessment and just over 300 on 8th grade math and science assessments in 2007 to close to 450 on average in 2019.<sup>81</sup> Test scores increased among both Qatari nationals and foreign students. This is a marked improvement, noting Qatar students still fell below the global average of 500. Indeed, through 2022, a majority of students continued to perform below minimum proficiency level in mathematics and science.

Since the construction boom that preceded the 2022 FIFA World Cup ended, there is an expectation that the makeup of migrant workers tilts more towards white collar service workers who are more likely to arrive in the country with families. As a result, the share of children and youth may increase. There is also an expectation that Qatar will seek to develop policies that would encourage migrant workers to send their money in country rather than send remittances home, again favoring policies that encourage family migration.

## 2.2. Health

Qatar has a modern and well-developed health system. The public health system is anchored by a network of public clinics that link up to a world class medical system, Hamad Medical Corporation. These are supplemented by a network of private clinics and private hospitals. The strong health system allowed Qatar to have among the lowest COVID-19 fatality rates in the World during the COVID-19 pandemic, at only 0.1 percent of confirmed cases, on par with Singapore and South Korea and ten times lower than that of the United States or United

Kingdom.<sup>82</sup>

Government spending on public health has increased dramatically in recent years, doubling from 4 percent of government spending in 2011 to 8 percent in 2021.<sup>83</sup> This coincides with expansion in medical care facilities and offerings as Qatar seeks to provide world class medical services within the country. Qatar has a high prevalence of non-communicable diseases (NCDs), such as obesity, diabetes, and cardio-vascular disease. To manage costs while improving population health and well-being, NDS3 calls for increasing the involvement of the private sector and private insurance schemes. There is also greater emphasis in NDS3 and the 2024-2030 National Health Strategy to enable the population to become more health conscious and empowered to be proactive in their own health management.<sup>84</sup>

During this time, key health indicators dramatically improved across the spectrum (Figure 26):<sup>85</sup>

- Maternal mortality fell from 28 per 100,000 live births in 2000 to only 8 in 2020.
- Infant mortality rate fell from 11 per 1,000 live births in 2000 to 4.5 in 2022.
- Neonatal mortality rate fell from 6.6 per 1,000 live births to 2.9 in 2022.
- Immunization rates for measles increased from 91 percent in 2000 to 99 percent in 2022.
- Life expectancy at birth increased from 75 in 2000 to 82 by 2022.

Qatar's main health challenge is the high prevalence of non-communicable diseases, such as high rates of obesity and diabetes. As such, Qatar's Third National Health Strategy (2024-2030) identified the top priority for the state is to help develop a health-conscious population that takes responsibility for their own health and well-being. This will require shifting behaviors and developing healthier lifestyles.<sup>86</sup> In 2012, Qatar launched National Sports Day as an official holiday as a way of promoting a healthy lifestyle.

<sup>82</sup> Johns Hopkins University. Corona Virus Resource Center. <https://coronavirus.jhu.edu/data/mortality>

<sup>83</sup> World Bank. World Development Indicators. Accessed September 2024. For years 2022 and 2023, figures are based on education budget outlays published by the Qatar Ministry of Finance.

<sup>84</sup> National Health Strategy 2024-2030 "Health for All" [https://www.moph.gov.qa/english/NHS/Documents/NHS\\_2024\\_2030\\_EN.pdf](https://www.moph.gov.qa/english/NHS/Documents/NHS_2024_2030_EN.pdf)

<sup>85</sup> World Bank. World Development Indicators. Accessed September 2024.

<sup>86</sup> National Health Strategy 2024-2030 "Health for All" [https://www.moph.gov.qa/english/NHS/Documents/NHS\\_2024\\_2030\\_EN.pdf](https://www.moph.gov.qa/english/NHS/Documents/NHS_2024_2030_EN.pdf)

<sup>81</sup> TIMSS International Database. Accessed September 2024. <https://timss2019.org/international-database/>





Figure 25. Domestic general government health expenditure

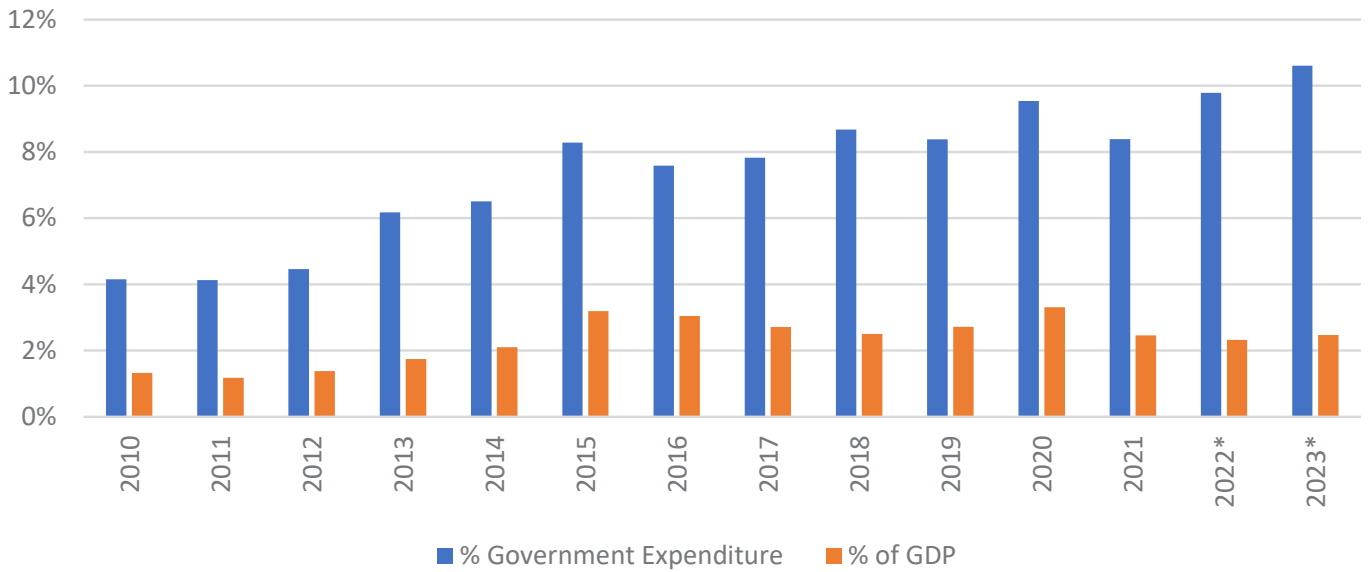
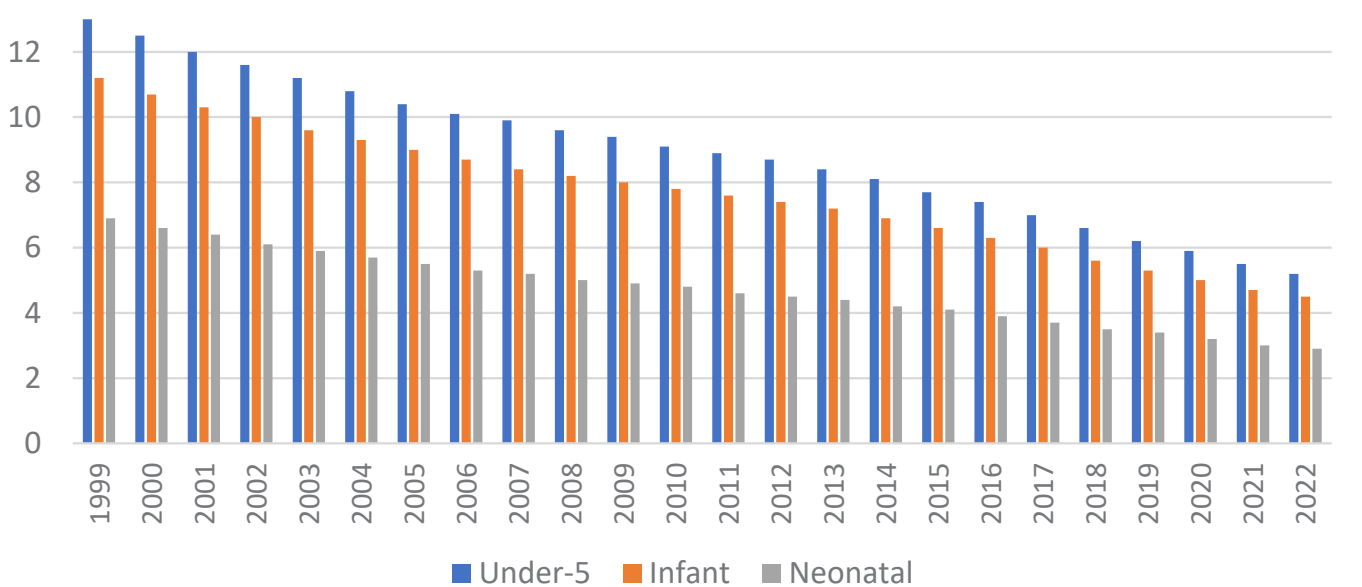


