

# **DEVELOPMENTAL ECONOMICS**

**TOPIC:**  
**The Middle East and North African  
(MENA) Countries**

***Guide:***  
**Prof. Haripriya Gundimeda**

***Assignment by:***  
**Sharang Mantri (18B080022)**

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# Section 1 - Introduction

The Middle East and North Africa (MENA) is a large, complex, and diverse region, which faces a wide range of economic issues. It is alternatively called the **WANA** (West Asia and North Africa), as well as the **MENAP**, which also includes Central Asia and the South Asian countries of Afghanistan and Pakistan. The MENAP covers an extensive region stretching from the Maghreb in the west to Pakistan in the east. The region shares a number of cultural, economic and environmental similarities across the countries; for example, some of the most extreme impacts of climate change will be felt in the region.

**Map of MENA region:**



## Countries in the region:

MENA has no standardized definition; different organizations define the region as consisting of different territories.

List of countries and territories most commonly constitute MENA.<sup>[1][3][4][5]</sup>

- |            |            |                 |                         |
|------------|------------|-----------------|-------------------------|
| •  Algeria | •  Israel  | •  Morocco      | •  Syria                |
| •  Bahrain | •  Jordan  | •  Oman         | •  Tunisia              |
| •  Egypt   | •  Kuwait  | •  Palestine    | •  Turkey               |
| •  Iran    | •  Lebanon | •  Qatar        | •  United Arab Emirates |
| •  Iraq    | •  Libya   | •  Saudi Arabia | •  Yemen                |

Additional countries and territories that are often counted as part of MENA. Most, if not say, is sometimes overlapped with the Arab World:

- |               |                                      |                |          |
|---------------|--------------------------------------|----------------|----------|
| •  Djibouti   | •  Puntland*                         | •  Somalia     | •  Sudan |
| •  Mauritania | •  Sahrawi Arab Democratic Republic* | •  Somaliland* |          |

Additional countries and territories that are sometimes counted as part of MENA, but rarely mentioned:

- |                 |             |                     |                   |
|-----------------|-------------|---------------------|-------------------|
| •  Abkhazia*    | •  Chad     | •  Kazakhstan       | •  Senegal        |
| •  Afghanistan  | •  Comoros  | •  Kyrgyzstan       | •  South Ossetia* |
| •  Armenia      | •  Cyprus   | •  Mali             | •  South Sudan    |
| •  Artsakh*     | •  Eritrea  | •  Malta            | •  Tajikistan     |
| •  Azerbaijan   | •  Ethiopia | •  Niger            | •  Turkmenistan   |
| •  Burkina Faso | •  Gambia   | •  Northern Cyprus* | •  Uzbekistan     |
| •  Cape Verde   | •  Georgia  | •  Pakistan         |                   |

\*Non-sovereign territories.

Source: "World Bank Definition: MENA". Worldbank.org

The MENA region commands abundant human and natural resources, accounts for a large share of world petroleum production and exports, and enjoys on average a reasonable standard of living. Within this general characterization, countries vary substantially in resources, economic and geographical size, population, and standards of living. At the same time, intra-regional interaction is weak, being restricted principally to labor flows, with limited trade in goods and services.

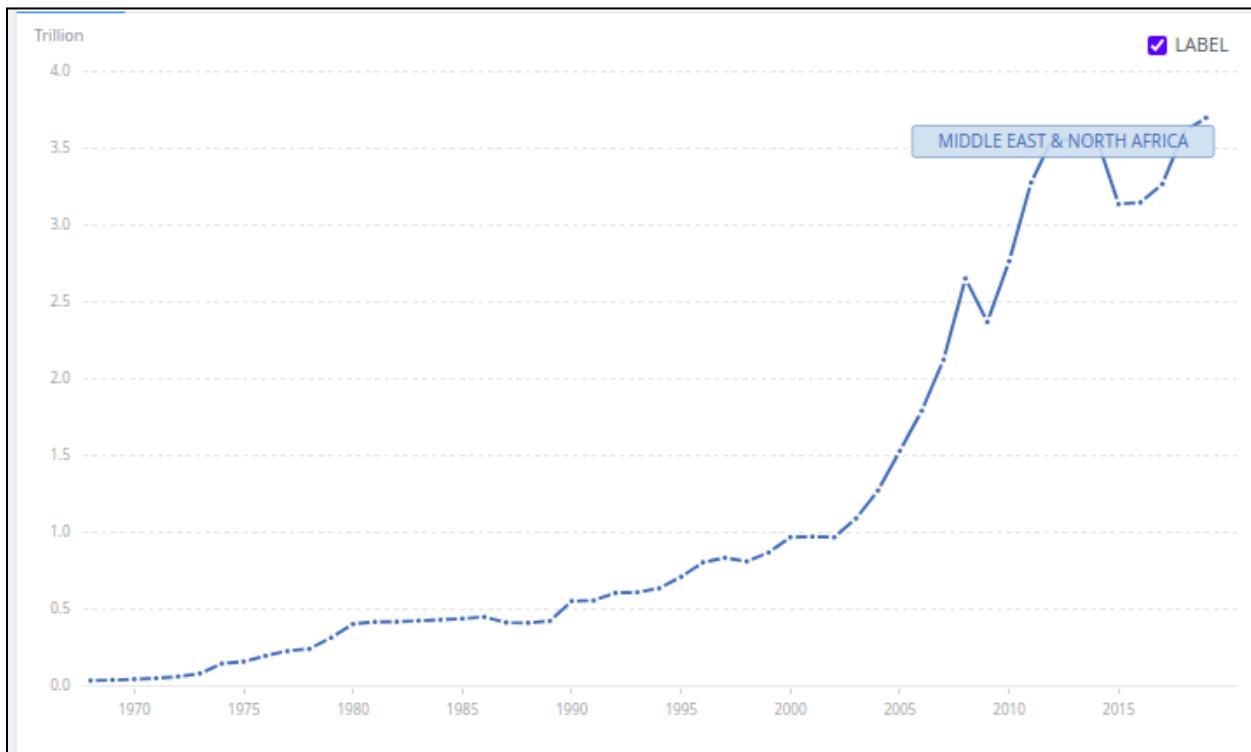
MENA covers a surface of over 15 million square kilometers and contains some 6 percent of the world's *population*, about the same as the population of the European Union (EU). The three smallest countries (Bahrain, Djibouti, and Qatar) each have a population of about half a million inhabitants. By contrast, the two largest countries (Egypt and the Islamic Republic of Iran) comprise about 60 million inhabitants each. Together with Algeria, Morocco, and Sudan, these five most populated countries account for about 70 percent of the region's population. About half the population lives in cities.

This region has vast reserves of petroleum and natural gas that make it a vital source of global economic stability. According to the Oil and Gas Journal (January 1, 2009), the MENA region has 60% of the world's oil reserves (810.98 billion barrels (128.936 km<sup>3</sup>)) and 45% of the world's natural gas reserves ( 2,868,886 billion cubic feet (81,237.8 km<sup>3</sup>)).

Source: IMF

# Economic Analysis of MENA region

## GDP of MENA countries



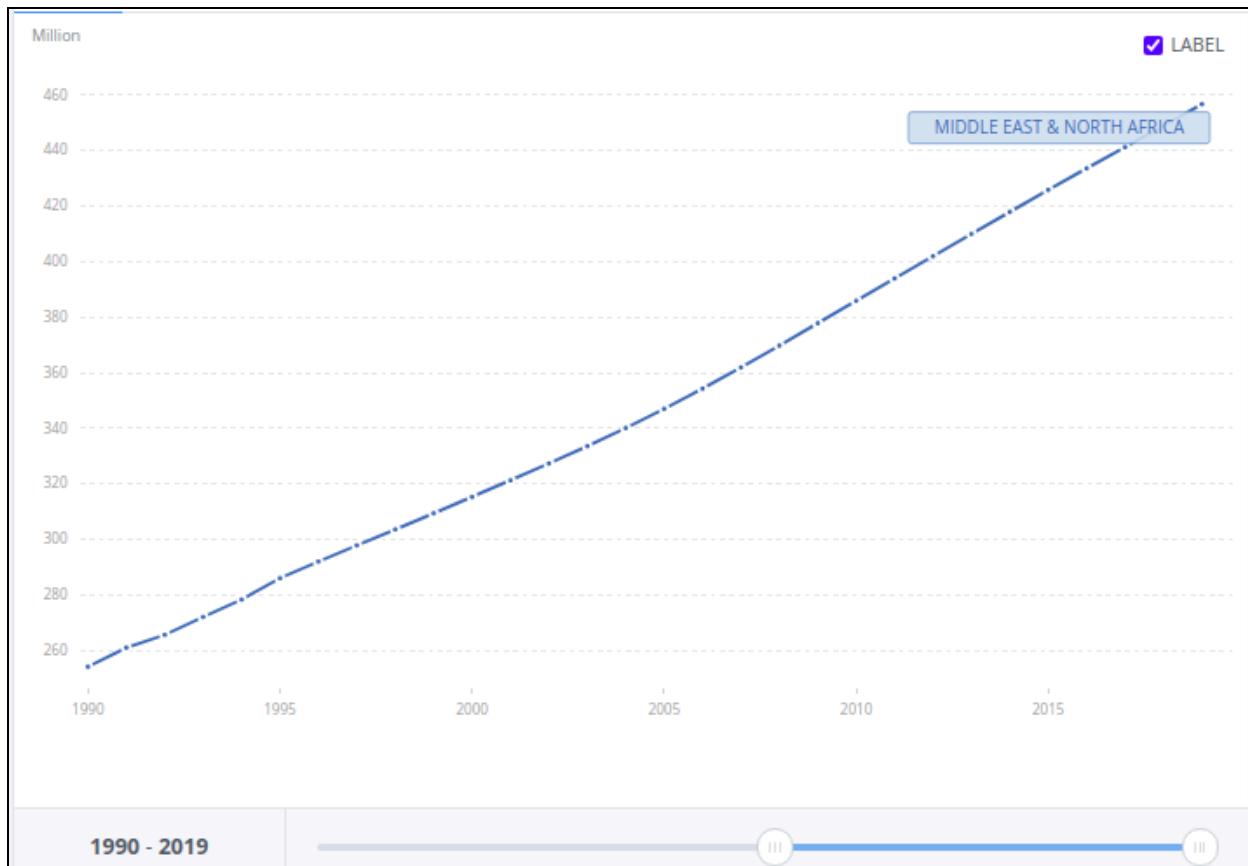
Source: World Bank National Accounts Data

It is visible that the GDP of the MENAc countries is increasing with year and the growth rate is increasing with the year.

The GDP of MENA is about 3.3 trillion dollars representing 4.5% of the global GDP. A majority of the people live in middle-income states that produce 60% of the world's oil and 45% of the natural gas. Saudi Arabia is the largest economy with a GDP of \$740 billion followed by Iran (\$333.6 billion), the United Arab Emirates (\$382 billion) and Egypt (\$249 billion).

## Population in MENA Countries

The **Demographics of the Middle East and North Africa (MENA)** region show a highly populated, culturally diverse region spanning three continents. As of 2018, the population was nearly 578 million. The class, cultural, ethnic, governmental, linguistic and religious make-up of the region is highly variable.



Source: World Bank group data

MENA experienced the highest rate of population growth of any region in the world over the past century. The total population increased from around 100 million in 1950 to around 380 million in 2000—an addition of 280 million people in 50 years.

