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SESRI Policy Brief

Public Spending Priorities in Qatar

Understanding citizen priorities in a time of fiscal constraint

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Like other Arab Gulf states, Qatar has experienced drastic changes to its fiscal situation since the 2014 crash in oil prices. Reduced revenue from resources also comes at a time when the country is heavily investing in infrastructure in preparation for the 2022 World Cup. Reforms aimed at deficit reduction could pose challenges for a state accustomed to large surpluses and a citizenry accustomed to generous public spending. Here we examine how Qatari citizens prioritize different types of public spending through an innovative SESRI survey experiment implemented in January 2016. The results offer insight into which public sectors are most important to Qataris in a time of fiscal tightening, and suggest individual-level factors that may underlie these preferences. The findings thus represent a valuable guide to balancing the trade-off between deficit reduction and citizen appeasement. Notably, the findings also suggest that meeting citizens' priorities may not necessarily imply a need for increased spending.

Qatar's fiscal balance is undergoing immense changes. Low oil prices and plateauing hydrocarbon production will be manageable in the short term, but Qatar, like other resource-dependent Gulf states, will need to make structural reforms to face the future. Adjusting to the new fiscal realities will pose challenges for both the Qatari state and its people. The state will face the challenge of achieving the highest fiscal savings while ensuring minimal disruption to ordinary Qataris, who have become accustomed to generous state spending. Understanding citizens' prioritization of different sectors of public spending in Qatar will enable the state to navigate these challenges both today and when the time comes to make deeper reforms.

Current Spending in Qatar

In 2016, Qatar faced its first budget deficit in fifteen years, with forecasts expecting a deficit to persist.¹ As part of its strategy to cope with the sudden change, Qatar has sought to raise funds on the debt market,² enabling it to continue with ambitious

development plans. Qatar's 2017 budget targets three public sectors: transport and infrastructure, healthcare, and education.³ With the 2022 World Cup looming, it is no surprise that transport and infrastructure projects have been allocated 21.2% of total planned state expenditure. Meanwhile, healthcare and education have been allocated 12.3% and 10.4%, respectively. Thus, transport and infrastructure currently demand the largest share of the total planned expenditure. While healthcare and education have been prioritized, their relative share of the budget is substantially lower.

Sectoral Spending Priorities among Qataris

Since the sudden and dramatic drop in oil prices began in 2014, Qatar has undertaken a series of austerity measures alongside fellow Gulf Cooperation Council (GCC) states, including hikes in utility rates, cuts in gas subsidies, merging of state ministries, and reduction of state institutions' budgets.⁴ Other planned reforms, including

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the GCC-wide introduction of a 5% value-added tax in 2018, go even further, and arguably represent a fundamental shift in the traditional state-citizen relationship in the Gulf.⁵ Understanding how citizens prioritize different types of state spending is critical as policymakers continue to weigh different fiscal options.

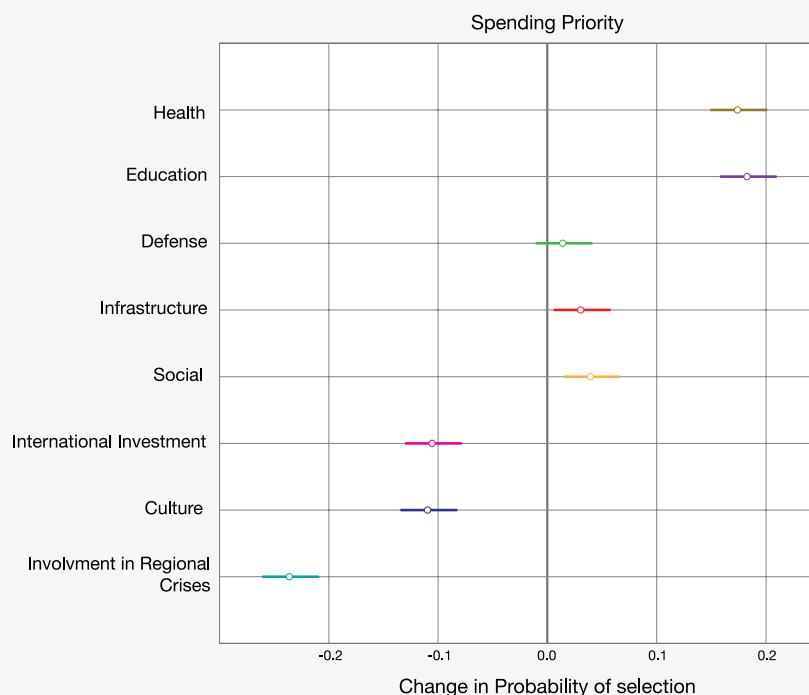
In the January 2016 Qatar Semi-Annual Survey, SESRI implemented a survey experiment seeking to understand how Qataris prioritize different areas of public spending. Respondents were asked to choose between two sets of sectors. Each time they were asked to identify the set that they would prioritize for state spending—for instance, education and health vs. infrastructure and defense—if the state were to change the amount it allocated to major public sectors. A total of seven sectors were included among the randomized choices: healthcare, education, defense, infrastructure, social security, international investment, culture, and involvement in regional crises. The results are shown in

Figure 1.