Figure 26. Mortality rates (per 1,000 live births)



### 2.3. Labor force

Qatar’s labour force expanded dramatically over the past three decades, as the economy and population exploded following the country’s production and export of liquefied national gas. Qatar’s labour force increased from 280,000 in 1997 to 832,000 in 2007 to 2,100,000 in 2017 (Figure 27).<sup>87</sup> The labour force has remained relatively steady since then, expanded only slightly to 2,200,000 in 2023.

The labour force is dominated by foreign workers, whose share has fluctuated around 95 percent since 2014. The

share of Qatari nationals in the labour force reached a low of just under 5 percent in 2016. Since then, it has been trending upwards, reaching close to 6 percent in 2023. Qatari policymakers have been keen to increase this share even further and have instituted various nationalization targets aimed at ensuring that the numbers do not slip back down.

Around 91 percent of the Qatari national workforce works in the public sector (Figure 28)<sup>88</sup>, either in a government agency (70 percent) or a state-owned enterprise (12 percent), or the mixed sector (8 percent). These numbers are similar for Qatari men and women. Only 9 percent of Qatari men and 8 percent of Qatari women work in the

<sup>87</sup> Qatar National Planning Council. Annual Bulletin Labour Force Sample Survey, various years. <https://www.psa.gov.qa/en/statistics1/pages/topicslisting.aspx?parent=Social&child=LaborForce>

<sup>88</sup> Ibid.



Figure 27. Labor force (2007 - 2023)

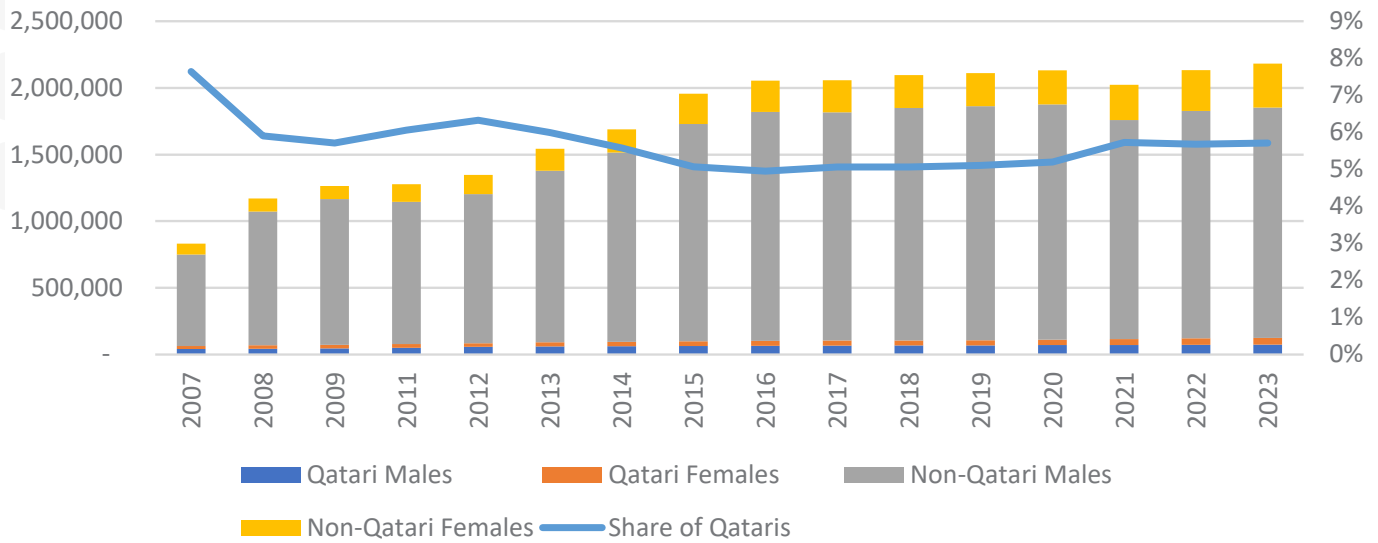
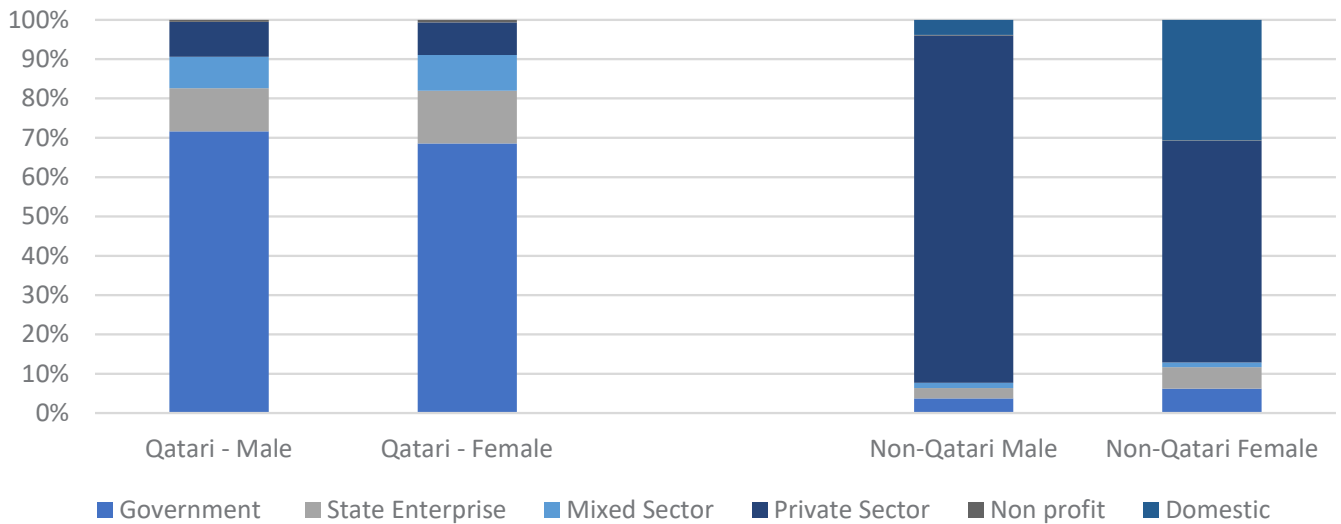


