

How effective Kurdistan regional government size in terms of economic growth compared to Qatar

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Abstract

This paper is an academic research project which has been conducted to understand then analyze the government size of KRG through its economic growth and performance then compare to Qatari government. The research tries to provide an overview on Kurdistan economy and administration systems and compare to Qatar government. The pillars of the government size have been investigated. Starting from the economic growth which includes GDP then employment as an indicator of the size of any government, both has been analyzed. Second, the privatization process which is a way to minimize the government size, it includes foreign direct investment and privatization. Finally, the findings and discussions have been presented with some concrete recommendations.

List of abbreviation:

KRG Kurdistan Regional Government
FDI Foreign direct investment
SME Small to medium enterprise
GDP Growth Domestic products

MENA Middle East and North Africa

GCC Gulf Cooperation Council

Key words: (Government size, Privatization, economic growth, Nominal GDP, Investment)

Introduction

Constitutionally speaking, Kurdistan regional government (KRG) is a federal region within Iraq. As the result of being part of a country, Kurdish government has followed the Iraqi system to govern itself. The government tries to control and run almost all sectors; on the other hand it claims to have an effective private sector. That makes a confusion to understand the philosophy of Kurdish governance. Government claims to have a capitalism system in which allows the private sector and free market to play their role, while in practice all the services and goods are being delivered through government channels. As the Kurdish government has been achieved and formulated through a revolutionary process, a national formula is the strongest characteristic of the administration. People who are pro big size government argue that due to the fact that we have a national cause, we had to show the world that we can stand on our feet and present a good example of governance. They see a mismatch with having a liberal economy system and establishing a Kurdish state as Kurds are still struggling to survive as a nation. However, there are critics who oppose to link the national struggle with modern governance; they conclude the role of government in regulating the market and private sector. The main functions and roles of governments, according to Stiglitz (1996), are investing in education, technology and infrastructure, as well as supporting the financial sector, environment and the social safety net. Kurdistan can easily be defined as a rentierregion which gets most of its revenue from oil. Now as it is 2016, Kurdistan has faced a tough financial crisis due to the fact that oil price has dramatically declined. One of the functions of government is to build a strong infrastructure which consists various economic sectors but KRG had not worked on it therefore the government is facing a big problem to allocate monthly salaries. Kurdistan population is around 4.5 million people and according to the KRG officials there are 1.4 million employees who receive money from government. After the previous Iraqi regime's collapse in 2003 KRG had been receiving 17% of Iraqi revenue since 2014 but since then the budget has been cut from Baghdad and Kurdistan has depend on its oil export to accumulate money. Now, as the budget deficit is inevitable all the investment projects are stopped, although almost half of the operational budget has been minimized to their lowest level but still the government cannot finance the monthly payments. While KRG is dreadfully indebted to companies, contractors and employees it has started a process of reform to stand up again in confronting the crisis. All these together have made a situation of uncertainty. Government has cut big percentages of the employees' salaries as the result employees have been boycotting their work from time to time. They are totally uncertain as the government does not pay them, and on the other hand there is not effective

private sector to be employed in. The employees' disappointment leads to poor performance as there is not enough motivation to encourage for what they are doing. There an ongoing debate among the governmental officials and academicians on how to pass this crisis. Government officials still try to keep all the sectors in their hands, while they claim to have free market and competition; ironically they are trying to unify the prices of goods and services. In the contrary, academicians suggest to minimize the government size and encourage the private sector. They depend on Margaret Thatcher's slogan about shifting from public sector to privatization (small and fit government with big and strong private sector) she conducted administration reform in UK late 1970s. This transform from public sector to privatization needs a strong will and strategy because it will be a big shift in the whole process of governance. The role of government will be regulating and monitoring the process. In this research project two indicators will be examined to determine the success and failure of KRG. The first will be government performance towards the customers that is to analyze the customer satisfaction and employees' commitment. The second one will be economic growth; this indicator evaluates the budget, how it is being accumulated and distributed among the sectors.

Research questions:

- **How satisfied the customers with the KRG performance?**
- **Is KRG economic growth stable and sustainable?**
- **What socio-political factors have an impact in formulating KRG size?**
- **How can government minimize its size?**
- **Was KRG size a factor to face financial crisis?**

Hypothesis:

KRG size is bigger than normal administration standards, as the result it always causes societal, economical, financial and individual problems. The more government gets bigger the more citizen gets smaller.