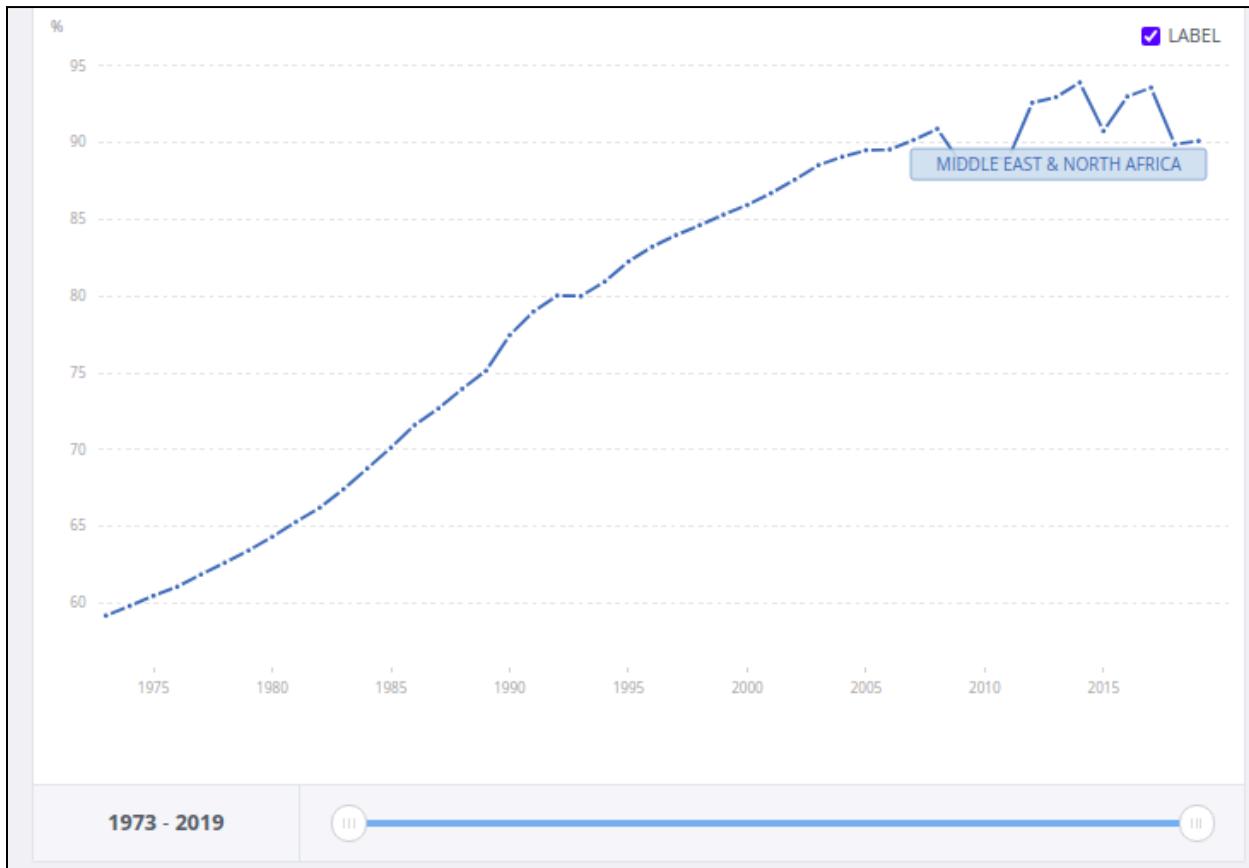
During this period the population of the MENA region increased 3.7 times, more than any other major world region.

MENA's annual population growth reached a peak of 3 percent around 1980, while the growth rate for the world as a whole reached its peak of 2 percent annually for more than a decade earlier.

The MENA region's population is growing at an average rate of 1.56%. This is well above the global rate of 1.1% population growth. High rates of migration, high birth rates, higher life expectancy and lower infant mortality rates contribute to higher populations.

Improvements in human survival, particularly during the second half of the 20th century, led to rapid population growth in MENA.

# Literacy

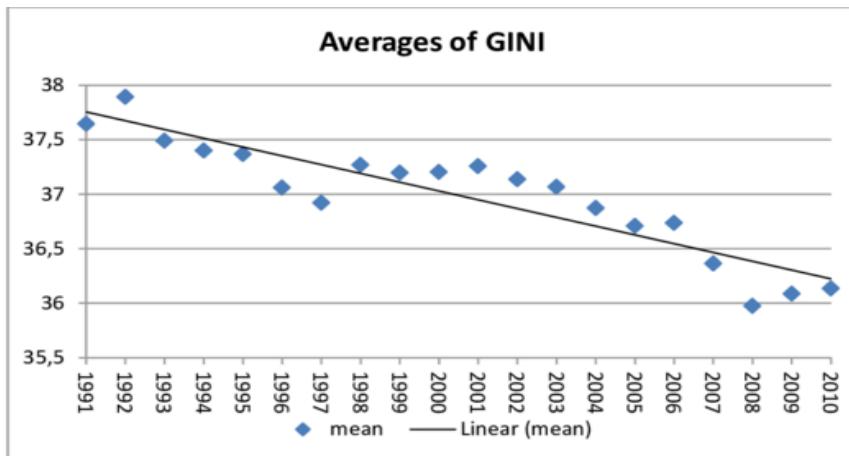


The Middle East and North Africa have strongly developed their education in terms of the average level of schooling, which has quadrupled since the 1960s. They have also halved the illiteracy rate in the region since the 1980s and achieved complete gender parity in primary school. Literacy in the region for adults has improved from 59% in the 1990s to 78% in 2010.

The access and enrollment in the school system have also increased in the region and all boys and girls have had access to primary education in most of the countries in the region. Enrollment in schools has increased from 86% to 94% between 2000 and 2010. It is interesting to note that the region, differently from the rest of the world, has had a reversed gender gap meaning that girls are outperforming boys in 4th-grade math and this is systematic up until the 8th grade.

Even though the region and the countries are highly invested in developing the school system and education by investing 5,3% of the GDP in the education the quality is still low and lacking and needs to be improved (can be seen on the table). There is also a difference in education and a large gap between the rich and the poor. Furthermore, the political instability in the region and the conflicts are forcing children to drop out of school. Still, school dropouts have significantly decreased in the region.

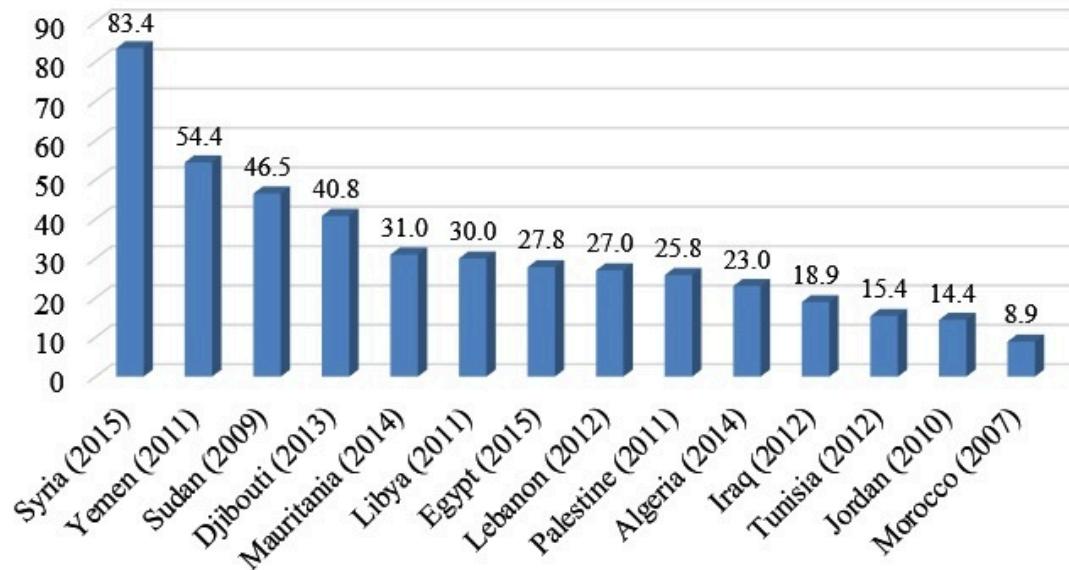
## The gap between rich and poor:



Source: ResearchGate

Most of the MENA countries are having high GINI Coefficient (comparison is done in the study of two countries)

**Figure 3: Poverty Rates at National Poverty Lines in Arab Countries (% of Population)**



Source: World Bank Poverty and Equity Database. Escwa – Syria at War: Five Years On and Arab Development Outlook: Vision 2030, Arab Monetary Fund (AMF) - The Joint Arab Economic Report 2015, BBC Business, Central Administration of Statistics (CAS), African Economic Outlook 2016, and Central Agency for Public Mobilization and Statistics (CAPMAS). Retrieved September, 2016. Note: Latest available data.

Poverty in these countries is quite high in spite of comparatively high GDP per capita. The reason is high inequality and skewness of income towards high income group which is very low percentage.

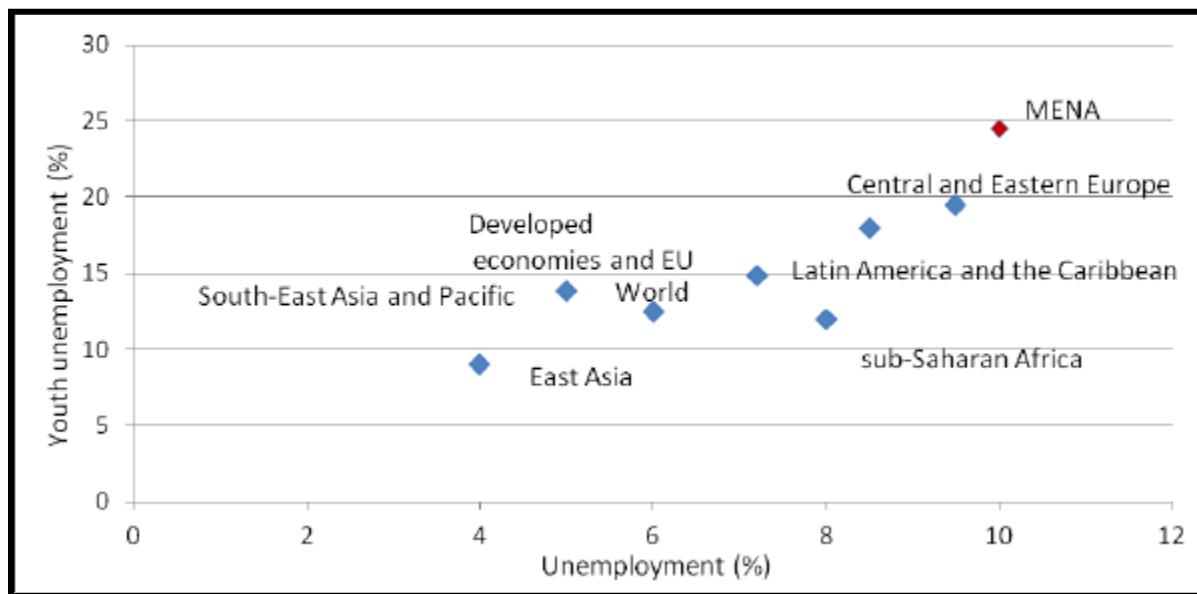
## Unemployment

At about 25%, the youth unemployment rate in the MENA exceeds that of any other region in the world – a rate that reaches up to about 30% in Tunisia (Figure 1).

The recent social and political events in the region have contributed to a decline in economic activity and to increased unemployment. In 2011, unemployment has increased in the MENA countries, with the largest increase registered for Tunisia (about 7 percentage points) and Egypt (about 3.5 percentage points).

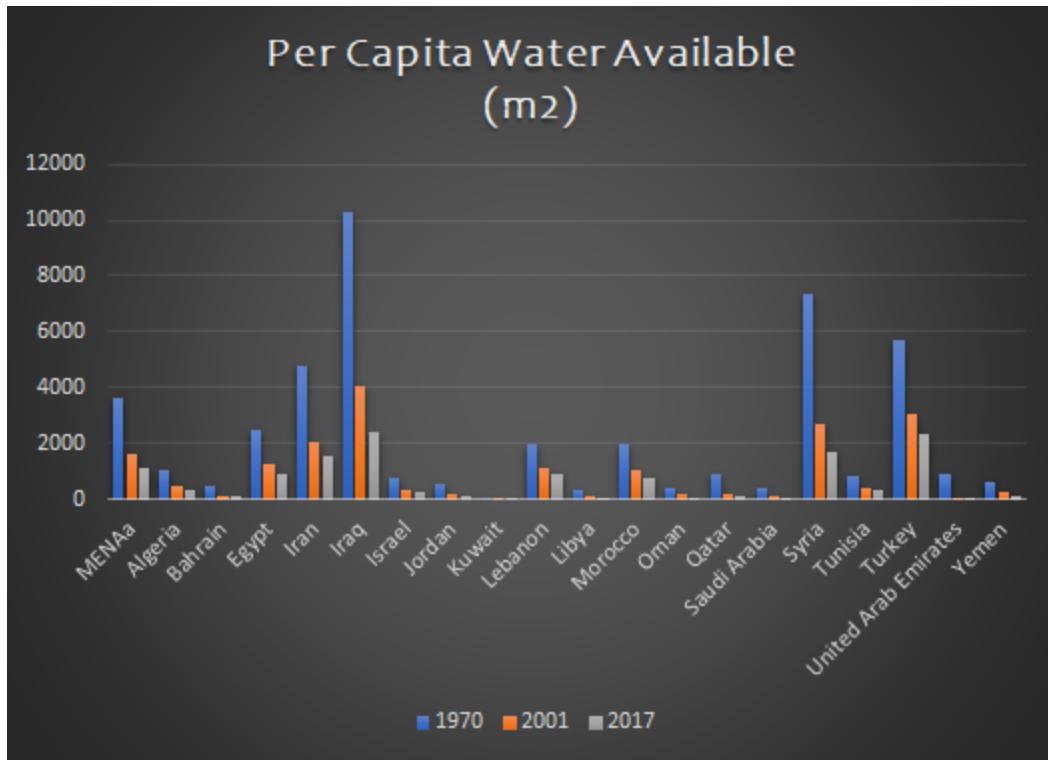
Figure 1: Total and Youth Unemployment by Regions (2010)

Source: ILO and IMF data.