Figure 28. Employment by sector (2023)



private sector. By contrast, over 91 percent of foreign workers work in the private sector, 92 percent of foreign men and 87 percent of foreign women. Furthermore, among foreign women, 35 percent of those who work in the private sector are domestic workers. Qatar has plans to increase the participation of Qataris in the private sector. However, it is difficult to see how this will happen without substantial intervention by the state to subsidize salaries, provide benefits, or introduce quotas, which might lead to the introduction of ghost workers.

Expatriate men are by far the largest segment of the labour force, accounting for over 80 percent in most years. However, the share of women in the labour force has been increasing over the past decade. Among the national workforce, the share of Qatari women increased from 34 percent in 2013 to 41 percent in 2023.<sup>89</sup> Likewise,

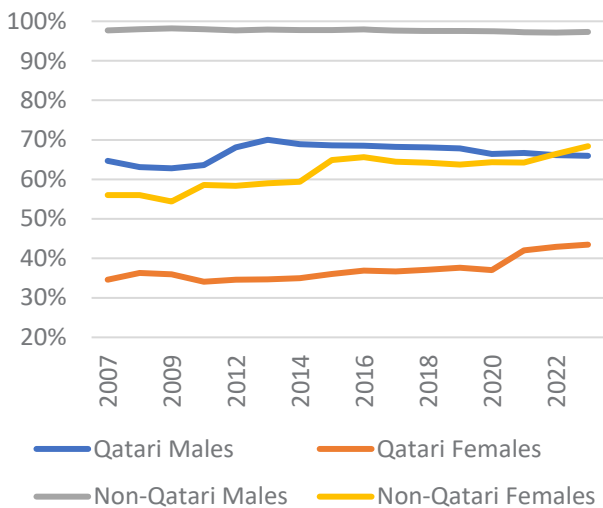
among foreign workers, the share of women increased from 11 percent in 2013 to 16 percent in 2023. These trends reflect several structural changes in the labour market. Among Qatari women it reflects increasing levels of educational attainment and an interest in working. Among foreign workers, the increase reflects a shift away from construction, mostly done by men, to utilizing what has been built. It might also reflect a downward pressure on wages since 2014, a response to a fall in global oil prices, requiring families to increasingly rely on two earners.

Labour force participation rates in Qatar reflect these trends. Among Qatari men, participation rates have held steady since 2007 at 63-70 percent (Figure 29).<sup>90</sup> Among Qatari women, labour force participation rates increased slowly but steadily from 35 percent in 2013 to 43 percent in 2023. Among foreign men, labour force participation

<sup>89</sup> Ibid.

<sup>90</sup> Ibid.



**Figure 29. Labor force participation rates**

rates held steady at 97-98 percent. With few exceptions, such as students or retired individuals residing with a family member, foreign men must work in order to retain their residency status. Among foreign women, labour force participation rates increased from 59 percent in 2013 to 68 percent in 2023. Again, this likely reflects the composition of the workforce towards services and increased financial pressures.

Unemployment rates in Qatar are incredibly low, standing at less than 1 percent in 2023 (Figure 30).<sup>91</sup> Among Qataris, there is a relatively small pool of workers in the labour market. At the same time, nationalization efforts aim to employ as many as possible. There are simply not enough nationals for the positions available, as a result any Qatari who wants a well-paying job can find one. Indeed, competition over skilled nationals among government agencies and organizations is so strong that many young Qataris find themselves in leadership positions within a few years of graduating.

Among foreign workers, the main issue is work permits. Unemployed workers have only a few months to secure a job before they are forced to leave. Part of the pressure is that the Qatari government has come down hard on undocumented workers. However, living expenses also play a role. The cost of living in Qatar are high. Unfortunately, low-income foreign workers have difficulty leaving, besides covering the costs of their return tickets, many have debts to pay to recruitment agencies that helped them secure employment. While the law requires companies to pay recruitment costs of workers, this practice continues and can amount to several months' salary.

<sup>91</sup> Ibid.

With the support of an ILO Project Office established in 2014, Qatar has made substantial strides in improving the work conditions of foreign workers in the country. In 2020, Qatar became the first GCC to abolish key aspects of the Kafala system, a sponsorship system which attaches workers to specific employers. Workers can now change jobs without having to obtain a “no objection” letter from their current employers. Qatar also established a minimum wage that covers all workers and set up a Wage Protection System to monitor the payment of workers' wages, reducing abuses and resolving disputes.<sup>92</sup>

## 2.4. Institutional development

Qatar is a country in transition. It has grown remarkably over the past three decades and it has sought to develop institutions to manage this growth and to meet the needs of its citizens. Qatar has invested heavily in a variety of institutions that have left their mark on the country, the region, and the world.

In terms of government functions, the capacity of various ministries and government agencies varies considerably. Among the strongest are the Ministry of Foreign Affairs, which successfully navigated Qatar's response to the diplomatic fallout from the three-year blockade from its neighbors between 2017 and 2020. The Ministry of Public Health also stands out, successfully managing the country's response to the COVID-19 pandemic. Finally, the Supreme Committee for Delivery and Legacy, which was responsible for organizing the 2022 FIFA World Cup, delivered by all accounts an exemplary event.

