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This paper provides background information to the staff report on the 1975 Article VIII consultation discussions with Qatar, which was circulated as SM/75/300 on December 22, 1975.

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INTERNATIONAL MONETARY FUND

QATAR

Recent Economic Developments

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Qatar - Basic Data

Area and population

Area	4,000 square miles
Population	180,000 (1973 estimate)
Per capita GNP	SDR 2,556 (1973 estimate)

IMF data

Date of IMF membership	September 8, 1972
Currency	Qatar riyal (QR)
Par value	0.186221 gram of fine gold corresponding to SDR 0.21
Quota	SDR 20 million
Special Drawing Account	Qatar is not a participant
Fund holdings of Qatar riyals (12/30/75)	34.7 per cent of quota

	1971	1972	1973	1974	Jan.- Oct. 1975
<u>Petroleum sector</u>					
Crude oil production (million barrels)	156.6	176.5	208.1	189.2	123.9
Crude oil exports (million barrels)	155.2	176.3	208.2	186.7	122.5

	1971	1972	1973	1974	Budget 1975
<u>Government finances</u> ^{1/}					
	(In millions of Qatar riyals)				
<u>Revenues</u>	945.1	1,230.4	1,663.7	7,114.3	7,685.5
Oil revenues (net of production costs)	837.5	1,104.3	1,559.8	6,848.2	7,446.3
Other revenues	107.6	126.1	103.9	266.1	239.2
<u>Expenditures</u>	689.8	958.6	1,571.5	3,026.9	4,163.2
Current expenditures	474.5	698.7	1,047.3	1,582.9	2,067.7
Of which: Grants to foreign governments and institutions	(--)	(26.8)	(357.0)	(509.0)	(750.0)
Capital expenditures	169.3	227.5	248.8	676.5	1,790.5
Net lending and equity participation	46.0	32.4	275.4	767.5	305.0
<u>Overall surplus</u>	255.3	271.8	92.2	4,087.4	3,522.3
	1971	1972	1973	1974	Sept. 1975

	(In millions of Qatar riyals)				
<u>Monetary survey (end of period)</u>					
Money	237.0	345.4	412.8	560.6	808.8
Quasi-money	225.8	318.6	364.2	485.0	650.6
Government deposits	64.6	20.2	45.1	146.9	85.1
Credit to the private sector	262.4	332.7	503.4	752.5	1,130.2

Qatar - Basic Data (Concluded)

	<u>1971</u>	<u>1972</u>	<u>1973 -</u>	<u>1974</u>
	(In millions of SDRs)			
<u>Balance of payments</u>				
Oil exports (f.o.b.)	254.0	346.3	501.5	1,620.2
Other exports and re-exports (f.o.b.)	11.6	15.7	14.9	30.7
Imports (f.o.b.)	-86.7	-102.0	-130.8	-179.6
Services and private transfers	-80.2	-116.1	-169.5	-154.2
Current account balance	98.7	143.9	216.1	1,317.1
Official transfers and loans to less developed countries	-9.7	-4.3	-71.4	-176.3
Other loans and investments	...	-24.5	-13.0	-265.0
Other capital (including net errors and omissions)	-18.7	-54.8	-104.7	-244.9
Monetary movements (increase in assets -)	-70.3	-60.3	-27.0	-630.9
<u>Net foreign assets (end of period)</u>	<u>256.6</u>	<u>316.9</u>	<u>343.9</u>	<u>974.8</u>
Government	183.2	228.8	252.8	823.8
Monetary Agency	19.8	21.4	29.3	54.2
Commercial banks	53.6	66.7	61.8	96.8

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975^{2/}</u>
<u>Percentage change in selected indicators</u>					
Crude oil production	18.5	12.7	17.9	-9.1	-21.4
Crude oil exports	18.1	12.9	18.3	-10.3	-21.9
Total government revenue	63.1	30.2	35.2	327.6	...
Total government expenditure	36.7	39.0	63.9	92.6	...
Money	20.0	45.7	19.5	35.8	44.9
Quasi-money	20.8	41.1	14.3	33.2	27.7
Credit to the private sector	22.2	26.8	51.3	49.5	52.6
Government foreign assets	38.9	38.3	14.6	288.0	...

1/ Fiscal years referred to as 1971, 1972, 1973, 1974, and 1975 are the Hijri (Moslem) years 1391, 1392, 1393, 1394 and 1395 ended on February 15, 1972, February 4, 1973, January 24, 1974, January 14, 1975 and January 3, 1976.

2/ Percentage rates of changes used for 1975 are: for oil production and exports, actual first ten months of 1975 compared with first ten months of 1974; for money, quasi-money, and credit to private sector, end of September 1975 compared with end of September 1974.

I. The Domestic Economy

1. The oil sector

a. Background

Oil production and exportation in Qatar began in December 1949 by the Qatar Petroleum Company (QPC) from its onshore field at Dukhan. QPC, an affiliate of the Iraq Petroleum Company, remained the sole producer until January 1964 when the Shell Company of Qatar (Shell) commenced production from its offshore concession area. At present QPC and Shell produce about 98 per cent of Qatar's oil output and account for 100 per cent of total exports. The remaining 2 per cent of output is accounted for by the Al Bunduq Company which operates the Al Bunduq field lying on the offshore boundary with Abu Dhabi, a member of the United Arab Emirates; production from Al Bunduq, which is half owned by Qatar, began in October 1975 and exports are expected to commence in early 1976.

QPC's original exploration concession, granted in 1935, covered the entire Qatar peninsula and all the offshore areas. The concession was gradually reduced, through successive relinquishments, to its present area which is limited to the Dukhan field and the surrounding area on the west coast of the peninsula. Shell's original concession, granted in 1952, covered Qatar's entire offshore continental shelf. Most of this area was subsequently relinquished and the concession is now limited to about 5,000 square kilometers located northwest of the peninsula. In June 1973 a concession was granted to a group led by Wintershall Company of Germany to explore for petroleum in the offshore area, but no commercial discoveries have been reported as yet by that group.

The terms of the original exploration concessions to QPC and Shell were amended in the early 1960s to conform with guidelines set by the Organization of Petroleum Exporting Countries (OPEC). In addition to phased relinquishment of concession areas, the OPEC guidelines include agreements for royalty payments, and a sharing by the host government in the operating company's net profits.

Effective January 1, 1974, Qatar acquired a 60 per cent participation share in the equity of QPC and Shell. The new agreement terminated and replaced the 1973 Participation Agreement under which Qatar had acquired a 25 per cent share in the equity of the operating companies.

b. Oil production and exports

Crude oil production in Qatar increased at an annual rate of 11.7 per cent to 208.1 million barrels in the decade ended 1973 (Table 1). In 1974 production declined by 9 per cent to 189.2 million barrels primarily because the Government imposed production ceilings (of about 223,000 barrels per day for QPC and 294,000 barrels per day for Shell) for conservation reasons. The production decline accelerated in the first ten months of 1975 with production falling more than 21 per cent below the comparable period of 1974. The 1975 decline unlike the drop in 1974, however, did not result from conservation efforts but was caused by weakened demand for Qatari crudes which had become overpriced relative to the competing crudes of neighboring Abu Dhabi in the aftermath of the February 1975 price reductions in Abu Dhabi (see section d below).

Table 1. Crude Oil Production and Exports
(In millions of barrels)

	Production		Total	Total Exports
	Qatar Petroleum Company	Shell Company of Qatar		
1965	70.4	13.6	84.0	82.7
1966	69.7	36.1	105.8	106.1
1967	70.9	47.1	118.0	116.5
1968	70.5	53.5	124.0	124.0
1969	73.2	56.4	129.6	128.8
1970	69.4	62.7	132.1	132.3
1971	81.1	75.5	156.6	156.2
1972	88.8	87.7	176.5	176.3
1973	91.6	116.5	208.1	208.2
1974	81.5	107.7	189.2	186.7
1974 (Jan.-Oct.)	68.1	89.7	157.8	156.8
1975 (Jan.-Oct.)	48.4	75.5	123.9	122.5

Source: Ministry of Finance and Petroleum.

QPC produces crude oil from three reservoirs in the Dukhan field on the west coast of Qatar and a pipeline system connects the field with the Umm Said export terminal on the east coast. The crude exported (Dukhan) is a blend of the three reservoirs, with a gravity of 40°-41° API and sulfur content of 1.1-1.2 per cent thus making it one of the highest quality crudes produced in the Persian Gulf. QPC's production was stable in the 1960s before increasing moderately in the early 1970s and then declining in 1974 and since. Current daily production capacity is about 275,000 barrels.

Shell produces its crude from three offshore fields--Idd El Shargi, Maydan Mahzam, and Bul Hanine--linked by pipelines to the Halul Island export terminal. The crude oil exported by Shell (Qatar Marine) is a blend from the three different fields with a gravity of 36°-36.7° API and sulfur content of 1.47-1.51 per cent. Shell's offshore production maintained a strong upward trend from 1964 to 1973 and its share in Qatar's total production was 57 per cent in 1974. Current daily production capacity is about 335,000 barrels.

Until mid-1975 almost all of Qatar's crude oil production was exported as only a very small amount was utilized by the topping plant to produce petroleum products for local consumption. This situation, however, will change now that a new 6,000 b/d refinery has been completed. This refinery, which is owned by the National Oil Distribution Company (a subsidiary of the government-owned Qatar General Petroleum Corporation--QGPC), produced an average of 5,000 b/d in 1975 with the inputs being provided from QPC's total allowable production.

c. Oil agreements and posted prices

Following many years of stable posted prices, the application of the terms of the Teheran Agreement of February 1971 and the Geneva Agreements of January 1972 and June 1973^{1/} substantially increased posted prices in Qatar. Changes in posted prices up to October 15, 1973 reflected the implementation of these agreements (Table 2).

The acquisition by Qatar, effective January 1, 1973, of a 25 per cent participation share in the equity of QPC and Shell allowed it to market directly a portion of its participation crude oil. This development led to the emergence of a set of oil prices more in line with market prices than the posted prices, which are merely tax reference prices. The realization of higher prices on these direct sales, together with the belief that the inflation adjustment stipulated in the Teheran Agreement was inadequate, prompted OPEC's Gulf member states to seek renegotiations with the international oil companies to increase prices. Following inconclusive discussions in early October 1973, the Ministerial Committee of the six Gulf members of OPEC announced a unilateral increase of about 70 per cent in posted prices effective October 16, 1973.^{2/} At the same time, Qatar announced additional increases in its posted prices mainly as premia for its low sulfur crudes, so that the average increase in the posted prices of the crude oils produced by QPC and Shell was 83 per cent. The changes in posted prices in the last two months of 1973 reflected the application of the provisions of the Second Geneva Agreement to adjust for changes in exchange rates during each of the preceding months.