## Water Scarcity:

MENA is a home for about 7% of the world's population but holds only 1.5% of the fresh accessible water of the world. It is faced with a severe water problem. The growing population concern also raises the water scarcity problem in the region.



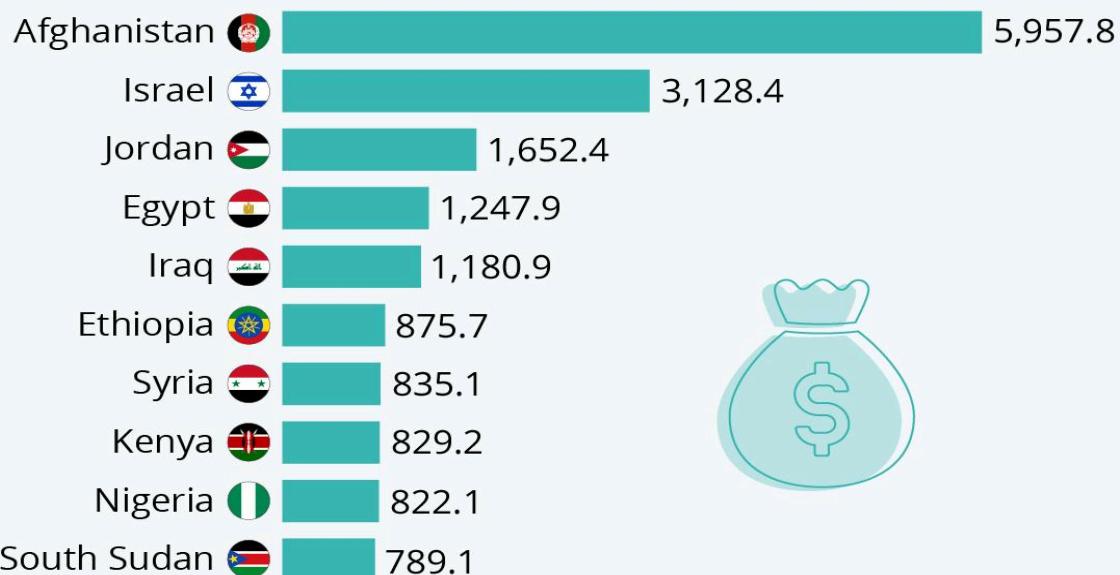
Between 1970 and 2001, population growth caused the available renewable fresh water resources per person in MENA to drop by more than half: from 3,300 to 1,500 cubic meters per person per year. It is estimated to further lower down to 1000 cubic meters by 2025 which is also the threshold water requirement as per the international standards.

Today, much of the region is already below the international standard, since nearly 80 percent of available fresh water in the region is found in Iran, Iraq, Syria, and Turkey. In countries such as Israel, Jordan, Kuwait, and Saudi Arabia, the national average is below 200 cubic meters per person per year

## Foreign Aid:

# Where U.S. Foreign Aid is Going

Countries receiving the most U.S. government international aid in 2018\* (in million U.S. dollars)



\* last year fully reported

Source: USAID



**statista** 

MENA countries receive large foreign aids especially from the US. Four of the top 5 countries receiving foreign aid are the MENA countries.

# Section 2 - Qatar

Qatar, is a country located at Western Asia, it has an area of 11,610 Km<sup>2</sup>, so it is one of the smallest countries in the world. It has a population of 2,781,677 people, making it one of the least populous country in the world at 240 people per km<sup>2</sup>. The capital is Doha and its currency is Riyals

Qatar is holding the 54 position by nominal GDP. Its national debt in 2018 was 93,011 millions of dollars, ( 48.63% debt-to-GDP ratio) and its public debt per capita is 33,437\$ dollars per inhabitant.



## Historical Background

Prior to 1867, Qatar was ruled by the family of the leaders of neighboring Bahrain, the Al Khalifa. That year, an uprising in the territory led the United Kingdom, then the main Western power in the Persian Gulf region, to install a leading Qatari family, the Al Thani, to rule over what is now Qatar. Qatar adopted its first written constitution in April 1970 and became fully independent on September 1, 1971.

Qatar has not always been a petrol-based industry. It was a poor pearl diving country. Before World War II, its population was engaged in pearl diving, fishing, and some trade. The exploration of oil and gas fields started after 1939.

- **1970s boost**

In the 1970s, the oil embargo imposed by OPEC on the US, increase in world demand and the decline of U.S. oil production gave these countries an edge and increase in oil production and revenues tremendously thus making Qatar one of the highest per capita country in the world.

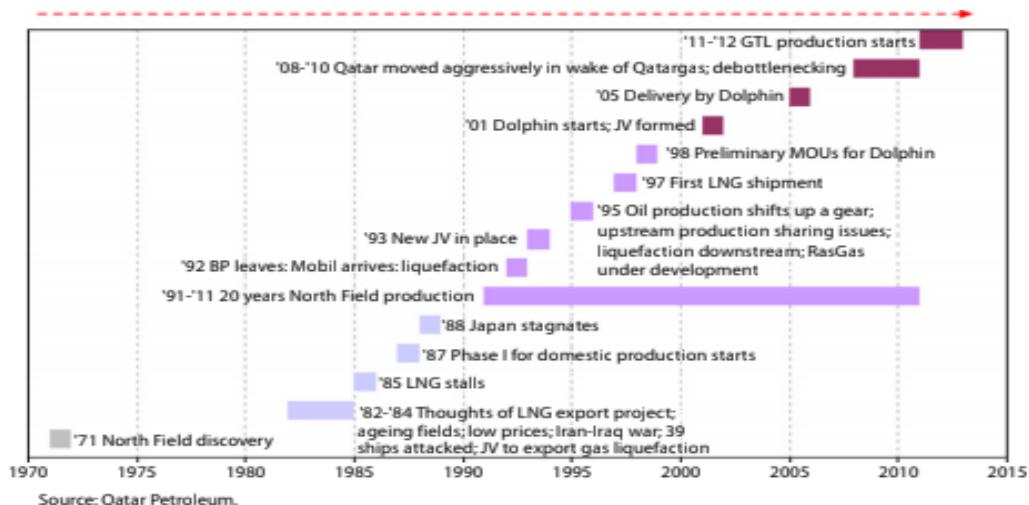
- **Downturn**

1982 to 1989 was a downturn period for Qatar. OPEC put quotas on crude oil production, there was a lower price for oil, and reduced oil earnings internationally. Thus Qatari government's cut their spending plans to match lower income. This recessionary environment leads many firms to lay off expatriate staff.

- **Recovery**

The economy recovered there from the late 90s. The economy was boosted in 1991 by completion of the \$1.5-billion Phase I of North Field gas development. In 1996, the Qatargas project began exporting LNG to Japan. To reduce its dependency on oil, Qatar began to develop its natural gas resources in the mid-1990s. ***It borrowed heavily, but high oil prices in the early 21st century put the country on firmer financial footing.*** Qatar has ***strategically*** developed its natural gas reserves through joint ventures with European and Japanese firms. Natural gas surpassed oil as the largest share of the government's revenues and the country's GDP in the first decade of the 21st century.

Heavy industries like fertilizer, petrochemical, steel plant which sprouted later on during the 2000's nurtured gas production further as these industries used gas for fuel.



Timeline of developments in Qatar's hydrocarbons sector.

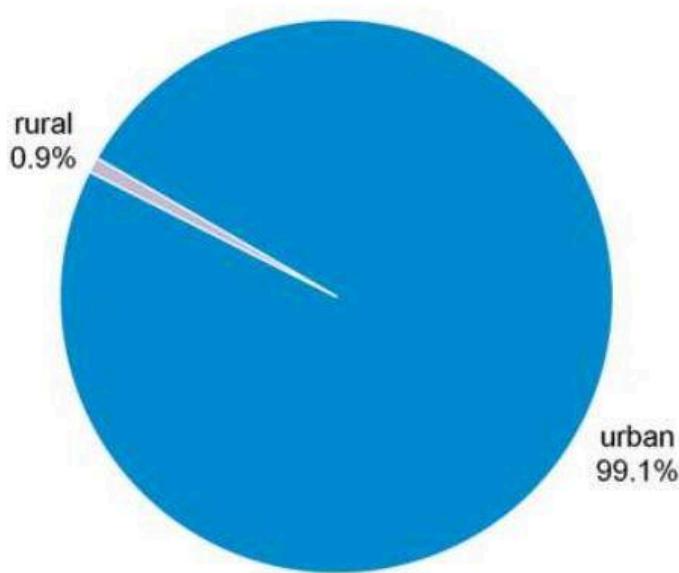
## Economy

Qatar's economic prosperity is derived from the extraction and export of petroleum—discovered in 1939 and first produced in 1949—and natural gas. Before World War II, Qatar's population engaged in pearling, fishing, and some trade (with little exception the only occupations available) and was one of the poorest in the world. By the 1970s, however, native Qatars enjoyed one of the highest per capita incomes in the world, despite subsequent declines in income due to fluctuations in world oil prices. Qatar's original oil concession was granted to the Iraq Petroleum Company (IPC), a consortium of European and American firms. This and later concessions were nationalized in the 1970s. While state-owned Qatar Petroleum (formerly Qatar General Petroleum Corporation) oversees oil and gas operations, private corporations continue to play an important role as service companies.

## Settlement patterns

Qatars are largely urban dwellers; less than 1 percent of the population lives in rural areas. Doha, on the east coast, is Qatar's largest city and commercial centre and contains about half of the emirate's population. It has a deepwater port and an international airport. The main oil port and industrial centre is Umm Sa'īd, to the south of Doha on the eastern coast. Al-Rayyān, just northwest of Doha, is the country's second major urban area. These three cities and many smaller settlements are linked by roads. Of the many islands and coral reefs belonging to Qatar, Hālūl, in the Persian Gulf 60 miles (97 km) east of Doha, serves as a collecting and storage point for the country's three offshore oil fields.

**Qatar urban-rural (2018)**



# Section 3 - Djibouti

Djibouti is one of the poorest countries in the world with 75 percent of the population living below the poverty line. Djibouti is located in one of the busiest maritime trade routes and has the status of free trade zone. As a result, Djibouti is highly dependent on tax revenues from in-transit trade flow. Also, since Djibouti has very few natural resources and virtually no industry, it depends on foreign assistance to finance development and current account deficits.



## **Historical Background:**

Djibouti was formerly known as French Somaliland (1896–1967) and the French Territory of the Afars and Issas (1967–77). The country suffered poor economic performance in 2011 because of three unfavourable factors : Slowdown by Global Financial Crisis,severe drought, and Presidential election.

Over 20 percent of the population lives in “extreme poverty,” and the small east

- **Present Economic Condition**

African nation is almost completely dependent on imports to insure its food, water, and energy supplies. This leaves the country especially vulnerable to international markets and price shocks. Unemployment hovered around 39 percent in 2015. Djibouti's economy is almost completely reliant on Foreign Direct Investment (FDI), income derived from various shipping ports, and rents from foreign military bases. GDP growth in 2016 was estimated at 6.5 percent, largely driven by port and railroad construction.

Poverty remains a worrying problem in the country, where more than 70% of the population is poor and more than 50% of the active population is unemployed.

- **Socio-Human Development**

Djiboutian society is made up of three main ethnic groups: Somali (60 percent), Afar (35 percent), “other” (5 percent) (includes French, Arab, Ethiopian, and Italian). 94 percent of Djiboutians identify as Muslim, with the majority of the remaining 6 percent identifying as Christian. 75 percent of the population resides in cities and towns, and the vast majority are concentrated in the capital, Djibouti City

- **Social Structure**

Djiboutian society is made up of three main ethnic groups: **Somali** (60 percent), **Afar** (35 percent), “other” (5 percent) (includes French, Arab, Ethiopian, and Italian). 94 percent of Djiboutians identify as Muslim, with the majority of the remaining 6 percent identifying as Christian. 75 percent of the population resides in cities and towns, and the vast majority are concentrated in the capital, Djibouti City.