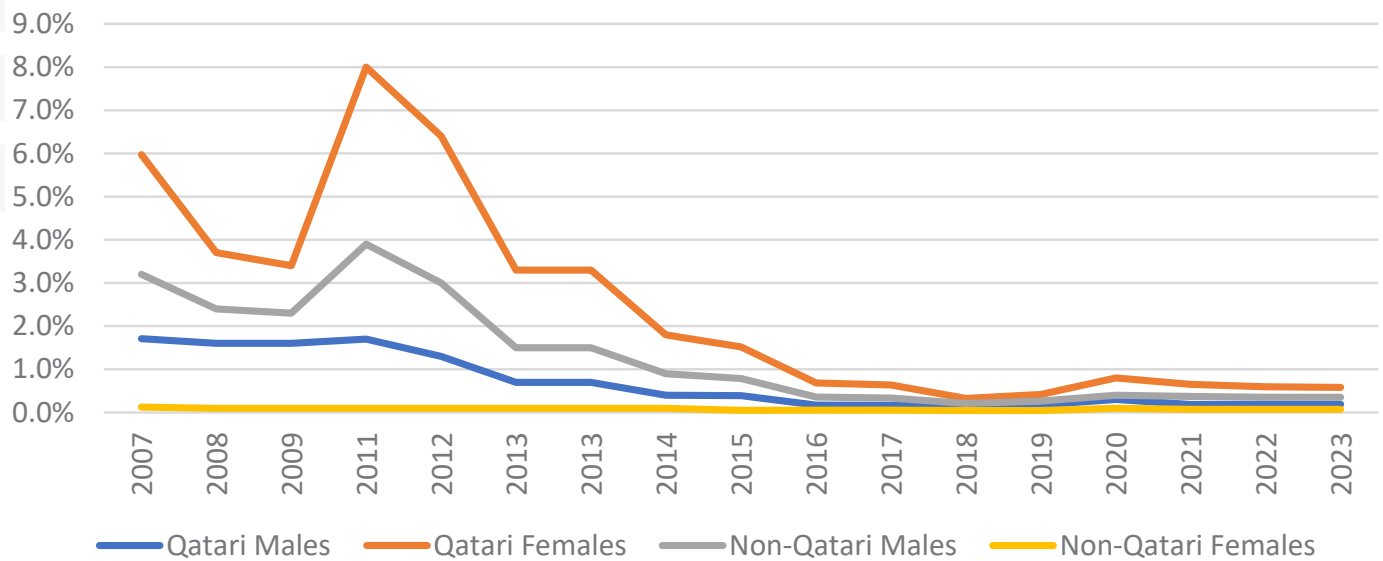
Since 2000, key indicators related to the quality of governance have improved markedly. According to the World Bank's Worldwide Governance Indicators, Qatar's percentile global ranking on regulatory quality increased from a middling 53 percentile ranking in 2000 to the 77th percentile in 2022 (Figure 31).<sup>93</sup> Likewise, Qatar's ranking on Rule of Law improved from the 64th to the 79th percentile rank by 2022. Qatar has consistently ranked highly on Political Stability and Control of Corruption, hovering around the 80<sup>th</sup> percentile, noting that both indicators reached their zenith in the golden period between 2009 and 2013, when oil prices were high. Finally, the only governance indicator that Qatar scores below the global average on is Voice and Accountability, reaching just above the 20th percentile rank in 2022, noting that

<sup>92</sup> ILO. Labour reforms in the State of Qatar: Coming together around a shared vision. October 2022.

<sup>93</sup> Daniel Kaufmann and Aart Kraay. Worldwide Governance Indicators, 2023. Accessed on 10/19/2023.



Figure 30. Unemployment rates (2007-2023)



Qatar ranked higher on Voice and Accountability than all other countries of the Gulf save for the democratically inclined Kuwait.

In fact, Qatar ranks either first or second in the GCC across all worldwide governance indicators. In 2023, it ranked highest in the GCC in terms of Political Stability and Rule of Law and slightly behind the UAE in terms of Control of Corruption, Government Effectiveness, and Regulatory Quality (Figure 32).<sup>94</sup> In terms of its average percentile ranking across all indicators, Qatar leads the GCC at 71.5 followed by the UAE at 71.2. The average ranking for the other GCC countries is in the 54 – 58 percentile range.

Qatar also pursued a strong public-sector-led development model, establishing flagship state-owned enterprises to spearhead economic development, innovation, and growth. These include Qatar Energy, which oversees the nation’s most precious natural resource. Qatar National Bank and Ooredoo Telecommunications Company, have helped the country’s banking and telecommunication sectors leapfrog to prominence on the international scene, including establishing subsidiaries in other countries. Qatar Airways, which has one Skytrax’s prestigious best airline award eight times since 2011.

Government capacity has been complemented by other institutions that have played a vital role in the country’s development. Chief among them has been Qatar Foundation for Education, Science and Community Development, a non-profit private enterprise for public benefit founded in 1995. It hosts seven branch campuses

of leading global universities, including Weill Cornell Medicine, Carnegie Mellon University, Georgetown University School of Foreign Service, and Northwestern University. It also hosts a number of world-class research centers, including Qatar Computing Research Institute and the Qatar Biomedical Research Institute. It also hosts several social initiatives that aim to spearhead social and community development in the country, the wider Middle East and the world, such as the World Innovation Summit for Education (WISE) and the World Innovation Summit for Health (WISH).

However, the country continues to struggle in critical areas, such as education. In 2002, in a part of a major reform of the education system, Qatar established the Supreme Education Council to spearhead reform efforts in the public school system. The Supreme Council eventually replaced the Ministry of Education in 2009. During this time, Qatar achieved substantial improvements in teacher quality and student achievements; however, educational outcomes remained below international standards. As a result, in 2014, the Supreme Council was replaced by the Ministry of Education and Higher Education and key elements of the reform efforts were reversed.

NDS3 includes Government Excellence as one of the country’s seven strategic national outcomes. The focus is on government service delivery, where the aim is to achieve a satisfaction rating of over 85 percent and to digitalize 90 percent of services end-to-end.<sup>95</sup> Other goals include being among the top 20 percent of countries in terms of government effectiveness and achieve a score

<sup>94</sup> Ibid.

<sup>95</sup> National Planning Council. Third National Development Strategy 2024–2030.



Figure 31. Worldwide governance indicators, Qatar (rank)