Theoretical background:

Government size: the government size which we mean the functions, activities and involvements that any government carries out is structured based on the political philosophy of the state. The size of government and economic growth is undeniably related, the bigger the government is, and the slower the economic growth will be. According to the economist "KINSEY", the active presence of governments is occasionally necessary in economic recession conditions and their involvement might cause disturbances for economic growth in other situations and shall be to a large extent limited. Economists have divided into two different groups; some believe that government size has a positive relationship with the economic growth while the second group claims the negative result. In Ram's research (2008), data of 115 countries for the period 1960-1980 indicate that impact of growth rate of aggregate government expenditures on actual GDP growth rate is significantly positive. The government size means its involvement in the social, economical and political life, the intervention cannot be prevented at all but the level can be discussed as the level of impact depends on the intervention mechanism. Government interventions are mostly through public expenditures and that had been supported by the Keynesian theory. In traditional Keynesian

macroeconomics, different kinds of public expenditures can contribute positively to economic growth. High levels of government consumption are likely to increase employment, profitability and investment via multiplier effects on aggregate demand.(AHMAD, N., & AHMED, F. 2005). In addition, government role which manifests itself in public sector can drive and enhance private sector as well because it directly affects the economic growth. Taylor (1988) concluded that when public capital formation and private capital formation are truly complementary, government projects might stimulate entrepreneurs and enhance private investment and hence economic growth. But the crucial question for this paper is that: does government intervention still play that effective role? That will be answered in the empirical and theoretical sections. On the other hand, there is a contending view about government size, and it claims for a smaller role of government. Nowadays, the two main pillars of modern management are effectiveness and efficiency. Critics argue that government are not enough efficient to meet the today's' administration systems. The main reason is that many government operations are inefficient and not in line of the true public interests (Shleifer and Vishny, 1998). The experiences of socialist and communist governments have proved to us that the bigger government intervention they have the less citizen are played. That maybe due to the fact that those governments perform every activity and controls all actions, it is clear that having too many rules and laws affect liberty, individuality, goodness, human character. People cannot manage their lives without government intervention anyways. "Economic theory argues for a role for government in this process. Governments are needed to provide essential public goods; for example, defense and security, education, and health care require some government involvement when markets do not provide them at desired levels." (Dardia et al., 2011). There is no absolute judgment to determine which theory is more correct, it can be said that both theories are correct in their right framework. It depends on the political and economical systems for any theory to be implemented. However, there a reconciling theory which suggest to have a mixed non-linear relationship between government interfere and privatization. This strategy is more helpful for the countries which try to transfer form public sector oriented to be more privatized and liberal market.

Kurdistan vs. Qatar:

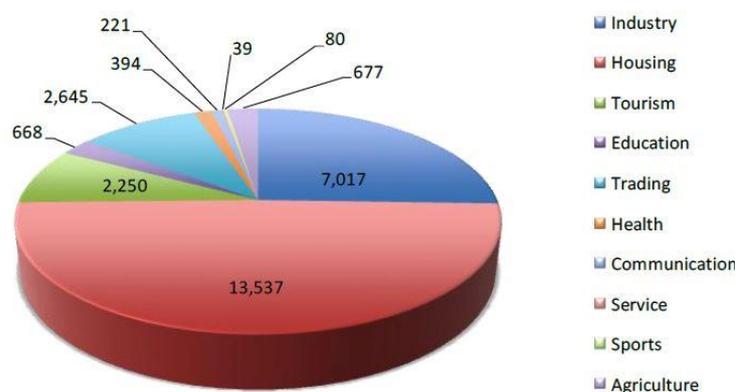
Both Qatar and Kurdistan are common in one point which is having oil, otherwise their administration, economy, politics and cultures are completely different. Here some facts and circumstances of both countries will be presented and then in the upcoming parts the governance styles will be examined, the main aim in this literature review is to understand the economy sectors in each country and how each on developed those sectors so as not to be the one-based source economy.

