Qatar national vision 2030 economics essay

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Qatar National Vision 2030, launched in October 2008, builds a bridge from the present to the future. It aims to transform Qatar into an advanced country, sustaining its development and providing a high standard of living for all its people-for generations to come. It foresees a vibrant and prosperous Qatar with economic and social justice for all. It envisages all Qataris working together in pursuing these aspirations, with strong Islamic and family values guiding their collective energies.

QNV 2030 builds on a society that promotes justice, benevolence and equality. It embodies the principles of the Permanent Constitution, which protects public and personal freedoms, promotes moral and religious values and traditions, and guarantees security, stability and equal opportunities. In line with these principles, Qatar National

Vision 2030 (QNV 2030) rests on four pillars:

Human development-to enable all of Qatar's people to sustain a prosperous society.

Social development-to maintain a just and caring society based on high moral standards and capable of playing a prominent role in the global partnership for development.

Economic development-to achieve 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.

Environmental development-to ensure harmony among economic growth, social development and environmental protection.

QNV 2030 thus defines broad future trends and reflects the aspirations, objectives and culture of the Qatari people. Illuminating the choices available, it inspires Qatari people to develop a set of common goals related to their future, and it provides the framework for Qatar's National Development Strategy 2011-2016.

Qatar's management of its hydrocarbon resources will continue to secure improvements in standards of living, but those improvements cannot be the only goal of society. The National Development Strategy 2011-2016 thus aims to balance five major

challenges identified in QNV 2030:

First, moulding modernization around the preservation of Qatari culture and traditions.

Second, balancing the needs of this generation and those of future generations.

Third, managing growth and avoiding uncontrolled expansion.

Fourth, matching the size and quality of the expatriate labour force to the selected path of

development.

Fifth, aligning economic growth with social development and environmental anagement.

Formulating the National Development Strategy 2011-2016

This National Development Strategy 2011-2016, Qatar's first, is the culmination of extensive stakeholder consultations, dialogues and analyses. The positive and unprecedented engagement of multiple sectoral and intersectoral stakeholders reflects a genuine desire for reform that is in the best interest of the country. The consultation process began with ministers and key leaders from government, private sector and civil society and moved out into society. Reflecting the broad reach of the Strategy, crosssectoral task teams comprised representatives from government ministries, agencies, private companies and civil society organizations. The extensive intersectoral consultations, including interviews, discussions, debates and research, were important for building a strategy that would enjoy strong and positive public ownership from the outset.

The Strategy builds on situational analyses, diagnostics, regional and international benchmarking and detailed strategies for each of 14 sectors. The situational analyses identified priority areas using baseline analyses of Qatar's situation and benchmarking against best practices in other countries, both in the region and around the world. The 14 sector strategy reports identify the priority areas and the many transformation initiatives to support each proposed programme and project, including core requirements, esponsibilities, timelines and key indicators.

Aligned to the QNV 2030 goals, the programmes and projects identified in the National Development Strategy 2011-2016, including outcomes and targets, are from the 14 sector strategies. Developed through an extensive consultative process and taking into account the many cross-sectoral links, the strategies provide profound and transparent analysis, benchmarking, diagnostics and priorities for each of the programmes and projects at a much more detailed level than is possible in this Strategy.

The targets in the Strategy, a subset of those in the sector strategies and developed with stakeholder inputs, focus on the results to be achieved by 2016. Both quantitative and qualitative, they will be reviewed and refined, as necessary, by key stakeholders at the beginning of programme and project implementation.

The sector strategies provide indicative resource requirements for each programme and project- identifying the key stakeholders in the projects and the risks and mitigation measures for successful implementation. Especially important, each strategy contains a basic monitoring and evaluation framework, supported by selected monitorable indicators, to enable adjustments during implementation.

Qatar's National Development Strategy 2011-2016 is a plan of action. It presents new initiatives while building on what already exists. For projects, policies and institutions already under way, it provides added impetus and focus.

