

**FOR
AGENDA**

SM/09/1
Supplement 1

January 5, 2009

To: Members of the Executive Board

From: The Secretary

Subject: **Qatar—Staff Report for the 2008 Article IV Consultation—
Informational Annex**

The attached informational annex is being issued as a supplement to the staff report for the 2008 Article IV consultation with Qatar (SM/09/1, 1/5/09), which is tentatively scheduled for discussion on **Wednesday, January 21, 2009**. At the time of circulation of this paper to the Board, the Secretary's Department has not received a communication from the authorities of Qatar indicating whether or not they consent to the Fund's publication of this paper; such communication may be received after the authorities have had an opportunity to read the paper.

Questions may be referred to Mr. Leon (ext. 36115) and Mr. Prasad (ext. 37737) in MCD.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Tuesday, January 13, 2009.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities. This supplement is not being disseminated in hard copy. It can be accessed in the Institutional Repository. A link to this document can be found in the daily list (<http://www-int.imf.org/depts/sec/services/eb/dailydocumentsfull.htm>) for the issuance date shown above.

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INTERNATIONAL MONETARY FUND

QATAR

2008 Article IV Consultation

Informational Annex

Prepared by the Middle East and Central Asia Department

December 30, 2008

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ANNEX I. QATAR: FUND RELATIONS

(As of November 30, 2008)

I. Membership Status: Joined 09/08/72; Article VIII, 06/04/73

II. General Resources Account:

	SDR million	Percent Quota
Quota	263.80	100.00
Fund holdings of currency	230.48	87.37
Reserve position in Fund	33.32	12.63

III. SDR Department:

	SDR million	Percent Allocation
Net cumulative allocation	12.82	100.00
Holdings	29.33	228.76

IV. Outstanding Purchases and Loans: None

V. Projected Obligations to the Fund: None

VI. Implementation of HIPC Initiative: Not applicable

VII. Safeguards Assessments: Not applicable

VIII. Exchange Arrangements:

The Qatari riyal has been pegged to the U.S. dollar at QR 3.64 = \$1.00 since July 2002, following an unofficial peg that was in effect since June 1980. Qatar has accepted the obligations under Article VIII, Sections 2, 3, and 4(a) and maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions. Qatar maintains exchange restrictions for security reasons, based on UN Security Council Resolutions, that have been notified to the Fund for approval (see EBD/02/41, 3/19/02) under the procedures set forth in Executive Board Decision No. 144-(52/51).

IX. Article IV Consultation:

The discussions for the previous Article IV consultation took place in Doha in June 2007 and August 2007 and in Washington DC at the time of the Annual Meetings in October 2007. The Staff Report and its supplement were discussed by the Executive Board on November 6, 2007. Qatar moved to a 12-month Article IV consultation cycle in 2007.

Subsequently, a staff visit was conducted in May 2008.

X. FSAP Participation, ROSCs, and OFC Assessments:

FSAP missions were conducted in January and May 2007. An Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT) assessment was initiated by the Fund's Legal Department during a mission to Qatar in February 2007. A Report on the Observance of Standards and Codes (ROSC) for the Financial Action Task Force (FATF) recommendations for AML and Special recommendations on CFT was prepared and circulated to the Board for information.

XI. Technical Assistance:

STA	November/December 1994	Multisector Statistics Mission
MAE	June 1995	Financial Sector Reform
MAE	April 1997	Reform of the Qatar Central Bank's legal framework
MAE	September 1998/January 1999	Introducing government bonds and treasury bills
STA	April 2000	Real Sector Statistics
STA	May 2001	Balance of Payments Statistics
STA	January 2005	Multisector Statistics
STA	April 2006	Government Finance Statistics
LEG	November 2006	AML/CFT Pre-assessment
STA	April 2007	GDDS Assessment

XII. Resident Representative:

None

ANNEX II. QATAR: RELATIONS WITH THE WORLD BANK GROUP

(As of December 15, 2008)

Strategic Cooperation Program (SCP)

The program of strategic cooperation with Qatar is recent and is based on ad hoc requests from the government. Currently, the Bank is holding a series of consultations with the Government of Qatar on developing a long-term program in the areas of strategic planning, pension system review, small- and medium-enterprise support, and capital markets development. The Bank's main counterpart is the General Secretariat for Development Planning (GSDP), but there is an ongoing dialog with other entities including the Qatar Central Bank and the Qatar Foundation.

Ongoing Projects

- Labor Market Strategy (LMS) Implementation

The World Bank conducted a labor market survey to help identify the main characteristics of the labor market in Qatar, and prepared an LMS that included an assessment and analysis of the labor force and a review of labor laws, regulations, and other institutional factors affecting labor allocation and utilization. The results of the LMS study were presented at a national symposium in April 9, 2006. Currently, the Bank is assisting the government in the implementation of the study's action plan.