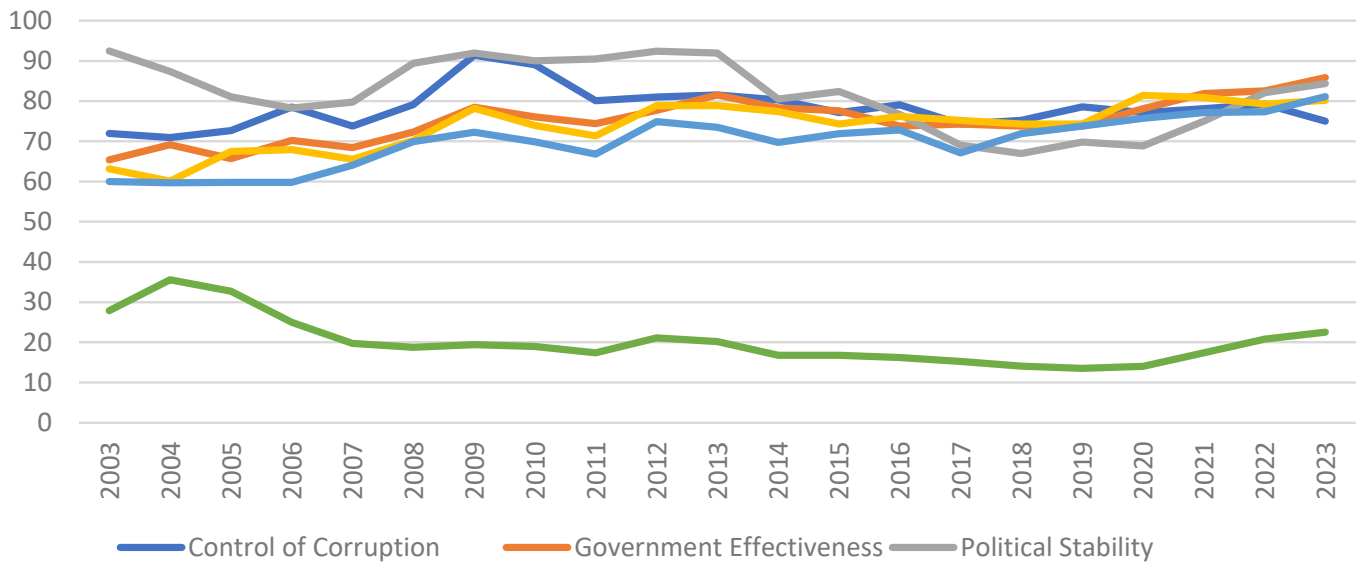
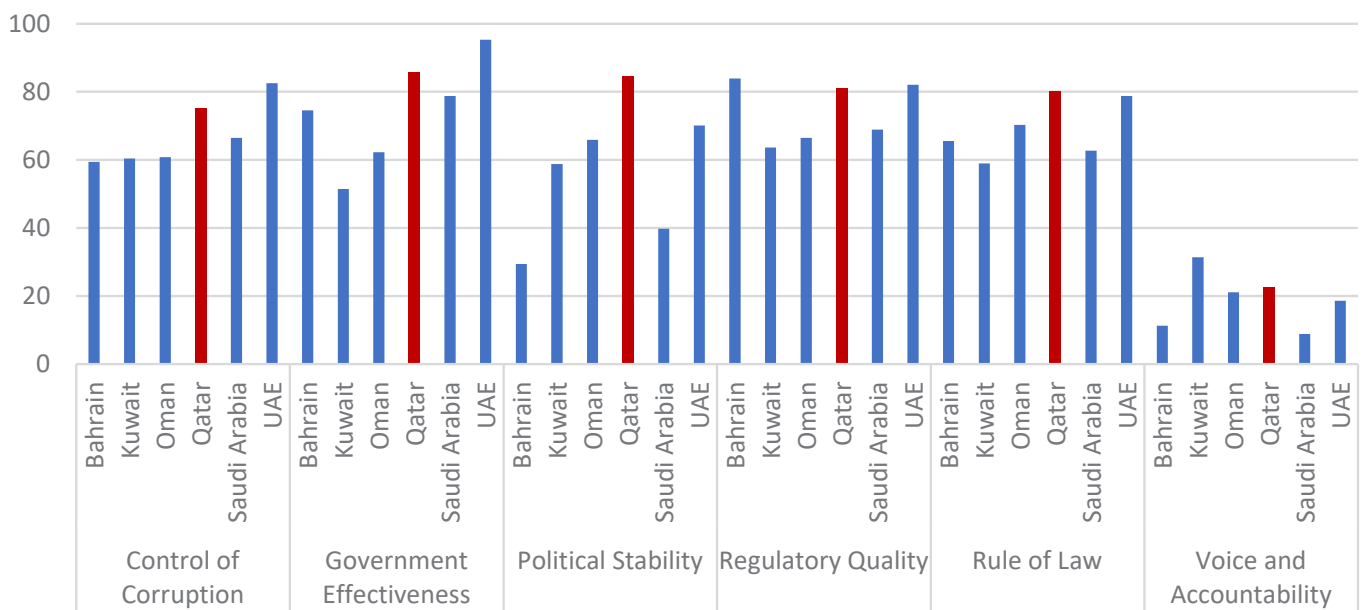


Figure 32. Worldwide governance indicators, GCC (2023)



of above 70 on Transparency International’s Corruption Perception Index, as compared with a score of 58 in 2023, which ranks Qatar 40 out of 180 countries, second only to the United Arab Emirates in the entire Arab region.<sup>96</sup>

<sup>96</sup> Transparency International. Corruption Perceptions Index. Accessed October 2024. <https://www.transparency.org/en/cpi/2023/index/qat>

## 2.5. Financial sector development

Qatar’s financial services sector is the second largest contributor to economic activity in the country, after the hydrocarbon industry, accounting for approximately 8 percent of GDP in 2022.<sup>97</sup> Qatar’s financial sector remains relatively underdeveloped, dominated primarily by a

<sup>97</sup> Invest Qatar. Financial Services. Accessed October 2025.





single large national bank and other public institutions. The financial sector, especially lending, also caters to government operations and large corporations. This setup stifles the kind of innovation and risk-taking that are the hallmarks of a private-sector led, knowledge-based economy.

While national champions were necessary to spur innovation and growth during the early phases of Qatar's economic development, their continued dominance has arguably dampened competition and the kind of market disruption that is needed during the country's transition from an energy-based to a knowledge-based economy. As such, Qatar's Third Financial Sector Strategic Plan, which is aligned with the country's NDS3, aims to spur development and innovation in the sector.

Qatar National Bank, which was established by the state and in which the state maintains a 50 percent equity stake, is by far the largest financial institution in the country, accounting for around 54 percent of banking assets. Among the smaller private banks, the largest are Qatar Islamic Bank, Commercial Bank of Qatar, and Masraf Al-Rayyan, each with around a 10 percent of total banking assets. Combined, the assets of Qatari banks amounted to 548 billion USD in 2022, with operating income of 18.5 billion USD and net income of 7.3 billion USD, generating profits (return on equity) of just over 10 percent.<sup>98</sup>

The Qatar Stock Exchange was established in 1995 and officially started its operations in 1997 with 17 listed companies, under the name of Doha Securities Market (DSM).<sup>99</sup> It has grown to 52 companies by 2024. Its total market capitalization was just over 170 billion USD in September 2024.<sup>100</sup> Other segments of the financial services sector include insurance, also dominated by a large national firm with around 65 percent of the market. However, the market itself is relatively small valued at around 4 billion USD in total in 2024. In 2020, Qatar also established the Qatar FinTech Hub, with the aim of supporting and spurring innovation in the country's nascent digital finance ecosystem.

As part of NDS3, Qatar aims to develop its insurance sector, establishing an insurtech hub and enacting reforms and incentives to increase local market penetration. Qatar also aims to develop its financial

ecosystem, including digital payments. It aims to increase the depth of its equity capital markets through new listings and attracting international investors. Finally, Qatar aims to support financing of Qatari SMEs by introducing new regulations, by promoting banking and alternative financing schemes.

## 2.6. Infrastructure development

Qatar has undergone a massive transformation over the past two decades. Qatar has used the revenues from oil and natural gas to quickly build and develop the infrastructure of the country. The sense of urgency was maintained throughout by its successful bid to host the 2022 FIFA World Cup. Qatar spent a reported 220 billion USD on infrastructure projects since 2012, in preparation to host the World Cup.<sup>101</sup> Indeed, Doha today is barely recognizable from the city it was in 2000.

Qatar completed a massive overhaul of its road system to accommodate the sharp increase in population since 2000 and the expect survey in visitors during the World Cup. It also completed a public transportation network anchored by a modern metro system. It installed a sewage system. It built a new downtown, neighborhood, and an entire city (Lusail). It completed a modern airport that can handle 30 million passengers per year; with an expansion that will allow it to handle 50 million passengers by 2030.<sup>102</sup> It completed a modern port to handle shipments and logistics.

In addition to its massive investments in physical infrastructure, Qatar has continued to ensure that it provides citizens and residents with access to basic services. An estimated 100 percent of its population have access to electricity, drinking water, sanitation services, and clean fuels for cooking.<sup>103</sup> Indeed, the fact that over 80 percent of Qatar's population live in the wider Doha metropolitan area and most of the rest live in smaller urban areas,<sup>104</sup> means that Qatar is able to concentrate the delivery of its services and ensure access.

