

Subsidy Reduction and Trends among Lower Income Qatari Households

Issue summary and policy recommendations

The reduction of economic subsidies (e.g., on vehicle fuel and electricity) can bring important financial and environmental benefits to Qatar, but such changes also have the potential to impact negatively the poorest Qatari families. Here we examine the issue of relative poverty among Qatari nationals with a view toward understanding how subsidy cuts can be implemented without harming the most financially vulnerable citizens.

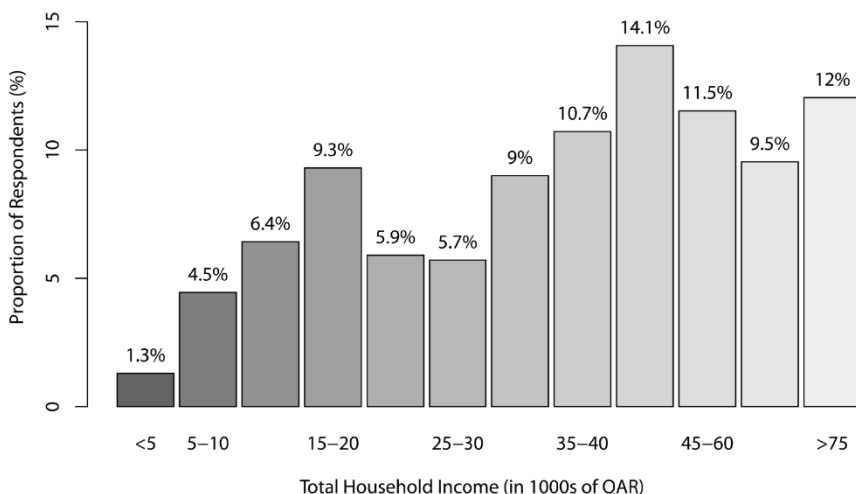
12% of Qatari households have incomes of less than QR15,000 per month, with 6% earning below QR10,000 per month.

Recent studies assessing the extent of relative poverty among Qatari households give figures ranging from around 10% to 20% of nationals, depending on the specific methodology used.

Nationals living in relative poverty are disproportionately disabled persons, pensioners, former drug addicts, former prisoners, and also widows and their children. They generally live outside of Doha. These families employ various strategies to hide their unfavorable economic situation—for instance, by taking on debt to finance lifestyles they cannot afford, or by encouraging younger family members to work rather than continue their secondary education.

Here we define *relative poverty* as below half the median level of household income (that is, below the 25th percentile). By this definition, recent SESRI face-to-face surveys indicate that as many as 20% of Qatari households live in relative poverty. This includes around 6% of Qatari households that have revenues of below QR10,000 per month and 2% of households earning less than QR5,000 per month.

Figure 1. Distribution of monthly household income of Qatari families



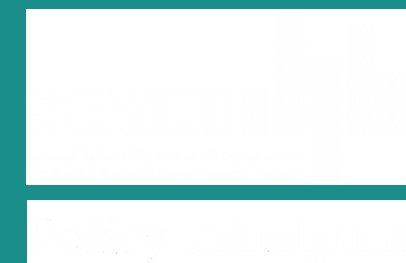
Source: SESRI GCC Identity survey, January 2016; N = 783

Summary of Findings

- 1 At least one in ten Qatari households lives in “relative poverty” as usually defined.
- 2 Poorer Qataris tend to move away from metropolitan Doha towards less expensive areas, raising commuting costs.
- 3 Transportation (including vehicle and fuel costs) already constitutes a key expenditure of lower income citizens.
- 4 The poorest Qataris tend to spend more than they earn, often by receiving bank loans.

Recommendations

- 1 Introduce a voucher for Qatari households to compensate for future hikes in vehicle fuel prices.
- 2 Reduce the need for commuting by expanding key social services outside of Doha.
- 3 Establish a task force on relative poverty.