Achievements and the outlook for 2011-2016

Qatar has built a solid foundation for embarking on the National Development Strategy 2011- 2016. Rapid growth in the 2000s, the fastest in the world, has given Qatar one of the world's highest levels of per capita income (measured in purchasing power parity terms). High saving, both private and public, has been reflected in substantial domestic investment and the accumulation of a substantial pool of foreign currency assets.

To meet new demands in a more complex economy and to strengthen performance, Qatar has embarked on a variety of reforms. The reforms aim to bring together decisions of national significance within an integrated framework for making deliberate and concerted choices about Qatar's future. At an operational level the reforms emphasize improvement in public services and delivery of " value for money", thereby enhancing opportunities and conditions for the country as a whole as well as for individual citizens. By clarifying national development priorities and direction, the reforms provide greater predictability for the private sector and civil society, leading to better alignment of interests across the country.

A significant rationalization of the functions and roles of ministries and agencies is under way, aimed at promoting tighter policy cohesion, improving service delivery, eliminating waste and enhancing public sector accountability and performance. Implementing these changes across the whole of government is now proceeding, with the General Secretariat of the Council of Ministers having been given the mandate for planning and performance monitoring across government. An initiative of particular importance is the expansion of the role of the former Ministry of Finance to include economic policy support, advice and coordination. In recognition of this expanded mandate, the Ministry was renamed the Ministry of Economy and Finance in 2008.

To look ahead towards the longer run development needs of the state, the General Secretariat for Development Planning was created in 2006 and given responsibility for managing longer term development planning. It was mandated by Emiri Decisions 39 and 50 to coordinate the formulation of QNV 2030 and to support implementing ministries and agencies in executing it. QNV 2030 was completed in 2008, and now, this document, Qatar’s first National Development Strategy 2011-2016, has been formulated

and approved by the country’s high authorities.

The trajectory of Qatar’s economy is tightly linked to developments in the hydrocarbon sector. Hydrocarbons still dominate the economic landscape, but Qatar is branching out into new areas.

A supply of cheap hydrocarbon feedstock and energy has helped prime the development of downstream industries in the petrochemical and metallurgy sectors, with some subsectors, such as fertilizers, growing at a fast clip. A foothold has also been established in new areas, including air transportation and media services. The Qatar Science and Technology Park now tenants more than 30 ventures in such areas as life sciences, oil and chemicals, environment, electronics and software engineering. Qatar's financial sector has also seen rapid development serving the needs of a larger and more complex economy.

Physical investments have fast caught up with needs. Bottlenecks in infrastructure, which contributed to high project costs and inefficiencies, are being tackled across a broad front. Investments in healthcare have been significant, supporting workforce productivity and fostering social cohesion. Thanks to the heavy investments in high-quality health services and delivery systems, mortality levels have declined markedly, and the prospects of survival at vulnerable ages have improved. A diverse complex of health facilities now meets widely divergent and often highly specialized needs, supported by more than 13, 000 personnel, almost all with specialist medical and technical skills.

Education and training investments have also been significant. Recognizing deficits in its education system and in broader capabilities within the country, Qatar has invested heavily. Government education spending has steadily increased to about 5% of GDP in 2008, making Qatar second only to Saudi Arabia among Gulf Cooperation Council countries on this metric. Tertiary initiatives include expanding the Qatar Foundation Campus, reforming Qatar University, creating a new community college and introducing vocational and technical education streams.

Although these new directions are expected to be beneficial and support QNV 2030, they have suffered from a lack of integration and alignment. In addition, some measures have taken place only on paper or suffer from lags in implementation. While Qatar's National Development Strategy 2011-2016 will leverage existing initiatives, it must also provide a framework that can fill gaps and provide effective integration and alignment across sectors.