- Moving Qatar Toward a Knowledge-Based Economy

In 2007, the World Bank Institute (WBI) conducted a study on Knowledge Economy (KE) Development in Qatar; the results of the study were discussed at several high-level workshops and were well received by the government. Currently, the Bank is supporting implementation of the KE strategy, in the form of the proposed Knowledge-Based Economy Campaign (KBEC).

Completed Projects

- Public Transport Sector Study (FY03)
- Evaluation of Qatar's Payments System (FY05)
- A macroeconomic modeling workshop (November 16–17, 2005)
- Workshop on "Partnering for Value, Innovation and Job Creation: PPPs in the GCC" (May 16–17, 2006)
- Investment Climate Workshop (February 2004)

ANNEX III. QATAR: STATISTICAL ISSUES

Data reporting

Data provision has some shortcomings, but is broadly adequate for surveillance. There remains substantial scope for improving the frequency, timeliness, and coverage of economic data. Recently, the Qatar Statistics Authority (QSA) was formed, to spearhead the development of statistics in Qatar.

Following technical assistance from the Fund, the timeliness and quality of monetary statistics have improved. The improvements include a better classification of the government sector and regular publication of analytical accounts of banks. Some steps have been taken to strengthen the external current account data, particularly data on trade and services, and there has been an improvement in the estimation of workers' remittances. On national accounts, steps have been taken to publish a wider range of aggregates, including private consumption expenditure and national saving. In addition, detailed data on oil, gas, and medium- and long-term external debt have been provided to staff missions.

While monetary data are reported to the Fund's Statistics Department (STA) on a regular basis, there are long lags in the reporting of price indices and other real sector statistics for publication in the *International Financial Statistics (IFS)*. Furthermore, international trade details are reported only sporadically for publication in the *Direction of Trade Statistics*. Public finance data were reported for publication in the *2008 GFS Yearbook*, but are not reported for publication in *IFS*. The April/May 2007 General Data Dissemination System (GDDS) assessment mission was provided with 2005 balance of payments data; however the data was not sufficiently detailed to present in the format of the *Balance of Payments Manual, 5/e (BPM5)* for inclusion in *IFS* and the *Balance of Payments Statistics Yearbook*.

Data dissemination

Qatar has been a participant of the GDDS since December 2005. A 2007 GDDS mission assessed dissemination practices relative to the requirements of the Special Data Dissemination Standard (SDDS) for coverage, periodicity, and timeliness, and identified major milestones that Qatar would have to reach in order to graduate to the SDDS. To enhance data dissemination practices, the mission assisted the authorities in developing a National Summary Data Page (NSDP) and an Advance Release Calendar (ARC). Overall, the mission found that significant progress had been made since 2005. Nevertheless, significant gaps in certain datasets still remain to be addressed.

Sectoral data issues

Real sector statistics

National accounts statistics are compiled broadly in line with the concepts and definitions of the *System of National Accounts 1993 (1993 SNA)*. However, key aggregates are limited to annual GDP estimates by economic activity and by expenditure at current and constant prices, and quarterly estimates of GDP at current prices. The base year for constant price data is 2001. The accuracy of the GDP estimates in current prices is undermined by the lack of comprehensive source data. The constant price estimates do not follow sound deflation techniques, mostly due to the lack of reliable price indices and volume indicators. Informal activities in the construction sector are estimated and included in the GDP estimates. Apart from this, no adjustments are made for non-observed and/or illegal activities.

Since 2002, the Department of Statistics (now QSA) has compiled a quarterly consumer price index (CPI), which broadly follows international methodological standards. The index measures price changes for goods and services consumed by all households in the country. The CPI list of representative goods and services covers about 1100 items for which prices are collected; the frequency of price collection depends on the item. Prices for vegetables, fruit, and fish are collected at least once a week, but most prices are collected quarterly. The weights have been derived from a household budget survey (HBS) that was undertaken during October 2000–September 2001. Prices are collected from about 400 outlets, with the selection of outlets based on purposive sampling. The CPI is usually completed about one month after the end of the reference quarter. No explicit adjustments are made for quality changes; however, when a new product replaces an old one, the method of overlapping is applied. Missing prices are replaced with prices for the preceding quarter. The elementary indices are calculated using geometric means, in accordance with current international recommendations.

Employment statistics are compiled and disseminated annually and whenever a census is conducted. The last two censuses were conducted in 1997 and in 2004, and the next census is expected to be conducted in 2010. The annual data are disseminated within six months after the end of the reference year. Preliminary census-based employment data are first published within 9 months after the census.