^{1/} For details of the Teheran and Geneva Agreements, see SM/74/161.

^{2/} The posted price for the Saudi Arabian Light crude (34° API "marker crude") was increased by 70 per cent, from US\$3.011 to US\$5.119. The extent of the increase was determined on the basis of a formula linking posted prices with market prices realized in official direct sales to independent third parties..

Table 2. Posted Oil Prices per Barrel

(In U.S. dollars)

	Qatar Petroleum Company Dukhan ex-Umm Said	Shell Company of Qatar Qatar Marine ex-Walul Island
1970	1.930	1.830
<u>1971</u>		
February 15	2.280	2.200
June 1	2.387	2.305
<u>1972</u>		
January 20	2.590	2.501
<u>1973</u>		
January 1	2.705	2.614
April 1	2.862	2.766
June 1	3.025	2.923
July 1	3.084	2.980
August 1	3.200	3.092
October 1	3.143	3.037
October 16	5.834	5.503
November 1	5.899	5.564
December 1	5.737	5.412
<u>1974</u>		
January 1	12.414	12.013
November 1	12.014	11.613
<u>1975</u>		
October 1	12.740	12.540

Source: Ministry of Finance and Petroleum.

Effective January 1, 1974 the six Gulf members of OPEC unilaterally increased the posted price of the Saudi Arabian Light crude to US\$11.651, an increase of 131 per cent over the December 1, 1973 level. This new posting reflected the Ministerial Committee's decision to set the government take per barrel of equity crude at US\$7; other postings were to be determined by using the Saudi Arabian Light crude as base and adjusting

it by (1) gravity differentials set at 3 U.S. cents for every gravity degree below 34° API and 6 U.S. cents per degree above 34° API, (2) sulfur premia for all crudes with sulfur content below 1.7 per cent, and, (3) freight differentials. Accordingly, the new postings for Dukhan and Qatar Marine became US\$12.414 per barrel and US\$12.013 per barrel, respectively, and remained at these levels through the end of October 1974.

Effective November 1, 1974, Abu Dhabi, Kuwait, Qatar and Saudi Arabia decided to lower their posted prices by 40 U.S. cents while at the same time increasing royalty and tax rates (see section f. below). This decision was taken in order to reduce the wide differentials that had arisen between the prices for direct sales of participation crude (which had been set at not less than 93 per cent of the posted prices) and the foreign partners' acquisition cost for equity crudes. The posted price for the Saudi Arabian Light crude thus became US\$11.251 and the price for Saudi Government direct sales was set at US\$10.463 (equal to 93 per cent of posting). The posted prices for Qatari crudes were lowered by the agreed 40 U.S. cents and the prices for government direct sales were set at 93 per cent of postings. More recently, following the OPEC decision to increase the price of the marker crude by 10 per cent to US\$11.51, effective October 1, 1975, the posted prices for Dukhan and Qatar Marine were increased by 6 per cent and 8 per cent, respectively, and are expected to remain at this level until June 30, 1976.

d. Participation agreements

Under the initial participation agreement of January 1973, Qatar's 25 per cent share in the operating companies was scheduled to increase progressively to 51 per cent by 1982. According to the agreement, Qatar was to market 10 per cent of its share (2.5 per cent of each of QPC and Shell production) and sell back the remaining 90 per cent to the foreign partners at prices determined according to an agreed formula. Qatar's 10 per cent allotment of participation crude (about 5.2 million barrels) was sold to an independent American company at an average price of US\$4.55 per barrel.

On February 20, 1974 Qatar concluded a new participation agreement which terminated and replaced the 1973 Agreement. According to the new agreement which became effective as of January 1, 1974, Qatar acquired a 60 per cent share in the equity of the two operating companies at an estimated cost of US\$84 million. This figure included compensation for acquisition of a 60 per cent share in the natural gas liquids plant then under construction.

Under the 1974 Participation Agreements, the foreign partners in each of the two operating companies own 40 per cent of each company's output of crude oil. Additionally, they have contracted to buy specific quantities of the Qatari participation share; the Government undertook to market its remaining share through direct sales to independent companies. The buy-back agreements fixed the buy-back volumes at approximately 78,000 b/d for QPC and 106,000 b/d for Shell. The buy-back prices, however, were to be determined through bilateral negotiations between the Government and its foreign partners, and prices could be renegotiated anytime at the request of either side. In

case any partner requested changing the buy-back price, the two sides had a 15 day negotiating period and any price agreed upon during the period took effect immediately. Failure to reach a mutually agreeable price within the negotiating period automatically voided the buy-back agreement and the foreign partners then had a three-month "phase-out" period during which they had to buy back the full amount and pay the price called for under the nullified agreement. The buy-back prices as well as the prices for direct sales of government-owned crude were set at 93 per cent of posted prices in both 1974 and 1975 (see section c above).

In February 1975, following the reduction in the prices of similar crudes in neighboring Abu Dhabi, the foreign partners in QPC asked to renegotiate the price terms of their buy-back agreement with the Government; in May, the foreign partner in Shell also requested renegotiation of its agreement. These negotiations reached an impasse, "phase-out" periods went into effect, and the operating companies stopped lifting buy-back oil; this explains the notable decline in Qatar's daily average production from 514,000 barrels per day in January 1975 to 280,000 barrels per day in September 1975.

Following the OPEC price change effective on October 1, 1975, new buy-back agreements have been reached between the Government of Qatar and its foreign partners in the two operating companies. Under these agreements, which were signed in late October but which took effect as of October 1, new buy-back prices and volumes were established. Those prices were arrived at by adjusting the October 1, 1975 price for the Arabian Light marker crude (\$11.51 per barrel) to add gravity differentials and sulfur premia calculated on the basis of 3 U.S. cents for every API gravity degree above 34° and 3 U.S. cents for every 0.1 per cent sulfur content below 1.7 per cent. The new price for Dukhan is \$11.848 per barrel, compared with \$11.173 before October 1, while the new price for Qatar Marine is \$11.662 per barrel compared with \$10.800 previously; these prices also apply for direct sales of Qatari crudes. According to unofficial accounts, the new buy-back agreements also call for fixed purchases by foreign partners of about 48,000 b/d and flexible purchases of 32,000 b/d from QPC's production, and for fixed foreign partner purchases of 47,000 b/d and flexible purchases of 59,000 b/d from Shell's production^{1/}, with the Government reserving the right to reduce or completely withhold the flexible buy-back quantities on giving three-months' notice.

e. The Qatar General Petroleum Corporation (QGPC)

This corporation, which is capitalized at QR 1,000 million and wholly owned by the State of Qatar, was formed to engage in all phases of oil activity in Qatar and abroad, including exploration and drilling, development of natural gas and other hydrocarbons, refining, transport, and storage as well as distribution, sale, and export of oil, gas, and refined products. Operations began on January 1, 1975 and the QGPC has already taken over the Government's interests in QPC and Shell and has also absorbed the Qatar National Petroleum

^{1/} These quantities will become 47,000 b/d and 41,000 b/d, respectively, in 1976 when the 50,000 b/d cutback in Shell's production is scheduled to go into effect. See SM/75/300, page 3.

Company (a refining and distribution concern), the Qatar Fertilizer Company, the Qatar Petrochemicals Company, the Qatar Gas Company, as well as the Government's interest in the Arab Maritime Petroleum Transportation Company, the Arab Petroleum Pipelines Company, and the Arab Company for Shipbuilding and Repairs. The operations of QGPC are presently hampered by staff shortages.

f. Oil revenue

Prior to the advent of participation in 1973, the Qatari Government's oil revenue consisted of royalty and income tax payments by the producing concessionaires. Royalty payments, which are considered as part of production cost in calculating the income tax on company operations, remained fixed at 12.5 per cent through June 30, 1974, while income tax payments were calculated at the rate of 55 per cent between November 14, 1970 and June 30, 1974. Since July 1, 1974, both royalty and tax rates have been increased in several steps (Table 3). These two payments are made quarterly in pounds sterling with amounts due seven days from the end of the quarter.

Table 3. Royalty and Income Tax Rates

(In per cent)

	Royalty	Income Tax
<u>1970</u>		
January 1	12.5	50
November 14	12.5	55
<u>1974</u>		
July 1	14.5	55
October 1	16.67	65.75
November 1	20	85

Oil revenue increased at an annual compound rate of 14.4 per cent between 1964 and 1970 (Table 4), reflecting primarily the growth in the volume of crude oil exports. There were further increases of 61 per cent and 25 per cent in 1971 and 1972, respectively, attributable to both increases in exports and the application of the Teheran and Geneva Agreements on posted prices and tax rates. In 1973, oil revenue rose by 58 per cent due partly to increased exports and partly to upward revisions in posted prices, but also reflecting the first time ever proceeds from buy-back and direct sales of the Government's participation crude; these amounted to 36 million sterling pounds in 1973.

Table 4. Government Oil Revenues^{1/}

(In millions of pounds sterling)

	From Qatar Petroleum Company	From Shell	Total
1964	21.9	0.7	22.6
1965	23.3	1.1	24.5
1966	23.5	8.6	32.2
1967	24.8	13.1	37.9
1968	28.4	17.4	45.8
1969	28.8	19.2	48.0
1970	28.4	22.3	50.7
1971	44.4	37.2	81.7
1972	53.5	48.5	102.0
1973	56.9	68.6	161.5
1974			797.4

Source: Ministry of Finance and Petroleum.

^{1/} The figures are on a calendar year basis and differ somewhat from the corresponding data presented in the fiscal and balance of payments tables which have been prepared on a fiscal year basis.

