Qatar Economy Watch

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Introduction

Qatar has experienced a decade of rapid transformational change culminating in the FIFA World Cup 2022. Leading up to the tournament, Qatar has been the centre of the world's attention, with more than one million fans visiting the country.* Now the tournament has ended, many are asking: What is next for Qatar?

Qatar is well-placed to capitalise on the momentum created from the World Cup - and beyond - to pursue its national transformation journey, ensuring sustainable economic growth, and continuing to build a knowledge based economy while improving the overall quality of life. Sustained high energy prices and increased demand for alternative natural gas supply to Western Europe will continue to propel the country's development. The coming year will be a crucial one, as the government lays out the final phase of its National Development Strategy on the path to achieving the goals of the Qatar National Vision (QNV) 2030. This includes more push and generated impact on local content, private sector participation, national digitisation, and government excellence, enabled by forward-looking laws and regulations, procurement and budgeting framework, labour policies, and an upskilling agenda.

In this edition, we take a look at the economic outlook and some of the key priorities in Qatar. These include efforts to sustain economic growth and diversification, increase FDI and localise industries and expand private sector participation. It will be important to attract and retain skilled talent and tap into the FIFA World Cup's tangible and intangible legacies.

Bassam Hajhamad
Qatar Country Senior Partner and Consulting Lead

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Will drive socio-economic development and will empower national transformation

*https://www.qatar2022.qa/en/news/qatar-hosts-more-than-one-million-visitors-during-fifa-world-cup#:~:text=More%20than%201.4%20million%20fans,FIFA%20World%20Cup%202022%E2%84%A2.

Section 1

Economic development

North Field expansion presses ahead

The North Field expansion is moving ahead after achieving significant milestones in 2022. These included bringing foreign equity partners into both the North Field East[1] and North Field South phases[2] and signing the first Liquified Natural Gas (LNG) sales and purchase agreement for the project. This was a record 27-year contract with China's Sinopec for 4m tonnes/year, equivalent to half the output of one of the six new LNG trains[3]. A subsequent 15-year agreement to supply 2m tonnes/year to Germany to ConocoPhillips will draw on both phases of the expansion[4]. Substantial work is already underway developing the new facilities, on the ground[5] and at sea[6], with only a few remaining prime contracts to award, and activity will pick up sharply as the year progresses.

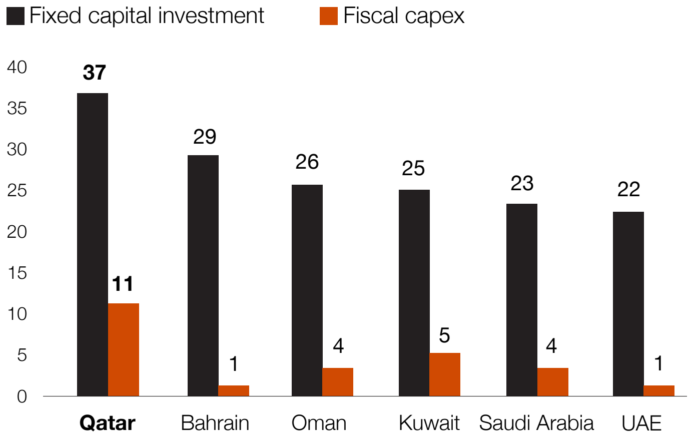
Even before Europe began to rapidly transition from Russian gas, there was already a bright future for LNG as a cleaner alternative to coal for baseline electricity and heat generation and increasingly as a transport fuel[7]. This has reinforced Qatar's plan to expand its LNG production by nearly two-thirds, a decision that was taken during a period in which many other LNG projects around the world were being cancelled or delayed due to low prices prior to mid-2021[8], enabling it to capture market share.

Revenue from the North Field expansion, which will come onstream mainly in 2026-27, on top of Qatar's existing hydrocarbon and downstream exports, will provide a solid foundation for the rest of the economy. One consequence of that fiscal strength is that in November 2022, Standard & Poor's upgraded Qatar's credit rating to AA[9] and Moody's also placed it on a positive outlook for a similar upgrade[10]. The IMF forecasts that the fiscal surplus will reach 16% of GDP this year and then average 11% of GDP in 2024-27[11].

Non-oil economy enters a new phase

After a period of rapid non-oil expansion, Qatar is expected to see a slowdown in 2023. This is a natural part of the economic cycle following a period that saw high levels of capital investment in the run-up to the FIFA World Cup. This has included government investments in infrastructure and private sector investments in accommodation, leisure and other related areas. In 2021, for example, fixed capital investment comprised 37% of Qatar's GDP and government capex was 11% of GDP. Qatar also recorded similarly high levels of capital spending throughout the last decade. The urban landscape in Qatar has been transformed by these investments and, although there will be future developments, the last decade is likely a unique period of such accelerated transformation. This means that Qatar's non-oil economy will need to transition towards a model based more on consumption, and diversifying its exports beyond hydrocarbons. This kind of transition is not unique to Qatar. China, for example, is also in the process of moving away from a heavily investment-driven economy. The IMF forecasts non-oil growth of 2.7% in 2023 and the Planning & Statistics Authority in Qatar is even more conservative, forecasting 1.3% in its base case. Although this may be slower than in the recent past, this will not stand out globally in a year in which average global growth is also forecast by the IMF at 2.7% and many countries are expected to experience recessions.

Capital expenditure (% GDP, 2021*)



Sources: Statistical agencies, Ministries of Finance: *or most recent data

While a long-term slowdown in capex is inevitable, the pace of reduction may be moderated. Although the 2023 budget reduces the allocation for capex on major projects by 14% compared with the 2022 budget, this still totals $18 bn, about 8% of GDP.

