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Folder 4 of 5

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QATAR

QATAR

Table of Contents

- A. Itinerary
- B. Map and State Department Country Note
- C. List of Cabinet Ministers/Officials and Bio Datas
- D. Reference Material
 - 1. Political Background/Situation
 - 2. Economic Background/Situation
 - 3. Petroleum Sector - Position and Prospects
 - 4. Aid flows from Qatar
- E. Bank Group Operations
 - 1. IBRD Capital Subscription and Bond Holdings
 - 2. Existing Technical Assistance Activities
 - 3. Prospective Technical Assistance Activities
 - 4. Memoranda of Previous Discussions
- F. UNDP Activities

TENTATIVE ITINERARY

B

background NOTES

Qatar

department of state * october 1974

OFFICIAL NAME: State of Qatar

GEOGRAPHY AND PEOPLE

The State of Qatar (pronounced gutter) occupies the main peninsula jutting northward into the Persian Gulf from the eastern Saudi Arabian mainland. Al Dawhah, commonly known as Doha, is the capital and Qatar's leading commercial center.

The terrain is mainly flat and bar-

ren, covered with loose sand and gravel and interspersed with occasional limestone ridges. A negligible amount of land is forested; most of it is desert.

Qatar has very little rainfall, and vegetation is scarce. The climate is hot most of the year, reaching 120°F in the summer, with high humidity along the coast.

The people are largely Arab in ori-

gin, only about half of whom are indigenous Qataris. The remainder are Arab immigrants from Egypt, Iraq, Oman, and the United Arab Emirates (formerly called the Trucial Shaikhdoms); a significant number of Palestinian refugees; and expatriates from Iran, India, and Pakistan. There is also a small community of Europeans. Most Qataris who do not live in Doha live in towns and villages along the coast where they have traditionally engaged in fishing, pearl diving, and coastal trading. Nomadic Bedouin tribes roam the interior with their herds of camels, sheep, and goats.

The Qataris are mainly Sunni Muslims of the Wahabi sect. Arabic is the predominant language. Education is compulsory and free in Qatar for children 6-16 years of age. The literacy rate, estimated at more than 20 percent, is rapidly increasing.

PROFILE

Geography

AREA: About 6,000 sq. mi. (almost as large as Conn. and R.I. combined). CAPITAL: Doha (pop. about 60,000). OTHER TOWNS: Umm Said, Ruwais.

People

POPULATION: 140,000 (1974 est.). ANNUAL GROWTH RATE: N.A. DENSITY: 23 per sq. mi. ETHNIC GROUPS: Arab 56%, Iranian 23%, Pakistani 7%, other 14%. RELIGION: Islam (98%). LANGUAGES: Arabic (official), some English and Farsi. LITERACY: More than 20%.

Government

TYPE: Traditional Emirate evolving toward constitutional Emirate. INDEPENDENCE: September 3, 1971. CONSTITUTION: None; however, a 1970 "Basic Law" includes a bill of rights and is practically equivalent to a constitution.

BRANCHES: *Executive*—Council of Ministers (Cabinet). *Legislative*—Advisory Council (has assumed only limited responsibility to date). *Judicial*—to be established.

POLITICAL PARTIES: None. SUFFRAGE: No provisions established as yet. POLITICAL SUBDIVISIONS: Fully centralized government.

FLAG: Maroon with a white serrated border on hoist side.

Economy

GROSS NATIONAL PRODUCT (GNP): \$500 million (1973 est.); \$1.5 billion (1974 proj.). PER CAPITA GNP: More than \$4,000. PER CAPITA GROWTH RATE: 12% (1973).

AGRICULTURE: *Land*—less than 1% cultivated. *Labor*—about 30% engaged in small-scale farming, grazing, and commercial fishing. *Products*—fruits, vegetables (most food is imported).

INDUSTRY: *Labor*—about 70% in industry and service sectors. *Products*—oil production and refining, fishing, cement and desalting plants.

NATURAL RESOURCES: Petroleum, fish.

TRADE: *Exports*—\$1.5 billion (1974 proj.); principally oil, nonoil exports and reexports (about \$25 million annually). *Imports*—\$200 million (1973 est.); industrial and consumer goods. *Partners*—Western Europe, Japan, U.S.

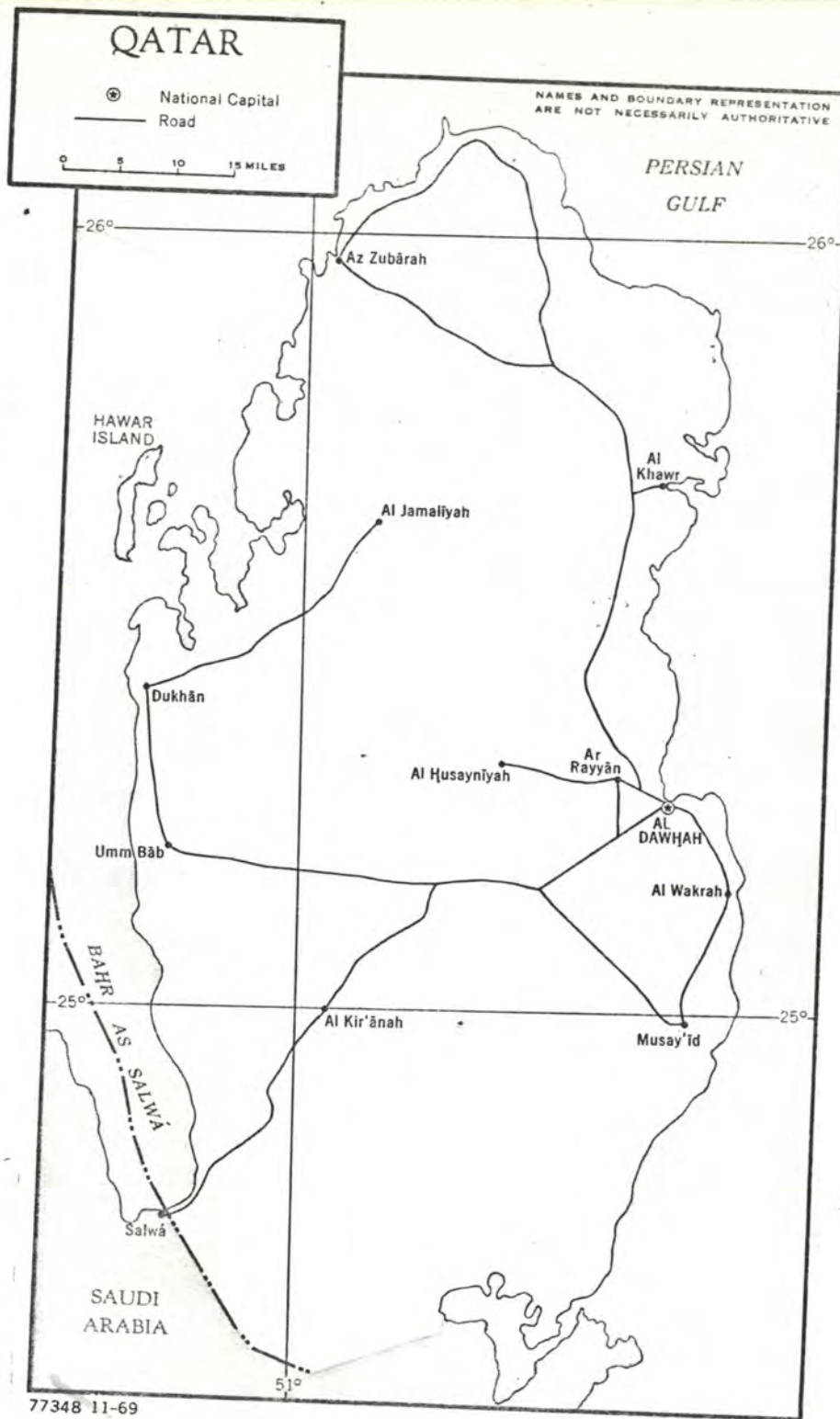
OFFICIAL EXCHANGE RATE: 1 riyal=US\$26.

MEMBERSHIP IN INTERNATIONAL ORGANIZATIONS: U.N., Arab League, Organization of Petroleum Exporting Countries (OPEC), Organization of Arab Petroleum Exporting Countries (OAPEC).

HISTORY

Archeological evidence shows that human habitation existed in Qatar for many centuries. A period of dominance over Qatar by the Khalifa family of Bahrain persisted until 1868, when, at the request of the Qatari nobles, the British conducted negotiations for the termination of the Bahraini claim, except for the payment of tribute. The tribute ended with the occupation of Qatar by the Ottoman Turks in 1872.