Revenues nearly quintupled in 1974 in spite of the 10 per cent decline in exports as the substantial increase in posted prices of January 1, 1974, the two increases in royalty and tax rates during the year, and the increase in participation share to 60 per cent at the beginning of the year more than offset the fall in exports; the increase in royalty and tax rates of November 1974 did not have much impact on 1974 revenues, owing to the time lags involved in making these payments. In 1974, tax and royalty payments amounted to only 32 per cent of government oil revenue while foreign partner buy back of participation crude contributed almost 50 per cent and the remaining 18 per cent resulted from government direct sales. Payments for buy-back oil are made quarterly in U.S. dollars and, until October 1975, were due within 30 days from the end of the quarter thus implying average credit terms of 75 days;

payments for direct sales are also made in U.S. dollars and until recently, were due immediately upon presentation of tanker loading documents. In October 1975 the manner of payment for buy-back oil and direct sales was modified; payment for buy-back oil is now due within 15 days from the end of the quarter while payments for direct sales are now due within 60 days from date of tanker loading, thus implying uniform credit terms of about 60 days for all government sales of participation crude.

g. Natural gas

There are substantial natural gas deposits in Qatar but until recently these have not been utilized. Associated gas, produced in conjunction with oil, has for the most part been flared with only small amounts used for the operating companies' power generation requirements, some electricity generation and to power the desalinization plants, as well as for feedstock in the cement and fertilizer companies (Table 5). But with the opening of the national gas liquids (NGL) plant at Umm Said in January 1975, greater utilization of gas is envisaged. The NGL plant will utilize associated gas from the Dukhan field to produce liquid propane and butane for export and utilize methane and ethane as feedstock in the fertilizer company's production of ammonia and urea. Exports of propane and butane have already commenced. Plans are currently being drawn to utilize associated and nonassociated gas from Shell's operations with two major projects one with CDF-Chimie of France and the other with Shell International Gas being prepared. Additionally non-associated gas (dry natural gas) has been discovered in the Dukhan field but there are no plans as yet for its exploitation.

Table 5. Gas Production and Utilization

(In billions of cubic feet)

		1969	1970	1971	1972	1973	1974
Shell	Production	57	56	69	91	116	91
	Utilization	12	10	4	5	10	...
Qatar Petroleum Company	Production	79	75	90	90	111	91
	Utilization	25	25	31	35	33	...

Source: Ministry of Finance and Petroleum.

2. Other production sectors

a. Industrial production

Relative to the crude oil sector industrial production in Qatar is limited in scope; however, over the past decade the Government has initiated several industrial ventures and is currently significantly broadening the economy's industrial base by undertaking some major projects, most of which will draw on Qatar's extensive gas reserves. Industrial enterprises currently operating in Qatar include a shrimp packing plant, a flour mill, a cement plant, a small oil refinery, a fertilizer plant, and a natural gas liquids plant. There are also a large number of privately-owned light industrial establishments, some of them producing building materials, dairy products, furniture and soft drinks. Data through 1973 show that while the largest number of local business enterprises are engaged in service activities, the highest growth has been in establishments supplying building materials, as construction activity has boomed in recent years. Government policy toward private investment in light industry consists of assistance on a case-by-case basis in the form of providing low interest loans for buildings and industrial sites and exemption from customs duties on imported equipment. Foreign participation in small-scale industry is limited to joint ventures in which the foreign share may not exceed 49 per cent.

With the exception of frozen shrimps, production from all of Qatar's principal industries showed increases during 1974, (Table 6). The decline in shrimp production is attributable to a reduction in the shrimp catch resulting from natural factors. In 1974, cement production rose by over 40 per cent, refinery output expanded, and the new fertilizer plant completed its first full year of operation. Increases in output of all principal industries are expected in 1975.

Table 6. Principal Industrial Products

Product	Unit	1971	1972	1973	1974
Frozen shrimp	tons	282	408	478	260
Flour	tons	--	692 ^{1/}	10,476	11,808
Cement	tons	79,596	105,813	99,142	141,430
Low octane gasoline	barrels	64,270	67,400	63,066	79,750
Diesel fuel	barrels	56,940	60,590	55,016	123,254
Kerosene	barrels	29,930	30,295	25,807	23,937
Electricity generation	million kwt.	315	359	419	460
Water desalination	million gal.	1,174	1,130	2,440	2,780
Fertilizers					
Urea	tons	--	--	--	70,000
Ammonia	tons	--	--	--	170,000

Sources: Individual firms and Ministry of Finance.

^{1/} Represents only two months' output.

b. Agriculture

Agricultural production in Qatar is limited by the scarcity of arable land and water; however, experimental programs are under way to discover methods by which existing water resources could be better utilized in order to increase output. Agricultural land is scattered in small parcels in the northern and, to a lesser extent, in the central part of the peninsula. Generally, the soil consists of shallow layers of silt deposits above clay and is suitable for growing only a limited number of vegetables, feedgrains and dates. Water is obtained from artesian wells and exhibits varying degrees of salinity. Agricultural production is based on private land ownership supported by substantial government assistance; seeds are supplied free of charge while services such as soil preparation, spraying and harvesting are provided by the Government. As part of its long range agricultural development plan the Government is operating a poultry project which will supply 70 per cent of domestic poultry and egg requirements by 1976, and has plans to raise sheep and dairy cattle on an experimental basis.

Between 1960 and 1971 agricultural production expanded substantially (Table 7). Both area and production of vegetables and feedgrains showed a continuous upward trend over this period. Between 1971 and 1973 there was a gradual dropoff in cropped area and production as labor shortages developed, primarily due to higher wages offered elsewhere in the economy and in neighboring countries. There was a slight upturn in production during 1974 as labor shortages eased somewhat and as the Government introduced wheat farming on a limited scale.

Table 7. Number of Farms, Cropped Area and Agricultural Production

(Area in donums;^{1/} production in tons)

	Number of Farms	Vegetables		Feedgrains	
		Area	Production	Area	Production
1960	119	854	1,708	750	3,420
1961	151	1,908	4,292	895	5,817
1962	185	2,562	6,385	1,205	8,435
1963	212	3,416	9,393	1,650	12,375
1964	248	4,270	12,810	1,850	14,800
1965	284	5,120	12,360	2,020	18,180
1966	316	6,920	16,110	2,120	18,880
1967	327	6,903	16,344	2,450	19,870
1968	349	7,618	18,284	2,940	20,270
1969	363	7,715	18,601	3,355	23,595
1970	365	8,439	19,223	3,670	25,485
1971	411	11,043	21,472	5,230	34,617
1972	434	10,713	18,161	5,092	33,817
1973	442	9,413	17,748	3,100	24,800
1974	450	9,703	18,342	3,190	25,520

Source: Ministry of Industry and Agriculture.

^{1/} One donum equals 1,000 square meters or one-fourth acre.

3. Economic development

There is no formal institutional arrangement for development planning in Qatar and there is no comprehensive development plan. Feasibility studies for major industrial projects are carried out by the Industrial Development Technical Center and projects are coordinated by the Council of Ministers.

While in the past the major thrust of the development effort was to establish infrastructural facilities such as roads, an international airport, port facilities, a communications network, power and water desalinization plants the emphasis has been shifted during the last two years toward major industrial projects. Recently completed projects include a fertilizer plant, an oil refinery, and an NGL plant. The fertilizer plant, which has a capacity of 900 metric tons per day of ammonia and 1,000 tons per day of urea, utilizes methane from the Dukhan oilfield and completed its first year of production in 1974. The oil refinery and NGL plant were inaugurated in early 1975. The oil refinery, built to supply the domestic market, has a capacity of 6,000 barrels of crude oil input per day and was constructed at a cost of QR 45 million. The natural gas liquids plant has a capacity of 20,000 barrels per day of propane, 8,000 barrels per day of butane, and 4,000 barrels per day of natural gas and was constructed at a cost of QR 250 million.

Several major projects are either under construction or in the planning stage; government policy toward industrial projects is to assume a 70 per cent share of their ownership in joint ventures with foreign concerns and after project completion to sell a limited percentage of its share to private Qatari investors. Projects expected to be completed within the next three years include an iron ore reduction plant, a petrochemical complex, a gas plant, and extensions of the fertilizer and cement plants. Consideration is also being given to an expansion of the refinery. Cost estimates for these projects are shown in Table 8.

The iron ore reduction plant is expected to be on stream by late 1977 and will have a capacity of 400-450 thousand tons per year. The Qatar Government will hold a 70 per cent share and Japanese companies (which will market the product), the remaining 30 per cent. The petrochemical complex will have 80 per cent government ownership and 20 per cent ownership by French companies who will provide the management and marketing. The complex will have an annual capacity of 300,000 tons of ethylene and 145,000 tons of low density polyethylene. The gas plant, a joint venture with Shell International Gas holding 30 per cent ownership and the Government 70 per cent, will tap offshore gas reserves to produce NGL for export, methane as feedstock for the fertilizer plant, and ethane for the petrochemical operation. The extensions under way to the cement and fertilizer plants will increase capacity by 350,000 tons per day to the cement plant by early 1976 and will double the capacity of the existing fertilizer plant by 1978.

Infrastructural development has not been sacrificed to industrial growth; projects are under way to increase port capacity, construct a new power plant and electricity transmission lines, increase water desalination capacity, and construct 4,000 new housing units at Umm Said.

Table 8. Planned Expenditure on Capital Projects

(In millions of Qatari riyals)

Project	Estimate 1975	Estimated Total
Qatar Iron and Steel Co.	50	800
Petrochemical complex	100	800
Qatar Gas Co.	60	1,200
Qatar Cement Co.	75	250
Qatar Fertilizer Co.	10	350
Refinery	10	1,050

Source: Ministry of Finance and Petroleum.

4. Employment, wages and prices

The economically active population in Qatar was estimated at 80,000 in 1974 with Qataris comprising no more than 20 per cent. There is no unemployment in Qatar and labor shortages exist in all areas of the economy. The admission of foreign labor chiefly from other Arab countries, Pakistan, India and Iran is regulated by the Ministry of Interior in coordination with the Ministry of Labor and Social Affairs. As a general policy immigrants are admitted into the country on a one-year residency permit when sponsored by a contractor for a specific project; this permit may be extended for the same project or for other projects. To help ease the labor shortage an agreement was recently concluded with Egypt to facilitate the immigration of 6,000 Egyptian skilled and unskilled workers.

No comprehensive data on wages and prices are available for Qatar. Until 1970 wages remained relatively stable but since then the growth in economic activity together with a more restrictive immigration policy caused the labor market to tighten, thereby raising the level of wages. In 1973 wages of unskilled workers were estimated to have increased by 50 per cent while wages of skilled workers rose by 20-50 per cent. No increase in government wages and salaries was granted in 1973. Early in 1974 government employees were

given raises of 5-15 per cent with the higher rate applied to lower income employees. In early 1975 government employees were given a further increase of from 10-30 per cent, with the higher rate applied to the lower salaries. Wages in the private sector are estimated to have increased at a faster rate than in the government sector in 1974 and 1975.