Economic outlook broadly favourable

Qatar's economic outlook for 2011-2016 is broadly favourable, with the global recovery continuing, thanks to robust growth in emerging markets and rebounding world trade. The growth of hydrocarbon income will tail off in 2012-2013 as Qatar's highly successful 20-year investment programme in hydrocarbons culminates. Further significant investment in hydrocarbons must await expiration of the moratorium on production in the North Field, which is not expected before the end of 2015. Declines in crude oil production can also be expected as 2016 approaches, though efforts are under way to stem them.

While growth in 2012-2016 will be at a lower pitch than in the earlier years, income levels will remain high, and robust expansion of the non hydrocarbon economy will help support aggregate GDP growth. Transport and communications, along with business and financial services, could grow vigorously. Construction will grow steadily, and manufacturing performance should improve. With the non hydrocarbon sector expected to pick up the reins, aggregate GDP growth in 2012-2016 is expected to average just over

5%, but with virtually no contribution coming from hydrocarbons. The real domestic income generated by this growth will still depend on the trajectory of hydrocarbon prices, which have a decisive influence on Qatar's terms of trade. The baseline assumes some modest gains over average prices in 2010.

Qatar's investment pattern will reflect the decline in hydrocarbon capital spending. During 2011- 2016, total gross domestic investment might be about QR 820 billion. Of this amount, perhaps half will come from the nonhydrocarbon sector. Central government (" public") investment is estimated at QR 347 billion. Based on current plans, public infrastructure spending will peak in 2012. This trajectory reflects existing plans for the launch of mega projects.

The government's fiscal position is expected to remain strong and will certainly be adequate to support future capital investments and the initiatives under the National Development Strategy 2011-2016. Gross national savings are likely to remain above 40% of GDP through 2014, but might edge down in the later years. The overall fiscal balance would narrow from current highs to around 6% of GDP by 2016, still very healthy. Double-digit surpluses could be maintained if revenue sources expand. The current account balance will remain firmly in surplus.

Modest increases in population will accompany the expected economic expansion. The total population of Qatar is expected to grow steadily at an average of about 2. 1% a year during 2011-2016, with the total population rising from 1. 64 million at the end of 2010 to just less than 1. 9 million in

2016. The rapid population growth of the recent past is not expected to continue. This assumption aligns with the conjectures on output growth (above), but sees some advances in productivity, reducing employment per unit of output. The assumed structural shift to higher valued economic activity presupposes steady advances in the skill content of the labour force and further capital deepening.

Swing factors could change the outlook

Predicting the future is always a hazardous activity, and some swing factors could materially change the outlook. Of particular interest to Qatar is the outlook for hydrocarbon prices. For a hydrocarbon- based economy like Qatar, a future of low hydrocarbon prices (at least in the medium term) would have a considerable impact on the financial resources available, with implications for sustainable growth paths.

A view that crude oil prices will average about $74 per barrel during 2011-2016 alters the baseline outlook (which assumes an average of $86 per barrel). Applying the lower oil price assumptions suggests that the average nominal GDP level would shrink 2% relative to its baseline level by 2016. With expenditure more or less tracking GDP as in the baseline, the overall fiscal balance narrows. By 2016 the assumption of lower oil prices cuts the overall fiscal balance from just under 6% of GDP to about 4%

Gas prices could be an even more significant swing factor. In spot markets, gas and oil prices have uncoupled. Although Qatar is shielded from short-term fluctuations in spot gas prices through its long-term agreements with purchasers, prolonged weaknesses could put the price of Qatar’s liquefied natural gas price basket under pressure. If gas prices are assumed to fall by 30% from their baseline (a modest decline compared with what has been experienced in spot markets) negative income and fiscal effects would follow. Because the share of liquefied natural gas in total output will rise over the period, the impact of falling prices on income is large. Cumulative losses over the period are QR 357 billion, a 9% reduction from the baseline level of cumulative GDP. The overall fiscal balance under these assumptions for lower gas prices, with expenditure held steady, could be reduced to 3. 4% of GDP by 2016, more than 2 percentage points lower than the baseline.