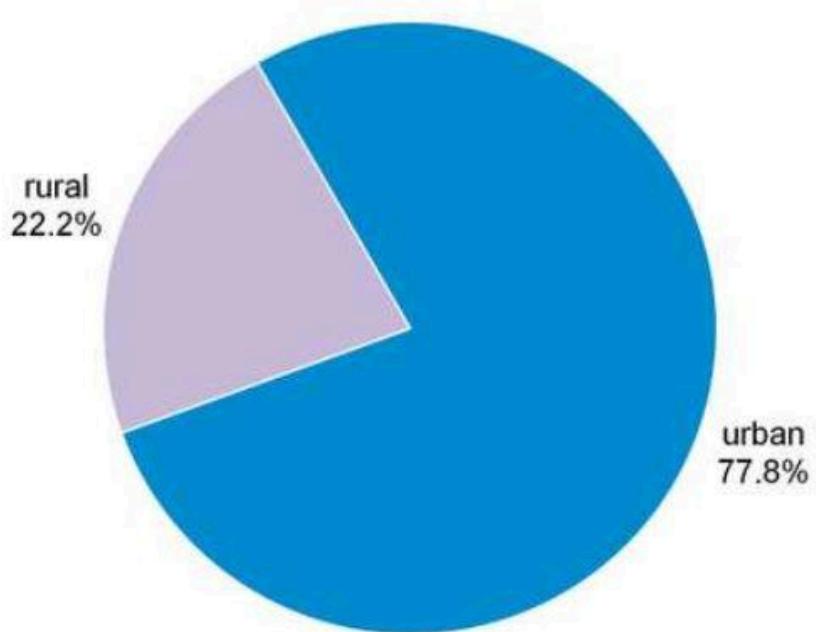
## **Economy:**

Djibouti has few natural resources and has limited capacity for agricultural and industrial pursuits; the country also has extensive unemployment, foreign debt, and regular budget deficits. The government continues to focus on financial-, telecommunications-, and trade-related services, solidifying the country's position as an important regional business and trade hub in the Horn of Africa. As a result, the economy relies heavily on the service sector, which accounts for some four-fifths of the country's gross domestic product.

## **Settlement patterns**

Djibouti is virtually a city-state, since about two-thirds of the population lives in or near the capital. Outlying towns are small trading centres that experience periodic population increases as camel caravans and sheep and goat herders encamp.

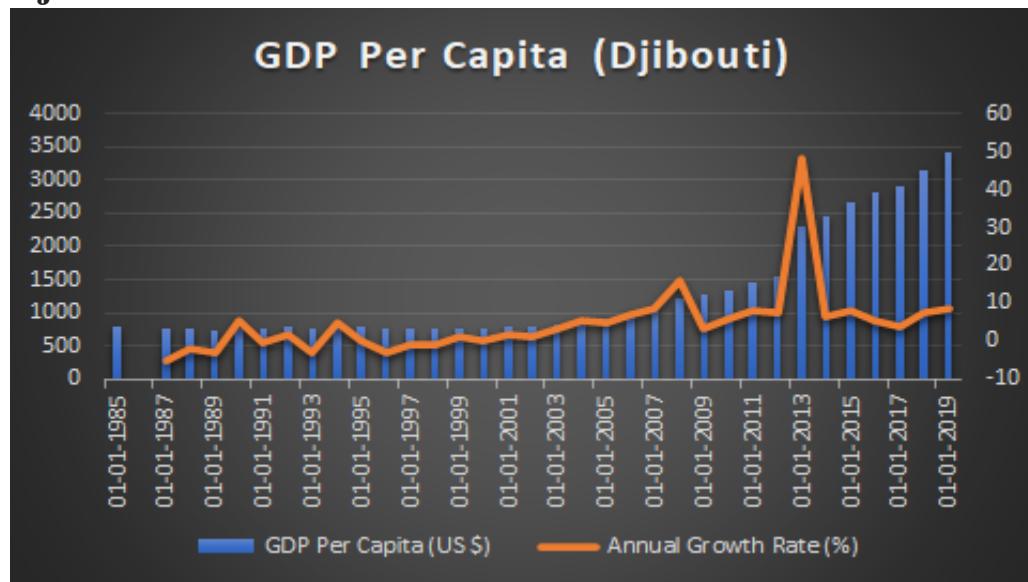
**Djibouti urban-rural (2018)**



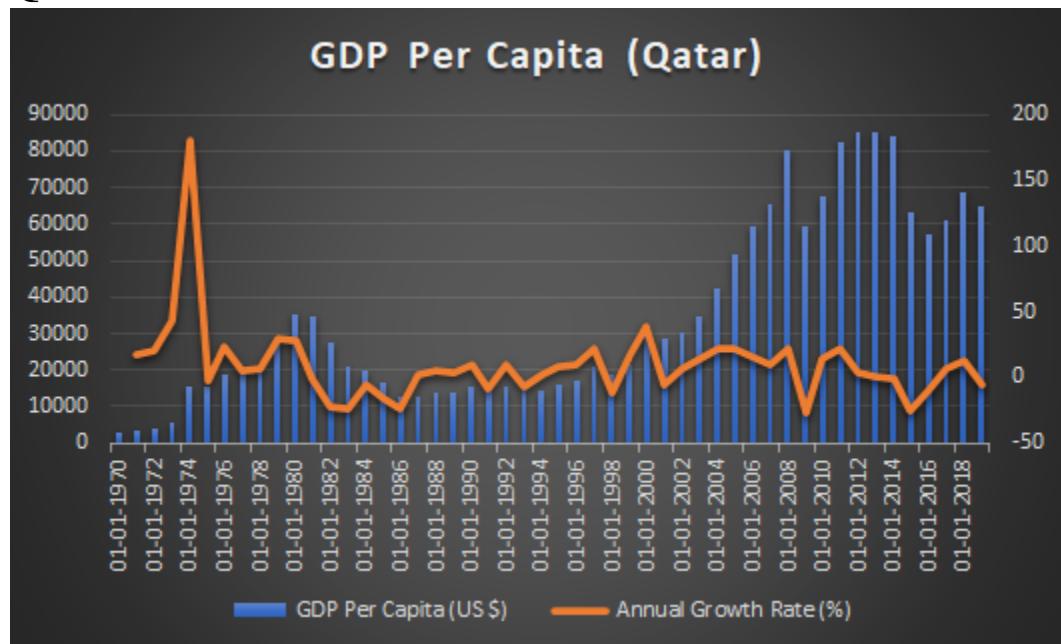
# Section 4: Comparing and explaining the differences

## GDP Per Capita:

- Djibouti



## ● Qatar

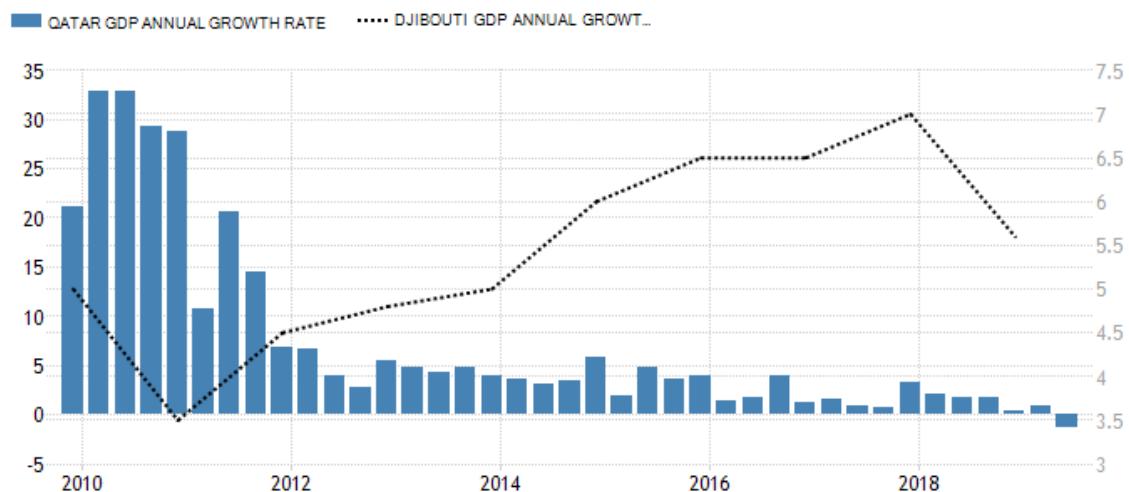


Qatar saw about a 0.9 percent gain in the first quarter of 2019, which is followed by a 1.4 percent shrink in the second quarter of 2019 and thus marking the first contraction since the third quarter of 2009.

Negative contribution is resulted due to mining & quarrying (-1.9 percent), manufacturing (-7.4 percent), construction (-3.5 percent) and wholesale & retail trade.

On the other hand, positive growth is seen in the financial and insurance activities (3.4 percent) and public administration (2.7 percent).

Annual Growth of GDP Qatar averaged 6.01 percent from 2009 until 2019, reaching an all time high of 32.90 percent in the first quarter of 2010 and a record low of -15.30 percent in the second quarter of 2009.



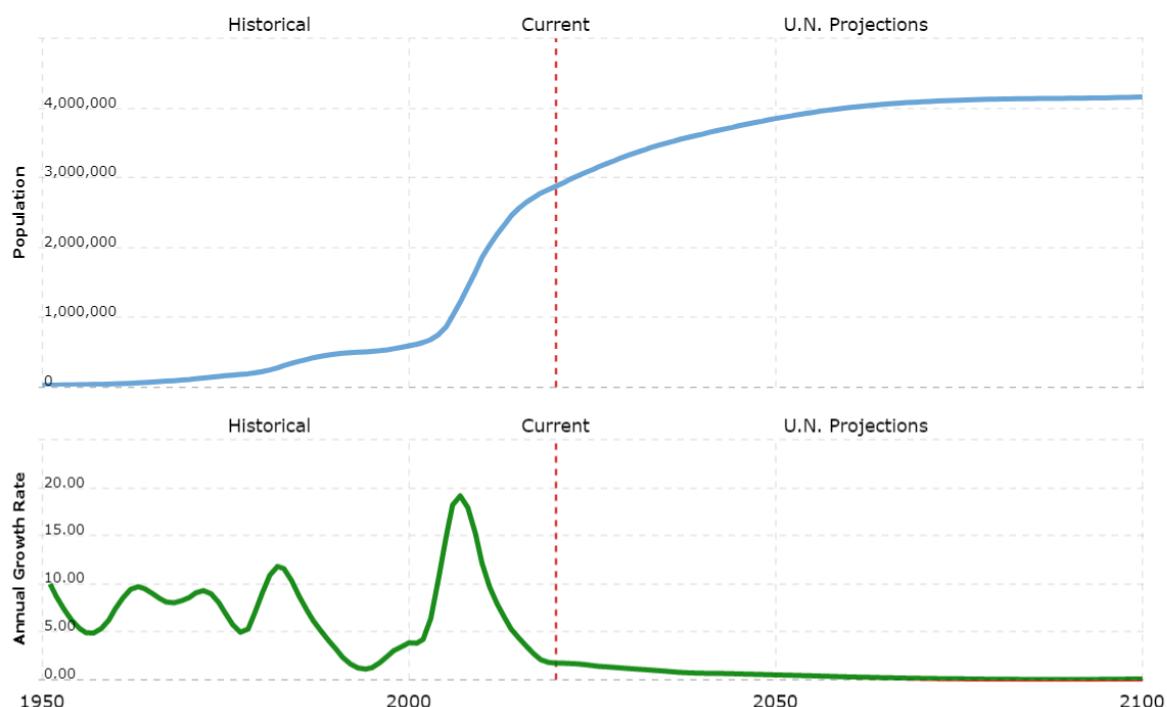
In Djibouti, GDP expanded by 5.60 percent in 2018 compared to the previous year. Annual Growth Rate of GDP averages 2.70 percent from 1991 until 2018, reaching an all time high and low of 7 percent in 2017 and -10.60 percent in 1996 respectively.

Djibouti has taken major public debt-financed investments in infrastructure, and because of it, it has seen rapid, sustained growth in recent years.

However, because of these reasons, the country's debt stands at an estimated 70 percent of GDP. The population living below the international poverty line of US\$1.90 per day was estimated at 17.1 percent in 2017 but is expected to decrease if it reaps the benefits of infrastructure investments.

## Population trends

- **Qatar**



The population of Qatar has increased from 592468 (in 2000) to 2832067 (present) with a decreased rate in the last years.