<sup>101</sup> Jonathan Dyson. "World Cup 2022: Will Qatar's record spending pay off?" Middle East Eye, 19 December 2022. <https://www.middleeasteye.net/news/qatar-world-cup-record-spending-pay-off>

<sup>102</sup> Hamad International Airport. Our Airport. Accessed 20 September 2024. <https://dohahamadairport.com/about-us/our-airport>

<sup>103</sup> Planning and Statistics Authority, Summary Report of the Sustainable Development Goals 2022 in the State of Qatar. [https://www.npc.qa/en/media/Doc/Sustainable/SDG\\_Report\\_2022.pdf](https://www.npc.qa/en/media/Doc/Sustainable/SDG_Report_2022.pdf)

<sup>104</sup> Planning and Statistics Authority, Population Statistics, 2023. [https://www.psa.gov.qa/en/statistics/Statistical%20Releases/Population/Population/2023/Population\\_social\\_1\\_2023\\_AE.pdf](https://www.psa.gov.qa/en/statistics/Statistical%20Releases/Population/Population/2023/Population_social_1_2023_AE.pdf)

<sup>98</sup> PWC. Qatar Banking Sector report October 2023

<sup>99</sup> Qatar Stock Exchange. About. Accessed 20 September 2024. <https://www.qe.com.qa/historical-background>

<sup>100</sup> Qatar Stock Exchange. Accessed 20 September 2024. <https://www.qe.com.qa/>





Qatar is advancing rapidly in development its digital infrastructure. In terms of connectivity, 100 percent of its population has access to mobile phone systems, the internet, and mobile broadband.<sup>105</sup> While prices are high, relative to GNI per capita, they are comparable to the world average.<sup>106</sup> Furthermore, Qatar's broadband speeds are among the highest in the world. In terms of mobile speeds, it ranks second in the world behind the UAE at just over 350 Mbps. It ranks 21<sup>st</sup> in the world in terms of fixed landline speeds at just over 181 Mbps.<sup>107</sup> That said, Qatar still lags behind other countries in terms of the use of its technology. Qatar's fintech industry is still in its early stages of development. Also, Qatar ranks 53rd out of 193 countries in the latest UN E-Government Survey. While this is an impressive 25 place jump in the rankings since 2023, it still ranks second to last in the GCC, only ahead of Kuwait.<sup>108</sup>

## 2.7. Energy

The world is in the midst of an energy transition away from fossil fuels and towards clean, renewable energy resources. As the top global exporter of natural gas, Qatar is very much in the middle of this transition. Natural gas is considered by many to be a transition fuel, significantly cleaner than coal and somewhat cleaner than oil. As such, Qatar anticipates that demand for natural gas will remain strong as countries initially transition away from sources that emit higher levels of greenhouse gases (GHGs). Qatar has 11 percent of the world's proven natural gas reserves, primarily located in offshore in North Field,<sup>109</sup> estimated to be over 2,000 trillion cubic feet.<sup>110</sup> This is a massive amount. Even

though LNG is considered a transition fuel, Qatar does not want to be left with stranded assets as the world shifts to alternate non-hydrocarbon sources of fuel. As such, Qatar recently began a major expansion of its North Field that would increase production capacity by over 80 percent, bringing it to 142 million tons per year. However, even with this expansion, Qatar's reserves should last well into the next century.

While LNG's remains Qatar's main source of wealth, it continues to produce and export oil on the order of 1.3 million barrels per day. Qatar has proven oil reserves of 25.2 billion barrels as of January 2023,<sup>111</sup> the fourteenth largest oil reserves in the world. Indeed, 25 percent of the primary energy consumption in Qatar is currently provided by oil, while 75 percent is provided by natural gas. Renewable energy represents less than 0.1 percent of total consumption. That said, Qatar is moving quickly to expand its offering in renewable energy. In 2021, Qatar Petroleum changed its name to Qatar Energy to reflect this move away from exclusive focus on fossil fuels. In 2022, Qatar inaugurated the first phase of its Al Kharsaah Solar Power Project. The project will eventually produce 800 MW of energy, equivalent to the consumption of 55,000 households in Qatar.<sup>112</sup>

Qatar's energy subsidies also have implications on energy conservation and greenhouse gas emissions. Reducing explicit and implicit subsidies can provide an economic incentive for households and firms to consume less and use energy more efficiently, reducing greenhouse gas emissions. The IMF estimates that globally increasing fuel prices to their full levels would reduce CO<sub>2</sub> emissions 34 percent below 2019 emissions levels. While most of this reduction would come from the decline in the use of coal, 30 percent of this amount would be from the decline in consumption of petroleum and 10 percent from the decline in consumption natural gas.<sup>113</sup>

<sup>105</sup> International Telecommunication Union (ITU). ICT Development Index, Qatar. <https://datahub.itu.int/dashboards/idi/?e=QAT&y=2024>

<sup>106</sup> ITU. ICT Prices Dashboard, Qatar <https://datahub.itu.int/dashboards/?id=1&e=QAT>

<sup>107</sup> Speedtest Global Index. Median Country Speeds Updated September 2024. <https://www.speedtest.net/global-index>

<sup>108</sup> UN E-Government Knowledge Database. UN E-Government Survey 2024. <https://publicadministration.un.org/egovkb/en-us/Data-Center>

<sup>109</sup> U.S. Energy Information Administration, "Qatar natural gas production and exports stable as country eyes expansion," August 2, 2023. <https://www.eia.gov/todayinenergy/detail.php?id=57300>

<sup>110</sup> Al-Jazeera. "Qatar announces new gas output boost with mega field expansion," 23 February 2023. <https://www.aljazeera.com/news/2024/2/25/qatar-announces-new-gas-output-boost-with-mega-field-expansion>

<sup>111</sup> U.S. Energy Information Administration, Qatar Energy Overview, Accessed October 2024. <https://www.eia.gov/international/analysis/country/QAT>

<sup>112</sup> Joseph Varghese, "Al Kharsaah project to reduce Co<sub>2</sub> emission by 26,000mn tonnes," Gulf Time, October 30, 2023. <https://www.gulf-times.com/article/671010/qatar/al-kharsaah-project-to-reduce-co2-emission-by-26000mn-tonnes>

<sup>113</sup> IMF. Fossil Fuel Subsidies. Accessed 22 November 2024. <https://www.imf.org/en/Topics/climate-change/energy-subsidies>



## 2.8. Environmental and climate risks

Like the rest of the world, Qatar faces climate change risks from several natural hazards, including floods, droughts, extreme heat, and dust storms.<sup>114</sup> Qatar’s climate is hot and dry. Qatar is already used to days of extreme heat, but it will need to increase its mitigating measures in anticipation of increases in the numbers of such days. Qatar also had limited fresh water and relies on desalination for much of its water needs. Qatar’s wealth and abundant energy resources means that it can increase its desalination facilities if its needs increase.

Floods and rising sea levels arguably pose the greatest threat. Rainfall in Qatar tends to be short, but can be intense cause flooding. This is why Qatar invested 2 billion USD in laying down a sewage system ahead of the World Bank, to minimize this risk. Qatar should finalize this project and ensure that new urban development projects account for the potential rise in sea levels. Qatar’s financial wealth should be enough to mitigate the risks and adapt to climate change.