When the Ottoman Turks evacuated the peninsula at the beginning of World War I, the British recognized as Ruler of Qatar Shaikh Abdullah ibn Jasim Al-Thani, whose family had



been resident in Qatar for 200 years. The treaty concluded in 1916 between the United Kingdom and Shaikh Abdullah was similar to those entered into by the British with other Persian Gulf principalities. Under it the Ruler undertook not to dispose of any of his territory except to the United King-

dom and not to enter into relationships with any foreign government other than the United Kingdom without British consent. The British promised to protect Qatar from all aggression by sea and to lend its good offices in case of land attack. A 1934 treaty extended fuller British protection to

Qatar.

In 1935 a 75-year oil concession was granted to the Qatar Petroleum Co., a subsidiary of the Iraq Petroleum Co. High-quality oil was discovered in 1940 at Dukhan, on the western side of the peninsula. Exploitation was delayed by World War II, however, and

the oil exports did not begin until 1949.

During the 1950's and 1960's gradually increasing oil income brought economic prosperity, rapid immigration, substantial social progress, and the beginnings of modern industry.

When the U.K. Government announced a policy decision in 1968 (reaffirmed in March 1971) to end the treaty relationships with the Persian Gulf shajkhdoms, Qatar joined the other eight states (Bahrain and the seven Trucial Shajkhdoms, the latter now called the United Arab Emirates) under British protection in an effort to form a union of Arab emirates. By mid-1971, however, the nine shajkhdoms still had not been able to agree on terms of union, and the termination date (end of 1971) of the British treaty relationship was approaching. Accordingly, Qatar decided to seek independence as a separate entity. It became fully independent on September 3, 1971, as the State of Qatar.

GOVERNMENT AND POLITICAL CONDITIONS

Politically, Qatar is developing from a traditional society under the guidance of the Amir (Chief of State) toward modern constitutional government. Government departments gradually have developed to meet the requirements of social and economic progress.

In 1970, in anticipation of independence, Qatar promulgated a "Basic Law," including a bill of rights, practically equivalent to a constitution. It provides for a Council of Ministers (Cabinet) and an Advisory Council, members of which are to serve 3-year terms. The Council of Ministers, led by a Prime Minister (Head of Government), is appointed by the Amir. Its primary responsibility is to formulate public policy and direct the ministries. To date the Advisory Council has very little real power. An electoral system has not been instituted and no specific provisions for suffrage have been established.

The Basic Law provides for the concept of an independent judiciary to be established under subsequent legislation.

The influx of numerous expatriate Arabs has begun to introduce progressive and nationalist ideas into Qatar's heretofore traditionalist society, but there has been no evidence of political instability. Traditional values still predominate and there are no organized political parties.

In February 1972 the Deputy Ruler and Prime Minister of Qatar, Shaikh Khalifa, deposed his cousin, Amir Ahmad, and assumed the position of Amir. This move, which had the support of the key members of their powerful family (the Al-Thani), took place without violence and with no subsequent signs of political unrest.

Principal Government Officials

Amir; Acting Prime Minister—Khalifa bin Hamad Al-Thani

Ministers

Foreign Affairs—Suhaim bin Hamad Al-Thani

Communications and Transport—'Abdallah bin Nasir al-Suwaydi

Economy and Commerce—Nasir bin Khalid Al-Thani

Education—Qasim bin Hamad Al-Thani

Electricity and Water Resources—Qasim bin Muhammad Al-Thani

Industry and Agriculture—Faysal bin Sami Al-Thani

Justice—'Abd al-Rahman bin Sa'ud Al-Thani

Interior—Khalid bin Hamid Al-Thani

Finance and Oil—Abdul Aziz bin Khalifa Al-Thani

Labor and Social Affairs—Ali bin Ahmad al-Ansari

Public Health—'Abd al-'Aziz bin Ahmad Al-Thani

Public Works—Khalid bin 'Abdallah al-'Atiya

Defense—Maj. Gen. Hamad bin Khalifa bin Al-Thani

Ambassador to the U.S.—Abdullah Saleh Al-Mana

Ambassador to the U.N.—Jasmin Yousif Jamal

The State of Qatar maintains an Embassy in the United States at 2721 Connecticut Avenue, NW., Washington, D.C. 20008.

READING LIST

These titles are provided as a general indication of the material currently being published on this country. The Department of State does not endorse the specific views in unofficial publications as representing the position of the U.S. Government.

American University. *Area Handbook for the Peripheral States of the Arabian Peninsula*. Washington, D.C.: U.S. Government Printing Office, 1971.

Arab States of the Persian Gulf and South-East Arabia. London: Central Office of Information, 1959.

Busch, Briton C. *Britain and the Persian Gulf, 1894-1914*. Berkeley: University of California Press, 1967.

The Gulf: Implications of British Withdrawal. Washington, D.C.: Center for Strategic and International Studies, 1969.

Hay, Sir Rupert. *The Persian Gulf States*. Washington, D.C.: Middle East Institute, 1959.

Kelly, John B. *Eastern Arabian Frontiers*. New York: Praeger, 1964.

Marlowe, John. *The Persian Gulf in the Twentieth Century*. London: Cresset Press, 1962.

Qatar, 1970. Al Dawhah: Government of Qatar.

ECONOMY

Oil income has revolutionized Qatar's economy since 1949 and by 1974 provided the country with an income estimated at \$1.5 billion. Doha, formerly a poverty-stricken village, has become a relatively modern city. A water supply is distilled from the sea, streets have been paved, electricity provided, and modern buildings constructed. With the expansion of commercial activity, a chamber of commerce was founded in 1963. Duties which were formerly paid to Bahrain and Dubai (one of the seven United Arab Emirates) on goods imported through these entrepôts are saved by having imports brought in at

TRAVEL NOTES

Climate and Clothing—May through mid-October is very hot in Qatar, and lightweight attire is recommended. From mid-October through April temperatures range from 45° F to 80° F and spring and fall clothing is most comfortable. Traditional attitudes toward dress prevail, and although Western styles are perfectly acceptable, one should dress conservatively in public places.

Transportation—There are daily air connections from Doha to Bahrain, the United Arab Emirates, and Saudi Arabia. Direct flights to Europe are available several times weekly.

Telecommunications—Allow one week for airmail delivery between the United States and Qatar. Cable and telex lines to leading hotels and places of business are good. Telephone connections can be excellent, depending on atmospheric conditions between Qatar and Bahrain, where intercontinental calls enter the satellite communications system.

Health—Visitors to Qatar should have valid smallpox and cholera immunizations.

Doha and the oil port of Umm Said, 20 miles to the south.

Major development projects in progress include a new air terminal, an enlarged \$7 million harbor at Doha, additional desalting plants, a modern fishing industry with refrigerated storage, and a cement plant. The construction of a petrochemical plant, based on natural gas currently being flared, has recently been completed and a second is under consideration.

Traditional occupations have included pearling, fishing, and nomadic herding. Pearling, now all but aban-

doned, was an important source of income in the Qatari coastal villages until development of cultured pearls by the Japanese in the 1930's. Commercial fishing is conducted, and modern methods are being introduced. Agriculture under private ownership has been a government priority, and as a result, despite limited potential, Qatar is now a substantial exporter of various fruits and vegetables to other gulf markets.

By 1974 Qatar's imports, more than adequately covered by oil revenues, had reached over \$200 million. The United Kingdom remained the leading supplier, and imports from the United States were valued at over \$10 million. Projected total exports, which are closely tied to total oil exports, are expected to exceed \$1.5 billion in 1974.

Qatar's two producing oil concessionaires are: (1) Qatar Petroleum Co. (QPC), a subsidiary of the Iraq Petroleum Co. (owned 23.75 percent each by Royal Dutch Shell, British Petroleum Co., and Cie. Francaise des Pétroles; 23.75 percent jointly by Mobil Oil Corp. and Standard Oil of New Jersey; and 5 percent by the Gulbenkian's Participations and Explorations Corp.). QPC has held concession rights for 34 years. It operates a 70-mile crude oil pipeline from its Dukhan oilfield to the deepwater terminal at Umm Said, where there is a small topping plant.

(2) Shell of Qatar (owned by Royal Dutch Shell) has since 1962 operated an offshore concession centered around Halul Island, some 60 miles east of Doha. Its Id al-Sharqi field entered commercial production in 1964, followed by the Maiden Mezham field.

By 1974 these two companies were producing 600,000 barrels of crude oil daily, and the government had concluded "participation" agreements giving it 60 percent control of each.