Hydrocarbon sector

Detailed oil and gas sector data are provided to staff by the Ministry of Energy and Petroleum and Qatar Petroleum (QP)¹ at the time of the Article IV consultation discussions. In addition, the authorities also present information about medium-term plans for oil and gas, liquefied natural gas (LNG), financing, and other QP-related industrial activities.

¹ Formerly Qatar General Petroleum Corporation.

Government finance statistics

Government budget data should be presented according to *Government Finance Statistics Manual 2001 (GFSM)* guidelines, including greater detail on major expenditure and non-oil revenue categories. In addition, the data on financing items should be consistent with the data on the public sector in the depository corporations survey and the balance of payments. The country has a number of—largely commercial—public sector entities that should not be mixed with the central government accounts. The authorities have reported annual data for 2004–07 for publication in the *Government Finance Statistics Yearbook*. Monthly and quarterly data are not reported for publication in *IFS*.

The 2007 GDDS mission found that the Ministry of Finance (now Ministry of Economy and Finance) was giving priority to the implementation of the recommendations of the *GFSM*, with the objective of starting the dissemination of complete annual government finance tables. A preliminary set of fiscal data in *GFSM* format was provided to the 2008 Article IV mission.

Monetary and financial statistics

Data for the Qatar Central Bank (QCB) and commercial banks are generally timely and of high quality. The QCB uses the Standardized Reporting Forms to report monthly monetary data to STA for publication in *IFS* and the *IFS* Supplement. Monthly and quarterly data are also published in the *Quarterly Statistics Bulletin*.

External sector statistics

The 2007 GDDS assessment mission found that the QCB had made some progress in the compilation of balance of payments statistics. International Transactions Reporting System collection forms have been expanded and reporting forms introduced to collect data on current account and financial account transactions for the major oil and gas companies and affiliates. The results from these new report forms are being reviewed to assess the quality of the data collected.

However, serious omissions remain in the balance of payments (BOP) statistics, owing to the absence of timely and reliable source data. There is no compilation for inward or outward direct investment, there are no portfolio investment data compiled for the nonbank sector, and errors and omissions remain large. Moreover, official statistics seem to underestimate total imports. Source data for government external assets are not provided to the QCB. Although an estimate for flows of government external assets, based on the budget data, is included in the balance of payments, no information is provided on the government's stock of external assets, which makes it difficult to estimate the level of investment income with any degree of confidence.

In addition, there is an inconsistency in coverage in flows and stocks of official reserves. In the BOP, flows of official reserves include changes in the stock of QCB reserves and an

estimate for the change in stock of the external assets of the government. However, the stock of official reserves published in *IFS* includes only the stock of QCB reserves. Progress in implementing recommendations of technical assistance missions has been steady but slow. The authorities have been working with STA to report their BOP data in *BPM5* format, but there has been insufficient detailed information available to complete this process.

No official information is published on the amount or breakdown of external debt. However, detailed data on the country's medium- and long-term external debt are provided to missions during the Article IV consultation discussions. In recent years, Qatar has issued several international bonds and some of the proceeds were used to retire other external debt. It is, therefore, important to improve the flow of information on external debt and its maturity profile.

Qatar: Table of Common Indicators Required for Surveillance
(As of December 11, 2008)

	Date of latest observation	Date received	Frequency of Data ⁶	Frequency of Reporting ⁶	Frequency of Publication ⁶
Exchange Rates	Nov. 2008	Dec. 2008	M	M	M
International Reserve Assets of the Monetary Authorities ¹	Oct. 2008	Nov. 2008	M	M	M
Reserve/Base Money	Oct. 2008	Nov. 2008	M	M	M
Broad Money	Oct. 2008	Nov. 2008	M	M	M
Central Bank Balance Sheet	Oct. 2008	Nov. 2008	M	M	M
Consolidated Balance Sheet of the Banking System	Oct. 2008	Nov. 2008	M	M	M
Interest Rates ²	Oct. 2008	Nov. 2008	M	-	Q
Consumer Price Index	2008 (Q3)	Dec. 2008	Q	I	Q
Revenue, Expenditure, Balance and Composition of Financing ³ – General Government ⁴	NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing ³ – Central Government	2007/08	May 2008	Q	I	I
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	2007	June 2008	A	I	I
External Current Account Balance	2007	March 2008	A	A	Q
Exports and Imports of Goods and Services	2007	March 2008	A	A	Q
GDP/GNP	2008 (Q2)	Sept. 2008	Q	I	I
Gross External Debt	2007	June 2008	A	I	I
International Investment Position ⁷	Sept. 2007	Oct. 2007	A	I	NA

¹Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

²Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³Foreign, domestic bank, and domestic nonbank financing.

⁴The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵Including currency and maturity composition.

⁶Daily (D), weekly (W), monthly (M), quarterly (Q), annually (A), irregular (I); and not available (NA).

⁷Includes external gross financial asset and liability positions vis-avis nonresidents.