[1] https://www.qatarenergy.qa/en/MediaCenter/Pages/newsdetails.aspx?ItemId=3720
[2] https://www.qatarenergy.qa/en/MediaCenter/Pages/newsdetails.aspx?ItemId=3733
[3] https://www.qatarenergy.qa/en/MediaCenter/Pages/newsdetails.aspx?ItemId=3737
[4] https://www.qatarenergy.qa/en/MediaCenter/Pages/newsdetails.aspx?ItemId=3738
[5] https://www.qatarenergy.qa/en/MediaCenter/Pages/newsdetails.aspx?ItemId=3660
[6] https://www.qatarenergy.qa/en/MediaCenter/Pages/newsdetails.aspx?ItemId=3698
[7] https://www.iea.org/reports/the-role-of-gas-in-todays-energy-transitions
[8] https://www.reuters.com/business/energy/lng-developers-another-year-canceled-projects-2021-05-18/
[9] https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/2912837
[10] https://www.moodys.com/research/Moodys-changes-the-outlook-on-Qatar-to-positive-affirms-Aa3--PR_470168
[11] https://www.imf.org/en/Publications/WEO/weo-database/2022/October/weo-report?c=453,&s=NGDP_RPCH,LP,GGXCNL NGDP,&sy=2022&ey=2027&ssm=0&scsm=1&scc=0&ssd=1&ssc=0&sic=0&sort=country&ds=.&br=1

The reason capex has not fallen further is because some public projects were postponed to prioritise those that were essential for the World Cup and are being picked up in 2023 and beyond. The latest forecasts from Moody's rating agency in November 2022 anticipate that government capex will remain strong at about $15 bn a year in 2023-27, which would still be over 6% of GDP[12]. The decline in government capex will also be partly offset by an increase in spending by QatarEnergy and its partners over this period on the North Field expansion. This is estimated to cost around $43 bn in total[13], equating to about 3% of GDP a year in 2023-27. Associated projects include the Ras Laffan Petrochemicals Project with Chevron Phillips and the expansion of solar power and carbon capture and storage facilities.

New investment is underway in industrial and commercial facilities, including in the free zones. However, this is unlikely to offset a decline in investment in real estate. The decline may be gradual as there are still plenty of sizable real estate projects under construction, and data in Q4 2022 from the Planning and Statistics Authority still shows a robust flow of building permits being granted for new projects[14]. However, fundamentally Qatar does not need the same increase in apartment buildings, malls and other buildings that it has seen in recent years, because the population is widely expected to decline in 2023 as temporary workers involved in the World Cup depart.

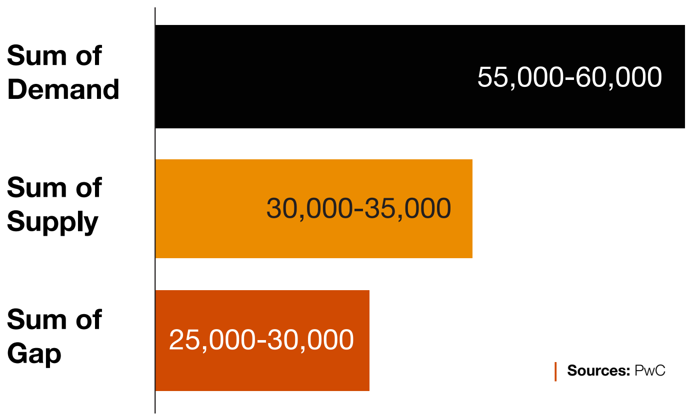
The population rebalancing creates opportunities

There are different population projections in Qatar, ranging from a decline to a levelling off. There are no forecasts that indicate the same level of population growth seen in the 12 years since the FIFA World Cup hosting was awarded, during which the population nearly doubled from 1.7m in 2010 to a peak of 3.0m in October 2022[15]. The longest-term outlook from a leading forecaster is in the IMF's World Economic Outlook report in October 2022. It sees the population declining down to 2.5m in 2027. The IMF's historical data series largely tracks PSA's mid-year figures, although since 2020 it has been substantially lower. The rating agency Standard & Poor's sees the sharpest decline in 2023, down by 8%, but a return to mild growth thereafter to 2.8m in 2025. The World Bank has the highest forecast, for 2.9m in 2024[16], although this is still flat on the 2022 level.

Population decline is usually seen negatively from an economic perspective. However, the expected decline in Qatar is of a different nature because it is simply a reduction in the temporary migrant worker population, which likely skews heavily towards the lower-income segment of that population, representing a very small component of total household consumption. Although this decline will affect some companies providing goods and services to this segment, its overall economic impact will be marginal. At the same time, the decline could bring broader benefits to the quality of life, for example by reducing congestion. Reduced demand for certain kinds of worker accommodation could also create opportunities for urban redevelopment, for example in some old areas in downtown Doha, building on what has been achieved already in the Msheireb project.

There is also the potential for an inflow of skilled expatriates in growing sectors. For example, in the manufacturing sector alone there is an emerging picture of a skills gap of more than 20,000 workers by 2030, compared with 2022, which represents an opportunity for growth in the numbers of the skilled workforce population. There are a range of other sectors, particularly technology-related, which could also see demand for new highly skilled workers as the economy becomes increasingly digitised and automated.