Similarly, Qatar’s Ministry of Development Planning and Statistics defines relative poverty using a threshold of 50% of the median household’s “equivalised” income – that is, taking into account differences in household size and composition.¹ Using data collected in 2012-13, the Ministry’s most recent household expenditures report reveals that the poorest Qatari households spend markedly more than they earn, highlighting the link between limited income and indebtedness. This finding is reproduced in Table 2.1.

Table 2.1 Lowest income households spent more than they earned, 2012/3

Equivalised income (QR) of lowest decile	Household means			Saving rate (%)	Frequency (%)
	Income (QR)	Expenditure (QR)	Saving (QR)		
Less than 80,000	328,473	400,142	-71,669	-21.8	9.1
80,000–100,000	416,679	520,104	-103,424	-24.8	13.6
100,000–120,000	409,505	435,933	-26,427	-6.5	21.8
120,000–140,000	534,528	521,961	12,567	2.4	31.6
140,000–153,095	527,697	497,859	29,838	5.7	24.0
All poor households	470,912	486,124	-15,212	-3.2	100.0 (4,045)

Source: Qatar Ministry of Development Planning and Statistics 2015 (cf. note 1)

Poor Qatari Households, Subsidies & Transportation

2nd greatest source of income

For the poorest decile of Qatari households, transfers from government are the 2nd most significant source of income, after employment. Any reduction of the welfare state or subsidies holds the potential to negatively affect the poorest Qatari households.

13% of average budget goes to transport

Transportation costs are about 13% of the Consumer Price Index basket in Qatar. This rate is higher among poorer families.

44.5% of the poorest families overspend

Almost half of the poorest Qatari households spend more than they earn, often enabled by taking on debt. Any increase in fuel costs is likely to increase their indebtedness.

+30% in vehicle fuel prices

The January 2016 increase in fuel prices is expected to have generated a nearly universal increase in transportation costs, including among poor Qatari households or households close to relative poverty levels. Any future increase should be offset by a scheme to avoid negative social impacts on the most vulnerable.

15% of Qatari children live in relative poverty.

The Ministry’s report also indicated that the incidence of children living in relative poverty increased from 13% in 2006/7 to more than 15% in 2012/3.

Finally, the Ministry also highlighted the “significant divide in social prosperity between Qatar’s most urbanised zones and the non-urbanised ones.” Qualitative interviews conducted by SESRI reveal a clear trend of the poorest Qataris and non-Qataris leaving metropolitan Doha for less expensive areas with lower housing costs.

For Qataris with limited revenues who live outside of Doha, the budget share of transportation is even higher, as they must commute to Doha for work or to access various public services.

Policy Recommendations

Several policy options could allow desired reductions in economically burdensome subsidies without harming the most vulnerable Qatari households.

Compensation system before fuel price increases

Introduce a voucher system for relatively poor Qatari households to compensate for any future increases in vehicle fuel prices or other subsidy reduction schemes. Vouchers could take the form of direct cash transfers or, more preferably, through a system of payment cards usable in limited areas such as petrol stations. These cards could be distributed to any registered Qatari driver or, again more preferably, citizens falling into specific socioeconomic categories.

Decrease the need for daily commuting to Doha

Expand key social services in secondary urban centers such as Al-Wakrah, Al-Khor, and Al-Shamal to help reduce the need for regular commuting to

Doha. Such services might include additional special needs centers and university branch campuses offering local tertiary education opportunities. These services are currently only available in metropolitan Doha.

Establish a task force on relative poverty

Establish a cross-organization task force or committee on relative poverty among Qatari citizens. Such a body should be charged with sharing and reviewing the latest research findings on relative poverty and proposing solutions in line with QNV 2030. The task force could include representatives from relevant ministries along with those from schools, charities, independent research centers, and the private sector.

¹ Ministry of Development Planning and Statistics (2015) *Realising Qatar National Vision 2030: The Right to Development*, Qatar’s Fourth National Human Development Report, Doha, Qatar.