Based on incomplete data, domestic prices in Qatar are estimated to have increased by between 25-35 per cent during 1974 and 1975. The increase was partly due to the rise in world prices and higher freight rates, but also due to domestic supply bottlenecks and strong internal demand. In this respect the increase in port waiting time from about eight days in early 1974 to about fifty days in 1975 was significant. On the other hand, indications were that domestic retail trade did not suffer from the monopolistic market structure frequently found in other countries in the area. To alleviate port congestion both short- and long-run measures were being taken. As a stop-gap solution two berths were being constructed at Umm Said to handle imports for the industrial plants and for the longer run an expansion of the main port was planned. To lessen the impact on consumers of higher food prices a broad subsidy program was initiated in early 1974. Essential food items (rice, sugar, wheat, ghee, and meat) are imported directly by the Government and are sold at fixed prices, while the prices of other commodities are held down by government-controlled profit margins. Other elements of the subsidy program include subsidized prices for petroleum products, cement, water and electricity; budgeted expenditure for the program amounted to QR 60 million for fiscal year 1975. The rent freeze for occupied dwellings decreed in January 1974 remained in effect during 1975.

5. Government social welfare programs

The Government administers generous social welfare programs, most notably in the areas of housing, education and health.

There are three government housing schemes for the benefit of Qatari nationals; these schemes are designed for the elderly, low income families and senior government officials, and typically involve the supply of free land and interest-free loans.

The cost of education is financed by the Government at all stages in Qatar for all residents; education abroad is also financed by the Government for Qatari nationals. Expenditure on education has grown sharply in recent years as the number of general education pupils has increased by 20 per cent from the academic year 1973/74 to 1975/76. Estimated current expenditure on education during 1975 is QR 152 million compared to the corresponding expenditures of QR 108 million in 1974.

Medical care in Qatar is provided free to all Qatari residents while treatment abroad when necessary is paid for by the Government and is available to Qatari citizens and government employees. Current hospital bed capacity in Qatar is about 600 and an average of about 5,000 outpatients and 550 inpatients are treated daily by an estimated 100 doctors. Major new medical facilities under construction include a 640 bed hospital to be ready by early 1978, and 64 additional beds at the main hospital in Doha. Future plans include additional facilities for pediatrics, intensive care, burns, and a 164 bed isolation hospital for infectious diseases.

II. Public Finance

1. Budgetary procedures

All public sector activities are carried out by the Central Government. The fiscal year is the same as the (Hijri) Moslem year and thus is 11-12 days shorter than the Gregorian calendar year. Each year, around the eighth month of the fiscal year, the various ministries submit their budget requests for the next fiscal year to the Ministry of Finance and Petroleum which scrutinizes the requests and modifies them in light of total anticipated revenues and general guidelines issued by the Ruler of Qatar. The Ministry of Finance and Petroleum then prepares budget estimates of revenues by sources and expenditures by administering departments which, together with actual revenues and expenditures for the previous year and the revised estimates of the current fiscal year, comprise the budget document. The budget is submitted first to the Council of Ministers, then to the Advisory Council, and finally to the Ruler for approval and authorization. At each stage of this process, the budget document may be modified with the final decision resting with the Ruler.

The approved budget document records current and capital expenditures by administrative departments separately. Net lending by the Government, which also includes government equity participation in industrial projects with foreign investors, is presented on a consolidated basis.

2. Fiscal developments, 1970-74

Following a period of moderate growth in the 1960s, government revenues rose at an average annual rate of 35 per cent in 1970-73 and more than quadrupled in 1974. Through 1973 total expenditures rose nearly as fast as revenues and in 1974 they almost doubled. As a result of these developments, the overall budget surplus rose from an average of about QR 174 million a year (16 per cent of revenues) in 1970-73 to QR 4,087 million (57 per cent) in 1974. Except for relatively small working balances maintained with domestic banks, nearly all of these surpluses have been invested abroad (Table 9).

Oil revenues have constituted more than 90 per cent of government receipts after 1971. Income from the Government's foreign investments accounts for most of the non-oil revenues. Other receipts derive mainly from customs duties, a graduated tax on business and corporate profits,^{1/} and a recently introduced 5 per cent turnover tax on hotel bills, and to a lesser extent from public utility user charges (see Appendix Table 14). The growth of oil revenues since 1971 reflects a multitude of factors: increased exports up to 1973, rising posted prices between 1971 and 1974, increased royalty and tax rates, and the advent of government participation in the ownership of the operating oil companies in 1973 and 1974 (see Chapter I, section 1, f above).

^{1/} Applicable primarily to foreign banks operating in Qatar.

Table 9. Budgetary Operations and Financing, 1970-75^{1/}
(In millions of Qatar riyals)

Fiscal Year	1970	1971	1972	1973	1974	Budget Estimates	
						1974	1975
I. <u>Current revenue</u>	<u>579.4</u>	<u>945.1</u>	<u>1,230.4</u>	<u>1,663.7</u>	<u>7,114.3</u>	<u>5,292.1</u>	<u>7,685.5</u>
Oil revenue	515.2	837.5	1,104.3	1,559.8	6,848.2	5,173.7	7,446.3
Customs duties	3.2	8.1	10.8	14.2	20.2	15.5	20.0
Investment income	33.8	60.3	76.2	69.6	206.9	71.0	180.0
Other	27.2	39.2	39.1	20.1	39.0	31.9	39.2
II. <u>Expenditure</u>	<u>504.6</u>	<u>689.8</u>	<u>958.6</u>	<u>1,571.5</u>	<u>3,055.3</u>	<u>(2,720.5)^{2/}</u>	<u>(4,163.2)^{2/}</u>
Current expenditures	358.2	474.5	698.7	1,047.3	1,582.9	1,761.1	2,067.7
Of which							
Grants to foreign govern- ments and institutions	(—)	(—)	(26.8)	(357.0)	(509.0)	(543.8)	(750.0)
Capital expenditure	132.1	169.3	227.5	248.8	676.5	959.4	1,790.5
Net lending and equity participation	14.3	46.0	32.4	275.4	795.9	...	...
Loans to foreign governments (net)	(—)	(—)	(—)	(—)	(337.1)	(...)	(...)
Domestic lending (net)	(14.3)	(46.0)	(32.4)	(189.7)	(137.1)	(...)	(...)
Equity participation in Qatari-foreign joint ventures	(—)	(—)	(—)	(85.7)	(321.7)	(...)	(305.0)
III. Overall surplus or deficit (-)	<u>74.8</u>	<u>255.3</u>	<u>271.8</u>	<u>92.2</u>	<u>4,059.0</u>	<u>(2,571.6)^{2/}</u>	<u>(3,522.3)^{2/}</u>
IV. Errors and omissions	—	—	—	—	28.4	...	...
V. Total (III+IV)	<u>74.8</u>	<u>255.3</u>	<u>271.8</u>	<u>92.2</u>	<u>4,087.4</u>	<u>(2,571.6)^{2/}</u>	<u>(3,522.3)^{2/}</u>
VI. <u>Financing</u>	<u>74.8</u>	<u>255.3</u>	<u>271.8</u>	<u>92.2</u>	<u>4,087.4</u>	...	...
Domestic	32.1	10.9	-61.9	2.2	125.9	...	...
Net deposits with banks (increase +)	(32.1)	(10.9)	(-61.9)	(2.2)	(125.9)	(...)	(...)
Foreign	42.7	244.4	333.7	90.0	3,961.5	...	...
Net deposits in foreign banks (increase +))))))	(...)	(...)
Other foreign assets (increase +)	42.7)	244.4)	333.7)	90.0)	(1,785.4) ^{3/}	(...)	(...)
	)	)	)	)	(2,176.1) ^{4/}	(...)	(...)

Source: Ministry of Finance and Petroleum; budget documents and data provided by the Qatari authorities; and Appendix Tables 14, 15 and 16.

^{1/} See Appendix Table 14 for an explanation of fiscal years.

^{2/} Complete information on net lending and equity participation was not available when the budget was presented.

^{3/} After deducting QR 19.7 million as adjustment for exchange rate changes for Qatar riyals.

^{4/} After deducting QR 150 million as adjustment for exchange rate changes for Qatar riyals.

Notwithstanding a relative shift toward capital outlays in recent years, current outlays presently constitute about 70 per cent of government expenditures. Moreover, significant shifts have taken place within the current account. Prior to 1973, expenditure on general administration and the ruling family's civil list accounted for over two-thirds of the current outlays. Social services, mainly education and health, accounted for about 25 per cent while the rest was incurred on economic services and aid to Arab and Islamic countries. Since then, grants to foreign countries have jumped from QR 27 million (less than 4 per cent of current expenditures) in 1972 to QR 509 million (about 32 per cent) in 1974.

The composition of capital expenditure, however, remained more or less stable during these years. Expenditure on economic services accounts for three-fourths of capital expenditure. Most of the remaining share is accounted for by expenditure on public security.

Government expenditures (excluding net lending) rose from QR 490 million in 1970 to QR 2,260 million in 1974. About 70 per cent of the increase reflected expansion in current expenditures which rose from QR 358 million to QR 1,583 million during the four-year period. Through 1974, the largest share of the increase in current expenditures, over 40 per cent, represented aid grants to foreign governments and institutions and another 30 per cent of the increase represented wage and salary payments, arising mainly from allocations to newly established ministries, an expansion in police and defense forces, and cost of living adjustments for government employees. Government outlays on subsidies for essential commodities have also increased, particularly since 1973. Although expenditures on social and economic services doubled during this period, they accounted for less than 12 per cent of the increase in current expenditures; most of the additional outlays were for education and health including the cost of travel and medical treatment abroad because of the lack of proper facilities in Qatar. The rest of the increase (about 18 per cent) consisted largely of civil list transfers (Appendix Table 15).

Capital expenditures rose at an annual rate of over 80 per cent, from QR 132 million in 1970 to QR 677 million in 1974. More than 70 per cent of the increase in capital expenditures during these years resulted from outlays on economic services, especially for water, electricity, transportation, and other infrastructure projects. In the latter category, expenditures on new road construction claimed most of the increase. The rest was largely directed to public security and defense.

In spite of the expansion in capital expenditures over the years, outlays have consistently fallen short of the budgeted targets, especially since 1973. The main reason for this has been the limitation of the absorptive capacity of the economy resulting from a shortage of both skilled and nonskilled labor, a scarcity of building materials, administrative bottlenecks, and delays in the delivery of imports (Appendix Table 16).