The primary healthcare facilities have increased in the region with the introduction of proper medication and hospitalization, which has resulted in the reduction of Infant mortality rate (from 11 per 1000 in year 2000 to 6.35 per 1000 in year 2019) and the death rate (from around 2 to 1 per 1000 in the last two decades)

Although the birth rate has also reduced significantly (from 19 to 9 per 1000 of population in these two decades) due to reduction in the fertility rate (from 3.2 to 1.86) there is overall growth in the population.

The Life Expectancy has also increased to 80 years.

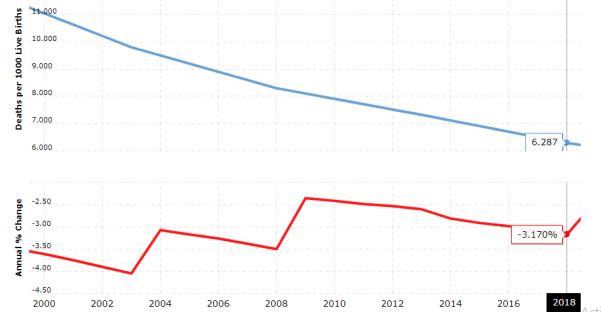
### Birth Rate



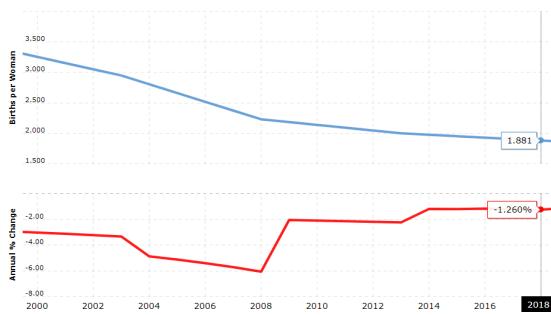
### Death Rate



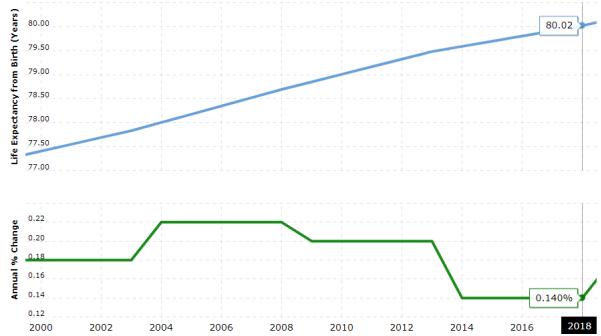
### Infant Mortality Rate



### Fertility Rate

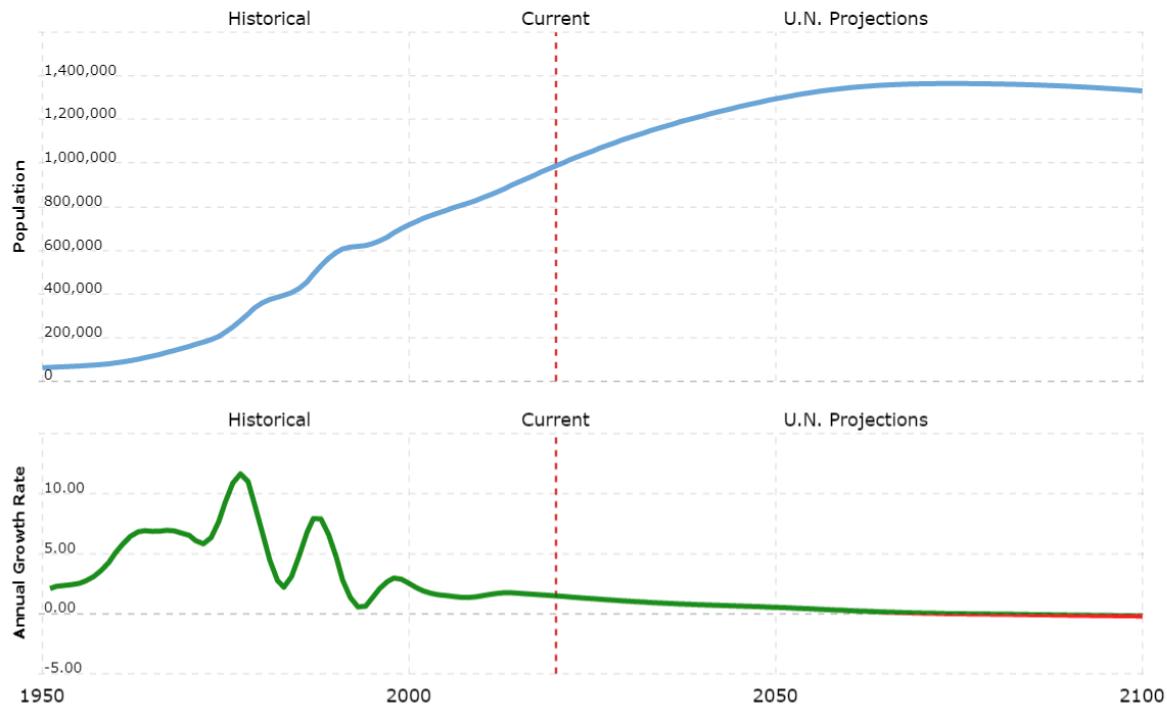


### Life Expectancy



All the graphs have two plots: the above one corresponds to the indicator of interest and the plot below it shows the rate of change in the indicator

## ● Djibouti



The population has increased from 733015 in 2000 to 973560 presently

Due to failure in reduction in poverty, basic healthcare facilities are still a long journey for Djibouti. As stated previously, there has been success in reduction of infant mortality rate, this can be seen in the graph below where the rate has reduced significantly to half (from 70 to 32.5 per 1000 in the last two decades)

Apart from that, there is a failure in reduction of death rate

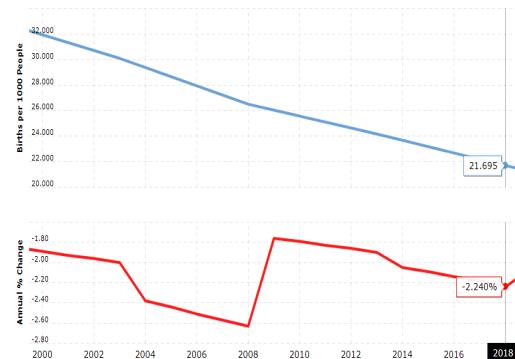
Birth rate and fertility rate has also not reduced majorly and this is the reason Djibouti has higher population growth percentage than Qatar

Apart from that, Life expectancy is 66.54 years.

### Birth Rate

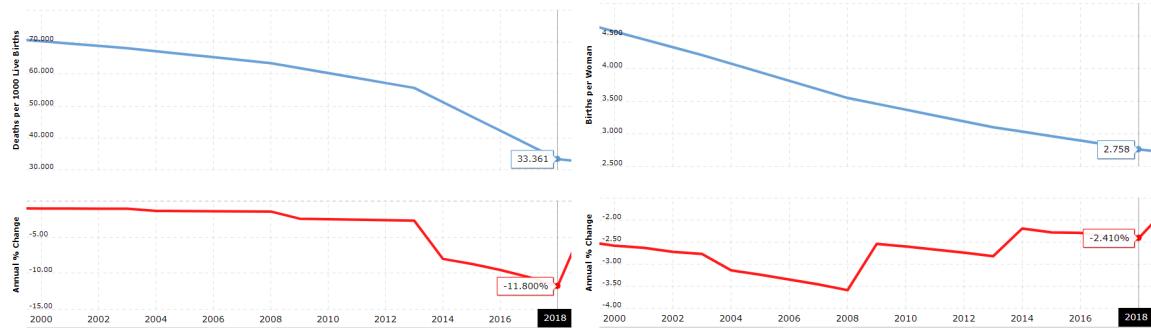


### Death Rate

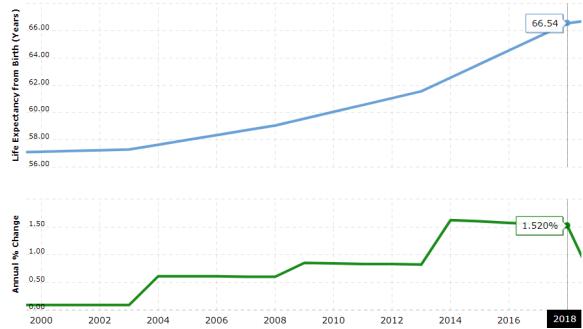


### Infant Mortality Rate

### Fertility Rate



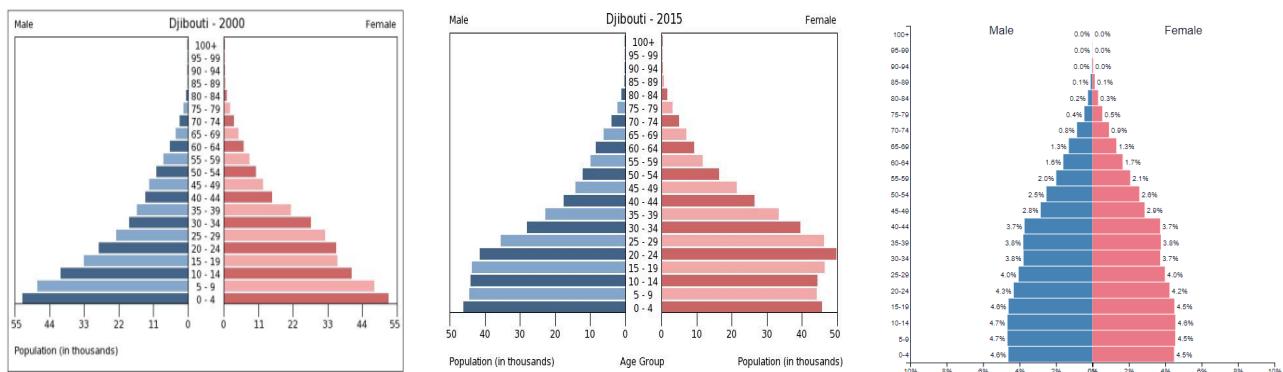
## Life Expectancy



All the graphs have two plots: the above one corresponds to the indicator of interest and the plot below it shows the rate of change in the indicator

## Age and sex distribution & Economic Dependency Ratio:

Djibouti resembles MENA region trends, while the trends in Qatar is quite different from what is expected.



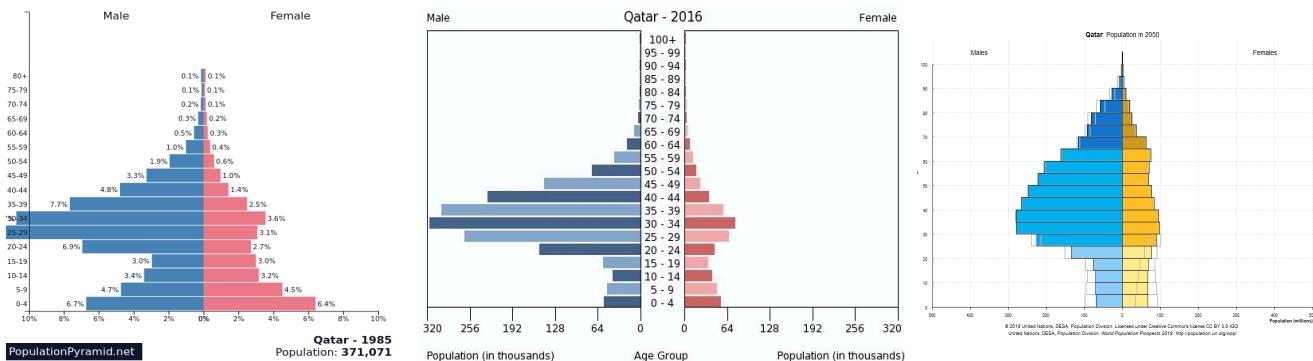
### • Djibouti :

Like the general trend in the MENA region, the proportion of the young population was high in the late 20th century and beginning of the 21st century. The interesting fact to note here is the high percentage of girls compared to boys. This resulted in the **high economic dependency ratio**.