FOREIGN RELATIONS

Qatar achieved full independence in an atmosphere of cooperation with the United Kingdom and friendship with neighboring states. Most Arab states, the Soviet Union, the United Kingdom, and the United States were among the first countries to recognize Qatar, which promptly gained admittance to the United Nations and the Arab League. Qatar was an early member of the Organization of Petroleum Exporting Countries (OPEC).

While pursuing a course of separate independence, Qatar continues to support the concept of eventually joining a larger grouping of Persian Gulf states.

U.S.-QATAR RELATIONS

When Qatar became independent, the U.S.-Qatar relationship, long friendly on an informal basis, was transformed by the formal establishment of diplomatic relations. Initially, the U.S. Ambassador to Kuwait acted also as Ambassador to Qatar. An independent U.S. Embassy was opened under a Chargé d'Affaires in March 1973. A resident U.S. Ambassador arrived in July 1974.

Principal U.S. Official

Ambassador—Robert P. Paganelli

The U.S. Embassy in Qatar is located at the capital city, Doha.

DEPARTMENT OF STATE PUBLICATION 7906

Revised October 1974

Office of Media Services
Bureau of Public Affairs

C

LIST OF CABINET MINISTERS

*H.H. Sheikh Khalifa bin Hamad Al-Thani	Emir and Prime Minister
H.E. Sheikh Jassim bin Hamad Al-Thani	Minister of Education, Culture and Youth Care
H.E. Sheikh Suhaim bin Hamad Al-Thani	Minister of Foreign Affairs
H.E. Sheikh Nassir bin Khalid Al-Thani	Minister of Economy and Commerce
H.E. Sheikh Abdul-Rahman bin Saoud Al-Thani	Minister of Justice
H.E. Sheikh Jassim bin Mohammad Al-Thani	Minister of Electricity and Water
H.E. Sheikh Faisal bin Thani Al-Thani	Minister of Industry and Agriculture
H.E. Sheikh Mohammad bin Jabr Al-Thani	Minister of Municipal Affairs
H.E. Sheikh Khalid bin Hamad Al-Thani	Minister of Interior
*H.E. Sheikh Abdel Aziz bin Khalifa Al-Thani	Minister of Finance and Petroleum
H.E. Khalid bin Abdullah al-Attayah	Minister of Public Works
H.E. Ali bin Ahmed Al-Ansari	Minister of Labor and Social Affairs
H.E. Abdullah bin Nassir al-Suwaidy	Minister of Communications and Transport
H.E. Khalid Mohammad al-Mana	Minister of Public Health
H.E. Isa Ghanim al-Kawari	Minister of Information
H.E. Major General Sheikh Hamad bin Khalifa Al-Thani	Commander-in-Chief of the Armed Forces

* Those likely to meet Mr. McNamara.

EM1DA
February 14, 1975

LIST OF SENIOR OFFICIALS
WHO MIGHT BE MET BY MR. MCNAMARA

Abdul Latif Madhat Masoud	Director of Minister's Office, Ministry of Finance and Petroleum
Ali Muhammad Jaidah	Director of Petroleum Affairs, Ministry of Finance and Petroleum
Abdul Kadir Qadi	Director of Financial Affairs, Ministry of Finance and Petroleum
Mostafa Hassan	Economic Advisor, Office of the Emir

EM1DA
February 14, 1975

BIO DATA

Sheikh Khalifa bin Hamad al-Thani

Emir of Qatar

age 45
Sheikh Khalifa bin Hamad al-Thani was born in 1930, in the Ruling Family which has ruled Qatar since the nineteenth century. He was schooled by private tutors.

He entered public service at a young age in 1949, when he became the Director of Police and Internal Security. In 1956 he became the Minister of Education and in 1959, the head of the courts in Qatar.

Sheikh Khalifa was designated as Crown Prince and Deputy Ruler in October 1960 and has acted as Prime Minister since December 1960. In 1969, he also took over as the supervisor of the newly established Foreign Affairs Administration and, later that year, became the Minister of Finance as well, when that Ministry was established for the first time. He was given the title of Prime Minister and Deputy Ruler in May 1970. When Qatar became independent in September 1971, the latter title was changed to that of Deputy Emir.

He deposed his cousin Sheikh Ahmad bin Ali al-Thani as the Emir of Qatar in a peaceful transfer of power on February 22, 1972. Since then, he has also retained the Prime Ministership. He reorganized the Cabinet, named his younger son Sheikh Hamad as Commander-in-Chief of the Armed Forces, and his other son Abdel Aziz, as Minister of Finance and Petroleum.

Sheikh Khalifa is recognized as being responsible for most of Qatar's development following the rapid increase in oil revenues during the sixties, since the deposed Emir largely concerned himself with ceremonial and social duties. His sense of dedication and involvement is demonstrated by the fact that he took steps, on becoming Emir, to reduce both his own and his large family's (20,000 kin) personal income in order to better distribute his nation's wealth. When Qatar was a British protectorate, and even now, he relies heavily on British and US advice. He has a close relationship with King Faisal of Saudi Arabia. Sheikh Khalifa distrusts the USSR and opposes Soviet presence in the Middle East. He was a strong supporter of the aborted Federation of Arab Emirates and was the Prime Minister and President of its Temporary Federation Council.

Sheikh Khalifa is married, with two wives and five children. He is a well-travelled man. He reads, writes and speaks Arabic and has taught himself some English.

EM1DA
February 14, 1975

BIO DATA

Sheikh Abdel Aziz bin Khalifa al-Thani
Minister of Finance and Petroleum

age vb
The Sheikh, who is the son of the Emir of Qatar, was born in 1949. He was schooled in Doha. He subsequently studied abroad for several years: 1967-1970 in England, September, 1970-June, 1971 at Southern Illinois University (Carbondale), June-September, 1971 at Miami State University and September, 1971 to March, 1972 at a small college in Chicago, from which he graduated.

He returned to Qatar in 1972, when he was appointed Acting Minister of Finance. He represented Qatar at the IMF Meeting in September, 1972. Last year, he became the Minister of Finance and Petroleum.

EM1DA
February 14, 1975

D

1. Political Background and Situation

1. Politically, Qatar is still a tribal, patriarchal society under the firm control of the Emir, who acts as a traditional and absolute monarch. A hesitant and slow process towards modern constitutional government has however been initiated, since 1970.

Background

2. The desert peninsula (100 x 50 sq mi) of Qatar, east of Bahrain and bordered on the south by Saudi Arabia and the UAE, was ruled by the Khalifa family of Bahrain until 1868. In that year, at the request of Qatari sheikhs, Great Britain conducted negotiations for the termination of the Bahraini rule, except for the payment of a tribute. This tribute, however, ended with the occupation of Qatar by the Turks in 1872. At the beginning of World War I, when the Turks evacuated Qatar, Great Britain recognized Sheikh Abdullah bin Jasim Al-Thani, whose family had been resident in Qatar for over 200 years, as the country's Ruler. In 1916, a Treaty of Protection, more comprehensive than the one in 1868, was concluded with Great Britain, ~~whereby~~ in exchange for British protection, the Sheikh agreed that he would not dispose of any Qatari territory except to the UK and not enter into diplomatic relationships with any foreign government without British consent. In 1934, this treaty was further extended, after which a British political agent and other British advisors resided in Qatar to assist the Sheikh in his task of governing the country.

3. Following Great Britain's decision in 1968 to end its treaty relationships with many of the Gulf sheikhdoms, Qatar joined eight other sheikhdoms in the British-sponsored abortive Temporary Federation of the Gulf Emirates.

4. By mid-1971, these sheikhdoms were still unable to agree to the final terms of a federated union. At that time, Qatar decided to break away from the Temporary Federation and establish its independence as a sovereign state. Great Britain reconfirmed its intention to withdraw its "protective umbrella" over these sheikhdoms, and Qatar proclaimed full independence on September 3, 1971. The existing treaty of protection was replaced by a Treaty of Friendship and some measure of British influence still continues.

Present Political Framework and Recent Developments

5. Sheikh Ahmad bin Ali Al-Thani, the Ruler of Qatar in 1971, was more interested in the ceremonial and social aspects of his office and was deposed in a bloodless coup by his cousin, the present Ruler, Sheikh Khalifa bin Hamad Al-Thani, on February 22, 1972. This action is believed to have taken place with the general agreement and support of the other members of the Al-Thani family.

6. Sheikh Khalifa, who has provided dynamic and progressive leadership, has opted for policies of general redistribution of wealth and rapid modernization of his country. He however continues to experience some opposition from other branches of his family and from the more conservative elements in the Qatari society -- which is dominated by the puritanical Wahabi sect.