Starting from the geographic location and its being appendix to Iraq, Kurdistan has gone through many political and economic changes. After the 1991 uprising, it has gotten an autonomous political de-facto. it is constitutionally has been recognized as a federal region but sometimes Kurdistan acts even more like a Confederal. MatanC(2007) has satirically described Kurdistan as a Semi state. The political economy of Kurdistan is a remained legacy from Iraqi communism system, unlike Iraq Most of the other communist countries took the features of market economy and encouraged private sector as their bridge to reach an economic stage which is called *marketization*. Kurdistan, as a way to prove its special sphere has been taking some steps towards capitalism, but still, there are debates about shooting the target effectively, because of some subjective and objective matters. It has to be acknowledged at the very beginning that: Kurdistan still is a region, we cannot treat it as an independent state and therefore, the demands should be rational for implementation. The economic movements cannot be analyzed without a scientific linkage with politics and social

atmosphere as both countries do not have a strong democratic political system. Kurdistan has been facing external threats and internal conflicts therefore, making changes are not easily doable as in other countries. The region as a part of Iraq went through many international sanctions that were arranged against Iraq in 1990s. GDP growth in Iraq and Kurdistan as well has shown a strong record over the last decade, and that was due to the significant increase in the oil price. Lababedi A & Choufany H, have conducted a very inclusive research in 2013 about the economic growth in Kurdistan under the title "here come Kurdistan" the research has focused on the economic boom that happened in Kurdistan region, and how Kurdistan oil transferred Kurdistan form a region which was under economic sanctions by Saddam's regime to place which may be a leading oil exporter. According to the research there are more than 50 companies from 23 countries are investing over US\$10 billion into the Kurdistan region in order to discover and extract valuable oil and gas reserves, which currently stand at 45 billion barrels. This places Kurdistan in the top ten largest oil reserves in the world.

FDI is another element which has been cared about both in Qatar and KRG. It is an essential pillar of economic growth especially if a government wants an open economy and privatized economy. Navarettiand Venables (2004) has summarized the advantages of FDI in three main points: First, it brings additional capital, which countries with a less-developed financial system frequently lack. Second, FDI can bring better technologies, new management techniques and practices, and even completely new activities. Finally and closely related to the above two factors, FDI can increase private-sector employment. The amount of money which has been spent in the investment projects throughout Kurdistan exceeded US\$27 billion (Lababedi A & Choufany H 2013). But the main share of the budget is allocated to housing, industry, trade and tourism.

KURDISTAN LICENSED PROJECTS AS AT MAY 2013 (US\$ m)



The investment sector needs a strong banking system which does not exist in Kurdistan as it is required. Money is the only common acceptable item that can be used to exchange goods and services. It is a dynamo for economic movement that is why market economy is focusing on banking system to vitalize money. Obviously, Kurdistan as an underdeveloped region still has not been able to establish a reliable banking system to support its economic growth, and this has led to massive undermining in other sectors. "Banks are so important because they play the connecting role from what they pay the savers and charge the investors, this is so important in market economy model" (Miller C. 2008. P 26) unquestionably, foreign

investment needs international exchange currency that can be done by banking system, but this sector has not been developed as it was necessary. According to a report of the United States AID agency (2008), there are 44 banks operating in the region with 56 branches, totally they are 100 banks.

Private Banks in the Region	Islamic Banks in the Region	Foreign Banks in the Region
Ashur International Bank for Investment	Al-Baraka Bank	BankMed
Bank of Baghdad	Al Bilad Islamic Bank for Investment and Finance	BBAC
Bank of Sulaimanyia	Cihan Bank for Islamic Investment and Finance	Byblos Bank
Credit Bank of Iraq	Dijlah and Furat Bank for Development and Investment	Credit Libanias
Dar Es Salaam Investment Bank	International Development Bank for Investment and Islamic Finance	IBL Bank
Economy Bank for Investment and Finance	Kurdistan International Bank for Investment and Development	Blom Bank
Emerald Bank	Iraqi Islamic Bank for Investment and Development	Fransabank
Erbil Bank for Investment and Finance	State banks	Al-Baraka Bank
Gulf Commercial Bank	Rasheed Bank	Vakıfbank
Iraqi Middle East Investment Bank	Rafidain Bank	Ziraat Bank
Mansour Bank for Investment	Trade Bank of Iraq	Bank Asya
Warka Bank for Investment and Finance		Is Bank
United Bank for Investment		
Union Bank of Iraq		
Sumer Commercial Bank		
North Bank		
National Bank of Iraq		
Mosul Bank for Development and Investment		

Source: US.aid report 2008

After the invasion of Iraq in 2003, the oil money flowed to Iraq and Kurdistan as a region were receiving the 17% of Iraqi national revenue, but in 2014 Baghdad cut the region's budget share on the pretexts that Kurdistan sells its own oil without sharing the revenue to the central

government. That has made a financial crisis for Kurdistan as it cannot finance the employees' monthly salaries and the construction projects. In the coming chapters, the reasons will be discussed why KRG could not continue to finance itself while it had received billions of dollars since 2003.