Indeed, most of the discussion surrounding climate change in Qatar is not about mitigation and adaption, but about reducing its emissions to minimize the global impact of climate change on the planet. Qatar’s rapid economic development has led it to have the highest GHG emissions per capita in the world, at just over 40 tons per person per year (Figure 33).<sup>115</sup> When compared to GDP, Qatar is actually at the low of the spectrum among GCC countries (Figure 34).<sup>116</sup> As a small country, Qatar has a limited impact on overall global greenhouse gas (GHG) emissions. Its emissions represent only 0.27 percent of the global total.<sup>117</sup>

Qatar can take credit for spearheading the production and export of LNG, a transition fuel that has been displacing more carbon-intensive alternatives, such a coal. However, these offsets are declining as coal is phased out from global energy systems. LNG is considered cleaner than oil, but once fugitive emissions and transportation are considered the differences are not that substantial. Qatar has committed to playing a part to reduce global

Figure 33. Emissions/capita (tons)

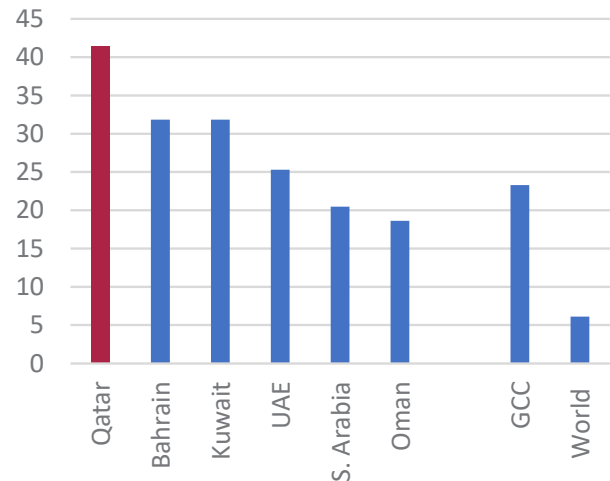
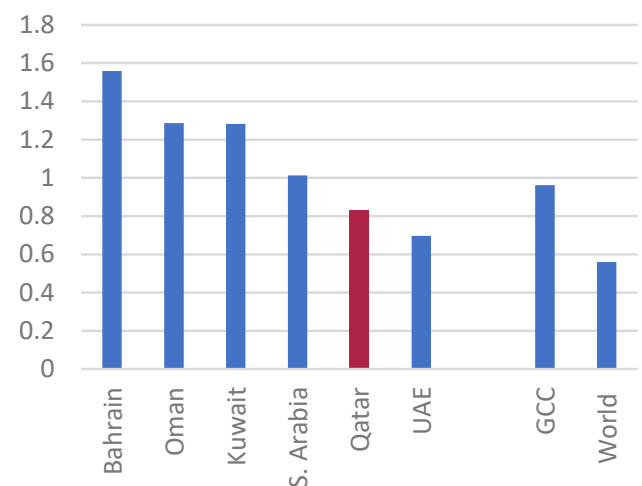


Figure 34. Emissions/GDP (Billions)



GHG emissions and limiting climate change. Qatar National Vision 2030 calls for “A Balance Between Development Needs and Protecting the Environment.” In 2021, Qatar launched a National Climate Change Action Plan aimed at reducing greenhouse gas emissions by 25 percent (vs. business as usual) by 2030. The plan identified 36 climate change adaptation measures and over 300 initiatives. In 2024, the Plan was integrated into NDS3.

NDS3 emphasized plans to scale up carbon capture technologies. It proposed energy consumption reduction and efficiency measures. It also set a target of increasing renewable energy capacity to 4 Gigawatts. Indeed, Qatar’s move into renewables was more about emissions reduction than energy transition. For example, the Qatari government has emphasized that over its lifespan, the al-Kharsaah solar energy project is expected to help Qatar reduce its emissions by 26 billion metric tons.<sup>118</sup>

<sup>114</sup> World Bank. Climate Change Knowledge Portal. Qatar. Accessed October 2024. <https://climateknowledgeportal.worldbank.org/country/qatar/vulnerability>

<sup>115</sup> Climate Watch. Data Explorer. Accessed June 2024. <https://www.climatewatchdata.org/data-explorer/historical-emissions>

<sup>116</sup> Ibid.

<sup>117</sup> Ibid.

<sup>118</sup> Joseph Varghese, 2023.



NDS3 also calls for other environmental measures. For example, to safeguard its biodiversity, Qatar will aim to protect 30 percent of land area, 30 percent of sea area, and recover 30 percent of degraded natural habitats. To safeguard its water resources, the plan calls for reducing groundwater extraction by 70 percent, implementing water metering, and invest in leak detection technology. The plan aims to reduce per capita water consumption 310 liters per capita per day (30 percent less than current usage).

### 3. Policy recommendations: Accelerating the progress towards the SDGs

Qatar is a country in transition. Since its move towards producing and exporting liquefied natural gas in the mid-1990s, Qatar experienced extraordinary economic growth, arguably the fastest in the world. Qatar has used the revenues from oil and natural gas to quickly build and develop the infrastructure of the country. The sense of urgency was maintained by its successful bid to host the 2022 FIFA World Cup. Indeed, Doha today is barely recognizable from the city it was in 2000. The current post-World Cup period represents a new chapter for Qatar, as it continues to complete the large infrastructure projects it started, it must also pivot from building to effectively utilizing what it has built, with an eye to diversifying its economy away from its reliance on revenues from oil and natural gas.

Qatar has taken this economic transition seriously, beginning with the publication its National Vision 2030, to three National Development Strategies that it has produced to help it navigate its economic transition, the most recent of which (NDS3) was launched in early 2024. The main strategic objectives of NDS3 are: (1) Sustainable Economic Growth; (2) Fiscal Sustainability; (3) Future-ready Workforce; (4) Cohesive Society; (5) Quality of Life; (6) Environmental Sustainability; and (7) Government Excellence. While these objectives are aligned with the country's SDGs, any assessment of Qatar's progress towards achieving the SDGs need to be undertaken through the lens of QNV2030 and NDS3.

The SDGs that Qatar is closest to meeting, and where progress is continuing, are: Good Health and Well-Being (SDG3), Quality Education (SDG 4), and Industry, Innovation, and Infrastructure (SDG9). These are areas that Qatar has invested considerable resources in over the past two decades. The SDGs that Qatar is furthest away from achieving and where progress has stagnated are: Clean Water and Sanitation (SDG6), Responsible Consumption and Production (SDG12), Climate

Action (SDG13), and Life on Land (SDG15). These are environmental goals that deteriorated during Qatar's rapid economic expansion during the previous two decades, and where Qatar has now shifted policy focus to tackling.

The analysis undertaken in this report identified several policy areas where Qatar should focus its attention to meet its national development objectives and sustainable development targets:

1. *Sustainable Economic Growth*: Qatar has entered a new chapter in its economic transition where its focus has shifted from rapid economic development to sustainable economic growth, transforming into a competitive, productive, diversified, and innovative economy, as articulated in NDS3. To the extent that the goals of no poverty (SDG1) and no hunger (SDG2) apply, it is in the context of how Qatar engages with its migrant workforce and ensure that its citizens are healthy and productive.