Also, like the general trend in MENA region, the young age structure when turn into adolescence start looking for workforce and after the child bearing age will eventually turn the most right graph demographic

The disturbing thing to note here is the low level of female labor force participation, which affects more here because of increased percentage of girls in general, and women in 2015

## ● Qatar



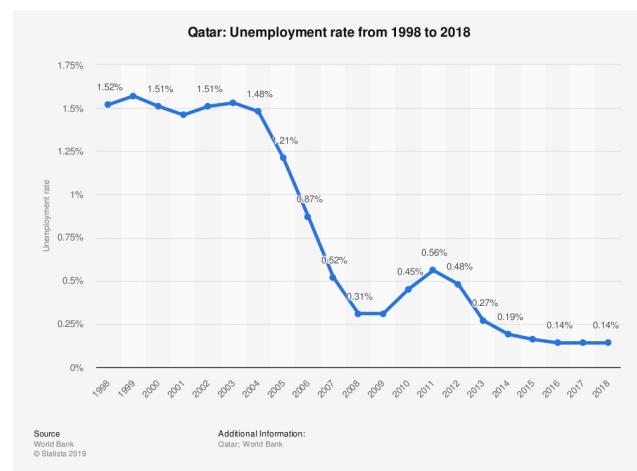
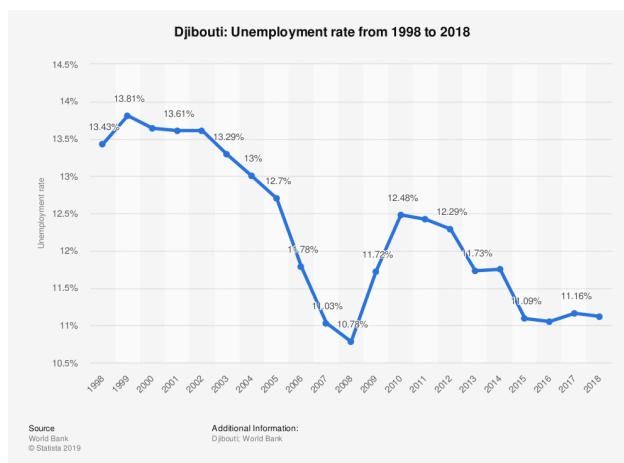
The Qatar from starting is dominated by man in terms of population. The most left graph is the age demographic from 1985, which itself shows the **larger proportion of working age male** in the society. Compared to other MENA countries, Qatar has very **low dependency ratio** and given the opportunities available, it led to a low unemployment (in fact, the unemployment rate has always reduced in Qatar till now, discussed later) and high growth period

Up until now, the major population in Qatar belongs to the working age male, and with such low unemployment, the economic dependency ratio is always very low for Qatar.

## Unemployment:

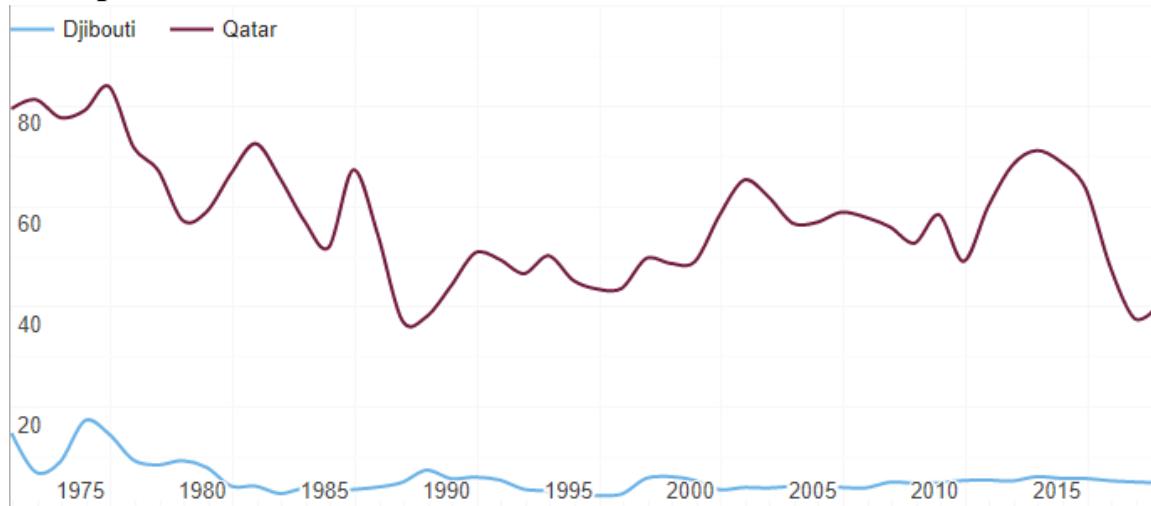
Djibouti from a very long history has a much **higher unemployment rate** than Qatar.

After the field was discovered, unemployment has never been an issue in Qatar. Also Qatar has invested on the skill of its population, and has monitored the entrance of refugees, thus not impacting the competition in the home market



# Exports and Imports

## • Exports



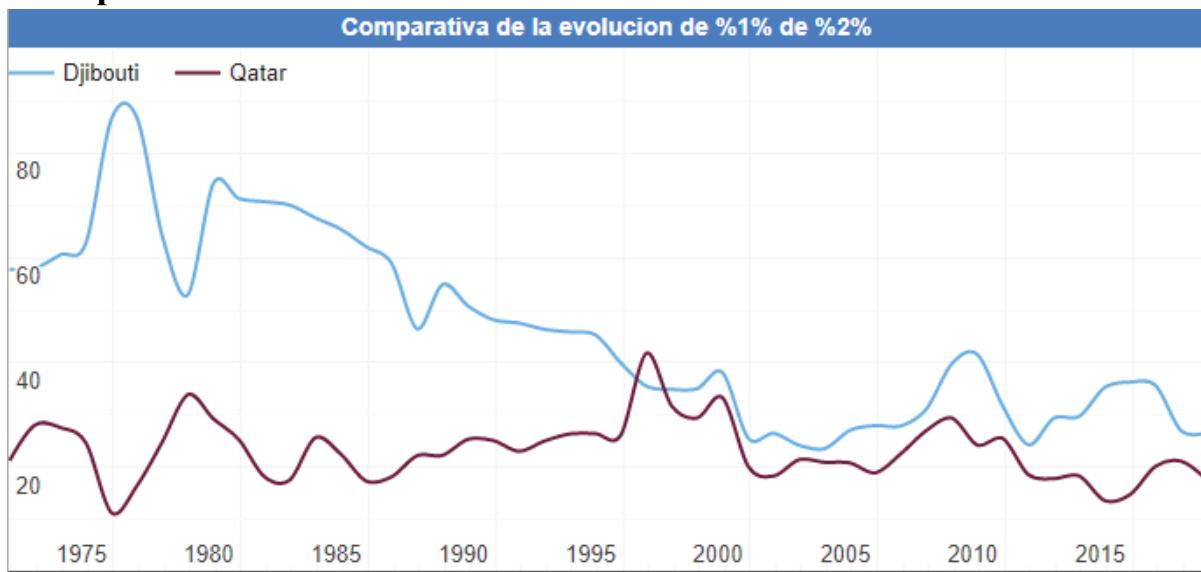
The above graph compares the exports (as a percentage of GDP) of both the countries. As we can see, exports comprise of nearly 60% of Qatar's GDP. During the last five years the exports of Qatar have decreased at an annualized rate of -13.3%, from \$105B in 2012 to \$52.3B in 2017. The most recent exports are led by Petroleum Gas which represent 48.8% of the total exports of Qatar, followed by Crude Petroleum, which account for 25.6%.

The latest available country-specific data from 2015 shows that 84.1% of products exported from Qatar were bought by importers in: Japan (20.8% of the global total), South Korea (17.3%), India (11.9%), China (6.7%), United Arab Emirates (6.1%), Singapore (4.5%), United Kingdom (also 4.5%), Taiwan (3.9%), Thailand (3.5%), Italy (2%), Belgium (1.7%) and Turkey (1.2%).



On the other hand, Djibouti's top exports in 2016 include miscellaneous commodities, live animals, coffee and wood. The top importers of goods from Djibouti are Ethiopia, France, Spain, Somalia, and **Qatar**.

- **Imports**



The above graph compares the imports (as a percentage of GDP) of both the countries. It can be seen that Djibouti was a more import dependent economy as compared to Qatar in the 1970's. Over the time, their economy is becoming more self-sustainable and the imports have decreased substantially. In 2017 Qatar imported \$21.6B, making it the 67th largest importer in the world. During the last five years the imports of Qatar have increased. The most recent imports are led by Planes, Helicopters, and/or Spacecraft which represent 8.59% of the total imports of Qatar, followed by Cars, which account for 6.18%. The top export destinations of Qatar are South Korea (\$10.3B), Japan (\$10B), India (\$7.51B), China (\$5.88B) and Singapore (\$4.69B).

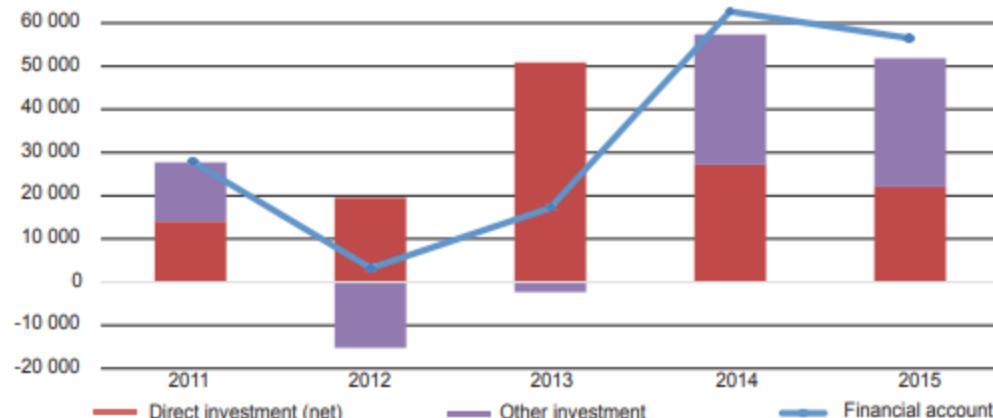
## Foreign direct investment (FDI):

- **Djibouti**

The financial account balance declined by about 10 per cent in 2015, owing largely to a decline in foreign direct investment (FDI), which fell by about 19 per cent between 2014 and 2015. Remittances represented 2.3 per cent of GDP in 2015.

The main contributor to the financial account balance is FDI. The financial account balance declined by about 10 per cent in 2015, falling from 62,620 million Djibouti francs in 2014 to 56,462 million Djibouti francs in 2015. This was ascribed mainly to a decline in FDI, which fell by about 19 per cent within the same period. The Government has been instrumental in establishing policies and partnerships that are critical in attracting and promoting greater

**Figure 10: Capital and financial account, Millions of Djibouti francs**



Source: Banque Centrale de Djibouti (2013 and 2015).

foreign investment. Global Risk Insights notes that FDI inflows have been targeted largely towards infrastructure, resulting in widening gaps in education and employment investment (Global Risk Insights, 2016). Remittances, on the other hand, have remained unchanged at \$36 million for both 2014 and 2015, representing 2.3 per cent of GDP in 2015.

A free trade zone has been established to attract investments and stimulate economic activities in the manufacturing and services sectors (UNCTAD, 2016b). The amount of FDI to the country has been increasing over the years. The highest amount was received in 2013, with most of it going to infrastructural development projects. The main investors in the country are the Gulf countries, Ethiopia, Yemen, the United States of America, China and France.

However, the country still lags behind in attracting substantial FDI inflows relative to the other IGAD countries, despite its strategic geographical location (see figure 11). It also has yet to achieve its target of ensuring that FDI inflows to the country contribute to about 20 percent of its GDP.<sup>8</sup> Current FDI inflows represent about 7 percent of GDP. This suggests that, despite the efforts of the Government to make the country competitive, there are still challenges to doing business in Djibouti.

## ● Qatar

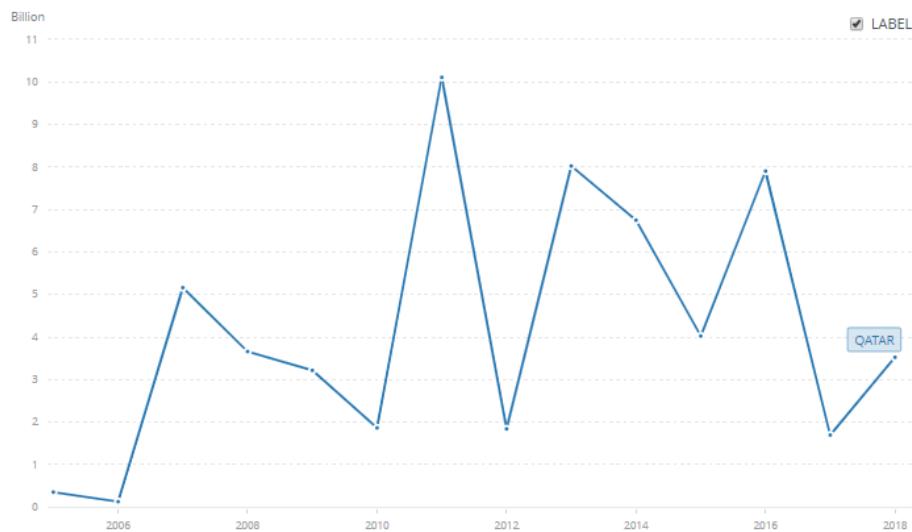
The government remains the dominant actor in Qatar's economy, though it encourages private investment in many sectors and is willing to attract more foreign investment.