Prior to 1973, net lending by the Government was limited to a relatively small amount of housing loans. Since then, the sharp increases in net lending have mainly reflected government equity participation in joint Qatari-foreign industrial undertakings and, since 1974, loans to foreign governments. In 1974 equity investment accounted for about 40 per cent of the total net lending, loans to Arab and Islamic countries about 42 per cent, and other domestic lending the remaining 18 per cent.

Although Qatar had been giving a modest amount of aid to Arab and Islamic countries out of current expenditures, these grants were not separately recorded until 1972 when they amounted to QR 27 million. In 1973 aid grants to foreign countries rose sharply to QR 357 million and together with net lending of QR 86 million amounted to about 27 per cent of government revenues. In 1974, although aid grants and net lending rose again sharply, together they accounted for about 12 per cent of government receipts.

3. Outlook for 1975

On the basis of available preliminary budget results for the first ten months of the 1975 fiscal year, government revenues are expected to decline by some 3 per cent to about QR 6,900 million. Government expenditures (excluding net lending) are expected to increase substantially, but at a somewhat lower rate than in 1974, and are projected at about QR 3,470 million. In addition, significant increases are expected in net lending. The overall surplus is estimated at QR 2,500 million, considerably less than realized in the previous year. As in the past, most of it is being invested in foreign securities.

The estimated decline in government revenues mainly reflects the projected 17 per cent reduction in oil production; the increase in export prices effective October 1, 1975, is not likely to have much effect during the current fiscal year, because of the time lag in payments. The decline in receipts could have been larger but for the increased income from government investments abroad. Also, some growth-related increases in custom duties are expected to cushion the fall in government revenues. Other non-oil receipts were expected to remain at about the same level as in 1974.

Although a breakdown of government expenditures is not yet available, the authorities expect that nearly four fifths of the expansion in government outlays will be on the current account which is expected to reach QR 2,500 million, an increase of about 58 per cent over the level of the previous year. Most of the increase will result from increased aid grants to Arab and Islamic countries, expected to amount to QR 1,000 million or nearly twice their level in 1974. Government expenditure on most other categories of the current account is expected to remain at about the same level as in 1974, although expenditures on general administration are expected to be higher, because of increases in government salaries effected in early 1975, and some expansion on subsidy outlays for essential commodities.

Capital expenditures are expected to increase by over 40 per cent to about QR 970 million reflecting the Government's continuing development efforts. Expansion in capital outlays will be mostly on infrastructure (mainly road construction) and electricity generation.

Expansion in net lending is expected to be substantial with most of the increase representing loans to Arab and Islamic countries, estimated to reach about QR 800 million as opposed to QR 322 million in 1974. As a proportion of government receipts, net lending combined with aid grants to these countries is expected to be over 25 per cent. Domestic lending is expected to show a small gain but net lending to industrial projects will be at about the same level as in 1974.

III. Money and Credit

1. Institutional developments

a. Central banking

The Qatar Monetary Agency (QMA) was established in 1973 as the central banking institution of Qatar with broad responsibilities. These responsibilities included the issuance and redemption of currency, the safeguarding of the currency's internal and external value, the promotion of credit and exchange conditions conducive to economic growth and monetary stability, and the regulation of the commercial banking system.^{1/} However, despite the recent growth in commercial bank assets and liabilities, the difficulty in recruiting senior staff has hindered the QMA in the assumption of most of its designated functions. The QMA presently confines its operations to the issue and redemption of currency and the quarterly compilation of banking statistics.

b. Commercial banks

While monetary aggregates have expanded rapidly in Qatar, reflecting the rise in oil revenues and growing economic activity, the number of banks in operation in the country has grown slowly. Since 1973 two banks have opened, La Banque de Paris et des Pays Bas in 1973 and the locally owned Qatar Commercial Bank in 1975, bringing the number of locally owned banks to two and the total number to twelve. The Qatar National Bank, the other locally owned bank (50 per cent government owned) remains the largest bank and continues to serve as the fiscal agent and depository for the Government's accounts.

Total assets of the commercial banks after increasing at an average annual rate of 28 per cent between 1970 and 1973 rose by 53 per cent during 1974 and by a further 33 per cent in the first nine months of 1975 (Appendix Table 17). While the composition of these assets remained

^{1/} For a detailed description of these responsibilities and designated functions see SM/74/161.

stable in the 1970-72 period (foreign assets and claims on the private sector each accounting for 40-50 per cent of total assets) a shift toward private sector credit occurred in 1973 and continued throughout 1974 and the first nine months of 1975; the percentage of total assets accounted for by claims on the private sector rose to 55 per cent at the end of 1973, remained at that level during 1974 and increased to 60 per cent by the third quarter of 1975. The increase in these claims reflects the growth in import trade for the most part generated by the rising level of government expenditures on industrial projects and the growth in construction activity. To a large extent changes in net foreign assets of the commercial banks reflect movements in the local deposits of the Government denominated in foreign currency. However, beginning in the fourth quarter of 1974 local branches of foreign banks sharply increased their indebtedness to their home offices, thereby slowing the rate of growth of net foreign assets in the second half of 1974 and decreasing the level over the first three quarters of 1975; the borrowing was used for the most part to finance local trade and investment. Other assets of the commercial banks have remained fairly stable; during the first quarter of 1975, however, banks increased their cash holdings in anticipation of a possible revaluation of the Qatar riyal.

Commercial bank liabilities consist primarily of demand deposits and quasi-money deposits, which together account for about 65 per cent of total liabilities; while this percentage has declined from an average of 75 per cent during 1970-73, the composition of private deposits between local time and demand deposits has remained stable, as the proportion of private deposits denominated in foreign currency has fallen. Government deposits, while on the average accounting for less than 10 per cent of bank liabilities, fluctuated considerably during 1974 and in the first nine months of 1975 due to timing differences in the flow of receipts and expenditures. Government oil receipts are received periodically in foreign exchange in government accounts abroad; then, as the need for domestic expenditures arises, funds are initially transferred to government deposits denominated in foreign currency with the Qatar National Bank and required amounts are later switched to the Government's local currency account.

c. Interest rates

An interbank agreement continues to regulate interest rates on bank deposits in local currency and on advances; rates on foreign currency deposits are determined by individual banks depending on conditions prevailing in international financial markets. The minimum prime lending rate is 7 per cent. Local currency deposit rates range from 4 per cent to 6 per cent.

2. Monetary developments

The money supply has moved erratically in recent years (Table 10). The rate of growth doubled in 1971 to 20 per cent and again in 1972 to 46 per cent before declining to 20 per cent in 1973; the decline in the

rate in 1973 may have reflected the buildup of excess liquidity in the two previous years. The growth in quasi-money during 1971-73 closely followed the increase in the money supply during that period, rising by 21 per cent, 41 per cent and 14 per cent, respectively. In 1974 and the first nine months of 1975 both money and quasi-money resumed their expansionary path, rising by 36 per cent and 33 per cent, respectively, in 1974 and by 44 per cent and 34 per cent, respectively, during the first nine months of 1975. From a traditional accounting point of view, the monetary expansion in 1974 was partly due to a rise in the banking system's net foreign assets and partly due to the increase in credit to the private sector; in the first nine months of 1975 the dominant factor in the monetary expansion was the growth in private sector credit. The expansionary impact of these factors was partly offset by the rise in government deposits and in net unclassified liabilities. However, this analysis does not show that the major expansionary force has been the Government's domestic deficit, i.e., the excess of government domestic expenditures over domestic revenues, financed by a drawdown of government foreign assets derived from oil receipts. In 1974 and in the first nine months of 1975 the expansionary impact of the Government's domestic deficit was substantially augmented by increases in each period of 50 per cent in credit to the private sector, due mainly to a rise in the demand for import and construction finance and partly to increasing land speculation.

Table 10. Factors Affecting Changes in Domestic Liquidity

(In millions of Qatar riyals)

	1970	1971	1972	1973	1974	First 9 Months	
						1974	1975
Changes in:							
Money and quasi-money	37.9	78.4	201.2	113.0	268.6	290.5	413.8
Money	17.7	39.5	108.4	67.4	147.8	145.2	248.2
Quasi-money	20.2	38.9	92.8	45.6	120.8	145.3	165.6
Net domestic assets	27.0	-11.9	131.0	28.3	-16.8	78.8	380.1
Credit to private sector	31.8	17.7	70.3	170.7	249.1	237.4	377.7
Government deposits (net)							
(increase -)	9.8	41.8	44.4	-24.9	-101.8	-52.1	61.8
Other items (net)							
(increase -)	-14.6	-17.8	16.3	-47.5	-164.1	-106.5	-59.4
Foreign assets (net) ^{1/}	10.8	90.3	70.2	14.7	285.4	211.7	33.7
(Per cent change)							
Money and quasi-money	10.9	20.4	43.5	17.0	34.6	37.4	39.6
Money	9.8	20.0	45.7	19.5	35.8	35.2	44.3
Quasi-money	12.1	20.8	41.1	14.3	33.2	39.9	34.1
Credit to private sector	17.4	22.2	26.8	51.3	49.5	47.2	50.2

Sources: Qatar Monetary Agency and Ministry of Finance and Petroleum.

^{1/} Excluding government foreign assets held abroad and reserve position in the Fund, see Appendix Table 19, footnote 1.

IV. External Sector

1. Balance of payments developments

No official balance of payments statistics are compiled in Qatar. The estimates made by the staff and presented in Table 11 are based on incomplete data of varying degrees of reliability. The only official and published information pertains to the volume of oil exports, and the value of other exports and imports. Other official but unpublished information is available regarding government investment income, official grants and loans, government investments, and government foreign exchange reserves. The remaining balance of payments components are staff estimates.

As indicated in Table 11 two of the principal characteristics of Qatar's external accounts during the period 1971 to 1974 were the high degree of dependence on oil exports and the corresponding small size of non-oil exports. The other notable features were the negative balance with respect to services, private and official transfers, and nonmonetary capital. Persistent surpluses have been recorded during the period covered both in the current account as well as in the overall balance of payments.

2. Merchandise trade

a. Exports

Crude oil exports accounted for between 96 per cent and 98 per cent of Qatar's total exports in the period covered, growing at the rates of 36 per cent in 1972, 45 per cent in 1973 and 223 per cent in 1974. The actual volume of oil exports rose by 13 per cent in 1972 and 18 per cent in 1973 before declining by 10 per cent in 1974, but in all these years the increase in the estimated average export price was higher than the real quantity change. On average, more than half of Qatar's crude oil exports in recent years has been shipped to Western Europe with most of the remainder going to countries in Asia and Africa. The United Kingdom was the largest single importer of Qatar's oil. Other important markets were France, Italy, and North America (see Appendix Table 20).

