



## Foreword

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### Introduction

The Ministry of Energy and Industry is focusing on ensuring the welfare of future generations and has provided all necessary means to pursue the country's economic diversification policy. Taking into consideration the limited oil reserves compared to other countries in the region, we have focused on the optimal utilization strategy, which naturally includes utilizing Qatar's huge natural gas reserves. The country, therefore, has set up a healthy climate for foreign investment, underpinned by transparent regulations and laws.

Industrial development is an issue of overriding concern in the drive of the Ministry of Energy & Industry towards the acquisition, adaption and localization of modern technologies and adding to the welfare and national pride of the country.

Within the framework of its strategic orientation, the Ministry asserts the pivotal role that the private sector plays in the overall industrial development process. To this end, it has provided generous incentives aimed at encouraging the private sector's active and effective participation in the industrial development of the country and provide a better investment climate for local as well as for foreign investors.

Before analyzing the Ministry's strategy to enhance and support the private sector, we will provide a brief overview of economic growth in Qatar.

### Growth Record and recent Economic Development:

Qatar has had the Middle East's best performing economy over the past ten years. Fuelled by a doubling in liquefied natural gas (LNG) production and robust oil prices, during 2000-2008 GDP jumped from US\$17.660 billion in 2000, to US\$42.463 billion in 2005 and to more than US\$ 100 billion in 2008.

GDP per capita has increased from US\$17,660 in 2000 to US\$49,655 in 2005, to over US\$ 70,000 in 2008.

As a result, economic fundamentals have improved over the past several years as GDP growth has been exceptionally strong, fiscal and monetary policy has both been supportive of balanced, robust growth.

This robust economic growth coupled with improving debt and ongoing political reform; improve Qatar rating capital Intelligence (CI) raised sovereign long term foreign and local currency rating from A3 to A1+ in 2008. The outlook for Qatar's rating is stable.

Capital intelligence stated that the upgrade reflects the increasing Strength and flexibility of the governments balance sheet and Qatar external finances as well as the scale of hydrocarbon production supported by high level of energy prices .CI further stated that the rating also takes into account the good progress made in diversifying the economy and the expanding role of the private sector.

According to the World Economic Forum 2008-2009 reports, Qatar is the most competitive Arab Economy, ranking 26th worldwide.

The Qatari market is dominated by the Oil and Gas sector, with downstream processing forming many of the major industrial companies in Qatar. During the last ten years, Qatar has witnessed the laying of the foundation stones and the coming on the stream of a number of various gigantic projects, including ethylene and polyethylene, urea and urea formaldehyde, methanol, reinforcement bars and billets, a condensates refinery, an aluminum smelter, and two GTL plants.

Qatar is proud to have been able to create a healthy partnership environment and attract a large number of leading international companies with advanced technology and substantial financial strength to joint efforts and engage in mutually beneficial long-term relations. Such partners include: Exxon Mobile, Total, Royal Dutch Shell and Conoco Philips.

The inflation rate in 2007 is estimated to be 13.7%. Rising inflation in recent years has been fuelled by higher rents caused by shortage of housing for imported labor. This is expected to ease as new housing comes on stream and non-oil commodity prices stabilize. Declined inflation levels for 2008 are anticipated to be in the limit of historical norms.

The future trend of economic growth will register substantial growth due to strong increase in production and export of LNG, which is expected to jump from 42 million tons in 2008 to 77 million tons in 2010, while oil prices will remain above the average rate of the past ten years as well as oil production will increase from 850 thousand barrel per day in 2007 to (1) million barrel per day in the near future.

#### **Investment Environment in Qatar:**

The Qatari government is seeking to diversify the country's economy into non the oil and gas sector, with particular attention being paid to encouraging domestic and foreign small and medium sized non-energy firms to setup in the country in order:

- 1- To broaden the country's economic base (more downstream industries).
- 2- To stimulate employment of Qatari nationals.
- 3- To encourage profitable private sector involvements in industrial as well as economic development.
- 4- To encourage the development of viable small and medium size industrial projects which enjoy comparative advantages.

**In the light of the above, the Qatari Government** has established a business environment including active motivation and encouragement to the private sector to invest in viable economic industries which:

- Ensure optimal utilization of locally available raw materials and feedstock.
- Enjoy a large market in Qatar.

- Are complementary to existing industry.
- Support local industries :

The focus also covered those industries related to the basic industries in Qatar, either to produce or manufacture some of the inputs needed by these industries, or that consumes and transforms the various petrochemical and metal products manufactured locally and convert them into finished industrial products thus adding value and benefiting from the available synergies and favorable business environment.

#### **The favorable business environment includes:**

##### **1. Investment Incentives**

The Government offers several attractive incentives to SMEs, such as:

- Natural gas priced at a nominal and subsidized rate
- Electricity at a very nominal rate
- Developed infrastructure
- Industrial land at a nominal rent starting at 10 Qatari Riyals per square meter per year (Note: Land rent can differ from area and also from the public and Private Sectors).
- No customs duties on imports of machinery, equipment and spare parts.
- No export duties.
- No taxes on corporate profits for pre-determined periods.