Qatar Manufacturing Sector Skills Gap 2022-2030



[12] https://www.moodys.com/research/Moodys-changes-the-outlook-on-Qatar-to-positive-affirms-Aa3--PR_470168
[13] North Field East estimated by QatarEnergy at $28.75bn for 4 trains, hence the total project including the 2 North Field South trains would be about $43bn: https://www.qatarenergy.qa/en/MediaCenter/Pages/newsdetails.aspx?ItemId=3660
[14] https://www.psa.gov.qa/en/statistics1/Pages/LatestStats/11122022.aspx
[15] https://www.psa.gov.qa/en/statistics1/Pages/population.aspx
[16] https://www.worldbank.org/en/country/gcc/publication/gulf-economic-update-october-2022

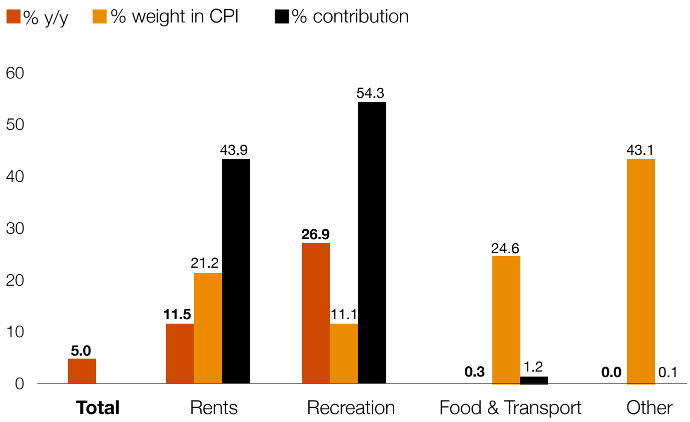
Inflation is expected to moderate substantially*

Qatar has not been immune to global inflationary pressures and domestic factors also contributed in 2022 with the run-up to the World Cup. Inflation peaked at 6% in September 2022 when it was the highest in the GCC, although this is still well below the levels seen in the US and Europe, easing to 5% in October. The anticipated increase in demand for accommodation for people attending the World Cup understandably put pressure on rents, which grew by 11.5% y/y in October 2022, the most since 2008. However, this came after a long period of falling rents, including during the pandemic, and in fact they only returned to early 2019 levels. In any case, it is expected that rents will likely ease once again this year, given the anticipated population decline; the fact that the real estate market remains muted – prices were actually down 3.8% y/y in September 2022 according to QCB's index - supports a moderation in rents. By contrast, the last time rent inflation was high, at 9% in September 2014, real estate prices were rising by 42% y/y. While some tenants have had to sign lease agreements for two-year periods, analysis suggests that rent prices will return to 2020 levels during the year 2023.

The major contributor to inflation in 2022 was, perhaps surprisingly, not rents but recreation, a component of the consumer price index (CPI) which is heavily driven by air travel. It also received a local boost due to the World Cup on top of the overall post-pandemic recovery in air travel. Recreation prices were up by 31% y/y on average in January-October 2022, having previously declined by 16% in 2020, reaching record levels. Recreation has an 11% weight in Qatar's CPI, more than triple the average for the rest of the GCC and accounted for more than half of inflation in October. Food and transport, which have been the major drivers of inflation globally, have had little impact in Qatar because of subsidies and the disinflationary impact of a strong Riyal on imported prices. Excluding both recreation and rents, inflation in Qatar in October 2022 would have been close to zero. This suggests that in 2023, if these components stop increasing, or even fall, then overall inflation in Qatar should be quite low, even potentially negative. The IMF forecasts that inflation will average just 2.1% in 2023-27.

Qatar has consistently topped rankings related to the cost of living, which affects its attractiveness as a destination for both FDI and skilled labour, and so a moderation in inflation, contrary to most countries, should help boost competitiveness. Efforts to lower the cost of living and doing business are also expected to feature in the government's economic agenda for 2023 and beyond.

Drivers of inflation (October 2022)



Sources: PSA, PwC Analysis

*Source data for Inflation statistics - Planning and Statistics Authority.

Taking stock of the deals and restructuring landscape

There are two primary areas of focus emerging for Qatar in the deals and restructuring landscape.

First of all, there is a focus on fiscal governance and discipline and secondly, the private sector and public sectors, are focused more on long term value creation than ever before.

A number of high profile entities are looking internally for fresh perspectives to allow them to better understand their existing financial position, their capacity to finance themselves going forward and to explore ways to improve the fiscal governance going forward. This is likely to involve difficult, but necessary decisions around future investment, where capital is deployed or constrained, and exploring more innovative ways to finance the business going forward, including setting up the appropriate models to involve private capital. This is a critical exercise following the World Cup in order to set the stage to capture the next cycle of growth.

A second theme in Qatar, which is driven by both private and public sectors is around value creation. The value creation agenda is playing out in many forms, and leadership of key entities are exploring new ways of doing business, in order to create better value for their shareholders. For example, organisations are exploring ways to drive revenue growth (organically or through acquisition), initiatives to optimise cost, initiatives to drive better insights around their current profitability, and better prioritisation of investment capital in a more value focused approach. This theme is expected to continue for a number of years as plans move from ideas, through to execution events such as M&A, IPO’s, or restructuring driven situations.

Attracting FDI and localisation of production

Established in 2019, The Investment Promotion Agency of Qatar (IPAQ) has become increasingly active in advertising Qatar's advantages and facilitating companies getting established and finding local partners. A major regulatory reform supporting these efforts and improving the local business environment was the establishment of the Investment and Trade Court in 2022, which is tasked with solving commercial disputes. Future measures aimed at improving Qatar's attractiveness as an investment destination could include further improvements to the regulatory framework governing doing business, such as a new bankruptcy law.