7. The experimentation in modern government began in 1970, prior to independence, when Sheikh Khalifa was Deputy Ruler and Prime Minister. A "Basic Law," which included a Bill of Rights and was deemed to be more or less a Constitution, was decreed at the time. It provided for a Council of Ministers and an Advisory Council -- members of which were to serve for three-year terms. Under that Law, the Prime Minister is primarily responsible for the formulation of public policy and the administrative direction of the Ministries in the Government. Sheikh Khalifa has however chosen to be his own Prime Minister, and key cabinet members and those in control of the armed forces, are his sons or close family members with allegiance to him. To date, the Advisory Council has remained one in name only; the electoral system has not been developed, and the Council of Ministers essentially serves as the executive arm of the Ruler.

Foreign Relations

8. Qatar maintains close relations with all Arab countries. It also maintains diplomatic relations with some of the Western countries -- including the USA and UK, and the USSR. It became a member of the UN and the Arab League following independence, and is one of the early members of OPEC. It has also been supporting the "front-line Arab states" with financial assistance, in their conflict with Israel. With the recent increases in oil revenues, Qatar has begun providing economic assistance to some of the Arab countries.

EM1 DA
February 14, 1975

2. Economic Background and Situation

1. Qatar is an oil producing country situated in the Gulf east of Saudi Arabia. It occupies a peninsula of about 11,300 square kilometers, roughly two-thirds the size of Kuwait, most of it flat and barren land. It has an estimated population of 190,000, of which 60 percent are expatriates (Palestinians, Iranians and Indians).

Resource Base

2. Oil and natural gas are the country's dominant resource base. Water resources and soils suitable for agriculture are scarce and the limited supplies of sweet water need to be supplemented by desalinated seawater. Apart from cement there is no other significant non-oil industry, and trading activities and other service sectors are closely related to the development of the oil sector.

Population

3. The total population is estimated for 1974 at 190,000, of which at least 80 percent is concentrated on the capital area of Doha. Population growth in recent years has exceeded 5 percent a year due to immigration - the growth rate of the native population being estimated at about 3.0-3.5 percent per annum. Immigration also explains the fact that the native population constitutes only about 40 percent of total population and probably less than 20 percent of total labor force. In recent years immigration has become subject to some Government restrictions as Qatarization became a major political goal.

Dominance of Oil

4. Qatar's economy is heavily dependent on oil. The Bank's estimate of Qatar's GNP in 1973 was about US\$590 million, of which oil constituted about 70 percent, giving a per capita GNP of about US\$3,300. 1974 oil production was about half-a-million barrels a day, yielding revenues estimated at \$1.84 billion on an accrual basis (or \$1.63 billion on actual cash basis). GNP in 1974 is accordingly estimated to be about \$2 billion or about \$10,500 per capita. Qatar's oil industry, however, has remained loosely connected with the rest of the economy, employing only 1 percent of the population, and spending locally (in 1973) what amounted to about 20 percent of the non-oil GNP.

Recent Developments and Their Implications

5. Increased oil revenues have permitted a high level of public expenditures, which are estimated to have reached QR 1,100 million or \$282 million in FY1974. Public sector investment has consistently comprised a large portion of this (about 50 percent in FY1974) and has thereby generated income in other sectors, notably construction, trade and related services. Major

infrastructure projects completed recently include the expansion and modernization of Doha airport, the construction of a new highway from Doha to Salwa on the Saudi Arabian border, low-cost housing communities and basic facilities for the industrial zone of Umm Said. The supply of power and water and the provision of educational and health services have been continuously improved. Substantial progress has also been made in setting up a number of new industrial enterprises, mostly with the active participation of the Government.

6. The rapid expansion of public spending has led to bottlenecks in the supply of various goods and services and to increased inflationary pressure. These limitations in Qatar's absorptive capacity kept government expenditures well below recent oil incomes, and enabled the Government to considerably expand its financial support of other Arab and Islamic states, while investing the residual surpluses abroad, primarily in money markets. The cash surplus of the financial operations of the Government, before deduction of aid payments to other Arab and Islamic states, rose from QR 75 million (\$19.2 million) in 1970 to about QR 535 million (\$137 million) in 1973, and was originally budgeted to reach almost QR 3.6 billion (\$900 million) in 1974. Preliminary estimates indicate 1974's surplus to now be about \$1.6 billion.

7. The massive increase in the financial surplus of the public sector, has important implications for the development strategy of the Government. While in the past the main objectives of development policies were aimed at providing the country with an adequate and modern infrastructure (which has largely been achieved) and at redistributing the new wealth to improve the living conditions of the population, increased emphasis is now given to diversifying the economy to reduce the dependence on oil. It is being increasingly realized that Qatar's oil reserves are limited and their exhaustion will inevitably bring about a sudden deterioration in the standard of living of the population, unless present oil surpluses are wisely invested for economic diversification. In fact, according to Government estimates (made in 1973) current proven recoverable oil reserves stood at 4,500 million barrels, equivalent to only 24 years of production at the estimated 1974 level (90 million barrels).

8. However, Qatar is fortunate in having large reserves of natural gas. These are officially estimated at 7.2 trillion cubic feet, of which 6.6 trillion SCF is non-associated gas. Non-associated gas has not yet been exploited, and even a large portion of associated gas is being flared off. Present major uses of gas involve on-plant oil company requirements, fertilizer production (100,000 tons of ammonia and 330,000 tons of urea per annum) and power and seawater distillation. However, a large LNG plant (800,000 tons/year) is nearing completion and several major new industrial projects, mostly based on gas, have emerged and more are being discussed. The projects have in common, a high capital intensity and export orientation. In 1974, agreements were concluded with major foreign firms to set up a \$2.2 billion petrochemical complex and a \$150 million steel mill, the latter designed to produce

construction steel from imported iron ore that would be reduced and processed by using gas instead of coke. For other projects, such as a large aluminum smelter and gas liquefaction plants, the Government is currently seeking foreign partners.

9. In view of the abundance of natural gas, the country's geographic location and the availability of domestic capital, the current move towards diversification through capital-intensive industries is an important step in the right direction. However, there is also a danger that Qatar could be trying to achieve too much at a time, thus involving the danger of delays in project implementation and waste of resources. The risks are enhanced by the absence of a central planning organization which would evaluate and coordinate the development projects. Responsibilities for sectoral programs are at present scattered among ministries, with little national coordination. The establishment of a central planning office in combination with a central statistical office appears to be essential for the success of Qatar's development efforts and should be urgently pursued by the authorities, not at least because of the magnitude of projects in preparation or under consideration.

EM1DA
February 14, 1975

BASIC DATA

Area: 11,300 sq. km.
 Population (1974 estimate) ^{1/}: 190,000
 Current Population Growth Rate of Native Population (estimate): 3.0 - 3.5 percent
 Per Capita Oil Revenue, 1973 ^{2/}: about \$2,300
 , 1974 about \$9,000 (est.)

Primary school enrollment (1974): 100 percent
 Total enrollment in primary schools (1974): appr. 19,000
 Number of teachers in primary schools (1974): appr. 1,500
 Population per Physician, 1973: 1,620
 Population per Hospital Bed, 1973: 250

Government Finance (in QR million)

	FY 1971	FY 1972	FY 1973	FY 1974 ^{3/}
Current Revenues	945.1	1,230.4	1,719.7	5,496.6
Current Expenditures	474.5	671.8	746.3	1,000.7
Domestic Development Expenditures	169.3	227.5	248.8	580.6
Aid to Arab and Islamic Countries	-	26.8	357.0	350.0
Extra-Budgetary Operations	46.0	32.5	189.7	-
Overall Surplus	255.3	271.8	177.9	3,565.3

Money and Credit (in QR million at end of period)

	1971	1972	1973
Money and Quasi-Money	462.9	664.0	775.8
Bank Credit to Public Sector (net)	-64.6	-20.2	-40.2
Bank Credit to Private Sector	262.4	332.7	503.4

Balance of Payments (in SDR million)

	1970	1971	1972	1973	Projection 1974 ^{5/}
Oil Sector Transactions ^{4/}	122.5	193.1	252.5	361.0	1,400.0 ^{5/}
Exports and Re-Exports (other than oil) ^{6/}	9.2	11.6	14.0	14.6	0.0
Imports of Goods, c.i.f. ^{7/}	64.2	108.4	127.6	163.5	300.0
Trade Balance	67.5	96.3	138.9	212.1	1,100.0
Other Services, Transfers and Non-Monetary Capital	-56.3	-26.0	-54.1	-172.1	..
Changes in Reserves (- increase)	-11.2	-70.3	-84.8	-40.0	..