In addition to the above, the government also offers the following incentives:

- No quantitative quotas on imports.
- No income tax on salaries of expatriates.
- No exchange control regulations. The Qatari Riyal is freely convertible at a parity of US\$1 = 3.64 Qatari Riyals; an exchange rate which has been stable for over the past two decades.
- Excellent medical and educational facilities.

- Easy access to world markets with first class air and sea connections.
- Excellent telecommunications facilities.
- Liberal immigration and employment rules to enable import of skilled and unskilled labors.

## **2. Foreign Investment:**

Qatar welcomes foreign participation in joint ventures through technology supply. Market administration and equity participation. Government initiatives to attract the flow of foreign capital into the state can be attributed to various incentives provided. The state's commitment in this direction was further witnessed through the passing of the foreign investment law by an Emir decree in mid-October 2000, the setting up of the Investment Promotion Department at the Ministry of business and trade, law establishing the Qatar Science and Technology Park, the law establishing the Qatar Financial Center, and the new commercial law in 2006.

Foreign investors may invest in all sectors of the national economy provided they have one or more Qatari partners whose share shall not be less than 51% of the capital. It is however permissible by a decision from the Minister of Economy and Commerce for foreign investors to exceed the percentage of their participation up to 100% of the projects capital in the sectors of agriculture, industry, health, education, tourism and the development and exploitation of natural resources or energy or mining.

The law offers several incentives for foreign investors including the allotment of land through long-term lease agreements for a period up to 30 years, which may be renewed.

Foreign investors are permitted to perform whatever is required for the establishment, operation and expansion of the project.

The Ministry may grant foreign Investors:

- Exemption from income tax for a period not exceeding ten years
- Exemption from custom duties with regard to imported machinery and equipment necessary for the establishment of the project
- Exemption from custom duties with regard to primary or semi-manufactured materials necessary for production, provided such materials are not available in the local market.

Foreign investors have the freedom to transfer investments to and from abroad without delay.

Foreign Investment Finance: There are no restrictions on foreign using their own funds to participate in Qatari businesses. If foreign investors own funds are insufficient to finance the business, the investors may approach a Qatari, GCC, or indeed any bank for finance. Bank financing in Qatar is granted on normal commercial terms.

## **3. Qatar Financial Centre (QFC)**

opened its doors on May 1, 2005, under Law No.7 of 2005, to attract international financial institutions and multi-national firms to establish themselves in Qatar. Qatar's vibrant economy and an estimated capital investment programmed of over US\$130 billion in the next five years provided vast opportunities for international financial institutions. The QFC has been designed to attract the premier international financial institutions and corporations to share in the wealth of Qatar and the region and to share in the vision of a long-term mutually beneficial partnership with Qatar. The QFC provides a world-class business environment for undertaking financial services and also promotes revenue generating opportunities internationally. The QFC provides a familiar international legal business infrastructure that is separate from the host Qatari systems. Qatar Science and Technology Park.

**4. Qatar Science and Technology Park (QSTP)** was set established as an Internationally-renowned centre for research excellence and commercialization. The QSTP is part of Qatar foundation and aims at being a home for technology-based companies from around the world, and an ideal location for start-up companies. The QSTP operates as a free-zone providing favorable investment incentives and access to world-class international research universities present at the « Education City. The QSTP has been successful in attracting leading world-wide business establishment and current tenants include European . Aeronautic Defense and Space Company (EADS), Exxon Mobile, Gartner Lee, Microsoft, Rolls –Royce, Royal Dutch Shell and Total.

**5. Establishment of modern Infrastructure, including:**

- Excellent and modern road systems that include highways linking Qatar with other GCC countries.
- Easy access to world markets with first class air connections through Doha International Airport and sea Connections, through Mesaieed and Raslaffan, as well as Doha Port.
- Liberal immigration and employment and rules to enable import of skilled and unskilled labor.
- Excellent communication facilities; Qatar has a modern telecommunication system, which gives immediate telephone, GSM, telex, facsimile and internet access to all parts of the world. The telecommunications sector is witnessing tremendous growth, with rising demand, especially in mobile communications.
- Qatar industrial areas: One of the major incentives and support to the private sector has been the establishment of many industrial areas with all the facilities and utilities needed provided to the industrial projects at very reasonable prices. The main industrial areas are as follows:
  - a. Ras Laffan Industrial City (RLIC).
  - b. Mesaieed industrial City.
  - c. Small and medium size (Salwa road industrial area) industrial Area.

**6. Privatization and the development of private sector:**

The privatization agenda, which began in 1998 with the sale of Qatar Telecom, followed by a number of economic projects, such as Electricity & Water Company , Qatar industries , and many other companies . There is a wide scope for this next stage, since there is a strong policy commitment to seeing this next stage through.