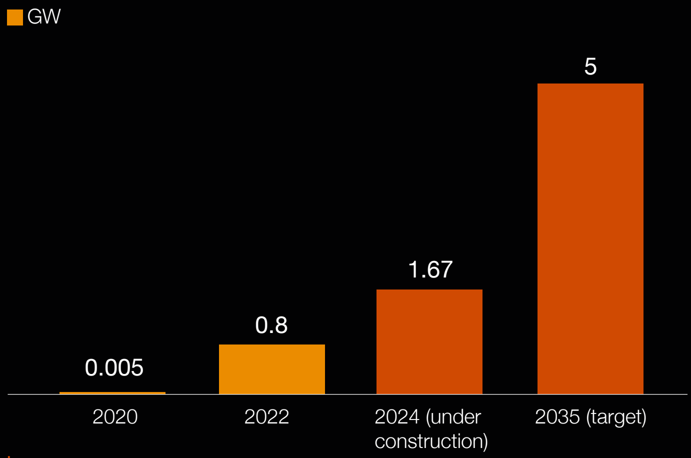
Localising the manufacturing industry has been at the forefront of government efforts in target sectors. The Ministry of Commerce and Industry (MoCI) has launched the Advanced Manufacturing Hub (AMHUB) in collaboration with the Qatar Development Bank (QDB) and the World Economic Forum (WEF). The Hub is one of 13 worldwide discussion platforms for industry leaders and relevant public officials to discuss trends and challenges. Additionally, the Qatar Free Zone Authority (QFZA) has been successful in attracting manufacturing investors to build a plant producing coating required for oil and gas equipment parts, and the country's first laptop manufacturing plant.

> "Additionally, MoCI started the activation of the Qatar National Manufacturing Strategy (QNMS) across seven prioritised subsectors, as well as, a deliberate effort to improve the manufacturing investors journey"
>
> - Dr. Bashar El-Jawhari
> Qatar Industry 4.0, Procurement and Supply Chain Lead

Advancing sustainability and continuing efforts to green the economy

Sustainability is already one of the four pillars of QNV 2030 and is a focus for the next phase of development. QatarEnergy's strategic goals for sustainability, which include producing clean energy towards a responsible transition to low-carbon energy, have led to the recent inauguration of the 800MW Al Kharsaah Solar Power Plant, sufficient to provide about 10% of the country's peak electricity demand. QatarEnergy has ambitious plans to further increase solar production six-fold to 5GW by 2035 as well as invest in carbon capture and storage and eliminate methane leakages, all contributing to further reducing the carbon-intensity of its hydrocarbon production, which is already among the lowest globally.

Solar power capacity (GW in operation)



Sources: QatarEnergy

IPAQ estimates attracting $75bn in sustainability investments by 2030. Several initiatives are underway to make Qatar Free Zones the world's first net-zero free zone. Eat Just, a leading producer of alternatives to animal products, is developing a cultured meat plant in Umm Alhoul Free Zone. Qatar Stock Exchange (QSE) recently launched an ESG index and plans to impose ESG disclosure requirements on locally-listed firms. The importance of this agenda was further highlighted in the most recent cabinet reshuffle, which saw the creation of a dedicated Ministry of Environment and Climate Change, as well as the launch of the Qatar National Environment and Climate Change Strategy (QNE). We also expect the third NDS to include sustainability more prominently and ensure all government entities are assigned a contributing role, given the cross-cutting nature of sustainability initiatives in operation.

Continuing investment in food security

Qatar performs well on global food security-related indices, ranking 24th globally and second regionally, on the Global Food Security Index (GFSI). This is a result of systematic efforts to improve local production - evidenced by the large number of “Made in Qatar” items now available in groceries - diversify supply chains, improve storage capacity and invest in food production companies internationally by Hassad Food (a subsidiary of the Qatar Investment Authority).

On self-sufficiency, Qatar has made progress. In terms of local agriculture, Qatar’s share of land dedicated to arable farming has reached 1.8% in 2020, up from 1.2% in 2018*. This has allowed for the domestic production of vegetables to increase by 100% in the past three years, up to 102k tonnes in 2021 compared with 55k tonnes in 2017**.

Efforts in raising strategic stock levels began in earnest during the 2008 global food price shock and gained additional impetus during 2017 -2021. Two main projects are currently underway in order to further increase storage capacity. First, the Strategic Food Security Facilities’ Terminal at Hamad Port for sugar, rice, and edible oils has a storage capacity to meet the needs of three million people for two years. Second, a strategic grain storage facility developed by the Ministry of Commerce and Industry (MoCI) in Al-Wukair, with a capacity of 250,000 tonnes.

Harnessing the power of technology to track how their efforts are impacting the situation in real-time, a national food security analytics platform was launched with the purpose of monitoring food supply and demand and ensuring decision-makers can act swiftly to manage any disruption.

* https://www.macrotrends.net/countries/QAT/qatar/arable-land
** Qatar Ministry of Municipality, https://www.gulf-times.com/story/713945/qatari-farms-expected-to-increase-vegetable-production

Qatar’s share of land dedicated to arable farming has reached 1.8% in 2020, up from 1.2% in 2018*. This has allowed for the domestic production of vegetables

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in the past three years

Utilisation of Tax incentives and alignment with international tax initiatives

The rapid economic and regulatory developments across the region should catalyse Qatar's endeavours to introduce policies that encompass a clear amalgamation of both developmental and tax considerations. A coherent strategy to achieve these considerations shall encompass a tangible alignment between tax policies and the 2030 Qatar National Vision.

The key policies can include the formation of incentives that are structured through an agile, targeted approach that stimulates the major sectors within the national economy, elevate human capital, diversify revenue streams to grow and develop, and foster sustainable practices. These incentives shall be carried out through a gradual, phased out method that is compliant with the principles of good governance, transparency, accountability.

Qatar's future tax incentive considerations shall ensure that harmful tax practices do not arise. This shall be achieved through complying with international tax requirements, including BEPS pillars 1 & 2, which have influenced policy makers in a significant number of jurisdictions to redesign their tax incentives and reconfigure the scope through which other tax advantages were granted to segments of taxpayers.