Exchange Rate

QR 1 = US\$0.2564

US\$1 = QR 3.90

- 1/ Based on the official population figure which is likely to represent an overestimation.
- 2/ FY 1973, ending January 24, 1974.
- 3/ Budget. FY71-74 corresponds to Muslim Hijri years 1391-94. FY74 ended on January 12, 1975. Actual Government expenditures during the year were reported to be about 1100 million. Details of the actual revenues accruing during 1974 as well as the magnitudes of the FY75 budget are not yet available.
- 4/ On fiscal year basis.
- 5/ Cash basis. Accrual basis about SDR 1,530 million.
- 6/ Largely reexports.
- 7/ Excluding defense imports.

3. The Petroleum Sector

Oil Concessions and Exploration

1. Crude oil is produced in Qatar by two major companies: the Qatar Petroleum Company (QPC) from its Dukhan concession area (offshore), and by Shell Company of Qatar from three offshore fields south and southeast of Halul Island. Other companies including the Japanese Qatar Oil Company, the German Wintershall Group and various American firms also hold concession rights and have been undertaking exploration drilling, but so far have failed to discover oil in commercial quantities.

2. QPC's amended concession agreement of May 1957 is for 75 years. Apart from paying an annual rental of £22,500, QPC is to pay royalty of 20 percent of the relevant posted price of oil and an 85 percent income tax on the annual net profits (based on the posted price after deduction of production expenditure and royalty). QPC's original concession covered the entire offshore and onshore area of Qatar. After successive relinquishments, it is now confined to about 2,000 square kilometers along the western coast (mainly Dukhan field). Exploration has virtually come to an end.

3. Shell's concession agreement of August 1952 is also for 75 years. Shell pays an annual rental of £ 37,707 and the same royalty and tax rates as QPC. Payments of both QPC and Shell are in sterling. Shell's original concession included all the seabed, subsoil and lands under jurisdiction of the Ruler of Qatar, with the exception of the territorial waters. After successive relinquishment of about half of the original concession area, Shell holds now the concession covering approximately 13,000 sq. km. Successful exploratory wells were first drilled in 1960 at IBD El Shargi field which in 1964 started producing. Further exploration works of Shell led to the discovery in 1963 of the large Maydan Mahzan field, and during 1965, the Bul Hanine oilfield was discovered, where most of Shell's offtake now originates. Bul Hanine appears to have considerable potential for expansion of oil production.

Commercial Production and Exports

4. Commercial production and exports of crude in Qatar first started in 1949, from QPC's Dukhan field and were growing at a moderate rate until 1963. In 1964 Shell began producing; by 1972, its offshore oil production was larger than the production from QPC's Dukhan' onshore fields. Production (same as exports) of both companies together is estimated to have averaged 519,000 barrels per day in 1974 or about 25 million metric tons a year (Attachment II).

5. Crude produced by QPC is light (41.5° API average) of about 1.1 percent sulphur content, low by Middle East standards. Shell's blend of marine crude is about 36.6° API, and of about 1.5 percent sulphur content. Attachments III and IV indicate prices and costs of the two crudes in 1974.

6. QPC oil associated gas (37 billion SCF in 1973) is mainly utilized for QPC's own requirements. However, an increasing portion is sold to the Government's power generating and water desalination plants, and to the cement and the fertilizer plants. Shell, on the other hand, utilizes only a small portion of its associated gas, and the surplus is flared.

7. Data on crude oil production, costs, prices and aggregate revenues are attached (Attachments I - VI).

Investments by Oil Companies

8. Investments of these two operating oil companies in Qatar are largely in transport, storage and shipping facilities for oil and gas which is produced in association with oil. QPC has built four oil pipelines over a distance of 31 km to connect the Dukhan field at Umm Bab with the storage and terminal facilities of Umm Said on the east coast. Moreover, two gas pipelines each were constructed to connect degassing stations in the Dukhan field with Doha and the industrial zone of Umm Said. At Umm Said, a farm of 16 storage tanks for crude was set up from which the oil is pumped to tankers through submarine lines to two offshore berths. One of these berths (the North Berth) was completed as recently as October 1972. Shell, on the other hand, has built submerged pipelines to connect the producing wells with the tank farm and the two mooring buoys at Halul Island. The new buoy at Halul Island was completed in 1972 and is one of the largest in the world.

Government-Company Relationships

9. After acquiring 25 percent interest in both operating oil companies on January 1, 1973, Qatar on February 20, 1974 assumed a 60 percent interest in their assets and production retroactive to January 1, 1974. To assume the 60 percent interest, Qatar paid both companies an equivalent of about \$80 million. In December 1974, it was reported that the Government took over all the assets of both oil companies operating in Qatar. Details of the takeover are not yet available.

Attachments:

- I. Estimated crude oil production in 11 OPEC countries, 1973)
- II. Estimated crude oil production in 11 OPEC countries, 1974)
- III. Estimated Government oil revenue accruing from) See Briefing
11 OPEC countries, 1973) on Kuwait, F 3
- IV. Estimated Government oil revenue accruing from)
11 OPEC countries, 1974)
- V. Qatar: Prices and costs of Dukhan crude oil (40.0° API)
F.O.B. Umm Said, 1974
- VI. Qatar: Prices and costs of Qatar Marine (36.0° API)
crude oil F.O.B. Halul Island, 1974

ATTACHMENT V

QATAR: PRICES AND COSTS OF DUBHAI CRUDE OIL (40.0° API) F.O.B. UMM SAID, 1974

	January 1 1974	June 1 1974	July 1 1974 /a	October 1 1974 /a	November 1, 1974 /b	November 1, 1974 /b	1974 Weighted Average /c
			(U.S. \$ per barrel)		Government Export Price as percentage of posting 94.86%	Government Export Price as percentage of posting 93.0%	
I. FOREIGN OIL COMPANIES							
A. Equity Crude Oil							
Posted price	12.414	12.414	12.414	12.414	12.014	12.014	12.247
less: production cost	0.204	0.204	0.204	0.204	0.204	0.204	0.204
royalty	1.522	1.552	1.800	2.069	2.403	2.403	1.800
Net taxable income	10.658	10.658	12.210	10.141	9.407	9.407	10.343
Income tax	5.862	5.862	6.716	6.668	7.996	7.996	6.500
add: royalty	1.552	1.552	1.800	2.069	2.403	2.403	1.800
Government share	7.414	7.414	8.516	8.737	10.399	10.399	8.332
add: production cost	0.204	0.204	0.204	0.204	0.204	0.204	0.204
Tax-paid cost	7.618	7.618	8.720	8.941	10.603	10.603	9.202
B. Participation Oil /d							
Buy-back price	11.546	11.546	11.546	11.546	11.396	11.396	11.521
C. Total Availability							
Average cost of equity and participation oil	9.269	9.269	10.059	10.175	10.979	10.979	9.831
Profit margin					0.117	0.184	
Price to affiliates and others /e				10.85	11.396	11.173	
II. GOVERNMENT UNIFY REVENUE							
A. Participation Oil							
Oil bought back by foreign partners	11.546	11.546	11.546	11.546	11.396	11.396	11.521
Sales to third parties	11.546	11.546	11.546	11.546	11.396	11.173	11.521
Weighted average price	11.546	11.546	11.546	11.546	11.396	11.305	11.521
less: production cost	0.204	0.204	0.204	0.204	0.204	0.204	0.204
Government net revenue	11.342	11.342	11.342	11.342	11.192	11.101	11.316
B. Foreign Companies' Equity Oil							
Government share	7.414	7.414	8.516	8.737	10.399	10.399	8.332
C. Average Government Revenue from Participation and Equity Oil							
	9.771	9.771	10.211	10.300	10.875	10.822	10.111
III. EXPORT PRICES							
Foreign partners					11.396	11.173	
Government to third parties					11.396	11.173	
Weighted average			11.546	11.546	11.396	11.173	
"Memorandum": spot prices /f							
							(percent)
IV. QPC PRODUCTION SHARES							
Foreign partners' equity oil	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Participation oil							
Sold to foreign partners /g	60.0	60.0	36.0	36.0	36.0	36.0	48.0
Sold to third parties	-	-	24.0	24.0	24.0	24.0	12.0
V. QPC PRODUCTION							
	0.223	0.223	0.223	0.223	0.223	0.223	0.223

/a In line with OPEC decisions in 1974, Qatar increased (a) royalty from 12.5% to 14.5% effective July 1 and to 16.67% effective October 1, 1974, and (b) income tax from 55.0% to 65.75% effective October 1, 1974.

/b Effective November 1, 1974, Qatar cut the posted price by 40 cents but increased the royalty rate to 20% and the tax rate to 8%. It is believed that participation oil will be sold to foreign partners at 94.86% of posted price. The prices are stated to last until July 31, 1975.