In addition to coping with uncertainty, Qatar will face hard constraints on human and institutional resources that could affect implementation of the National Development Strategy 2011-2016. Qatar needs strengthened public sector institutions to achieve the goals of QNV 2030. That will require concerted institutional and organizational capacity building, efficient and transparent delivery of public services, fruitful public-private cooperation and partnerships as well as a vibrant climate for business and a larger space for civil society.

FIFA World Cup 2022 and higher government spending?

Hosting the FIFA World Cup 2022 presents Qatar with new opportunities. Over the early part of 2011- 2016 the economic impacts of the World Cup are likely to be modest, but Qatar must prepare for the sizeable investments in infrastructure that will follow. These investments will be significant relative to the size of the economy, and their macroeconomic and longer term development impacts warrant close attention. Well beyond 2022, the World

Cup may present opportunities to strengthen the structure and performance of Qatar’s nonenergy sectors.

In the immediate future (2011-2012) the World Cup could affect trade and speculative investment. The impacts would likely be temporary, and the government will monitor them to prevent abuse of market power and protect the broader public interest.

From the perspective of Qatar’s economic diversification ambitions, the World Cup presents new opportunities for the country. Public-private partnerships may benefit some projects and should be considered within wider public investment decisions. On the business front the World Cup will create opportunities for domestic enterprises to form

strategic alliances externally and to connect to global value chains. The World Cup will also accentuate some challenges. Qatar should leverage the World Cup to close gaps in its capabilities. For example, investment agreements could include mechanisms that secure knowledge and technology transfer.

As mentioned, though some World Cup-related investment projects may be commissioned during 2011-2016, the added impact of World Cup activity during this period is likely to be modest. A sizeable pipeline of investments is already in place. In general, the macro-fiscal framework suggests that additional investment spending (whether public or private) is likely to have only a moderate shortrun demand impact on local output and income.

After 2012, when the current expansionary phase of hydrocarbon development ends, calculations suggests that the structure of Qatar’s economy will be such that 5 percentage points of additional public sector investment spending would be needed to generate a 0. 5 percentage point temporary acceleration of growth in nonhydrocarbon output. The domestic income generated by added capital spending is diluted because a high proportion of the spending is likely to be on imports (capital goods and materials as well as consumption) and because a large share of wage income earned by expatriate workers is likely to be remitted rather than spent locally.

The fiscal impacts of higher public investment spending could be significant because it is unlikely to generate much of a tax offset. There is also a risk of inflationary pressures if the phasing of large-scale projects creates or aggravates supply bottlenecks.

During the period covered by the National Development Strategy 2011-2016, preparations for the World Cup will gather momentum. Institutional arrangements for overseeing and managing World Cup-related activities will be established, and the pipeline of investments to deliver needed infrastructure services will be prepared. From a planning perspective the World Cup is best considered within the broader framework of national development and not as a one-off event. Integrating planning and funding arrangements within broader frameworks for the overall fiscal and budgetary management of the economy will be important. A beneficial legacy will require scrutiny of large World Cup-related capital projects for their long term socioeconomic and environmental impacts.

Sustaining economic prosperity

QNV 2030 articulates three interrelated goals for the economy. It looks to sustain a high standard of living, to expand innovation and entrepreneurial capabilities and to align economic outcomes with economic and financial stability.

It defines sustainability as meeting the needs of the current generation without compromising the ability of future generations to meet their needs. To embed sustainability in Qatar's economy, progress is needed in three parallel, mutually reinforcing directions. First, the country will enlarge the value of the productive base, which is necessary to sustain prosperity in a growing population and to expand potential for future generations. Second, the government will guard against economic instability and promote increased efficiency. Third, the government will work in partnership with the private sector to diversify the economy and encourage a culture of innovation

and discovery.

