

## Unlocking Private Sector Potential: Policy Priorities for Reducing Operational Costs and Improving Access to Market in Qatar

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Despite Qatar's ongoing efforts to diversify its economy beyond hydrocarbons, the contributions of non-hydrocarbon sectors to national income remain limited. The private sector, which is recognized as a key driver of economic diversification, job creation, and innovation, has yet to reach its full potential. It continues to face structural and systemic challenges that hinder its growth and limit its role in achieving a sustainable and diversified economy. This policy brief is based on the results of a 2025 survey conducted with 386 private Qatari firms. The aim is to identify and analyze the main barriers affecting private sector development in Qatar, with particular emphasis on high operational costs and limited market access. To address these issues, the brief outlines a set of policy options aimed at reducing the costs of doing business, enhancing access to domestic and foreign markets, and promoting greater efficiency and innovation. Strengthening the private sector is essential for realizing the goals of Qatar National Vision 2030 and building a robust, post-hydrocarbon economy.

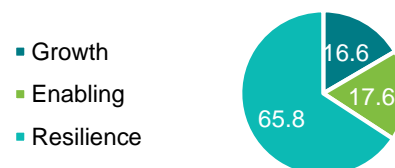
Qatar's long-term prosperity hinges on reducing its reliance on hydrocarbon revenues and building a competitive, innovation-driven economy, an ambition embedded in Qatar National Vision 2030<sup>1</sup>. Central to this agenda is a dynamic private sector capable of creating jobs, exporting high-value goods and services, and catalysing productivity. However, previous research has shown that Qatari firms continue to grapple with issues that suppress growth and investment in the private sector<sup>2</sup>.

To better understand the scale and nature of these obstacles, we conducted a firm-level survey covering 386 private firms in early 2025. Each questionnaire was completed by a senior manager or business owner. Respondents were selected using a single-stage stratified random sampling design, with sector serving as the primary stratification variable to ensure adequate representation across all industries. In our analysis, the private sector firms in our study were categorized into three clusters: Growth, Enabling, and Resilience (see Figure 1 for their distribution). The Growth cluster comprises firms from the manufacturing, logistics, and tourism sectors.

The Enabling cluster includes firms in IT and digital services, financial services, and education. The Resilience cluster, which accounts for approximately two-thirds of the sample, is the largest group and includes firms from the food, agriculture and health services sectors.

The survey captured managers' perceptions of core business challenges and their relative severity. These findings form the basis of the following analysis, allowing us to identify the areas where policy interventions can most effectively lower operational costs and expand market access. In the next sections, we briefly discuss and analyse these challenges.

**Figure 1. Distribution of Firms by Diversification Cluster**



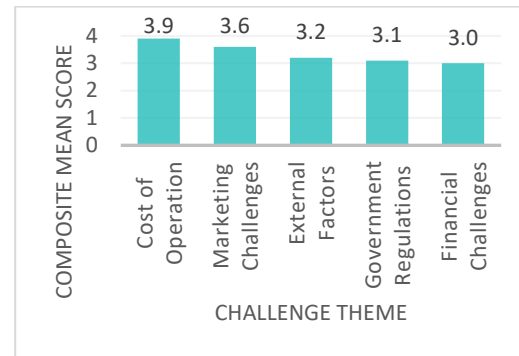
## Key Private Sector Business Challenges

Studies on Qatar’s private sector and economic diversification highlight several persistent constraints. The nation’s small, high-income domestic market limits the demand for diverse goods and services, dampening incentives for risk-taking and innovation and slowing the emergence of export-oriented growth sectors<sup>2</sup>

Labour-market distortions due to notably generous public-sector salaries discourage nationals from working in the private sector, forcing firms either to hire costlier Qatari workers or rely on expatriates, which increases payroll costs and contributes to skills gaps<sup>3</sup>. At the firm level, entrepreneurs cite limited access to finance and support programs, weak operational capabilities, and a lack of market information as additional barriers to competitiveness<sup>4</sup>.

Against this backdrop, the survey identified five major themes for business challenges faced by private sector firms in Qatar (See Figure 2). Respondents were asked to assess the severity of these challenges using a five-point Likert scale, ranging from “strongly disagree” (1) to “strongly agree” (5). Cost of Operation emerges as the most severe challenge, with a mean score of 3.9 on a range of low ( $\leq 3$ ), medium ( $>3$  and  $\leq 4$ ), and high ( $>4$ ), driven by high expenses related to labor, rent, raw materials, and production. Marketing Challenges followed closely with a mean score of 3.6, reflecting significant difficulties linked to the small domestic market, seasonal shifts in consumer behavior, and high advertising cost. In contrast, External Factors, Government Regulations, and Financial Challenges were perceived as moderate to lower-level concerns. Given the greater severity of operational and marketing challenges, these two areas are examined in further detail in the following sections.