/c The 1974 average assumes that participation oil will be sold to foreign partners and third parties at 94.86% of posting during November-December, 1974.

/d Qatar set the price for participation oil sold back to foreign partners at 93.0% for January-May, 1974, 93.0% for June-September, 93.0% for October, and (reportedly) 94.86% for November-December.

/e Price to affiliates and others range according to foreign partners, in some cases retroactively to cover costs of revised participation arrangements.

/f Spot prices are reported for short-term sales in a thin market by foreign partners and brokers; they have not been weighted into the average export price but are a useful indicator of price trends. Reported prices are complicated credit terms which are now roughly equivalent to 10 cents per barrel for every 30 days' credit.

/g Foreign partners are to buy back at least 60% of government's 60% of oil (i.e. 36% of total output) and all or part of remaining 40% to extent that government does not dispose of it elsewhere. The government sold to the foreign partners all its share in the first half and expressed intention of selling them only 60% of its share in the third quarter.

ATTACHMENT VI

QATAR: PRICES AND COSTS OF QATAR MARINE (36.0° API) CRUDE OIL F.O.B. HALUL ISLAND, 1974

	January 1, 1974	June 1, 1974	July 1, 1974 /a	October 1, 1974 /a	November 1, 1974 /b Government Export Price as percentage of posting 94.86%	November 1, 1974 /b Government Export Price as percentage of posting 93.0%	1974 Weighted Average /c
I. FOREIGN OIL COMPANIES							
A. Equity Crude Oil							
Posted price	12.013	12.013	12.013	12.013	11.613	11.613	11.945
less: production cost	0.286	0.286	0.286	0.286	0.286	0.286	0.286
royalty	1.502	1.502	1.742	2.003	2.323	2.323	1.742
Net taxable income	10.225	10.225	9.985	9.724	9.004	9.004	9.918
Income tax	5.624	5.624	5.492	6.394	7.653	7.653	5.995
add: royalty	1.502	1.502	1.742	2.003	2.323	2.323	1.742
Government share	7.126	7.126	7.234	8.397	9.976	9.976	7.737
add: production cost	0.286	0.286	0.286	0.286	0.286	0.286	0.286
Tax-paid cost	7.412	7.412	7.520	8.683	10.262	10.262	10.023
B. Participation Oil /d							
Buy-back price	11.172	11.172	11.172	11.172	11.016	11.016	11.145
C. Total Availability							
Average cost of equity and participation oil	9.668	9.668	9.250	9.862	10.620	10.620	9.733
Profit margin					0.336	0.180	
Price to affiliates and others /e					11.016	10.800	
II. GOVERNMENT UNIT REVENUE							
A. Participation Oil							
Oil bought back by foreign partners	11.172	11.172	11.172	11.172	11.016	11.016	11.146
Sales to third parties	11.172	11.172	11.172	11.172	11.016	10.800	11.146
Weighted average price	11.172	11.172	11.172	11.172	11.016	10.930	11.146
less: production cost	0.286	0.286	0.286	0.286	0.286	0.286	0.286
Government net revenue	10.886	10.886	10.886	10.886	10.730	10.644	10.860
B. Foreign Companies' Equity Oil							
Government share	7.126	7.126	7.234	8.397	9.976	9.976	7.737
C. Average Government Revenue from Participation and Equity Oil							
	9.382	9.382	9.426	9.891	10.428	10.376	9.611
III. EXPORT PRICES							
Foreign partners							
Government to third parties			11.172	11.172	11.016	10.800	11.145
Weighted average							
"Memorandum": spot prices /f							
			(percent)				
IV. S.P.C. PRODUCTION SHARES							
Foreign partners' equity oil	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Participation oil							
Sold to foreign partners /g	60.0	60.0	36.0	36.0	36.0	36.0	48.0
Sold to third parties			24.0	24.0	24.0	24.0	12.0
			(million b/d)				
V. S.P.C. PRODUCTION							
	0.295	0.295	0.295	0.295	0.295	0.295	0.295

/a In line with OPEC decisions in 1974, Qatar increased (a) royalty from 12.5% to 14.5% effective July 1 and to 16.67% effective October 1, 1974, and (b) income tax from 66.0% to 65.75% effective October 1, 1974.

/b Effective November 1, 1974, Qatar cut the posted price by 40 cents but increased the royalty rate to 20% and the tax rate to 85%. It is believed that participation oil will be sold to foreign partners at 94.86% of posted price. The prices are stated to last until July 31, 1975.

/c The 1974 average assumes that participation oil will be sold to foreign partners and third parties at 94.86% of posting during November-December, 1974.

/d Qatar set the price for participation oil sold back to foreign partners at 93.0% for January-May 1974, 93.0% for June-September, 93.0% for October, and (reportedly) 94.86% for November-December.

/e Price to affiliates and others range according to foreign partners, in some cases retroactively to cover costs of revised participation arrangements.

/f Spot prices are reported for short-term sales in a thin market by foreign partners and brokers; they have not been weighted into the average export price but are a useful indicator of price trends. Reported prices are complicated credit terms which are now roughly equivalent to 10 cents per barrel for every 30 days' credit.

/g Foreign partners are to buy back at least 60% of government's 60% of oil (i.e. 36% of total output) and all or part of remaining 40% to extent that government does not dispose of it elsewhere. The government sold to the foreign partners all its share in the first half and expressed intention of selling them only 60% of its share in the third quarter.

Aid Flows from Qatar

1. The total flow of aid from Qatar was highest in 1973 with total commitments rising to almost tenfold the 1972 level and amounting to \$211 million. In 1974, total aid commitments amounted to \$185 million and disbursements were at the level of \$92 million.
2. Of the total aid commitments, bilateral aid accounted for \$190 million and \$126 million in 1973 and 1974, respectively, and was advanced almost exclusively in the form of official development assistance. Qatar participates in the Arab Investment Company and is to contribute \$20 million for the financing of the big oil refinery near Alexandria. Qatar is co-financing with IBRD two projects in Egypt - Talkha II Fertilizer (\$3.4 million) and Suez Canal Rehabilitation (\$10 million). In April 1974, it extended a \$10 million loan to Tunisia at a 3% interest rate and a maturity of 15 years. The total aid commitments by Qatar to most seriously affected oil importing countries aggregated \$66.6 million in 1974, with the largest contribution made to Pakistan (\$30 million), followed by Sudan (\$14 million), Somalia (\$10 million), Mauritania (\$9 million), Arab Republic of Yemen (\$2.1 million) and Bangladesh (\$1.5 million). In a recent agreement with Egypt, Qatar is reported to provide assistance to the amount of \$102 million, of which \$10 million are for the Suez Canal rehabilitation. The agreement also includes the establishment of a joint investment company with a capital of \$25 million to be contributed in equal shares by the two countries.
3. A significantly higher proportion of total aid commitments by Qatar in 1974 was in the form of multilateral aid being channeled through regional and international organizations. Total multilateral aid commitments thus amounted to \$59 million in 1974 as compared to \$20 million and \$21 million in 1973 and 1972 respectively. These were basically in the form of contributions to IBRD (\$20.8 million in 1972), to the Arab Bank for Economic Development in Africa (\$20 million in 1973), as well as to the Islamic Development Bank (\$30 million), the Islamic Solidarity Fund (\$10 million), the Special Fund for Africa (\$10 million), the Special Fund for Arab Non-Oil Producing Countries (\$5 million), the UN Emergency Special Fund (\$14 million) and other UN agencies (\$1 million) in 1974.

E

1. Capital Subscriptions to IBRD, IDA and IFC
and Bank Bond Holdings

I. IBRD Capital Subscription

<u>Shares</u>	<u>1944 \$</u>	<u>1973 \$</u>
171	17,100,000	20,629,000

II. IDA

Qatar is not a member of IDA.

III. IFC

Qatar is not a member of IFC.

IV. Outstanding Bank Bonds

1. Two-Year Bond Issues

<u>Interest</u>	<u>Due on</u>	<u>Amount (\$)</u>
6-3/4%	March 15, 1975	100,000
8-5/8%	Sept. 15, 1975	200,000
6.9%	March 15, 1976	200,000
9%	Sept. 15, 1976	<u>100,000</u>
	Total	<u><u>600,000</u></u>

2. Public Bond Issues

None.

QATAR

IBRD Borrowings

The first purchase of Two Year Bonds by the Government of Qatar was made in September 1970. Total purchases of such bonds by the Government of Qatar have amounted to \$1.3 million, of which \$0.6 million is presently outstanding (\$0.1 million thereof will mature on March 15, 1975).