Qatar is a small gulf state and classified with the MENA countries. According to the Indices & Data of Human Development Reports 2013, Qatar is a [high income economy](#) and is a developed country, backed by the world's third largest [natural gas reserves](#) and oil reserves. However, Qatar's economy was very poor till the middle of 20th century, but with the oil discovery the country's economy transformed and now there is a high standard of living in Qatar. Although, oil and gas are the backbone of Qatar economy which make the 85% of GDP but the country has been able to prevent Dutch disease. "Countries that are rich in resources may suffer from the Dutch Disease, an economic illness that involves factor movement, excess demand, and loss of positive externalities. The result of the disease is that the traded goods sector, which is exposed to foreign competition abroad or domestically, shrinks or disappears."(Lasern, ER 2006). There are other sectors which have been taken to consideration such as education, tourism and sport. The sectors are mixed, some privatized and parts of them are still state controlled. Regarding the economic growth, Qatar has always been experiencing budget surplus that is mainly due to the fact that its revenue is much bigger than the population and expenses.

This is a table of gross domestic product of Qatar at market prices estimated by the International Monetary Fund with figures in millions.

Year	Gross Domestic Product	US Dollar Exchange	Inflation Index (2000=100)	Per Capita Income (as % of USA)
1980	28,631	3.65 Qatari Riyals	53	266.18
1985	22,829	3.63 Qatari Riyals	64	104.82
1990	26,792	3.64 Qatari Riyals	77	67.85
1995	29,622	3.63 Qatari Riyals	85	55.75
2000	64,646	3.63 Qatari Riyals	100	86.03
2005	137,784	3.64 Qatari Riyals	115	127.05

Source: World Bank available at:<http://www.imf.org/external/pubs/ft/weo/2006/01/data/dbcseim.cfm?G=2001>

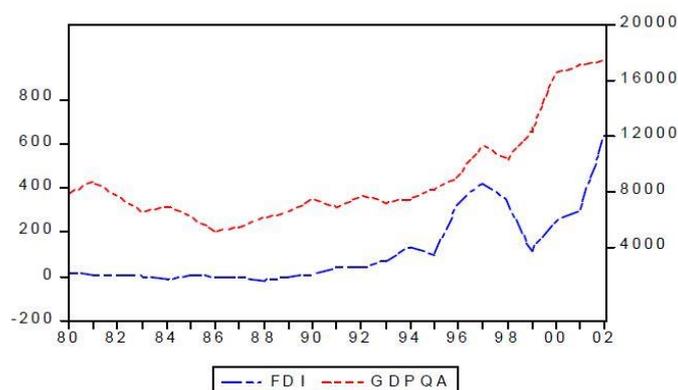
Fernandez R, & Ali SH (2015) Have prioritized SME as a vital pillar of Qatar's economic growth and sustainability. They have conducted a research to identify the major challenges to the segment of SME and how to promote through Small to Medium enterprise. They argue that Economic diversification and sustainable growth has a direct relationship with the SME segment of an economy. They are not alone in the confirmation. Recent research conducted by Varghese (2011) on SME's in the GCC suggested that economic sustainability, diversification and growth primarily depend on the SME segment. On the other hand there are other researchers who support their claims. Nasr and Rostom's (2013) conducted research that showed that SMEs could potentially make significant contribution to GCC economies by creating dynamic employment opportunities and promoting competitiveness, which contributes to the sustainable growth of the economy. But some problems and challenges have been identified in Qatar SME 'such as infrastructure bottlenecks, lack of development of supporting industries and an absence of relevant institutions and policies'. These are not the only obstacle in front of the growth of SME segment. a major barrier to economic expansion is a lack of human resource development and skills shortfalls (Yamazawa, 1994 cited Pollard & Simberova, 2009).

One of the issues of SME segment which has been articulated by Fernandez R, & Ali SH (2015) is the regularity system in Qatar. This argument has been proved by other researches as well. For example, Varghese (2011) argued that regulatory or government support for the SME segment should empower or enable entrepreneurs rather than provide subsidies or free business support. .This would ensure sustainability and competitiveness and growth. It seems that Qatari government wants to attract the investors though free tax-based businesses.