The expected implementation of BEPS pillar 2, for instance, which will result in a global minimum tax of 15% on revenues of €750 million and more irrespective of where the jurisdictions are headquartered and the place of operations, will impact the tax incentive agendas of different jurisdictions. It will also impact incentives provided to entities operating in special economic zones, industry and operation-based benefits, and R&D-related activities.

The potential policy responses by the impacted jurisdictions, including Qatar, can take the form of reevaluating no or low-rate tax incentives, as other jurisdictions can significantly benefit through imposing top up tax. Another policy response can encompass the allocation of non-tax incentives, including administrative reforms to facilitate swifter regulations for businesses to register and operate in the market in lieu of offering tax benefits that would be in contravention of international regulations.

Human capital should also be considered as part of Qatar's priority tax policy considerations. Utilising human capital, through education, professional upskilling, and coherent allocation of employment, is pivotal to ensure the achievement of the key objectives of the QNV 2030 and to elevate the level of competitiveness with other jurisdictions in the region. Tax incentives can include education tax credits, deductions for education expenses, and deductions for business expenses related to employee training and development.

Another consideration can revolve around working towards elevating the full potential of tax administration in Qatar to ensure that policies are translated into tangible actions that would serve its national interest. Two of the main strategies to achieve such objectives shall encompass the enhancement of capacity building initiatives for Qatari tax professionals and employing digitalisation to elevate the overall service to taxpayers.

Qatar's Double Taxation Treaty (DTT) network and Foreign Direct Investments (FDI)

GCC states, including Qatar, have allocated significant investments to different regions around the world as part of major efforts to diversify their portfolios. For example, the investments of Gulf states in Africa reached $8.3 billion by the end of 2022, where an increase in the flow of investments is expected to remain in the next few years. Therefore, optimising returns on foreign direct investments should be considered carefully by Qatar. So far, Qatar succeeded in positioning itself as a vibrant, coherent investor in the international business landscape. However, as a result of the rapid-changing investment priorities and geo-political developments, Qatar needs to pursue more sufficient measures to optimise its FDI-allocation agenda and expand its returns on investments through the utilisation of Double Tax Treaties (DTTs).

One of the most effective measures to achieve such an objective is the expansion of Qatar's DTT network by targeting popular investment destinations for Qatar. So far, Qatar has achieved great progress in concluding more than 60 DTTs with important jurisdictions. To expand its treaty network even further, Qatar needs to employ a plethora of measures at administrative and policy levels.

> The quality of DTTs negotiated shall be considered as a priority to better serve the high-level objectives of the state. Furthermore, there is a need for establishing a clear framework for determining whether the existing or future DTTs will enable Qatar to achieve the best deal in terms of serving its national interest.
>
> - Sajid Khan
> Qatar Tax Advisory Lead

This can be implemented through an identification of foreign jurisdictions that are significant for Qatari stakeholders to expand their overseas economic activities, evaluating the strategic investment from the lens of mid-term and long-term priorities, and enhancing the capacity to negotiate and conclude treaties shall be effective strategies. Qatar shall also explore the option of renegotiating existing treaties, where applicable.

In terms of inbound investments, DTTs will serve as an effective opportunity to attract a diversified form of investments in the economy. It was estimated that inbound FDI in Qatar has increased exponentially since 2019, accounting for more than 6% of the total inbound investments in the MENA region. Maintaining an increase in attracting FDIs, which can be achieved by concluding more DTTs as one of the policy options, shall remain as a priority for Qatar, as it can carve a new path towards expanding the non-oil economy and gradually reducing the share of oil and gas in terms of GDP. In addition, DTTs can greatly contribute in enabling Qatar to compete effectively with other jurisdictions in the region when it comes to attracting investments related to futuristic fields that include, artificial intelligence, machine learning, and cutting-edge sustainable technologies.

Pressing on to Qatar National Vision 2030

Hosting the FIFA World Cup understandably became a focal point for Qatar's development as facilities such as the transport infrastructure and hotel accommodation needed to be available in time for the tournament. Many of the infrastructural, residential and commercial projects implemented since 2010 would have potentially happened anyway, even if Qatar had not been awarded the hosting, but the location and timing would have been different. The World Cup to some extent overshadowed the Qatar National Vision 2030, which had been launched in 2008, just two years before the hosting award, and would otherwise have been more central to the narrative of the last decade of development.

QNV 2030 already engaged with many of the issues that came to prominence during the run-up to the FIFA World Cup such as the rights of expatriate workers and the need to balance economic development with environmental and quality of life considerations. The Vision warned about the risks of uncontrolled economic expansion, creating imbalances, and the potential stresses caused by sharp increases in the expatriate population which, in 2008, was barely half the current level. It called for a "development path that is compatible with the targeted size and quality of expatriate labour that are determined by Qatar's leadership and people", a consideration that remains relevant. If the post-World Cup period does indeed result in a decline in the expatriate population, as many forecasters expect, there will be a need to focus on building up and retaining a high-skilled population by making Qatar an attractive place for high-skilled workers, for knowledge transfers to take place whilst also building up the skills of the local population.

The national vision also references investing hydrocarbon wealth into world-class infrastructure and developing entrepreneurship to diversify the economy into "high value industrial and service activities". Much has been done in recent years to build the groundwork for this diversification and the rest of the decade is an opportunity to deliver on it. More detail on how the state plans to do this will be provided in the third National Development Strategy (NDS), which is due for release soon and will run through to 2030, building on the previous two phases, which spanned 2011-16 and 2018-22.

Section 2

Human development

Enhanced training is at the heart of closing the skills gap

Enhancing the skills of the local and expatriate population is one of the key pillars of the QNV 2030 and key to the next phase of Qatar's development. As part of the government's focus on upskilling citizens and placing them in the private sector, the Ministry of Labour (MoL) and the Ministry of Education and Higher Education (MEHE) have partnered to organise a regular forum on job localisation to close the skills gap through education.