3. Existing Technical Assistance Activities

1. There are no ongoing technical assistance operations in Qatar.
2. However, over the last four years, the Government has requested Bank's technical assistance only twice. These are summarized below.
3. In early 1972, the Government requested the Bank to review the feasibility studies of two industrial projects, for (i) an aluminum smelter and (ii) a LNG plant. Both were reviewed and detailed comments sent as requested. Particular attention was drawn to the need for a further analysis of the commercial prospects of both projects, since the assurance of satisfactory marketing arrangements appeared crucial for their economic justification. Several technical points were made on the feasibility study of the LNG plant. Other points raised, included the social problems related to the proposal made in the feasibility study to have expatriate labor to operate the aluminum smelter. The Government is still considering both projects.
4. In June 1972, the Government also informally approached the Bank regarding possible advice with respect to the construction of a bridge or a causeway connecting Qatar and Bahrain. When the subject was raised with both the Qatar and the Bahrain delegations to the 1972 Annual Meetings, the Bahrainis seemed very hostile to this proposal and explained the sensitivity of the issues they had with the Qatari proposal. Qatar thereafter dropped its proposal and has not pursued it since then.
5. The first economic mission visited Qatar in February/March 1974. As mentioned above, its report was sent to the Dubai Government in early September 1974 for its comments, which have not yet been received.

EM1 DA
February 14, 1975

4. Prospective Technical Assistance Activities

1. In course of the economic mission to Qatar in February/March 1974, and subsequently at the September 1974 Annual Meetings, the Bank repeated its willingness to provide such technical assistance as Qatar may need for its development in the field of development planning at the present stage of its economic development.

2. During the September discussions, we reiterated the offer made in our letter of September 5 to the Government (attached hereto), under cover of which the draft economic report was sent for Government's comments, to assist with the following:

(a) assistance in establishing a centralized planning authority in view of Qatar's large investment program and lack of a centralized decision-making authority for development planning;

(b) assistance in establishing a centralized statistical office, preferably attached to the planning authority.

3. No response has yet been received, although the Government representatives at the Annual Meetings anticipated that the Government might be in a position to respond by late 1974 or early 1975. At these discussions, they also seemed particularly interested in the possibility of receiving Bank Group assistance in the form of reviews of completed feasibility studies for development projects. However, the Government has not followed up as they indicated they would. The Bank has not taken up the matter again, since it is believed that this might be misinterpreted by the Qataris as unnecessary pressure and because it would be advisable for them to make up their minds as to the need, scope and fields for Bank's technical assistance.

4. In calendar 1975, the Bank could be involved with either or both of these technical assistance activities. However, this will depend on Qatar's response. The Bank should be prepared, in principle, to help Qatar with any reasonable request it may make.

EM1DA

February 14, 1975

C O P Y

September 5, 1974

His Highness
Sheikh Abdul Aziz Bin Khalifa Al Thani
Minister of Finance and Petroleum
Doha, Qatar

Your Highness:

I should like to thank you, and through you the officials of your Government, for the assistance rendered to the World Bank economic mission which visited Qatar in February/March 1974. As indicated in Mr. Benjenk's letter of January 9 to Your Highness, the purpose of the mission was to assess the economic position and prospects of the State of Qatar and the possibilities for technical assistance from the World Bank Group.

The mission's report, "The Economy of Qatar," dated August 29, 1974, is being dispatched under separate cover to the Government for comments.

The mission observed that considerable efforts have been made by your Government to continuously improve the physical and social infrastructure and the welfare of Qatar's population. Further, the mission has reported that your Government is now also intensifying its efforts in diversifying the economy to enhance the prospects for further improving the standard of living of the population should oil income alone no longer suffice to maintain the pace of economic and social progress. This drive towards reducing the dependence of the economy on oil by setting up capital-intensive, export-oriented natural gas-based industries is an important step in the right direction. In order to avoid a situation whereby efforts are dissipated on too many large projects at the same time thus involving risks of delays in project implementation and of less than optimal uses of resources, this would seem the appropriate time for the Government to consider the establishment of a central planning authority which could evaluate and coordinate the development projects underway or under consideration.

Particularly in view of the magnitude of trends reported for such projects, I would concur with the mission's conclusion that the establishment of such a central planning authority, combined with a central statistical office, would seem to be a prerequisite to ensure the success of Qatar's development efforts. This could also be an area in which

His Highness
Sheikh Abdul Aziz Bin Khalifa Al Thani

- 2 -

September 5, 1974

technical assistance from abroad may be most useful and considerable and, as has already been stressed by the mission to your officials in Qatar, the Bank Group would be pleased to assist Qatar towards establishing such an authority if your Government so desires.

I look forward to receiving your comments on the draft economic report and on the points raised above including any further suggestions you may have with regard to possible areas of cooperation between the Bank Group and Qatar.

In view of his interest in this matter, I am sending copies of this letter and of the report to His Excellency Issa G. Al-Kawari.

With kind regards,

Sincerely yours,

Willi A. Wapenhans
Acting Vice President
Europe, Middle East & North Africa Region

cc: His Excellency
Mr. Issa G. Al-Kawari
Amir's Office
Doha, Qatar

Cleared with and cc: Messrs. Maiss, Aiyer

cc: Messrs. Knapp, Cargill, Benjenk (o/r)

WWipplinger:mh

Files

March 22, 1973

Omar Dajany

Minister of Petroleum and Finance Visit to the Bank - Qatar

Sheikh Abdul Aziz Ben Khalifa, Qatar's Minister of Petroleum and Finance accompanied by Mr. Jasim Jamal, the Ambassador of Qatar to the United Nations met with Mr. McNamara yesterday.

Present from the Bank were Messrs. Shoaib, Benjenk and Dajany.

Mr. McNamara welcomed Sheikh Abdul Aziz and told him how much he enjoyed his recent visit to Qatar and the meeting with H.H. the Amir. Following the cordialities, Mr. McNamara asked Sheikh Abdul Aziz if there were any developments on any of the subjects discussed with the Amir. The Minister said that his father had asked him to meet with Mr. McNamara and pursue discussion on a couple of points that were discussed in Doha. Right now, he said, there is a Bank mission in Qatar but he specifically wanted to discuss the following matters:

- 1) Possible joint operations with the Bank and,
- 2) Advice on the investment of their surplus funds.

1) The Minister said that they would like to participate with the Bank in joint projects involving Bank operations in some of the Arab countries and wanted to know how to go about this. Mr. McNamara said that this was a very easy proposition. Mr. Benjenk will be happy to prepare a list of projected Bank operations in his area and all the Minister would have to do is to let us know the countries he is interested in, the kind of projects and the amounts he is thinking of. He suggested that Sheikh Abdul Aziz meet with Mr. Benjenk in the afternoon or this morning but the Minister had other commitments that afternoon and was planning to leave Washington today so a meeting was not possible.

It was then suggested that Mr. Benjenk would arrange to have such a list prepared and given to Mr. Dajany who in turn will deliver it to Sheikh Abdul Aziz sometime prior to his departure.

2) The Minister said that they now have some surplus funds in Qatar and wanted the Bank's advice on how to invest them. Mr. McNamara said that this was the most difficult of the two matters raised by the Minister but that, nevertheless, the Bank would try to do its best to help them.

Before the Bank could express an opinion or be of practical help to them, Mr. McNamara recalled what he had suggested to the Amir in Doha regarding the advisability of working out projections of a five-year plan or a longer period which would give us an idea of the amounts of their anticipated surpluses. This could be arrived at by projecting

March 22, 1973

the estimated revenues for each year and deducting their estimated requirements, obligations and other commitments thus leaving an approximate amount of the surpluses for each year. Mr. McNamara said he realized these projections may not be very accurate, but they would at least give us and Qatar an idea of the magnitude of what we are talking about. It is only then that we can usefully try to work out a plan for them.

Mr. Dajany said that since Mr. McNamara's visit to Qatar he has been discussing this point with Sheikh Abdul Aziz and had explained what is involved and offered his help in making these projections. He said he would continue to work with Sheikh Abdul Aziz to assist him in this exercise. It was agreed, however, that while we in the Bank may have the information regarding oil revenues yet, the basic information for these projections must come from them and Mr. McNamara suggested that they stay in touch with Mr. Shoaib or Mr. Dajany when they have this basic information. It was also recognized that this information had a direct bearing on the first subject discussed above.

Mr. McNamara requested the Minister to convey his respects to H.H. the Amir and to thank him again for their hospitality during his visit to Qatar.

Today, I had a long meeting with Sheikh Abdul Aziz prior to his departure from Washington. We reviewed again both matters raised by him in the meeting with Mr. McNamara yesterday and Mr. Dajany expanded a little suggesting to the Minister ways of how we could work together on both subjects which he had raised yesterday. We agreed on the following:

1) He will call me when he returns to New York next week and I will meet with him to deliver the list of potential joint operations for his consideration.