The government of Qatar has tried to attract the international companies and business in the purpose of Foreign Direct Investment (FDI). A journal paper has been conducted by Manhal SH in 2005 about the attractiveness of Qatar to (FDI). The paper has covered the period of (1980-2002). The researcher has identified four factor s that affect the increase of (FDI) which are market factors, trade barriers, and cost

Factors and investment climate in host countries. Qatar as a developing country has all these economic variables to support the direct investment. Barrell and Pain (1996) find that factor costs, both labor and capital, and market size to be important factors in the investment decision. In addition, political stability is an important factor for foreign direct investment. Studies primarily focusing on the flow of FDI to developing countries find political factors to be crucial (Boddewyn (1988). However, the empirical evidence produced by various studies is mixed due to the different measurements of political instability in these studies.

GDP and FDI of Qatar, 1980-2002 (million \$)



Source: Manhal SH. The Attractiveness of Qatar to foreign direct investment 1980 – 2002

According to the Qatar's Economic Outlook- Spring 2016, despite all the surpluses that Qatar budgeted has seen, the fiscal balance has been deteriorating. (From a surplus of 17.1 % of GDP in 2014 to an estimated surplus of 0.4 % of GDP in 2015) due to falling oil and gas prices and revenues. The current account balance has shrunk from a large surplus (23.6 % of GDP in 2014) to an estimated deficit of 0.8% of GDP in 2015.

Key Economic Indicators for present and future.

Indicators	2014	2015	2016	2017
Real GDP Growth (%)	4.0	3.7	3.3	3.5
Inflation rate (%)	3.3	1.7	2.1	2.8
Fiscal Balance (%)	17.1	0.4	-5.0	-1.9
Current account balance (%)	23.6	-0.8	-0.9	-3.5
Consumer price index	3.3	1.7	3.0	3.2
Nominal GDP	96,732	91754	92961	1086,945

Historical data from selected national and international data sources. All forecasts provided by IHS Global Insight. Table updated on the 15th of each month from monthly forecast Source: update bank (GIIF). Written analysis may include references to data made available after the release of the GIIF bank.

Methodology: a mixed research method consisting of qualitative and quantitative has been used to conduct this study. It is mixed as a wide literature has been used to explain the theoretical tools of a better management of the sectors. The purpose of this study is to explore the effectiveness of government size on economic growth and privatization of Iraqi Kurdistan. It is rather a comparative study between Kurdistan and Qatar, as both governments are committed to deal with oil as a natural resource which supports their revenues.

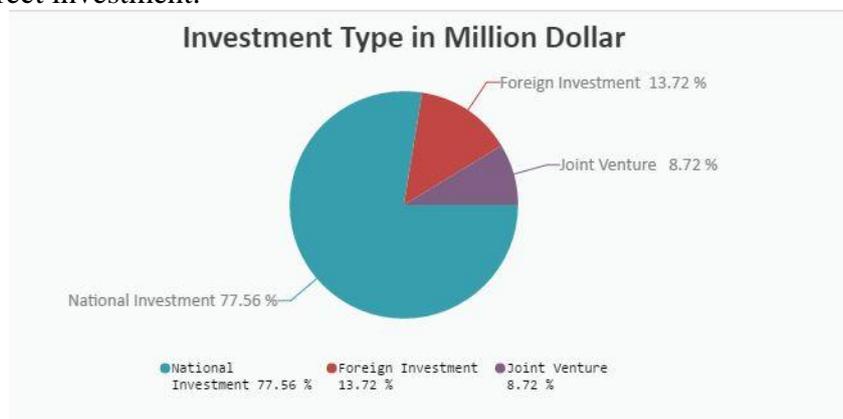
A purposeful sampling will be used to conduct a survey within the Kurdistan governmental employee about their interest to leave their job in public sector and work in private sector. 100 participants have answered the question from different ministries and directorates. The answers and results will be discussed in the final chapter.

Empirical study:

Economic growth: "Economic growth is an increase in the capacity of an economy to produce goods and services, compared from one period of time to another. "This feature of economy can be described as an increase in the ability of the economic system to be sustainable. Many features can be looked at when someone wants to understand a countries

economic growth but the two main ones are GDP and inflation rate. Despite the natural resources and management systems, one of the factors that affect economic growth is the amount of population in any country. "The rapid population growth is an objective reflection of economic growth otherwise we cannot afford to raise child birth with limited resources and poor living standard to contemporary economic growth" (Coulter J.R 2003). The two countries that are being examined in this paper are both small in population and at the same time both have too much oil which is a revenue generator.