A recent push was the decentralisation of the former Ministry of Administrative Development, Labour and Social Affairs (MADLSA) in October 2021. This resulted in the creation of a dedicated Civil Service and Government Development Bureau (CGB) to focus on the public sector workforce and a MoL for the private sector, which is improving administrative services offered to private companies related to their employees. Most notably, the MoL and the Ministry of Communication and Information Technology (MCIT) have established the Transformation Management Office (TMO), with a goal of launching 80 e-services by March 2023.

In PwC's analysis "Qatar Manufacturing Sector: Bridging the skills gap", we noted a skills gap that is partially attributed to an increase in economic inactive population (13% of working age population in 2021), as well as the delay in graduates entering the workforce. There is also a need to increase educational offerings on topics such as engineering, pharmacy, biochemistry and food science disciplines. The 2022 FIFA World Cup should be viewed as a pivotal event and catalyst for strategic skills rebalancing in Qatar with manpower requirements in sectors like construction expected to contract, whereas manufacturing, event management, education, the cultural sector, healthcare and ICT are expected to increase employment.

Additional strategic initiatives aimed at upskilling the civil service executives are underway. Among the most recent initiatives spearheaded by the newly established CGB is the Knowledge Exchange Programme. Trialled with PwC and officially announced in October 2022, this new initiative offers select government employees an opportunity to hone their skills with practical experience across different professional services in the private sector. In addition, the French business school HEC's partnership with Microsoft is aimed at creating executive programs focused on digital transformation. This supplements Microsoft's contribution to the digital upskilling of the labour force in Qatar, through its initiative to train more than 50,000 potential participants across Qatar over the next five years. With regard to public education, MEHE is making use of the public-private partnership (PPP) law to build 45 schools serving up to 6,000 students.

As the competition for global talent will increase across the region, in order to attract the best people, Qatar will need to highlight the high quality of life, emphasise the favourable tax environment and ensure competitive remuneration packages.

Section 3

Tangible and intangible legacy

Lessons for Doha from Barcelona

Hosting major sporting events rarely offer net economic benefits, particularly as the costs of hosting have spiralled in recent decades. Most Olympic games have been hosted in cities that are already prominent global capitals, and World Cups are spread across multiple cities (and sometimes multiple counties). It is therefore not surprising that these events have had only a limited impact on urban development or international profile and associated economic activity.

However, the legacy example which is closest to Qatar is probably the 1992 Olympics in Barcelona, Spain's second city with a population of about 1.6 million, similar in size to Doha. It is also widely cited as one of the hosting success stories with a significant and lasting economic impact relative to the cost. Preparations for the event involved major infrastructure improvements, such as the construction of ring roads to connect venues and an expansion of its airport and metro system, all with lasting benefits for urban connectivity.

Thousands of hotel rooms were also built along with beaches (which it previously lacked) and museums which were then heavily utilised as tourism surged—it saw by far the largest increase in tourists amongst major European cities, which doubled between 1990 and 2000. Barcelona still ranks as the sixth most visited city in Europe, ahead of Madrid, whereas before the Olympics it was not in the top ten.

Qatar has a different economic structure to Barcelona and is unlikely to precisely replicate its outcomes. However, there are enough similarities between the two cases to suggest that an assessment made in a few decades might conclude that Qatar's World Cup legacy will look more like the Barcelona Olympics, with significant benefits accruing from the associated infrastructure development and from the boost to its global profile for tourism and investment.

Qatar is well positioned to leverage its expertise in sporting event management

Although the World Cup was by far the biggest event that Qatar has hosted, the country already has substantial experience including the Asian Games in 2006 and the first F1 Qatar Grand Prix in 2021, which is becoming an annual event. Other established annual events include the Exxon Mobil Qatar Open Tennis Tournament, the Qatar Masters Golf Tournament and the Qatar MotoGP Grand Prix. More mega-events will follow, including the 2023 AFC Asian Cup, the 2024 World Aquatics and the 2030 Asian Games. Qatar has also bid in the past to host the Olympics and is reconsidering it for 2036, with a successful FIFA World Cup under its belt.

Qatar's planning for the FIFA World Cup focused heavily on developing a long-lasting legacy. Stadium 974, for example, is based on a modular design that features stacks of shipping containers and the plan is to donate it to support sports in another country. Other stadiums such as Al Bayt, Ahmed Bin Ali, Al Janoub and Al Thumama will be reconfigured to reduce their capacities to between 20,000 and 25,000 seats, in line with domestic needs, freeing up around 170,000 seats to be donated. The infrastructure that has been built, including these stadia will be used to host future mega events. Meanwhile, Lusail Stadium will be reconfigured into a community space for schools and will house a number of sports facilities, health clinics and shops.

Through these efforts, Qatar is ensuring the legacy of the FIFA World Cup, while also improving its soft power through sports diplomacy and development.

Investing in tourism and culture enhances the attractiveness of Qatar as a destination.

While Qatar will continue to focus on sports as a national priority and a core pillar of the country's global brand, it should explore the potential of hosting global non-sporting mega-events such as music festivals, political and economic summits, and global expositions to encourage tourism and utilise its world-class facilities. Existing events such as the Doha Forum and the Geneva Motor Show serve as great examples for Qatar to continue to build on.

To accommodate World Cup visitors, Qatar significantly expanded its hospitality offerings. Hotels of different sizes and star ratings have been steadily opening since 2010, with more planned, and by 2025, total capacity is expected to reach nearly 56,000 rooms. With projections for the hospitality industry to contribute 12% to Qatar's GDP and for international tourism to grow to seven million visitors annually by 2030, Qatar is steadily establishing itself as a tourist destination.