Non-oil exports are principally re-exports to other Gulf states, with the main commodities re-exported being food and tobacco products, some consumer durables, transport and industrial equipment, and spare parts. Domestically produced exports consist of vegetables sent to other Gulf states, and urea and ammonia produced by the fertilizer factory.

Table 11. Balance of Payments

(In millions of SDRs)

	1971	1972	1973	1974
1. <u>Merchandise trade, f.o.b.</u>	<u>172.9</u>	<u>260.0</u>	<u>385.6</u>	<u>1,471.3</u>
Oil exports	254.0	346.3	501.5	1,620.2
Other exports and re-exports	11.6	15.7	14.9	30.7
Imports ^{1/}	-86.7	-102.0	-130.8	-179.6
2. <u>Services and private transfers</u>	<u>-80.2</u>	<u>-116.1</u>	<u>-169.5</u>	<u>-154.2</u>
Oil sector ^{2/}	-48.7	-81.1	-107.8	-95.6
Investment income receipts	16.5	23.0	19.9	60.9
Other receipts	6.0	7.4	6.6	8.4
Other payments	-54.0	-65.4	-88.2	-127.9
3. <u>Current account balance (1+2)</u>	<u>98.7</u>	<u>143.9</u>	<u>216.1</u>	<u>1,317.1</u>
4. <u>Capital and official transfers</u>	<u>-28.4</u>	<u>-83.6</u>	<u>-189.1</u>	<u>-686.2</u>
Oil sector ^{3/}	-12.2	0.9	-23.2	-42.0
Official transfers and loans to less developed countries	-9.7	-4.3	-71.4	-176.3
Transfers	(-11.1)	(-5.6)	(-75.0)	(-106.9)
Loans	(1.4)	(1.3)	(3.6)	(-69.4)
Other loans and investments ^{4/}	...	-24.5	-13.0	-265.0
Other capital ^{5/}	-6.5	-55.7	-81.5	-202.9
5. <u>Overall balance</u>	<u>70.3</u>	<u>60.3</u>	<u>27.0</u>	<u>630.9</u>
6. <u>Reserves and related items</u> <u>(increase in assets -)</u>	<u>-70.3^{6/}</u>	<u>-60.3</u>	<u>-27.0</u>	<u>-630.9</u>

Sources: Compiled by the staff on the basis of data provided by the Ministry of Finance and Petroleum, the Qatar Monetary Agency, and the Customs Department.

^{1/} Excluding defense imports.

^{2/} Consists of oil company profits and compensation payments by the Government.

^{3/} Including delayed payment credit extended by the Government.

^{4/} Including capital subscriptions and participation in Arab and Islamic organizations.

^{5/} Including errors and omissions.

^{6/} Includes some loans and investments.

Note: Official transfers, loans, and investments are on a fiscal-year basis (see Appendix Table 14, footnote 1); other items are on a calendar-year basis. Figures in Qatar riyals have been converted into SDRs using the rate SDR 1 = QR 4.7619.

b. Imports

With the exception of a limited number of goods produced locally, most of Qatar's consumer, intermediate and capital goods are imported (see Appendix Table 21). As indicated in Table 11, imports have risen steadily in recent years growing by 18 per cent in 1972, 28 per cent in 1973, and 37 per cent in 1974. This reflected both the increase in government capital spending, notably the expenditures for the construction of the fertilizer plant, the refinery, and the NGL plant, and the expansion of the flour mill and the cement factory, but also the rising level of consumer demand. Appendix Table 22 shows that the three principal supplying countries were Japan, the United Kingdom, and the United States which together accounted for about 42 per cent of total recorded imports in 1974.

3. Services and private transfers

The persistently negative balance on this account reflects primarily profit transfers by the foreign partners in the operating oil companies but also remittances by the expatriate workers living in Qatar. Oil company profits, however, are estimated to have declined in 1974 reflecting the decrease in exports, the increased government participation in the ownership of the operating companies, and the successive increases in royalty and tax rates during the year. Remittances by foreign workers, however, are estimated to have risen systematically as both the size of the foreign work force grew in response to the booming activity in Qatar and also wages and salaries rose in nominal terms. The two outflows have, until recently, been offset only to a small extent by the earnings from foreign investments. The foreign assets of the Government (see section 5 below) constitute the principal component of Qatar's total foreign assets and the Government's holdings more than quadrupled in 1974.

4. Capital and official transfers

Government foreign transfers which had been very small prior to 1973 increased very markedly in that year, when Qatar made a number of grants to countries involved in the 1973 war in the Middle East, and increased further in 1974 as more aid was channeled to neighboring countries on a bilateral basis but also as contributions and subscription to regional organizations. Transactions with the foreign oil companies have resulted in negative outflows being recorded in both 1973 and 1974. These outflows arose mainly because of the lags in payments for the exported oil and reflect the fact that government earnings on participation and equity exports were higher at the end of both 1973 and 1974 than at the beginning of those years. The category other loans and investments consists principally of government loans to and direct equity investments in the financial markets of the developed countries. Such investments which were rather small before 1974 increased very substantially in 1974 as a greater proportion of the current account balance was channeled into non-monetary asset holdings. The residual item in the capital account groups together unidentified private capital transfers as well as defense imports and the portion of oil company imports which is not recorded in the customs returns.

5. Foreign reserves and reserve management

Qatar's foreign reserves increased from about SDR 186 million in 1970 to about SDR 975 million at the end of 1974 with the bulk of the increase being in government assets. There were only small absolute changes during the period in the assets of the QMA and the commercial banks (Table 12).

Table 12. Foreign Reserves of the Government and the Banking System

(In millions of SDRs)

End of December	1971	1972	1973	1974
Government, ^{1/} of which:	183.2	228.8	252.8	823.8
Reserve position in the Fund	(--)	(5.0)	(5.0)	(5.0)
Qatar Monetary Agency ^{2/}	<u>19.8</u>	<u>21.4</u>	<u>29.3</u>	<u>54.2</u>
Total official	203.0	250.2	282.1	878.0
Commercial banks (net)	53.6	66.7	61.8	96.8
Grand total	256.6	316.9	343.9	974.8
Change	70.3	60.3	27.0	630.9

Sources: Ministry of Finance and Petroleum and Qatar Monetary Agency.

^{1/} End of fiscal year data; up to 1973, figures include some domestic assets.

^{2/} Includes gold holdings.

While until 1968 official reserve assets were held in sterling, they have been diversified since into several currencies including Swiss francs, U.S. dollars, Canadian dollars, deutsche marks, Japanese yen, Belgian francs, Netherlands guilders, and French francs. Data as of the end of fiscal year 1974 (ended January 14, 1975) indicate that about SDR 445 million or nearly 55 per cent of total reserve assets was in the form of foreign currency bank deposits while more than 37 per cent was in the form of bonds and other fixed income securities; the rest consisted of gold, real estate, and claims on regional organizations.

Payments for Qatar's oil exports are initially made to the Government's accounts with banks in London. From there funds are transferred either back to Qatar for meeting government expenditure and local investments or to other financial centers for foreign investments. The

policy on reserve management is formulated by the Qatar Investment Board which is chaired by the Minister of Finance and Petroleum and meets every six months. The strategy underlying foreign investment has been one of asset diversification and the spreading of exchange rate risks. Bond holdings range from the short-duration variety to the medium-term ones, none being of more than ten years' maturity, and all are either direct government or government-guaranteed obligations. Movements of funds from one geographic market to another are effected by either controlling the level of new investment in that market (since Qatar has been a net investor in recent years) or by very gradual small sales so as not to affect asset prices or exchange rates.

V. The Exchange and Trade System

1. The exchange rate

The Qatar riyal was issued by the Qatar Monetary Agency beginning on May 19, 1973 with a gold value equivalent to 0.186621 gram of fine gold. An initial par value for the riyal of 0.186621 gram of fine gold per QR 1, corresponding to 0.21 SDR, was established on June 14, 1973. At the same time, Qatar availed itself of wider margins.

Until March 18, 1975, the riyal was pegged to the U.S. dollar on the basis of the relationship of the gold content of the two currencies.

Qatar advised the Fund that effective March 19, 1975 the riyal has been linked to the SDR on the basis of its par value, and that it will continue to avail itself of wider margins. Qatar's intervention currency is the pound sterling with a daily exchange rate for the riyal being established by the QMA on the basis of the previous day's SDR/sterling rate. From March 19, 1975 to October 18, 1975, the QMA established daily a middle rate for the riyal which corresponded exactly to the previous day's SDR/sterling rate communicated by the Fund. In dealing with commercial banks, the QMA maintained a spread of approximately 1 per cent around its riyal sterling rate and stood ready to sell sterling up to a daily limit of QR 2 million (minimum transaction QR 0.5 million) and buy sterling in unlimited amounts. The daily sales limit did not, however, apply to the Qatar National Bank and in any case is believed to have exceeded the normal working requirements of other banks.

The exchange system was modified on October 18, 1975. In circular number 1/75, the QMA advised commercial banks that effective October 18, 1975 it would establish daily buying and selling rates for the U.S. dollar in addition to the pound sterling and that its spread around the middle rates would become one-half per cent instead of the previous 1 per cent. The QMA also instructed banks to maintain a spread of 1 per cent in their buying and selling transactions with the public; previously these spreads had been 2 per cent or more. The QMA began setting the daily middle rate of the riyal in terms of sterling at approximately the upper boundary of the 2½ per cent margin thus effectively appreciating the riyal in terms of sterling.

2. Administration of control

The OMA is the exchange control authority, but there is at present no exchange control legislation in Qatar. Import licenses, which are required for a limited number of commodities (see section 6 below), are issued by the Ministry of Economy and Commerce.

3. Current payments and receipts

All settlements with Israel, Rhodesia, and South Africa are prohibited. No other prescription of currency is in force, but in practice payments to and from the sterling area countries are usually made in sterling area currencies. Qatar has ceased to be a Scheduled Territory in terms of the U.K. Exchange Control Act of 1947 but under current U.K. exchange control regulations continues to be regarded as a country of the Overseas Sterling Area. There are no limitations on payments for and proceeds from invisibles.