Expanding the productive base

The need to grow the productive base places speed limits on what the country can consume while preserving wealth for future generations. As Qatar's hydrocarbon income tapers off (either through declines in production or reduced unit rents), alternative sustainable sources of income must be created to support public consumption and cover Qatar's import bill. This will require high rates of saving and a steady flow of dividends on investments for the foreseeable future. A conjunction of far-sighted depletion policies, sound fiscal management and wise investment will support sustainability.

Qatar's planned investments in physical and social infrastructure are an essential part of a broader strategy to ensure continuing expansion of its productive base, and to attract further investments from the private sector. Qatar's infrastructure needs will in general be well met through 2016. Major investments are in the pipeline, and attention is being given to areas where the country must catch up (as in roads, industrial land and information and communication technology). Qatar's investment in foreign currency assets is also an important part of its broader strategy to diversify its future income base.

Because Qatar's hydrocarbon assets are property of the state, the government has a responsibility to maximize the value it captures from their exploitation. It may do this through fiscal measures, contract arrangements or some combination of both. In principle, the state will strive to capture all rents embodied in the mineral assets it owns and to ensure an adequate return on any capital that it invests. If hydrocarbon rents are efficiently targeted, the volume of private investment should not be affected (investment neutrality) because private investors will still earn their required risk-adjusted rate of return. But while the principle of optimal rent capture and investment neutrality will continue to serve as a useful guideline, pragmatism will require the application of frameworks that reflect reality and can be implemented.

In the future, as in the past, the government will ensure that the structures governing hydrocarbonlinked investments, upstream and downstream, provide adequate flexibility to deal with project specifics and changing cost or market conditions. Equitable risk-sharing arrangements will also be important. While the state will take all steps to eliminate sources of risk within its control, the elimination of operational or commercial risks through state guarantees or other means will be detrimental if it dilutes incentives for the private sector to perform. In cases where hydrocarbon rents are shared with private investors, the state will seek to ensure that these rents are compensated by other benefits that flow to the country (such as the acquisition of technology, infrastructure or knowledge and skills).

Qatar will leverage its cheap domestic feedstock and energy to contribute to the expansion of its productive base and long-run diversification. The relevant test is that associated investments provide an acceptable risk-adjusted return on the totality of the resources committed by the state. Several opportunities exist. Industries that gain advantage by eliminating transport and distribution costs and relocating closer to sources of energy and feedstock provide one avenue for investment. Another long-term opportunity would be to integrate along the energy supply chain. For example, Qatar might export surplus power generated from gas to the region and beyond. Potentially Qatar enjoys advantages in areas that would be viable even if the country had no domestic hydrocarbon production. Qatar has an established advantage in production and transportation and a potential advantage in vertical integration of connected activity in distribution and storage.

Qatar Petroleum Industries and other entities in the energy sector have performed well in spearheading investments, but as Qatar works to diversify its economy beyond carbon, a strengthened policy and coordination function may be useful. In some other countries high-level independent agencies have played central roles in advising government and in implementing investment and industry development policies.

Enhancing economic stability

Hydrocarbon dependency exposes Qatar to gyrations in global energy markets, leaving economic planning prey to high levels of uncertainty. For a hydrocarbon-exporting economy such as Qatar, energy price shifts hit the fiscal revenue stream directly, creating ripple effects throughout the economy. The inherent unpredictability of energy prices makes it particularly difficult for policy- makers to judge the most constructive fiscal stance. There is always the risk that errors in fiscal calculations accentuate volatility. Given the unpredictability of global oil prices, it is virtually impossible to know whether price changes are temporary or lasting. Recognizing the challenges, and the need for high levels of saving and a broader fiscal base, the government will launch a budget reform programme, built around a reorganization of the Ministry of Economy and Finance. The key goal is successfully implementing a comprehensive legal and budgetary framework for public finance, consistent with the Permanent Constitution.

A fiscal transformation programme with five core elements will support this goal:

- A new budgetary law embodying the principles of efficient public finance.

- A functional classification for all spending using the United Nations Classification of Functions of Government to support sector wide and programmatic budgeting.