A new **Public Finance Law** (Law No. 2/2015) aims to optimize the use of the public funds and introduce international best practices and standards in Qatar's financial framework.

The government is expected to soon reform the country's foreign investment regulations in order to allow 100% foreign ownership of businesses in more economic sectors. The government is also implementing a regulatory regime to curb corruption and anti-competitive practices

### Foreign direct investment, net outflows (BoP, current US\$) - Qatar

International Monetary Fund, Balance of Payments database, supplemented by data from the United Nations Conference on Trade and Development and official national sources.



STRONG POINTS Regarding FDI	WEAK POINTS Regarding FDI
Qatar is one of the fastest growing economies in the world	The economy's heavy dependence on hydrocarbons and on foreign workforce
Low cost of energy	Tense diplomatic relations with the neighbouring countries
Good infrastructures	Small domestic market
The country enjoys the highest per capita income in the world	Preferential treatment given to suppliers using local products in government procurement
The government provides various incentives to local and foreign investors	The country's untransparent system of rulemaking

## Foreign Aid:

### US Assistance and Aid to Qatar

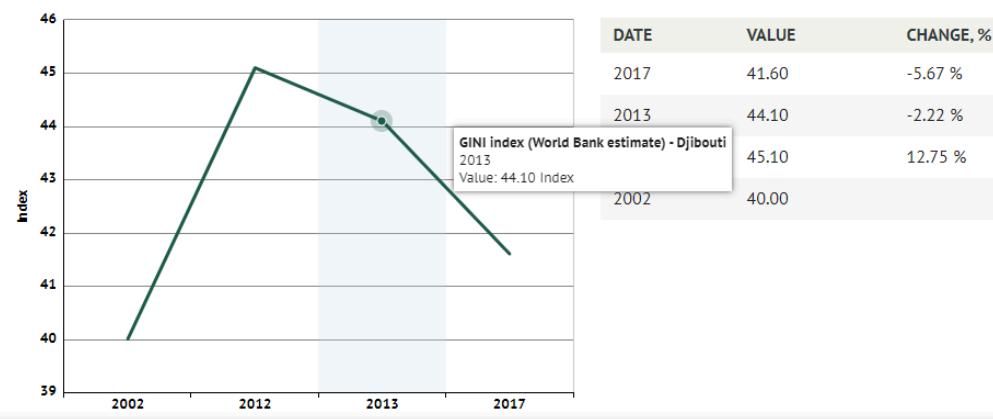
Qatar receives virtually no U.S. military assistance. At times, small amounts of U.S. aid have been provided to help Qatar develop capabilities to prevent smuggling of arms and narcotics, and the movement of terrorists or proliferation-related gear into Qatar or around its waterways. In FY2015, the United States spent \$35,000 on programs in Qatar, of which two-thirds was for counter-narcotics. In FY2016, the United States spent about \$100,000 on programs in Qatar, about two-thirds of which was for counter-narcotics programming. In FY2017, the United States provided a total of \$78,000 in aid to Qatar, of which \$53,000 was for programs to support Qatar's counter-narcotics capabilities. The remainder was for maternal and other health programs.

### Chinese economic aid to Djibouti

China has offered loans to Djibouti, which is the site of its first overseas military base thus making a strategic move. With a population of less than one million, Djibouti has long punched above its weight, thanks to a strategic location on the Gulf of Aden, one of the world's busiest shipping routes linking Europe to Asia and the Middle East.

China formally opened the base, which it calls a logistics facility. Djibouti also hosts large U.S. and French bases.

Gini Coefficient (Income inequality)

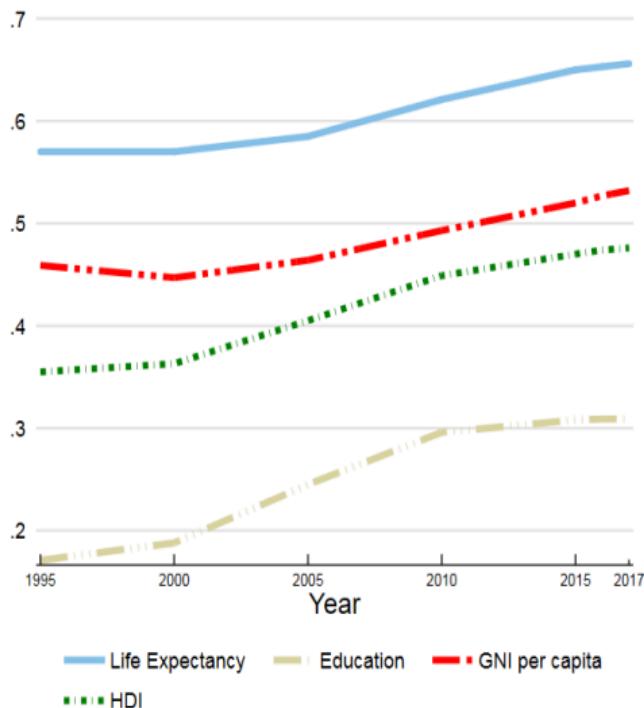


Both Qatar(41.1) and Djibouti(41.6) have more or less the same Gini coefficient thus reflecting that there is inequality prevailing in both the nation. Nepotism is the trademark characteristic of the middle-eastern countries. Even the highest GDP/capita country like Qatar is not free from shackles with most of the wealth under the control of ruling monarch and his family.

## Human Development Index (HDI):

- Djibouti

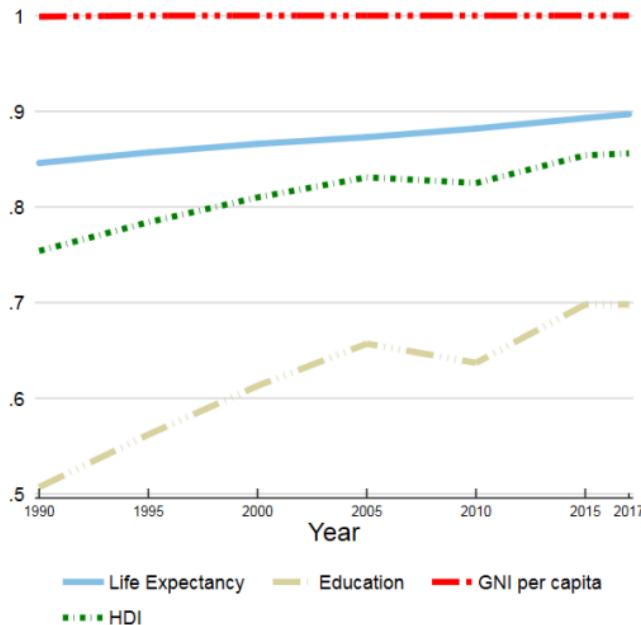
	Life expectancy at birth	Expected years of schooling	Mean years of schooling	GNI per capita (2011 PPP\$)	HDI value
1990	56.7	2.7		2,031	
1995	57.1	2.8	2.8	2,084	0.355
2000	57.0	2.9	3.2	1,926	0.363
2005	58.0	4.3	3.7	2,155	0.405
2010	60.4	5.9	4.0	2,622	0.449
2015	62.3	6.2	4.1	3,124	0.470
2016	62.5	6.2	4.1	3,268	0.474
2017	62.6	6.2	4.1	3,392	0.476



Djibouti's HDI value for 2017 is 0.476—which put the country in the low human development category—positioning it at 172 out of 189 countries and territories. Between 1995 and 2017, Djibouti's HDI value increased from 0.355 to 0.476, an increase of 34.1 percent. The table reviews Djibouti's progress in each of the HDI indicators. Between 1990 and 2017, Djibouti's life expectancy at birth increased by 5.9 years, mean years of schooling increased by 1.3 years and expected years of schooling increased by 3.5 years. Djibouti GNI per capita increased by about 67.0 percent between 1990 and 2017.

- Qatar

	Life expectancy at birth	Expected years of schooling	Mean years of schooling	GNI per capita (2011 PPP\$)	HDI value
1990	75.0	11.8	5.4	74,424	0.754
1995	75.7	13.1	5.9	77,411	0.784
2000	76.3	12.6	7.9	108,644	0.810
2005	76.8	13.1	8.8	99,277	0.831
2010	77.3	12.8	8.4	114,064	0.825
2015	78.0	13.4	9.8	117,896	0.854
2016	78.2	13.4	9.8	118,088	0.855
2017	78.3	13.4	9.8	116,818	0.856



Qatar's HDI value for 2017 is 0.856—which put the country in the very high human development category—positioning it at 37 out of 189 countries and territories. Between 1990 and 2017, Qatar's HDI value increased from 0.754 to 0.856, an increase of 13.5 percent. Table A reviews Qatar's progress in each of the HDI indicators. Between 1990 and 2017, Qatar's life expectancy at birth increased by 3.3 years, mean years of schooling increased by 4.4 years and expected years of schooling increased by 1.6 years. Qatar's GNI per capita increased by about 57.0 percent between 1990 and 2017.

## Section 5 : Conclusion and Policy Suggestions

- **Djibouti**

### Economic Performance

Djibouti registered steadily rising economic growth figures over the past decade. But GDP per capita growth rate has declined considerably since 2015 from 7.9% to merely 2.5% in 2017 (World Bank 2018). GDP reached \$1,844.7 million in 2017 while external debt rose between 2006 and 2016 from \$566.1 million to \$1,706.4, million according to the World Bank. Public debt was 29.0% of GDP in 2017, down from 59.5% in 2009. No data on tax revenue is available for the review period.

Foreign direct investment was 23.0% of GDP in 2007 but decreased to 8.9% in 2017. However, with the creation of the DIFTZ and strengthened partnership with China in the fields of infrastructure and process, this number is expected to rise again. Industry accounts for less than 20% of GDP. The country's economic activities are centered on the service sector, transportation and port facilities, as well as rents generated from foreign military bases. Official unemployment is 5.8% (39% in reality), with a growing informal sector in the capital. Unemployment rates

remain high. The IMF regularly points to the discrepancy between economic growth and job creation and the absence of rising income levels in Djibouti. Djibouti aims to create more than 200,000 jobs and triple per capita income by 2035.

### **Policies So Far**

In 2011, in line with the International Monetary Fund's Extended Credit Facility programme in which the country is engaged, Djibouti has prioritised prudent macroeconomic management and continued its structural reforms so that they continue to receive aid/assistance from the IMF. This includes making it an export-oriented nation.

### **Limitation of Economy of Djibouti & Needed Policies**

Djibouti has few natural resources and has limited capacity for agricultural and industrial pursuits. It has extensive unemployment, foreign debt, and regular budget deficits. The government focuses on financial, telecommunications, and trade-related services. As a result, the economy relies heavily on the **service sector**, which accounts for some four-fifths of the country's GDP.

Djibouti is classified by the World Bank as a "lower middle income" country. Over 20 percent of the population lives in "extreme poverty," and the small east African nation is almost completely dependent on imports to insure its food, water, and energy supplies.

This has left the country at the mercy of international markets and price shocks. Unemployment hovered around 39 percent in 2015.

Djibouti's economy is almost completely reliant on Foreign Direct Investment (FDI), income derived from various **shipping ports**, and rents from foreign military bases.

### **What is the status of Gender Inequality and what steps have been taken by the government and what effect it has resulted in if any?**

Since 27 March 2008, Djibouti has had a ministry wholly dedicated to the improvement of the status and position of women in society. Differences between men and women remain, nevertheless, significant, in particular in terms of schooling and access to work. This situation is confirmed by the **Gender-related Development Index (GDI)**, which stood at 0.514 in 2009 according to the latest data available. The larger disparities between the genders, the lower the GDI and the closer it approaches zero. Despite the development of micro-finance, the employment rate of women was 12% in 2010. In spite, also, of a judicial framework and a political will in favour of equal participation, as the law on representative quotas demonstrates, women are still under-represented in public administration, making up only 10% of the government and 14% of the parliament. **Despite the enactment of a law in 1995 prohibiting excision, or female genital mutilation, the practice is still widespread in the country; 93.1% of women in urban areas are victims and 95.5% in rural areas.** (A very troublesome situation)

## **POLICIES IMPLEMENTATION WHICH DJIBOUTI IS IN DIRE NEED OF**

The strategic objectives of Djibouti's Vision 2035 comprise promising initiatives for transformation toward a market economy. Yet, the government has thus far failed to initiate any

process of democratization and the political system remains authoritarian with little to no space for civic engagement. Future trajectories of development and transformation will be determined by the regime's willingness to open up political space and foster greater civic engagement. The absence of a free press, high levels of corruption and systematic repressions against individuals critical of the ruling RPP-led UMP coalition make it clear that Djibouti is still far away from democratic standards. Stability hinges on the government's ability to capitalize on the country's geo-economic position and convert rising investment inflows into lasting structural change.