- *Qatar must accelerate its economic transition to a diversified, knowledge-based, non-hydrocarbon economy driven by innovation and supported by a diversified revenue base.* It currently has the fiscal and policy space to navigate a smooth transition and it has a viable strategy for doing so, as outlined by NDS3. NDS3's target levels of overall economic growth of 4 percent per year are achievable, even expected given the planned expansion in North Field. However, maintaining 4 percent annual growth in non-hydrocarbon GDP will require commitment and perseverance in implementing the details of NDS3. At the very least, it will require achieving other stated targets of the strategy, including becoming a top 10 business environment and increasing productivity by 2 percent per year.
- *As part of its transition, Qatar must make the country a destination of choice for skilled foreign workers.* Qatar needs to transition from building up its infrastructure to utilizing what it has built in ways that do not rely, directly or indirectly, on revenues from oil and natural gas. Generating meaningful economic growth really independent of fossil fuel revenues requires attracting the kind of global talent that can leverage Qatar's assets and investments in service of its strategic objectives. To do this effectively, foreign workers must be vested in the country as a place they can invest in and have a stake rather than a place to acquire remittances.
- *Qatar must leverage its areas of comparative advantage.* As Qatar moved to diversify its



economy, it must establish 2-3 sectors to spearhead its transition away from hydrocarbons. Qatar has identified tourism, manufacturing, and logistics as three key growth sectors. While tourism has increased, manufacturing value added as a share of GDP has remained constant. Also, non-hydrocarbon exports remain stuck at 12 percent of the total, signaling a lack of global competitiveness. Qatar must remove bottlenecks to the development of key sectors and take full advantage of areas of comparative advantage, such as its global position in air freight. It must also create the space for future industries to thrive, including technology and green tech.

2. *Develop its Enabling Factors:* Qatar must pivot from building to utilizing what it has built in way that enables the country to transition from a hydrocarbon-based economy. This requires the country to build the skills and talent that will enable it to transition effectively an innovative, knowledge-based economy. It also requires the country to switch from a state-led development model to a private sector-led development model and create an enabling environment for firms to thrive and access and leverage Qatar's areas of comparative advantage.

- *Qatar needs to improve its education system.* Qatar is on track to meeting most educational targets under the SDGs, which focus on school completion. However, it is struggling to meet targets linked to the quality of education, which are central to its own national targets. These include student minimum proficiency levels in reading, mathematics, and English. The issue is not spending, but rather pedagogy. Qatar undertook a radical educational reform program in the 2000s, which it reversed course on in 2017. Qatar needs to explore a different radical approach that can help it to achieve its target and long-term aspirations for the country.
- *Qatar must improve its business and investment climates.* As Qatar moves to diversify its economy, it must enable the private sector to play a greater role in identifying and capitalizing on economic opportunities. As outlined in NDS3, this requires the government to streamline the regulatory process, improve access to finance, minimize delays and costs in everything from customs clearance to approvals needed to start a business, improve spending and support on research and development, and support for innovation and entrepreneurship. But, even more critically, businesses need consistency and predictability in the policy environment. The

government needs to signal to businesses that it will not arbitrarily change the rules.

- *Qatar must also diversify its revenue base.* Government revenues from hydrocarbons remains high at over 80 percent of the total. Qatar needs to move to a more sustainable fiscal model that diversifies its revenue stream. This means increasing its tax base, but not so much as to negatively impact the competitiveness and viability of non-hydrocarbon activities. Qatar should also reduce the size of its natural debt and increase its sovereign wealth fund, which can help ensure an alternative revenue stream well into the future. Finally, the government needs to limit expenditure growth. Indeed, NDS3 stipulates that government expenditure growth should not exceed non-hydrocarbon GDP growth; a good benchmark to maintain.
3. *Pivot to the Environment:* Qatar's massive investments in infrastructure has had repercussions on the environment. Qatar's weakest performance on the SDGs are largely environmental. A second pivot that Qatar must undertake is from building at a frantic pace to following a more sustainable pace of economic development that balance economic growth with environmental priorities. It also needs to fill in any gaps created in environmental protection during its growth phase.
- *Qatar must reduce its greenhouse gas emissions.* Qatar's weakest performance area on the SDGs is climate action. It is the top GHG emitter in the world on a per capita basis. That said, Qatar has committed to reducing GHGs by 25 percent by 2030 (versus its 2019 baseline). Qatar needs to implement key elements of its climate strategy across multiple dimensions, including increasing its use of solar power, investing in carbon sequestration technologies at source, and changing consumer behavior, for example, through further reducing energy subsidies. However, even these will not be enough. Qatar should also consider entering into partnership agreements with developing countries in an effort to jointly reduce emissions.
  - *Qatar must protect its freshwater resources and improve water use efficiency.* Qatar has an arid landscape and its fresh groundwater resources are limited. However, it is extracting fresh groundwater at over four times the sustainable amount. Beside exhausting this precious resource, as its aquifers are depleted, seawater will intrude making remaining underground reserves unusable. Qatar should increase the





use of desalinated seawater for its needs. Since the desalination processes it currently uses are energy intensive, Qatar should switch to more energy efficient methods, such as reverse osmosis. While these methods require greater capital investment, they yield dividends and Qatar has the financial resources to apply them.

- *Qatar needs to do more to safeguarding the environment.* other environmental areas were affected during Qatar rapid economic development. Especially important are air quality, which Qatar is consistency falling short on in terms of particulate matter. Also important is municipal waste, for which Qatar needs to publish updated figures and recycling of solid waste, the tonnage of which has actually declined in recent years. Qatar also needs to improve its green coverage and do more to protect terrestrial species. All these will contribute to a healthier environment and a better quality of life for its citizens.

4. *Other recommendations:* There are a number of other areas identified by the SDGs and NDS3 that Qatar needs to focus on. Among the most important:

- *Qatar must continue to improve the legal framework supporting all migrant workers, including low skilled workers.* While Qatar does report on poverty-related SDG targets, which it focuses on its citizens, there are people who are poor and even destitute in the country. Indeed, Qatar's food security indicators point to the size of the problem. These fall into two main groups; people who are looking for but cannot find work and people who are owed back-pay. Qatar has set up a fund to help the latter, but it needs to do more. For the former, it needs to find a way of helping those who want to return home.
- *Qatar should continue to develop its institutions.* Qatar is among the freest countries in the MENA region. However, MENA is the least democratic region in the world, so there is work to be done in terms of improving perceptions of corruption, increasing press freedom, increasing female representation on the Shura Council, and other aspects of institutional development. Qatar is also a wealthy country and does not hesitate to share its wealth with others through development assistance, concessionary loans, investments and other mechanisms. That said, Qatar should improve the effectiveness of these efforts and ensure that they contribute to helping other countries meet their SDGs.

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# About the Author

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**Nader Kabbani** is Senior Fellow and Director of Research with the Middle East Council on Global Affairs and a Research Fellow with the Economic Research Forum. Previously, Kabbani was a Senior Fellow with the Brookings Institution and Director of Research with the Brookings Doha Center. A development researcher and practitioner with over 20 years' experience, Kabbani was Director of Policy and Research at the Silatech Foundation and was Founding Director of the Syria Development Research Center. He also served on the faculty of the American University of Beirut and the research staff of the U.S. Department of Agriculture and the California State Senate. Kabbani regularly consults for international organizations and serves on the advisory boards of several social enterprises. Kabbani holds a Ph.D. in Economics from the Johns Hopkins University.