2) He will send us from Doha the projections of revenues, expenditures, etc. for the period 1973 through 1978. If he encounters any problems in preparing these figures he will inform the Bank and I have agreed that I would be willing to go to Doha and assist him if that was needed.

cc: Mr. McNamara (2) ✓
Mr. Aldewereld
Mr. Shoaib
Mr. Benjenk
Mr. Rotberg

ODajany: dlh

OFFICE MEMORANDUM

TO: Files
TO: Files

DATE: March 13, 1973
DATE: March 13, 1973

FROM: Omar Dajany

SUBJECT: Mr. McNamara's Visit To Qatar

Mr. McNamara visited Doha, capital of Qatar from February 12 to February 13th. He was accompanied by Mrs. McNamara, Mr. and Mrs. Mohamed Shoaib, Mr. Anders Ljungh and Mr. Omar Dajany. Because of a delay in the arrival in Doha, the meetings scheduled for the morning of February 12th were canceled and rescheduled for the following morning. On February 13th, therefore, Mr. McNamara met with His Highness the Amir, Sheikh Khalifa Bin Hamad Al Thani, H.E. Sheikh Abdul Aziz Bin Khalifa; Minister of Petroleum and Finance and H.E. Sheikh Suhaim Bin Hamad Al Thani; Minister of Foreign Affairs.

In addition, Mr. McNamara visited the fertilizer plant at Umm-Said; toured the city of Doha and attended a dinner given in his honor by the Minister of Petroleum and Finance at the Marmar Palace.

1) Meeting with H.H. The Amir, Sheikh Khalifa Bin Hamad Al Thani
The Amir welcomed Mr. McNamara to Qatar and asked if this was his first visit to the Gulf. Mr. McNamara said that except for a brief visit to Kuwait in 1969 this is the first time he is visiting the Gulf and has been looking forward to it very much. The Amir said that in Qatar he may not see evidence of vast construction or a lot of activity. This in part is due to the fact that the change in the regime in Qatar is not yet one year old and their efforts have thus far been concentrated on internal reforms, government reorganization, closing of ranks and weeding out the dead wood that his regime has inherited. Despite this big and time consuming undertaking, Qatar is trying at the same time to plan for the future. He pointed to the fertilizer plant, the port improvement, the agricultural projects in Northern Qatar which transformed a desert Qatar into a vegetable exporting country and said, in addition, that they now have approximately one thousand students studying in the United States and Europe who will soon form the backbone of the Qatar of the future. Mr. McNamara said that he has learnt of the progress being made and realizes that it will take time to get all these things accomplished. However, Qatar is blessed with wealth from oil which, if prudently used, could insure prosperity not only for its people but for other Arabs in other Arab countries. He said that he had suggested in Kuwait and would like to suggest here and to the officials in the United Arab Emirates, a common approach in the utilization of revenues from oil. Mr. McNamara went on to say that since no one knows precisely the amount of oil reserves present in each country it would be prudent to diversify by investing both within and outside each country in a manner which would insure the continued prosperity of the people when and if the oil reserves are exhausted. It is only natural, Mr. McNamara said, that a country should first take care of its own house and assure the well being of its people. Next would come the welfare of ones neighbors and after that the build up of reserves. Here is where a country should periodically review what may, for the lack of any other word, be called a five-year plan, in which estimated revenues are compared to estimated

commitments and other requirements. This would leave a close enough estimate of anticipated surpluses annually for which prudent plans could then be made. Naturally the World Bank would like to attract some of these surplus funds but the main emphasis should be on investment, in long-term plans both within and outside Qatar which would form the basis of a diversified economy.

The Amir agreed with Mr. McNamara's sequence for economic planning. He said Qatar has not participated as much as it would have liked to in IBRD bonds but hoped to do so more in the future. Right now, because of Qatar's obligations under the oil participation agreement it would be difficult to spare any funds but beginning 1974 the situation should improve and from then on he hoped that Qatar would be a greater participant in IBRD bonds. Mr. Dajany referred to the special bond issues made in Kuwait in Kuwaiti dinars and the contemplated special bond issue for the United Arab Emirates as soon as the United Arab Emirates has its own currency. The advantages of such issues in local currencies were pointed out and the Amir said that this would be a matter for the Minister of Finance to consider although he personally was in favor.

Mr. McNamara said that there had been some discussion on the possibility of sending a mission to Qatar some time this spring and wanted to know if the Amir has any views on the mandate for such a mission. The Amir did not react one way or the other and again said that these were matters for the Minister of Finance to handle. It is a good feeling to know, Sheikh Khalifa said that the Bank is willing to provide technical assistance when we need it and I am sure we are going to be needing it. The Amir then went into a lengthy discussion about the need for unity first in the Gulf and then in the Arab world. If the Russians and the Americans have agreed to coexist, then why can't the Arabs who in reality are one and the same people, learn to coexist as well. He said that he has been calling for an Arab common market in which the Gulf would have a unified currency and its own zone similar to that of the sterling and dollar areas. He drew attention to important statements he made in this regard to "Al-Hawadess Magazine" which appeared in that magazine's issue on January 19, 1973. A translation of this article is attached.

2) Meeting with the Minister of Petroleum and Finance, H.E. Sheikh Abdel Aziz Bin Khalifa

Since Sheikh Abdel Aziz accompanied Mr. McNamara to the fertilizer plant and was with him most of the time during the visit, the subjects that they discussed cannot, of course, be included in this memorandum. During the brief visit to Sheikh Abdel Aziz in his office, Mr. McNamara spoke again, elaborating on his view for the need of a continuous review of possible surpluses and the long-term investment of these funds. Sheikh Abdel Aziz said that he has had some talks with Mr. Dajany on the subject but plans to have continuous contact with him in order to formulate a

plan along the lines which Mr. McNamara suggested. He hoped to go to Vienna in March and then come to the United States. He intends to contact Mr. Dajany for a possible meeting in Europe or the United States and wanted to make such meetings as regular as possible in order to maintain the closest touch with the Bank on this subject.

When the subject of a roll over by Qatar of the amount they hold in our two-year bond issue maturing on March 15, 1973 was raised by Mr. Dajany, Sheikh Abdel Aziz called in the Director of Finance and, after a brief discussion, it was agreed that the amount will be rolled over. Since then we have had official confirmation to this effect.

3) The meeting with Sheikh Suhaim Bin Hamad Al Thani; Minister of Foreign Affairs was brief and more in the nature of a courtesy call. The Minister, accompanied by some of his aides welcomed Mr. McNamara to Qatar and wished that his stay could have been longer. The Minister also was glad that Qatar managed to complete the formalities in time to join the last Annual Meeting as a full member and looked forward to a period of long and close cooperation between the Bank and Qatar.

cc: Mr. McNamara (2)
Mr. Aldewereld
Mr. Shoaib
Mr. Benjenk (2)
Mr. Rotberg

Attachments

ODajany:dlh

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UNDP ACTIVITIES

1. UNDP does not have a separate resident mission for Qatar. This country, as other Gulf states, is covered by the Regional Resident Mission, headquartered in Riyadh. This Mission has, however, a Deputy Regional Resident Representative residing in Bahrain, who is in charge of Gulf states, including Qatar.

2. The UNDP Indicative Planning Figure (IPF) for the 5-year Country Program (1972-76) is \$1,500,000. Of this amount, \$336,000 has been spent up to the end of 1973, leaving about \$1.1 million for the remaining years. The costs of ongoing and proposed projects for these years are estimated at \$3,395,000. In the circumstances, the Government will meet the difference amounting to some \$2.2 million.

3. The UNDP program focusses on (1) agriculture and fisheries, (2) education, and (3) labor, management and employment. These sectors will absorb 88% of projected expenditures. The main UNDP projects are:

- (a) an Animal Husbandry Production and Livestock Improvement Farm, which will set up and initiate a research program, and train national counterparts in research, training and extension;
- (b) an Integrated Water and Land Use Project, which will assist the Government in continuing the collection and maintenance of data on rainfall, recharge, and ground-water levels and quality, and provide training and extension services for the introduction of modern cultivation and irrigation methods and the economic use of groundwater;
- (c) a Program for Assistance to Higher Teacher Training Colleges, which will help the Government to establish two colleges for men and women, and which will also include training in the reform of school curricula and administration at all levels;
- (d) a Vocational Training Scheme, which will continue to assist the Regional Vocational Training Centre in Doha.

4. For ready reference, the names and addresses of the UNDP Regional Representative and Deputy Regional Representative responsible for Qatar are given below:

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for Saudi Arabia and the Gulf Area
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