- A macro-fiscal framework that helps decision- makers analyse the fiscal and macroeconomic implications of commitments they are considering.

- A public investment programme to ensure that capital projects deliver the highest social worth and are well coordinated.

- A monitoring and evaluation function.

Meeting these commitments over the next six years will require institutional adjustments and concerted capacity strengthening, as well as the recruitment of technical experts in the Ministry of Economy and Finance and in line ministries and agencies. Partly because of limited expertise in Qatar in macro-fiscal policy and strategic and operational planning, the five-step programme will be rolled out gradually, at a pace the Ministry of Economy and Finance and other arms of government can manage.

A coordinated public investment programme will strengthen the government capital budget by ensuring that project objectives are aligned with the National Development Strategy 2011-2016. It will preserve and expand national wealth through the rioritization and selection of capital projects that create lasting value. It will address trade-offs among potential investments, committing resources where the benefit is greatest.

There are five basic requirements in establishing the public investment programme:

- Formalize the programme through relevant laws and instruments.

- Create public investment units within suitable agencies, with capable staff.

- Establish supporting processes and systems, including technically sound appraisal and evaluation techniques.

- Implement capacity-building initiatives to strengthen project preparation, implementation and evaluation skills.

- Pilot projects to test and refine key features of the public investment programme system.

On a case by case basis, private sector participation in public projects may prove beneficial. An increased private sector role can improve project and investment planning, management and operations. The government will ensure that public-private partnerships fit within the larger investment plan and provide a pathway for the transfer of skills to the country.

The requirements to establish an effective public investment programme process are similar to those to support budgetary reform. New systems and processes will be required in the central functions of government and in the line ministries and agencies making major capital spending decisions. New legal and regulatory infrastructure may be needed to support new roles, decision processes and institutional relationships.

Other avenues for enhancing stability will receive attention. The Ministry of Economy and Finance and Qatar Central Bank will work together to develop deeper and more liquid money and bond markets. The monetary and liquidity implications of fiscal and state-linked spending and investment decisions need to be better coordinated. The possibility of establishing a new financial mechanism to support fiscal stabilization objectives will also be considered but cannot substitute for sound fiscal policy.

Enhancing efficiency

Opportunities for efficiency gains proliferate, cutting across sector boundaries. By attacking inefficiency in technology, physical infrastructure, institutions and processes, the government can make a lasting contribution to improve the use of resources over time. With an abundance of hydrocarbon resources but a scarcity of other vital resources such as water and arable land, a drive for efficiency is central to creating and capturing value, preserving and expanding the productive base and encouraging the private sector to develop through discovery and economic diversification.

Improved efficiency has other benefits, too. By improving the use of capital assets, efficiency measures save fiscal resources by deferring or eliminating the need for replacement investments or capital expansion. Some efficiency gains reduce waste and unwanted by-products such as carbon dioxide emissions and waste water, contributing to environment goals.

Few tangible aspects of Qatar’s life and economy are as in need of efficiency reforms as water- crucial to all human activity but in scarce supply. Large volumes of desalinated water (which is expensive to produce in terms of power) are lost in distribution. Precious aquifer water is largely wasted through open field irrigation methods for crops of low value. Large volumes of wastewater go uncollected, untreated and unused.

Qatar's National Development Strategy 2011-2016 identifies a range of initiatives to tackle technical and economic inefficiencies in the production, distribution and use of water. The implementation challenges of water-saving initiatives vary. Stemming losses in the distribution system involves essentially technological fixes. Introducing water saving devices to households is fairly straightforward, as Abu Dhabi and Canada have shown. Encouraging the use of water-saving appliances will require effective communication, but might also need supporting incentives. Water subsidies eclipse the scarcity and true value of the resource and contribute to overconsumption and waste. User charges that more accurately reflect full economic costs could make a significant contribution to redirecting Qatar's precious natural resources to higher value uses. Such efforts might be initially targeted at the non-Qatari population and industrial and commercial users.

Changing water consumption patterns in agr