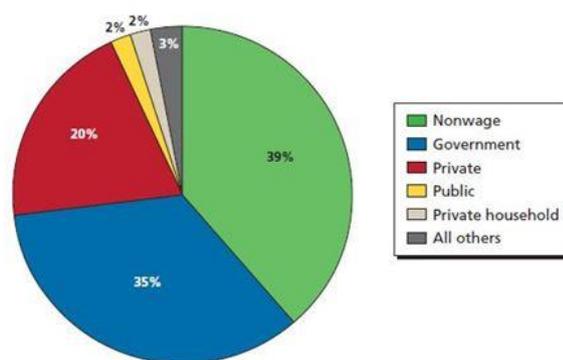
Foreign direct investment: This is an essential element to increase the private sector and minimize the government size. The Kurdistan regional government has tried to expand its economic sectors and for that purpose it launched a strategy they named "the other Iraq strategy" that was to attract the investors to Kurdistan. First step was to issue an investment law. In 2006 the Kurdistan investment board issued the investment law which provides the same opportunity for the foreigners as it is guaranteed for the locals. Article (3) in the law says:"Foreign Investors and Foreign Capitals shall be treated the same way as national Investors and national Capitals"(Board of Investment). A foreign Investor shall be entitled to own all the capital of any project that he sets up in the Region under this Law. **and it was the leading step towards investment strategy. That is not the case for oil lands, the ownership of any land which may contains oil is referred to KRG. Article 19 in the investment law says: "An Investor shall not be allowed to own plots of land that contain oil, gas, or any expensive or heavy mineral resources."** This is something that differentiates the oil sector from others. Another difference is, the contracts should be signed by the ministry of National resources not by the investment board. As the Iraqi situation was critical and risky foreign companies were not ready to come to Iraq, KRG started a campaign to attract foreign companies. Since then and according to the Board of Investment, 749 projects have been licensed and a big part of them are foreign direct investment.



Source: Board of Investment/Kurdistan

Employment: Kurdistan regional government has a big number of governmental employees, according to Mr.Qubad Talabni who is the deputy prime minister of Kurdistan "KRG has 1.4 million employees and this number is out of 4.5 million from Kurdistan's population".

Distribution of Jobs in the KRI, by Sector



SOURCE: Data from IHSES

Employment in the KRG, 2009

Division	Percentage
Ministry of Education	24.0
Ministry of Peshmerga	19.9
Ministry of Interior	15.4
Ministry of Health	6.2
Ministry of Finance and the Economy	6.1
Ministry of Municipalities and Tourism	5.3
Ministry of Higher Education and Scientific Research	3.1
Regional Security (Erbil)	2.9
Regional Security (Sulaimaniyah)	2.8
Ministry of Electricity	2.5
Ministry of Agriculture and Water Resources	2.3
Ministry of Endowment and Religious Affairs	2.3
Ministry of Construction and Housing	1.1
Ministry of Industry and Trade	1.0
Ministry of Culture and Youth	1.0
Ministry of Transportation and Communications	1.0
Ministry of Labor and Social Affairs	0.8
Council of Ministers	0.4
Ministry of Justice	0.4
Ministry of Natural Resources	0.4
Municipal, Provincial, and Local Councils	0.4
Ministry of Planning	0.2
Ministry of Martyrs and Anfal	0.2
Presidency of the Region	0.1
Ministry of Human Rights	0.1
All others	0.2

SOURCE: Ministry of Planning.

NOTE: Percentages do not total to 100 because of rounding.

Qatar as an oil rich country as well has restored to have a big public sector, using the large oil revenue to offer such relaxing employment which is high salary and few working hours comparing to industrialized countries.

Privatization: in order to minimize the government size you have to outsource or privatize. The employment of Kurdistan is mostly public sector. A quick look to the services in KRG can prove you that all the sectors have been running by government. Starting from a cleaner in the streets to hospitals, schools, municipalities, security agencies and all other entities are governmental organizations and as a result the government size is more than usual. The

government cabinet of KRG consists of 21 ministries. In contrast Qatar government consists of 11 ministries. That is despite of each country has many boards and directories.