The long-term authoritarian rule of President Guelleh, combined with low levels of socioeconomic development, and a population largely excluded from growth dividends increase the risk of growing support for (Islamic) fundamentalist groups. Government officials openly admit that there is a rising terrorist threat from al-Shabaab and Daesh but mainly see this in connection to the ongoing instability in neighboring Somalia. Increased investment in the provision of public goods (i.e., education, health care) outside the capital is therefore critical, as is the creation of urban employment opportunities for skilled and unskilled workers. Distrust of the state among the population needs to be lessened. The re-introduction of term limits for the president is a necessary precondition for initiating a process of democratization.

### **Building Human Resources**

The population has very limited access to basic necessities. This becomes apparent from failure to meet the Millennium Development Goals (MDGs). The achievement of primary education for all, reduction in infant mortality and the promotion of gender equality seems plausible but other MDGs related to the reduction of extreme poverty and hunger has meagre probability to be achieved in near future. There is **only two doctors per 10,000 habitants**. The maternal mortality rate is high.

The literacy rate is 67.9% but the quality of education remains inadequate. This is reflected in a low primary education completion rate, a high level of **teacher absenteeism** and **excessive class sizes**. There is need for **Teacher-training programmes** and nurturing of culture of work-commitment and development of work-ethic thus social-quality upliftment.

Efforts have also been made by the authorities to improve access to health treatment, especially in the fight against HIV/AIDS and other communicable diseases, with most treatments being free. Seroprevalence (the number of individuals in a population who test positive for a specific disease based on blood serum specimens) was 2.5% in 2009 and the number of patients receiving treatment has risen, reaching 30.8% of persons needing treatment in 2011 compared with 6% in 2004, or 1384 patients out of 4314.

The uncertainties it suffers are (i) the **high dependence on Ethiopia** which is going through a transition period; (ii) high **vulnerability to exogenous shocks**, such as price hikes on its high food and fuel imports, and cyclones and floods; and (iii) **the failure to implement reforms**. Without significant implementation of policy reforms.

Reaching the poor at the periphery is the main policy challenge to make **growth inclusive** (as being Extractive in practice and running extractive institutions has shown in the past to be detrimental in the long-run)

Unlike countries endowed with widely distributed and broadly accessible natural assets, the nature of the Djibouti's natural assets, its geographical position, is such that **resources and capacity are to be pooled** to make it productive and distribute gains for collective benefit.

- **Qatar**

### **International and Regional Policies**

The State of Qatar has employed its ample financial resources to exert regional influence separate from and independent of Saudi Arabia, the de facto leader of the Gulf Cooperation Council.

While fostering a close defense and security alliance with the United States, Qatar has intervened in several regional conflicts. Qatar has maintained consistent dialogue with Iran while also supporting U.S. efforts to limit Iran's regional influence and U.S. combat against major regional terrorist organizations such as the Islamic State organization.

In 2006, Qatar issued law no. 19 entitled "Protection of Competition and Prohibition of Monopoly Practices." This competition law introduced a new regime of jurisprudence to Qatar, largely in response to obligations created by multilateral trade agreements and World Trade Organization requirements. Applying to all private business activities, the competition law aims to achieve a level playing field for business competition, and to create a more open and transparent business environment. The law forbids collusion, mergers and abusive conduct, which would result in dominant market positions.

The Qatari banking system is resilient and profitable, although profitability is slowly declining as in other Gulf countries. Economic pressure due to low oil prices and especially the blockade caused a significant outflow from the Qatari banking system, which has since been rolled back. International observers (e.g., the IMF in a May 2018 report) view Qatar's banking system as resilient to external shocks. The report characterized Qatar's commercial banks as "profitable, liquid, and well capitalized." Qatar's rating outlook, which had been downgraded to "negative" in the wake of the crisis in mid-2017, was returned by Moody's and S&P to "stable" at the end of 2018. Among the reasons for the re-establishment of the positive rating was the effective mobilization of funds from the central bank's reserves and the sovereign wealth fund's foreign assets, which preserved financial and macroeconomic stability. Despite a slight increase to 1.5%, the non-performing loan ratio remains low. New investment laws have also served to attract more foreign investment in banking.

### **What have been policies and institutions set up to tackle violations of Human Rights?**

#### **Human rights problems**

- 1.Limits on the ability of citizens to choose their government in free and fair elections;
- 2.Restrictions on freedoms of assembly and association,including prohibitions on political parties and labor unions;
- 3.Restrictions on the rights of expatriate workers;

#### 4.criminalization of consensual same-sex sexual activity.

A National Human Rights Committee (NHRC) investigates allegations of human rights abuses in the country. It reportedly operates independently of the government, although it is funded largely by the Qatar Foundation that was founded and is still run by Amir's mother, Shaykha Moza. Among the NHRC's functions is to monitor the situation of about 1,000-2,000 stateless residents ,8 mostly members of families whose citizenship was revoked decades ago for criticizing or opposing Qatar's then-leaders. They receive public services but cannot own property or travel freely to other GCC countries.

#### **Policies to fight trafficking**

Qatar has been destination country for men and women subjected to forced labor and, to a much lesser extent, forced prostitution. Female domestic workers are particularly vulnerable to trafficking due to their isolation in private residences and lack of protection under Qatari labor laws.

In recent years, it has **established a coordinating body** to oversee and facilitate anti trafficking initiatives and enact a law that reforms the sponsorship system to significantly reduce vulnerability to forced labor.

#### **Economic Troubles ahead of Qatar**

The intra-GCC rift and the fall in world energy prices has caused Qatar's economic growth to slow, its budget to fall into deficit (\$13 billion in 2016), and its Sovereign wealth fund to deplete. There is major conflict with Saudi Arabia and this rift has caused blockade on import of food which has lead to running of stocks of food as Saudi Arabia is exporter of 40% Qatar's food. It is likely that many Qatari citizens will be required to seek employment in the private sector, which they generally have shunned in favor of less demanding jobs in the government and also due to lack of their technical skills. There is an urgent need for training thus making population ready for the challenges ahead.

#### **Economic Policies of Qatar**

The national development strategy from 2011 to 2016 focused on Qatar's housing, water, roads, airports, and shipping infrastructure in part to promote **Economic diversification**, as well as to prepare to host the 2022 FIFA World Cup soccer tournament, investing as much as \$200 billion. This has led to construction boom in its capital city Doha.

The Gulf crisis has opened a window of opportunity for Qatar to undertake difficult structural reforms, as ironically the external pressure on the country has forced Qatari society to confront hard truths about the need to diversify the economy. This window might prove to be a historic chance to set the country on a more sustainable development path and enable the government to realize the goals set out in Qatar's National Vision 2030, namely to create a knowledge-based economy, diversify the economy and reduce dependence on the oil sector, achieve greater self-sufficiency, and become a leading host nation in the world and an example for its neighbors to follow.

There could hardly be a better time to execute unpopular policies, such as cutting subsidies and introducing more taxes (e.g., VAT). Qatarization efforts should be continued but are only meaningful if Qatari citizens are educated, conscious of the need to sacrifice a degree of their

affluent lifestyles and empowered to take responsibility for their country's development. Prioritizing education and strengthening research and promoting awareness campaigns that address responsible resource management and wasteful consumption will be important.

## What else is the country doing to keep them at apex of GDP-growth?

It is trying to *diversify* its economy and not just be completely reliant on a petrol or gas and one commodity dependent economy as history has revealed the fate of such countries in the form of Venezuela, which fell prey to Dutch Disease and went bust thereafter. The pre-conditions included rampant corruption, one-product based economy , dictatorship, Economic and political power highly concentrated in an elite minority, unhealthy dependence on export and unemployment. All these factors are exhibited in the Qatari economy, so there is a need for the government to be prudent.

## Qatarization

Qatarization is a governmental initiative devised to increase the number of Qatari citizens employed in public and private sectors. The target is 50% of the workforce in the Industry and Energy sector. This is done as a means to decrease dependence on foreign labor. In this all joint venture industries and government departments strive to move Qatari nationals into positions of greater authority. In order to control the influx of expatriate workers, Qatar has tightened the administration of its foreign manpower programs over the past several years. **Security** is the principal basis for Qatar's strict entry and immigration rules and regulations.

## Country comparison Qatar vs Djibouti at glance

<a href="#">Qatar</a>						Djibouti
<a href="#">Annual GDP [+]</a>	2018	191,362M.\$		2,923M.\$	2018	<a href="#">Annual GDP [+]</a>
<a href="#">GDP per capita [+]</a>	2018	68,794\$		2,787\$	2018	<a href="#">GDP per capita [+]</a>
<a href="#">Debt [+]</a>	2018	93,011		1,401	2018	<a href="#">Debt [+]</a>
<a href="#">Debt (%GDP) [+]</a>	2018	48.63%		47.97%	2018	<a href="#">Debt (%GDP) [+]</a>
<a href="#">Debt Per Capita [+]</a>	2018	33,437\$		1,336\$	2018	<a href="#">Debt Per Capita [+]</a>
<a href="#">Deficit (M.\$) [+]</a>	2018	10,114		-84	2018	<a href="#">Deficit (M.\$) [+]</a>
<a href="#">Deficit (%GDP) [+]</a>	2018	5.18%		-2.78%	2018	<a href="#">Deficit (%GDP) [+]</a>
<a href="#">Expenditure (M.\$) [+]</a>	2018	56,623.50		780.7	2018	<a href="#">Expenditure (M.\$) [+]</a>
<a href="#">Education Expenditure (M.\$) [+]</a>	2017	4,780.60		162.5	2018	<a href="#">Education Expenditure (M.\$) [+]</a>
<a href="#">Education Expenditure (%Bud.) [+]</a>	2017	8.56%		13.99%	2018	<a href="#">Education Expenditure (%Bud.) [+]</a>
<a href="#">Gov. Health Exp.(M.\$) [+]</a>	2017	3,514.10		43.2	2017	<a href="#">Gov. Health Exp.(M.\$) [+]</a>

<a href="#">Gov. Health Exp. (%Bud.) [+]</a>	2017	6.29%		4.07%	2017	<a href="#">Gov. Health Exp. (%Bud.) [+]</a>
<a href="#">Defence Expenditure (M.\$) [+]</a>	2010	1,876.80		50.9	2008	<a href="#">Defence Expenditure (M.\$) [+]</a>
<a href="#">Defence Expenditure (%Bud.) [+]</a>	2010	4.90%		9.11%	2008	<a href="#">Defence Expenditure (%Bud.) [+]</a>
<a href="#">Expenditure (%GDP) [+]</a>	2018	29.60%		26.72%	2018	<a href="#">Expenditure (%GDP) [+]</a>
<a href="#">Expenditure Per Capita [+]</a>	2018	20,356\$		744\$	2018	<a href="#">Expenditure Per Capita [+]</a>
<a href="#">Education Expenditure P.C. [+]</a>	2017	1,799\$		155\$	2018	<a href="#">Education Expenditure P.C. [+]</a>
<a href="#">Gov. Health Exp. P.C. [+]</a>	2017	1,332\$		33\$	2017	<a href="#">Gov. Health Exp. P.C. [+]</a>
<a href="#">Defence Expenditure P.C. [+]</a>	2010	1,094\$		64\$	2008	<a href="#">Defence Expenditure P.C. [+]</a>
Unemployment rate	2018	0.20%		11.18 %	2018	Unemployment rate
Exports % GDP	2018	40.36%		4.96%	2018	Exports % GDP
Imports % GDP	2018	17.64%		26.61%	2018	Imports % GDP
Birth Rate	2018	0.00999		0.02266	2018	Birth Rate
Death rate	2018	0.00156		0.00835	2018	Death rate
Fertility Rate	2018	1.89		2.79	2018	Fertility Rate
Population	2018	2,781,677		1,049,000	2018	Population
HDI	2018	0.856		0.476	2018	HDI
Life expectancy	2018	78.33		62.64	2018	Life expectancy

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