The formation of IQ (Industries Qatar) was a turning point in the economic development of the country creating an important conglomerate with 30% of its capital offered to the public IQ has proved a complete success, and its impact on the private sector was very encouraging.

As a result, the government is preparing diverse industrial projects which will be offered to the public in the near future.

**7. Qatar Intermediate Industries Holding Co. Ltd (QII)**

OH was established in 2005 as a national corporation, fully owned by Qatar Petroleum (QP) Qatar Holding will provide strong support to the private sector through the establishment of intermediate industries which will create many investment opportunities in the downstream industrial projects carried out by the private sector.

OH has been established with the view to become a public share company, and will offer a portion of the equity holding in the holding in the company to Qatari private investors through an IPO at Doha Security Market (DSM) to support and enhance the private sector industrial investment in Qatar.

The scope of work of the company is to identify, study, develop and implement viable intermediate and downstream new industrial projects and ventures in Qatar, based on the availability of raw material from the existing and planned industrial complexes in Qatar.

The objectives of the company are:

- To ensure the optimal utilization of the country's hydrocarbon resources through the integration of upstream and downstream industrial projects.
- To progress upstream and downstream projects in parallel in order to make best use of the opportunity available to Qatar economy.
- To develop downstream petrochemical and iron & steel industries based on the existing and potential availability of feedback(s) from QP various facilities and resources.
- To incorporate state of the art technologies with proven technical and commercial parameters in these projects as well as to develop supportive business alignments that make the products from these projects globally competitive in a long-term perspectives.
- To carry out projects in each of the areas where QP has a significant competitive advantage.

Based on the above OH welcome cooperation and partnership from companies around the world to develop feasible and viable industrial projects in Qatar. Priority will be given to foreign participation in joint ventures through technology and knowhow supply, market administration and equity participation.

#### **8. Other Investment Promotion Provided to SME:**

##### **- Established Technical Committee for the development of Downstream Industrial Projects.**

Qatar Petroleum in order to promote and develop downstream business related to basic industries in Qatar, and to achieve optimal utilization of industrial integration and to fill production gaps resulting from importing significant amounts of such industrial needs from abroad,

decided to set up a technical committee chaired by QP, with members from concerned affiliated companies to QP, in addition to : Department of Industrial Development, Qatar Holding Company, Department of downstream Ventures, and Mssaid industrial area.

#### **The Committee Objectives:**

The committee will study and identify potential investment opportunities related to existing, planned or in progress industries, for the manufacture of end use products to realize more value added, and to manufacture the input needed for such projects, and to promote such opportunities to private investors as companies or individuals.

#### **Committee Activities:**

- identify and develop investment opportunities based on the raw materials and feedstock available in the country from the existing and planned complexes in the state of Qatar.
- identify the potential investment opportunities, related to the inputs of the basic industries and based on manufacturing of some of its inputs needs.
- Preparing investment profiles which identify primary economic indication of such opportunities, including: production capacity – product's definition – its application – size of the market available for the product – production process – raw material needed – total investment – economic indicators (IRR)

The new Committee with representatives of many QP affiliated companies will play a key role in promoting viable projects in various sectors of industry such as petrochemical and metals industries by utilizing the locally available feedback from crude oil, natural gas, refined oil products, LPG, petrochemicals, fertilizers, iron and steel, etc, with the view to produce intermediate and finished products for local, regional and global markets.

**Organizing International Conference to promote small and medium size industrial projects:**

The Ministry of energy and industry will be organizing the “1st International Conference on Industrial Investment Opportunities in Qatar” during 2010 to promote viable and feasible investment opportunities to the private sector. International investors will be invited to participate in the said conference and present their own joint venture project proposals, to the Qatari businessmen.

The main emphasis in the said conference will be on new technologies, know how, market expertise, operational experience to develop small and medium industrial joints ventures in the intermediate and downstream industrial projects. We are sure that there is a great potential and larger scope for foreign investment based on transparent Government policies and fast growing economy of Qatar.

**Conclusion:**

Its important to highlight the key elements and advantages that Qatar offer to worls wide investors:

- Qatar’s World Class Energy Reserve Potential.
- Regional Logistical Advantages.
- Operational Credibility and supply.

- A willingness to move downstream.
- Government providing security and social stability with commitment to fret market.
- Multicultural and diverse work force.
- Access to global financial and commodity markets.
- Fairly good infrastructure port, industrial cities, in addition to world class roads and airport are been developed.
- Access to high quality education, for example, Qatar was highly evaluated in the United Nations report 2005, on the development of human recourses.

External Conditions will probably benefit Qatar significantly over the long term, not only because oil prices will remain relatively high but, more significantly, because global demand for cleaner forms of energy is expected to rise. Qatari LNG is likely to become increasingly popular, as it is a relatively clean fuel.

The government’s efforts to diversify the economy away from a reliance on the energy sector will be aided by the steady liberalization of global trade, with Qatar already pursuing a number of free-trade deals, either bilaterally or as a member of the Gulf Co-operation Council (GCC) and Arab Free Trade Area (AFTA).

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