Qetaifan Island, for example, is the latest in a series of developments in Lusail. It includes a variety of entertainment options including a water park, a retail complex and a beach club. Al Maha Island is also set to be a premier tourist destination with the inauguration of Lusail Winter Wonderland, an amusement park with the world's largest water slide and over 50 rides. Also notable are developments in deserts and beaches, such as White Sand Beach Club and the B-12 Beach Club. The opening of new beaches such as Fuwairit Kite Beach are set to appeal to more adventurous visitors, offering an array of watersports. Meanwhile, developments such as the Outpost Al Barari offer visitors a luxurious yet traditional experience of the inland sea.

Qatar Museum has led the development of the cultural sector, spearheading major projects such as the newly renovated Museum of Islamic Art, the National Museum of Qatar and the 3-2-1 Qatar Olympic and Sports Museum. Through Qatar Museum's Years of Culture initiative, Qatar has been able to capitalise on its relationships with strategic partners such as France, the US and India through cultural exchange and artistic collaboration. The 2022 Qatar-MENASA Year of Culture was the largest yet, collaborating with 26 countries across the Middle East, North Africa and South Asia (MENASA) region resulting in a host of exhibits and galleries across the country. Through cultural diplomacy, Qatar continues to bolster its soft power and as the recently announced Arab Tourism Capital for 2023 it has the opportunity to build its reputation as a home for art and culture regionally and globally.

Continuing to transform the transportation sector and opportunities to go green

In preparation for the FIFA World Cup, Qatar made significant leaps towards improving its transportation infrastructure. This included the development of the three-line, 37-stop Metro along with light rail networks in Msheireb, Lusail and Education City in line with the country's commitment to sustainability. Looking ahead, there are plans announced to build an additional Metro line and several new stations by 2026, as well as three additional lines for the Lusail Tram.

The Public Bus Infrastructure Program, with 2,300 stops, is another major initiative designed to connect with the Metro and reduce reliance on private cars as the main mode of transport in favour of a more sustainable alternative. To enable this, Qatar has committed to developing eight bus stations and four depots equipped with over 650 e-bus charging stations. A quarter of the bus fleet is now electric, with a goal of reaching 100% electric by 2030. Most recently, the Lusail Depot was inaugurated with a 478 e-bus capacity and 11,000 solar energy panels generating 4 megawatts daily to support Qatar's transition to green transport. The integrated multi-modal public transport experience has culminated in the development of the Sila app which brings the bus, metro, tram and taxi networks into a single portal.

To support the large-scale transformation of the public transport system and in line with the QNV 2030, Qatar, through the Public Works Authority (Ashghal), has also improved the road network across the country. Notable projects include the Al Khor Road, a 33 km expressway that improves the connection of the northern areas of the country with Doha, expanding the route's capacity from 8,000 to 20,000 vehicles per hour in both directions. The project also includes a host of benefits to the people living around the road such as an Olympic cycling track as well as a combined pedestrian and cyclist path. Investments in this and other road expansion projects, such as the Lusail Expressway and the G-Ring Road, form an important part of the World Cup legacy.

Moving forward, Qatar could explore incentivising the transition towards greener transportation. For example, Qatar could work on incentivisation to increase public transport share of ridership by augmenting the public transport system with 'last and first mile' solutions suitable for the country. In addition they could create an EV charging network and work to make EVs more affordable, perhaps through subsidies. This transition could be inclusive of both private vehicles as well as trucks and lorries, which have become increasingly crucial for Qatar's development.

Qatar as a home for aviation excellence and expanding logistics capabilities

Qatar has developed a reputation for being an aviation hub, welcoming 30 million passengers annually. Qatar Airways (QA) has been named the World's Best Airline for a record seven times by Skytrax and Hamad International Airport (HIA) was named the Best Airport in the World for two years in a row. HIA expanded its operational capacity to 58 million passengers a year ahead of the FIFA World Cup and has just begun its final phase of expansion, which targets a capacity of 70 million by 2026. Coupled with Qatar's substantial investments in growing the country as a tourist destination, HIA is set to become the world's portal to Qatar.

HIA has recently seen a surge in the rate of passenger transfer through Qatar, which has increased by 16% in Q2 of 2022 compared with Q1 of 2022. Moreover, the number of outbound local passengers in Q2 was 47 per cent higher than in Q1 of 2022*. This has promising prospects for Qatar, as many initiatives around tourism and tourism products pulls on aviation and short term stays can be implemented. Similar to neighbouring countries, arranging for short stay packages while transferring through Qatar can create great results for tourism in the country. Starting from here, short stays can then expand into longer ones, building the status of Qatar as a destination across the world. As Qatar's economy grows, there is an opportunity to further leverage and expand initiatives like Visit Qatar's recent stopover campaign**, which would make passenger's journey easy, quick and enjoyable.

In addition to passenger capacity, QA and HIA are also expanding their cargo capacity. HIA's cargo capacity aims to accommodate 5 million tonnes this year. This supports QA's ambition to remain the world's leading international cargo airline - having accounted for 9.8% market share in 2021, ahead of Emirates with 6.5%. QA's cargo operations have also contributed to Qatar's soft power, delivering large quantities of medical equipment and humanitarian aid.

Qatar has also invested in the development of the Hamad Port, one of the Middle East's largest seaports with a total area of 29 square kilometres and an annual capacity of 7.5 million TEU (twenty-foot equivalent units) to be expanded to 12 million TEU by 2025. Hamad Port has also been ranked the third most efficient gateway to the world on the 2021 Container Port Performance Index due to its operational resilience in the face of supply chain disruptions brought by COVID-19.