The findings reveal that, compared to other sectors, Qataris have a strong preference for spending on healthcare and education. Qataris also prioritize, although to a far lesser degree, infrastructure, social security, and defense spending. Spending on international investment, culture, and regional crises were not prioritized. Indeed, whereas Qataris were almost 20% more likely to choose a set of sectors when it included either healthcare or education, they were more than 20% less likely to choose a set when it contained involvement in regional crises. They were also 11% less likely to choose a set that contained either culture or international investment.

Overall, then, the findings reveal a clear priority for core domestic public spending, which is perhaps unsurprising and accords with prioritizations observed in other contexts.⁶ Healthcare and education are essential services, needed by all citizens and provided by the state. In the absence of

FIGURE 1
Public Spending Priorities among Qatari Citizens



Priority given to core domestic public spending in healthcare and education

state provision, citizens would be compelled to seek these services privately, squeezing citizens' disposable income. This is in contrast to non-essential sectors such as culture, the non-provision of which would have little effect on citizens' wallets.

Notably, these findings also accord with the results of a separate SESRI survey experiment.⁷ Aimed at understanding public opinion towards subsidy cuts, in February 2016 Qataris were asked to identify sets of subsidies they would prioritize keeping in the event of reduced state spending. The findings from that experiment also showed that Qataris prioritized healthcare and education subsidies versus other types of benefits. Qataris were 13.5% more likely to choose a set that contained free education and 9% more likely to choose a set that contained free health coverage. This suggests that Qataris do not only find access to healthcare and education important, but equally important is the state's provision of these services.

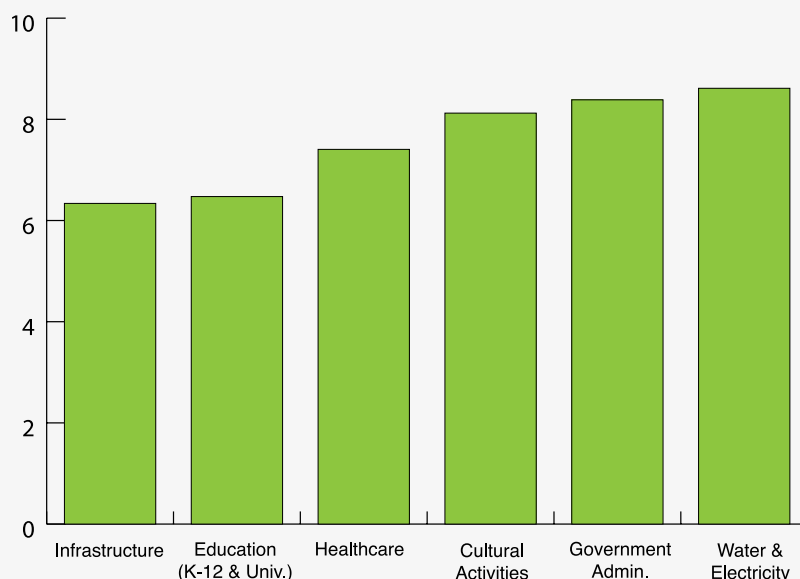
Prioritization and Satisfaction

The order in which Qataris prioritize public

sector spending may also relate to how satisfied Qataris are with different public sectors. In 2015, SESRI conducted a study to gauge satisfaction with public services in Qatar.⁸ Qataris were asked to rate on a scale of 0 to 10 their overall satisfaction with seven public services. Figure 2 illustrates the findings. Notably, those public services with which Qataris are least satisfied—infrastructure, healthcare, and education—are also those that citizens give the highest budgetary priority.

Indeed, a recent study shows that while Qataris are entitled to free education in the form of public schooling or education vouchers for international schooling, many citizens still pay out of pocket for education. Qataris in both independent and international school systems rate higher in private tutor usage than do non-Qataris.⁹ Similarly, many Qataris also pay for private healthcare coverage. In April 2014, Qatar introduced SEHA – a national health insurance scheme that provided comprehensive health insurance coverage to all Qataris. By December 2015, the scheme was cancelled amid concerns

FIGURE 2
Satisfaction with Public Services among Qatari Citizens



Least satisfactory public services given highest budgetary priority by Qataris

that the system was being abused.¹⁰ The cancellation of SEHA left a void in Qatar's healthcare provision, forcing Qataris in need of specialized treatment to pay out of pocket either for private health insurance or to receive treatment from a private healthcare provider.

Qataris seek to compensate for the shortfall in the quality of service they receive by seeking private provision. Consequently, citizens pay out of pocket for services that could be provided by the state. In allocating budgetary priority to education and healthcare therefore, Qataris express a desire for improvement in the quality of service provision in these sectors.

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Policy Implications

Together with previous survey findings, SESRI's study of fiscal priorities among Qataris demonstrates the importance to citizens of healthcare and education, and to a lesser extent other sectors such as social security and infrastructure. Not only do citizens desire to see these sectors prioritized fiscally, but they also want the state to provide these services free of charge. Healthcare and education are essential and universally-utilized services that, absent state provision, leave hefty bills for citizens as they seek these services privately. The state's prioritization of healthcare and education in its 2017 budget is therefore in line with citizens' preferences. Yet, prioritization need not necessarily imply increased spending. The findings here suggest that a key driver of Qataris' prioritization of health, education and other sectors is dissatisfaction with the quality of service. In other words, fiscal prioritization may be in large part a proxy for perceived quality, and an increase in perceived quality of a given service may obviate the need for increases in actual spending. In a time of fiscal tightening, the state can address citizens' concerns through a focus on efficient and professional service provision, rather than additional monetary investment.

Improvement in the quality of service more important than increased sectoral spending