4. Capital

Banks are required to obtain permission from the Ministry of Finance and Petroleum for all remittances in excess of QR 50,000, although in practice this regulation is only a formality. Foreign participation in industrial enterprises is prohibited unless Qatar nationals control at least 51 per cent of the shares. No exchange control requirements are imposed on capital payments or receipts by residents or nonresidents, but payments must not be made to or received from Israel, Rhodesia and South Africa.

5. Nonresident accounts

No distinction is made between accounts held by residents and those held by nonresidents.

6. The trade system

a. Imports

All imports from Israel, Rhodesia and South Africa are prohibited. For a period in 1974-75, there was a ban on trading with Portugal but that is no longer in effect. Imports of alcoholic beverages, firearms, ammunition, and certain drugs are subject to licensing for reasons of health, morals, or security. Only licensed parties can enter the import trade and each importer can import only the commodity or commodities specified in his license but there are no restrictions on awarding such licenses; a license for general merchandise imports entitles a merchant to import any goods. All imports by the Government, the oil companies, and certain other imports by the private sector^{1/} are free of duty. All other imports

^{1/} Gold, all printed material, fruits and vegetables, livestock and animal feed, rice and sugar.

are subject to an ad valorem duty of 2.5 per cent except cement,^{1/} tobacco products (subject to a rate of 10 per cent), phonographs and records (15 per cent), and alcoholic beverages (50 per cent). Goods in transit are not taxed.

b. Exports

All exports to Israel, Rhodesia and South Africa are prohibited, but exports to other destinations may be made freely. Crude oil exports to the United States and the Netherlands were prohibited effective October 21 and October 24, 1973, respectively. The prohibition on crude oil exports to the United States was lifted on March 18, 1974, and the prohibition on oil exports to the Netherlands was lifted on July 10, 1974.

7. Gold

The monetary authorities and all other residents and nonresidents may freely and without license purchase, hold, and sell gold in any form, at home or abroad. They may also import and export gold in any form without a license and without payment of customs duties or tax. However, transactions involving Israel, Rhodesia, and South Africa are prohibited.

^{1/} Cement duties, designed to protect the domestic industry, are altered as domestic conditions warrant.

Table 4. Qatar: Ownership of Operating Companies

Operating Company	Ownership	Concession Period	Date Production Started
Qatar Petroleum Company (QPC)	Qatar General Petroleum Corp. (60%) British Petroleum (9.50%) Royal Dutch Shell (9.50%) Compagnie Francaise des Petroles (9.50%) Standard Oil of N.J. (4.75%) Mobil Oil (4.75%) Partex (2%)	May 1935 - May 1960	December 1949
Shell Company of Qatar (Shell)	Qatar General Petroleum Corp. (60%) Royal Dutch Shell (40%)	August 1952 - August 1987	January 1954
Al Bunder Company Ltd.	British Petroleum (33 1/3%) Compagnie Francaise des Petroles (33 1/3%) United Petroleum Development of Janan (33 1/3%)		October 1975
Wintershall	Koch Oil (35%) Wintershall (32.5%) Veba Chemie (12%) Deutsche Schachtbau (7.5%) United Mindman (5%) Gulf Stream resources (3%)		

Table 14. Qatar: Government Revenue, 1970-75^{1/}
(In millions of Qatar riyals)

Fiscal year	1970	1971	1972	1973	1974	Budget Estimates	
						1974	1975
Oil revenue	515.2	837.5	1,104.3	1,559.8	6,848.2	5,173.7	7,446.3
Income from oil royalty ^{2/} and participation (net) ^{2/}	131.9	259.9	297.5	588.9	4,822.9	...	5,445.8
Income tax on oil companies	383.3	577.6	806.8	970.9	2,025.3	...	2,000.5
Taxes on other income and profits Business and corporate profits	2.4 2.4	2.5 2.5	2.6 2.6	2.1 2.1	5.7 5.7	...	6.0 6.0
Taxes on international trade and transactions	3.2 3.2	8.1 8.1	10.8 10.8	14.2 14.2	20.2 20.2	15.5 15.5	20.0 20.0
Customs duties							
Investment income	33.8	60.3	76.2	69.6	206.9	71.0	180.0
Other tax and nontax revenues ^{3/}	24.8	36.7	36.5	18.0	33.3	31.9 ^{4/}	33.2
Current revenue	579.4	945.1	1,230.4	1,663.7	7,114.3	5,292.1	7,685.5

Sources: Ministry of Finance and Petroleum: Budget documents and data provided by the Qatari authorities.

1/ The fiscal year basis is the Islamic calendar Hijri year which is 11-12 days shorter than the Gregorian year. The fiscal years 1970-75 correspond with Hijri years 1390-95 ending, respectively, on the Gregorian calendar days February 26, 1971, February 15, 1972, February 4, 1973, January 24, 1974, January 14, 1975, and January 3, 1976.

2/ Operating expenses on government participation in oil production have been netted out.

3/ Major items comprise stamp duties, charges for water and electricity, and port dues.

4/ Includes an estimate for business and corporate profits tax.

Table 15. Qatar: Government Current Expenditures, 1970-75^{1/}

(In millions of Qatar riyals)

Fiscal Year	1970	1971	1972	1973	1974	Budget Estimates	
						1972 ^{2/}	1975
General public services	114.8	207.1	322.1	302.1	474.3	545.4	640.7
General administration ^{3/}	82.2	168.2	256.5	247.1	352.1	381.4	411.4
Public order and safety ^{4/}	32.6	38.9	65.6	55.0	122.2	164.0	229.3
Social services	102.6	104.6	143.7	150.0	206.7	276.1	298.8
Education	39.2	46.8	63.1	72.2	99.3	107.6	151.8
Health	52.3	55.6	60.7	59.0	80.5 ^{5/}	80.9	65.5
Social benefits and services	11.1	2.2	19.9	18.8	26.9	87.6	81.5
Economic services ^{6/}	30.0	31.6	41.5	50.4	67.1	69.3	97.1
Other (civil list) ^{7/}	110.8	131.2	165.6	187.8	325.8	326.5	281.1
Grants to foreign governments and institutions	--	--	26.8	357.0	509.0	543.8	750.0
Total current expenditure	358.2	474.5	698.7	1,047.3	1,582.9	1,761.1	2,067.7

Source: Ministry of Finance and Petroleum; budget documents and data provided by the Qatari authorities.

1/ See Appendix Table 14, footnote 1. for an explanation of the fiscal years.

2/ The budget estimates were revised on the basis of actual expenditures for the first few months of 1974 to take account of the increase in civil servant salaries and other adjustments.

3/ The major category is "central services" which represents government expenditures on economic services of administrative departments; more detailed classification of these expenditures was not available.

4/ Police and defense.

5/ Of which, QR 43.4 million represents expenditure on medical services and travel abroad for Qatari citizens because of lack of facilities in Qatar.

6/ Water, electricity and minor economic services.

7/ Payments to the ruling family.

Table 16. Qatar: Government Capital Expenditures, 1970-75^{1/}
(In millions of Qatar riyals)

Fiscal Year	1970	1971	1972	1973	1974	Budget Estimates	
						1974 ^{2/}	1975
General public services	15.0	7.2	26.0	40.0	97.1	131.3	275.1
Public security ^{3/}	15.0	7.2	26.0	40.0	97.1	131.3	275.1
Social services	3.6	2.1	14.0	15.1	23.2	30.3	123.0
Health and education	3.6	2.1	14.0	15.1	23.2	30.3	123.0
Housing and community amenities	6.8	11.4	19.8	15.6	51.5	77.0	205.7
Economic services	106.7	148.6	167.7	178.1	504.7	720.8	1,186.7
Transportation	39.4	32.6	64.6	67.6	126.0 ^{4/}	173.2 ^{5/}	285.4
and infrastructure	25.5	44.6	52.0	41.7	112.5	149.8	517.7
Water and electricity	41.8	71.4	51.1	68.8	266.2	397.8	383.6
Other ^{6/}							
Total capital expenditure	132.1	169.3	227.5	248.8	676.5	959.4	1,790.5

1/ See Appendix Table 14, footnote 1, for an explanation of the fiscal years.

2/ The revised budget estimates in 1974 reflect wage adjustments and higher prices of imported materials and capital goods.

3/ Police and defense.

4/ Of which, QR 105.4 million represents expenditure on road construction.

5/ Of which, QR 109.4 million represents expenditure on road construction.

6/ Includes expenditure on industry and commerce and other capital expenditures.

Table 17. Qatar: Monetary Accounts of Commercial Banks

(In millions of Qatar: riyals)

End of period	1970	1971	1972	1973	1974			1975		
					I	II	III	IV	I	II
Cash (notes and coin)	6.6	2.5	16.2	17.8	20.3	38.9	27.8	29.2	111.9	27.2
Foreign assets (net)	174.2	254.9	317.3	294.3	295.9	429.9	438.1	461.2	432.7	371.7
Foreign assets	213.9	280.6	319.8	325.5	312.3	451.7	465.7	564.8	587.8	571.8
Less: Foreign liabilities	(-39.7)	(-25.7)	(-2.5)	(-31.2)	(-16.4)	(-21.8)	(-27.6)	(-103.6)	(-155.1)	(-200.1)
Claims on private sector	214.7	262.4	332.7	503.4	576.4	626.6	740.8	752.5	839.5	1,008.1
Unclassified assets	38.7	37.8	68.5	92.7	96.1	99.3	127.6	145.9	175.9	256.6
Due from banks in Qatar	6.4	13.6	46.3	41.7	33.4	54.4	51.4	75.9	71.7	117.0
Other	32.3	24.2	22.2	51.0	62.7	44.9	76.2	70.0	104.2	139.6
Assets = Liabilities	434.2	564.6	734.7	908.2	988.7	1,194.7	1,334.3	1,389.5	1,560.0	1,693.6
Demand deposits	143.3	176.7	268.8	302.1	326.9	381.4	417.4	406.0	456.4	531.8
Quasi-monetary deposits	186.9	225.8	318.6	364.2	380.1	411.8	509.5	485.0	524.6	568.1
Time deposits (private)	135.3	182.2	264.1	289.2	281.7	308.9	319.6	384.8	447.7	483.8
Foreign currency deposits (private)	51.6	43.6	54.5	75.0	98.4	102.9	189.9	100.2	76.9	84.3
Total deposits in foreign currency	(55.9)	(81.6)	(61.1)	(102.5)	(146.8)	(243.9)	(270.1)	(210.9)	(238.4)	(149.2)
Less: Government deposits	(-4.3)	(-38.0)	(-6.6)	(-27.5)	(-48.4)	(-141.0)	(-80.2)	(-110.7)	(-161.5)	(-64.9)
Government deposits	11.7	55.8	20.2	39.0	62.1	154.2	91.1	126.7	184.3	81.7
Sight and time	7.4	17.8	13.6	11.5	13.7	13.2	10.9	16.0	22.8	16.8
Foreign currency	4.3	38.0	6.6	27.5	48.4	141.0	80.2	110.7	161.5	64.9
Capital accounts	53.2	66.6	67.2	25.2	104.2	104.2	104.1	168.9	169.8	179.9
Unclassified liabilities	39.1	39.7	59.8	107.7	115.3	143.2	212.2	202.9	225.0	332.2
Due to banks in Qatar	4.3	13.6	23.6	35.4	30.3	63.1	68.8	84.6	83.3	142.5
Other	34.8	26.1	36.2	72.3	85.0	80.1	143.4	118.3	141.7	189.7
										234.4

Sources: Qatar Monetary Agency and Ministry of Finance and Petroleum.