With the increasing attention of the world drawn towards it as a consequence of the FIFA World Cup, Qatar should continue its strategy of extending Qatar Airways' presence globally as the world's leading airline to further boost its brand as a home for aviation excellence. As it continues to develop its tourism and entertainment sectors as a national priority. The major contributor to inflation in 2022 was, perhaps, surprisingly not rents but recreation, a component of the consumer price index (CPI) which is heavily driven by air travel. Qatar also received a local boost due to the World Cup on top of the overall post-pandemic should consider more ways to encourage transit passengers through HIA to also make stopovers in Doha.

*https://www.dohahamadairport.com/press-releases/news/hamad-international-airports-passenger-traffic-levels-show-impressive-increase

**https://www.qatartourism.com/en/news-and-media/press-releases/qatar-tourism-launches-stopover-campaign-featuring-david-beckham

Labour reforms

Well before Qatar was awarded the hosting of the FIFA World Cup, the QNV 2030 laid out Qatar's aspiration to improve the conditions of migrant workers. The International Labour Organization (ILO) attests that the "kafala" sponsorship system has been abolished, with the ending of practices such as No-Objection Certificates and employer-granted exit permits. In addition, Qatar was the first GCC country to introduce a non-discriminatory minimum wage law, set at QAR 1,000/month, on top of QAR 800 for accommodation and food. Furthermore, heat stress protection regulations have been introduced to limit outdoor work in high temperatures and provide workers with heat stress training, personal protective equipment and annual health checks. The inauguration of the ILO project office in Qatar in 2018 further reflects Qatar's earnest commitment to improve labour practices and address criticisms it has received in the past.

Moving forward, Qatar may consider a proactive approach towards labour reform to capitalise on the momentum brought on by the FIFA World Cup and upcoming 2023 AFC Asian Cup to continue boosting Qatar's public image as a nation dedicated to improving migrant workers' rights and conditions. In addition, by offering a long-term residency with incentives to increase the 'stickiness of the population', similar to the golden visa approach adopted in recent years by some neighbouring Gulf countries, Qatar may further increase its attractiveness.

With transformation and development comes risk

Enterprise risk management has become an instrumental tool to assist leaders in mitigating risks and managing the business to achieve organisational strategies and objectives.

In the last decade, the Qatar government and businesses have gone through major transformation and continue to transform to enable them to compete in a globally competitive environment.

In this age of complex business environment and the challenging/changing economic market conditions, the need for closely managed risks is no longer an option for businesses operating in Qatar, but rather a work system that enhances its ability to manage risks that might impact its ability to maintain resilient business thus increase the organisation's ability to achieve its objectives.

In light of the massive events and the forthcomings in Qatar as mentioned throughout this report, the public and private sectors with the support of various regulators in Qatar, have established a strong basis to activate the risk management functions. As such there is a shift in the business approach to risk management whereas there is more focus on long term value creation rather than cost- conservative approach. This continues to increase the need for active risk management and compliance with best practices, rules, and regulation.

The Qatar market increasingly demands enhanced competencies and capabilities to navigate complex interconnected risks that might affect the implementation of the NDS, sustain the economic growth, protect the tangible and intangible resources. Accordingly local leaders, business owners and entrepreneurs expect more from Risk and Compliance Specialists thus the risk management and broader resilience capabilities need to quickly adapt to support business agility and to provide timely risk insights for decision-making by business leaders.

Conclusion

Qatar has done very well in advancing its economy in the past years - despite unique circumstances - based on a clear vision. Going forward, the global, regional, and local dynamics will create more need to accelerate Qatar's national transformation journey. From one end, Qatar's global positioning today has set high expectations of what Qatar can do next, among the international community, to expand its brand and attract FDI. Regionally, the GCC will most likely escape the global slowdown given high oil prices and moderating inflation. We also expect the momentum of a non-oil economy to continue in 2023, with more push towards advanced and industrial manufacturing, tourism and culture, aviation and logistics, green economy, and sports. Most neighbouring countries are pushing similar agendas to drive non-oil growth with the competition for local talent intensifying. Locally, the private sector in Qatar has continued to mature and play an active partnership role with the Public Sector - through national cross cutting programs such as In-country Value, PPP, National Upskilling, Single Windows, and many others.

We are very excited for what is coming next in Qatar and the momentum created after the FIFA World Cup. The 2023 outlook for Qatar and the GCC region appears more upbeat in comparison to the rest of the world. Investing in skills development among the national workforce, supported by the new laws and regulations, should remain at the top of the agenda in order to reach the ambitions of the Qatar National Vision 2030.

*https://www.pwc.com/m1/en/ceo-survey.html

Contact us

If you would like to find out more please visit us at pwc.com/me or get in touch:

Bassam Hajhamad
Qatar Country Senior Partner and Consulting Lead
PwC Middle East

bassam.hajhamad@pwc.com

Dr Bashar El-Jawhari
Qatar Industry 4.0, Procurement and Supply Chain Lead
PwC Middle East

bashar.el-jawhari@pwc.com

Kamal Fayed
Qatar Deals Lead
PwC Middle East

kamal.fayed@pwc.com

Baris Dincer
Qatar Public Sector Lead
PwC Middle East

baris.d.dincer@pwc.com

Ahmad Anani
Qatar Legal Lead
PwC Middle East

ahmad.anani@pwc.com

Mark Menton
Qatar Assurance Lead
PwC Middle East

mark.menton@pwc.com

Sajid Khan
Qatar Tax Advisory Lead
PwC Middle East

sajid.khan@pwc.com

Issa Habash
Qatar Risk Assurance Lead
PwC Middle East

issa.habash@pwc.com

Thank you to our contributors:
Osama Khaleefa, Mohamad Sbaiti, Randa Bahsoun, Amr Goussous, Youssef Heneine, Mahmoud Bawab, Husam Samara, Malgorzata Berling-Galwas, Mayank Saxena, Mihir Bhatt, Jana Momtaz, Omar Alkhateeb, Omar Elhefnawy, Rauf Mammadov.