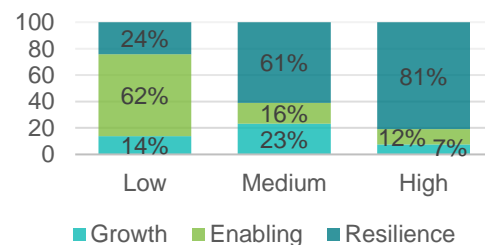
**Figure 2. Perceived Severity of Key Business Challenges in Qatar**



## Operational Costs as a Barrier to Private Sector Growth

Figure 3 shows how cost challenges vary across the three private sector clusters in Qatar. Among firms reporting low cost challenges, the Enabling cluster accounts for the majority at 62%, while the Growth and Resilience clusters make up 14% and 24%, respectively. On the other hand, among firms experiencing high cost challenges, the Resilience cluster represents the largest share at 81%. This suggests that these Resilience firms are more significantly affected by severe operational costs, whereas Enabling firms tend to experience comparatively lower burdens. This pattern demonstrates the need for targeted cost-reduction policies, especially in Resilience sectors, to enhance their competitiveness and sustainability within Qatar’s diversification strategy.

**Figure 3. Distribution of Firms by Cluster and Cost Challenges Level**



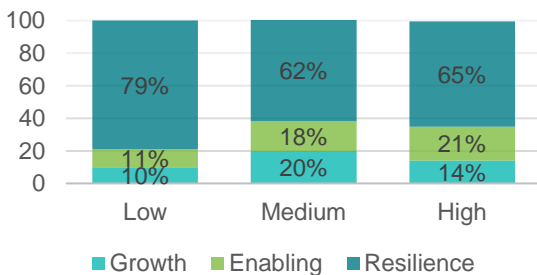
The composite scores were categorized into three levels: Low ( $\leq 3$ ), Medium ( $>3$  and  $\leq 4$ ), and High ( $>4$ ). This figure shows whether costs vary across diversification clusters.

## Market Access Limitations and Diversification Potential

With only three million inhabitants, Qatar's domestic market is narrow; thus, there is limited demand for a broad range of goods and services. Market entry is further constrained by large family conglomerates that control key distribution licenses, raising the cost of advertising and shelf space for new entrants<sup>2</sup>. Entrepreneurs in an SME survey have ranked competition from big players, limited brand visibility, and weak knowledge of regional export channels as the primary barriers to growth<sup>4</sup>.

Figure 4 presents the distribution of firms by their reported severity of marketing challenges. Among the firms reporting low marketing challenges, 79% belong to the Resilience cluster, compared to only 10% and 11% for the Growth and Enabling clusters, respectively. Similarly, medium and high marketing challenges are also predominantly reported by Resilience firms, emphasizing the need for tailored market access support for firms in that cluster, including sectors such as food, agriculture, and health services.

**Figure 4. Distribution of Firms by Cluster and Marketing Challenges Level**



The composite scores were categorized into three levels: Low ( $\leq 3$ ), Medium ( $>3$  and  $\leq 4$ ), and High ( $>4$ ). This figure shows whether marketing challenges vary across diversification clusters.

Overall, in alignment with Qatar's broader economic diversification goals, the findings highlight two core priorities for policymakers: reducing operational costs and improving firms' ability to access and compete in markets.

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## Policy Recommendations

To overcome the dual barriers of operational cost and limited market access, a comprehensive policy framework emphasizing regulatory reforms, capacity-building, infrastructure investment, and strategic trade facilitation should be implemented. The following policy measures are recommended:

### Reduce Operational Costs to Enhance Private Sector Contribution to the Economy

To boost private sector participation, operational costs can be reduced through the following measures:

1. Regulatory Streamlining: Simplify licensing and registration, and provide centralized digital government services.
2. Labor Market Efficiency: Reform hiring policies and invest in vocational training through public-private partnerships.
3. Local Supply Chain Integration: Encourage local sourcing by public entities and promote industrial clusters to reduce import dependence.
4. Infrastructure and Technology Support: Improve access to logistics and digital infrastructure, and support technology adoption with financial assistance.

### Improve Market Access to Enhance the Private Sector's Role in Economic Diversification

To strengthen private sector contribution to economic diversification, market access can be improved through the following measures:

1. Export Support and Promotion: Empower export agencies for better market intelligence and promote SME's participation in global trade events.
2. Regional and Global Market Integration: Engage in trade agreements and encourage private sector involvement in cross-border investments.
3. Public Procurement Access: Favor local businesses in government procurement while ensuring transparency and fair competition.
4. Digital Market Access: Improve e-commerce infrastructure and train SMEs to leverage digital platforms for wider market reach.
5. Cluster Development: Encourage industrial clusters or sectoral hubs to stimulate collaboration, reduce input costs, and improve knowledge sharing.

#### Acknowledgment

This brief is part of the QRDI project titled "The Role of the Private Sector in Qatar's Economic Diversification: Challenges and Policy Options" (Project Code: ESC01-0512-240018), led by Principal Investigator Dr. Ebaidalla Mahjoub Ebaidalla, Ibn Khaldun Center. The data used in this study are available on request from the corresponding author due to institutional policy that prohibits public release without prior approval.