Table 18. Qatar: Monetary Accounts of the Qatar Monetary Agency

(In millions of Qatar riyals)

End of period	1970	1971	1972	1973	1974			1975 ^{1/}	
					I	II	III	IV	I
Foreign assets (net)	84.6	94.2	102.0	139.7	157.5	223.2	207.6	258.2	362.5
Gold	(30.8)	(30.8)	(30.8)	(30.8)	(30.8)	(30.8)	(30.8)	(30.8)	(30.8)
British Government securities	(86.3)	(111.5)	(150.1)	(171.5)	(190.1)	(118.1)	(108.7)	(139.0)	(159.0)
Balances with foreign banks	(58.8)	(56.7)	(60.4)	(71.9)	(71.1)	(74.3)	(68.1)	(88.4)	(171.8)
Less: Estimated currency outside Qatar ^{2/}	(-91.3)	(-104.8)	(-139.3)	(-134.5)	(-134.5)	(--)	(--)	(--)	(--)
Unclassified assets	2.5	1.9	8.5	11.5	6.3	0.1	--	3.4	--
Assets = Liabilities	87.1	96.1	110.5	151.2	163.8	223.3	207.6	261.6	362.5
Currency in circulation	60.8	69.8	92.8	128.5	145.8	178.9	168.4	184.5	285.0
Government deposits	11.1	8.8	--	6.1	4.0	6.1	6.1	20.2	20.2
Capital accounts	15.2	17.5	15.7	16.1	14.0	24.3	24.3	53.7	53.7
Special reserve	(15.2)	(17.5)	(15.7)	(16.1)	(14.0)	(16.1)	(16.1)	(30.2)	(30.2)
Revaluation reserve	(--)	(--)	(--)	(--)	(--)	(8.2)	(8.2)	(23.5)	(23.5)
Unclassified liabilities	--	--	2.1	0.5	--	14.0	8.8	3.2	3.6
									1.9

Sources: Qatar Monetary Agency and Ministry of Finance and Petroleum.

^{1/} Preliminary.
^{2/} For the period preceding the establishment of the Qatar Monetary Agency and the issuance of the Qatar riyal in May 1973, currency in circulation outside Qatar has been estimated at 60 per cent of total Qatar/Dubai riyals in circulation and an equivalent amount deducted from foreign assets. The 1973 figure consists of QR 131 million due the Government of Dubai for QDRs redeemed in Dubai and QR 3.5 million of unredeemed QDRs.

Table 19. Qatar: Monetary Survey

(In millions of Qatari riyals)

End of period	1970				1971				1972				1973				1974				1975			
Foreign assets (net) ^{1/}	258.8	349.1	419.3	434.0	453.4	653.1	645.7	719.4	795.2	698.4	753.1													
Foreign assets	389.8	479.6	561.1	599.7	604.3	674.9	673.3	823.0	950.3	898.5	960.6													
Qatar Monetary Agency	(175.9)	(199.0)	(241.3)	(274.2)	(292.0)	(223.2)	(207.6)	(258.2)	(362.5)	(326.7)	(340.5)													
Commercial banks	(213.9)	(280.6)	(319.8)	(325.5)	(312.3)	(451.7)	(465.7)	(564.8)	(587.8)	(571.8)	(620.1)													
Foreign liabilities	-31.0	-130.5	-141.8	-165.7	-150.9	-21.8	-27.6	-103.6	-155.1	-200.1	-207.5													
Qatar Monetary Agency	(-91.3)	(-104.8)	(-139.3)	(-134.5)	(-134.5)	(-21.8)	(-27.6)	(-103.6)	(-155.1)	(-200.1)	(-207.5)													
Commercial banks	(-39.7)	(-25.7)	(-2.5)	(-31.2)	(-16.4)	(-21.8)	(-27.6)	(-103.6)	(-155.1)	(-200.1)	(-207.5)													
Credit to private sector	214.7	262.4	332.7	503.4	576.4	626.6	740.8	752.5	839.2	1,008.1	1,130.2													
Money	197.5	237.0	345.4	412.8	452.4	521.4	558.0	560.6	629.2	725.6	808.8													
Currency outside banks	54.2	60.3	76.6	110.7	125.5	140.0	140.6	154.6	173.1	193.8	227.3													
Demand deposits	143.3	176.7	268.8	302.1	326.9	381.4	417.4	406.0	456.4	531.8	581.5													
Quasi-money	186.9	225.8	318.6	364.2	380.1	411.8	509.2	485.0	524.6	568.1	650.9													
Time deposits	135.3	182.2	264.1	289.2	281.7	308.9	319.6	384.8	447.7	483.8	551.8													
Foreign currency deposits	51.6	43.6	54.5	75.0	98.4	102.9	189.9	100.2	76.9	84.3	98.8													
Government deposits	22.8	64.6	20.2	45.1	66.1	160.3	97.2	146.9	204.5	101.9	85.1													
Other items (net)	66.3	84.1	67.8	115.3	131.1	186.3	221.8	279.4	276.2	311.0	338.8													
Capital accounts	68.4	84.1	82.9	111.3	118.2	128.5	128.4	222.6	223.5	233.6	229.4													
Unclassified items (net)	-2.1	-	-15.1	4.0	12.9	57.8	93.4	56.8	52.7	77.4	109.4													
Monetary Agency	(-2.5)	(-1.9)	(-6.4)	(-11.0)	(-6.3)	(13.9)	(8.8)	(-0.2)	(3.6)	(1.8)	(-11.1)													
Commercial banks	(0.4)	(1.9)	(-8.7)	(15.0)	(19.2)	(43.9)	(84.6)	(57.0)	(49.1)	(75.6)	(120.5)													

Sources: Qatar Monetary Agency and Ministry of Finance and Petroleum.

^{1/} Excludes both government foreign assets held abroad and reserve position in the Fund; the latter amounted to QR 23.8 million at the end of 1972 and 1973, QR 24.2 million at the end of 1974, and QR 62.0 million at the end of the third quarter of 1975.

Table 20. Qatar: Direction of Oil Exports

(In per cent)

	1970	1971	1972	1973	1974
<u>Western Europe</u>	<u>66.5</u>	<u>68.8</u>	<u>69.0</u>	<u>63.1</u>	<u>57.0</u>
Netherlands	8.6	11.6	25.7	25.3	3.2
France	12.6	14.0	9.2	12.3	15.6
Italy	12.9	17.0	12.0	11.5	11.1
United Kingdom	25.8	17.9	15.2	11.2	19.0
Other Europe	6.5	8.4	6.9	2.8	8.1
<u>Asia</u>	<u>10.4</u>	<u>9.5</u>	<u>14.0</u>	<u>14.6</u>	<u>19.4</u>
Thailand	8.9	8.2	9.1	10.1	9.6
Japan	1.0	0.3	0.2	0.7	0.9
Other Asia	0.5	1.0	4.6	3.9	8.8
North America	--	0.4	1.8	3.9	15.2
South America	2.6	2.4	1.0	0.1	--
Africa	13.7	13.1	8.5	13.8	5.3
Australia	6.8	3.1	2.4	2.0	2.1
Other	<u>--</u>	<u>2.7</u>	<u>3.2</u>	<u>2.4</u>	<u>1.0</u>
Total	100.0	100.0	100.0	100.0	100.0

Source: Ministry of Finance and Petroleum, Department of Petroleum Affairs.

Table 41. Qatar: Composition of Imports

(In millions of Qatar riyals and in per cent of total imports)

	1971		1972		1973		1974	
	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent
Foodstuffs, live animals,	96.1	18.7	122.7	20.2	148.6	19.1	232.6	21.8
beverages and tobacco	30.8	6.1	48.6	8.0	61.4	7.9	72.1	6.7
Textiles and clothing	24.4	4.7	27.7	4.6	36.3	4.7	53.9	5.0
Chemicals and chemical products	52.2	10.2	70.4	11.6	98.5	12.7	130.8	12.2
Transport equipment	191.8	37.4	215.5	35.4	273.5	35.1	260.3	26.2
Machinery	75.4	14.8	73.7	12.1	98.7	12.7	198.0	18.5
Manufactured goods	14.3	2.8	15.2	2.5	19.4	2.5	46.7	3.8
Fuels and crude materials	31.0	5.3	33.6	5.6	42.0	5.4	60.5	5.7
Other								
Total	515.9	100.0	607.3	100.0	778.4	100.0	1,068.9	100.0

Sources: State of Qatar, Customs Department, Yearly Bulletins of Imports, Exports and Transit, 1971-74.

Table 22. Qatar: Direction of Imports

(In per cent)

	1970	1971	1972	1973	1974
Japan	9.3	10.5	12.5	11.2	17.9
United Kingdom	24.2	37.5	26.4	27.5	14.0
United States	10.1	9.7	10.4	10.3	10.2
Lebanon	6.5	5.5	6.9	5.7	6.3
Germany, Fed. Republic of	5.6	4.6	5.2	5.4	6.2
Australia	2.8	2.0	3.0	2.9	3.0
India	6.1	2.3	2.0	2.6	3.0
Kuwait	1.4	1.1	1.9	2.5	2.6
France	3.9	2.6	8.2	5.0	2.6
Bahrain	2.3	1.7	2.0	2.3	1.6
Others	<u>27.8</u>	<u>22.5</u>	<u>21.5</u>	<u>24.6</u>	<u>32.6</u>
Total	100.0	100.0	100.0	100.0	100.0

Source: State of Qatar, Customs Department, Yearly Bulletin of Imports, Exports and Transit, 1970-74.

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