Kurdistan Ministries	Qatar Ministries
<u>Ministry Culture and Youth</u>	Ministry of foreign affairs
Ministry education	Ministry of investment and promotion
Ministry the interior	Ministry of energy and industry
Ministry Electricity	Ministry of environment
Ministry of health	Ministry of education and higher education
Ministry of justice	Ministry of culture art and heritage
Ministry of higher education	Ministry of labor and social affairs
<u>Ministry of Endowment & Religious Affairs</u>	Ministry of finance
Ministry natural resources	Ministry of Endowment & Islamic Affairs
Ministry of Finance and economics	Ministry of municipality and urban planning
Ministry of Peshmarga	Ministry of Interior
<u>Ministry of Agriculture and Water Resources</u>	
Ministry of Trade and Industry	
Ministry of Trade	
Ministry of transport and communications	
Minister of State - Parliamentary Affairs	
Minister of State - Environmental Affairs	
Ministry of labor and social affairs	
Ministry of Housing and Reconstruction	
Ministry of Martyrs and Anfal Affairs	
<u>Ministry of Municipalities and Tourism</u>	

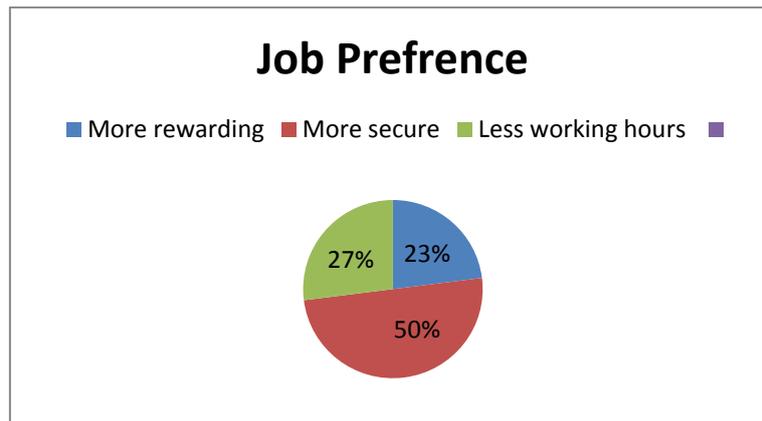
Sources: KRG website and Qatari ministry of interior

If KRG wants to privatize its services they have to minimize the size of the government and that can be done through transferring some employees to private sector. It seems that governmental employees do not want to leave their from public to private. However, government has an administrative law which allows the employees to take five years leave and work in private sector.

In a survey which has been conducted for this research about the governmental employees to be transferred to private sector. 100 participants who were equally divided into both genders were asked some questions regarding their preference to work in public sector and if there is a will to shift from public to private none of them convinced to leave and here are the results for each question.

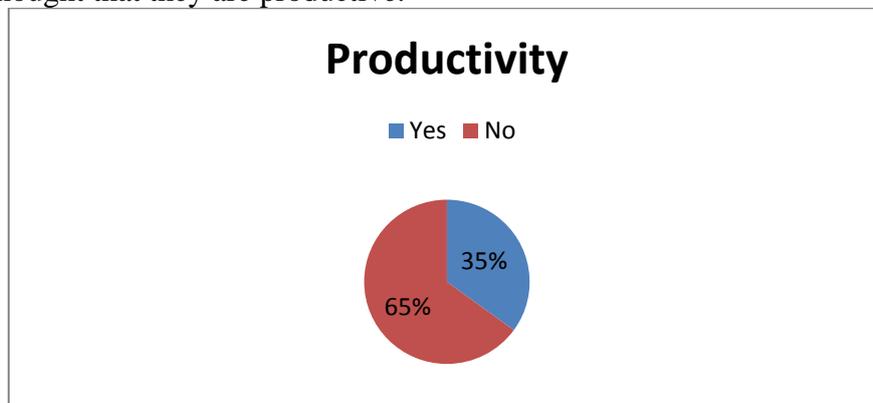
why you prefer public sector?

The employees were asked why they are so interested in public sector and they answered in a way as they have no other job option. The majority of them expressed their interest as the public sector is more secured. The second reason was the working hours which they are less than private. The third reason was the rewarding factor as in public sector employees are more rewarded with vacations, leaves and retirement rights.



Do you feel your productivity in your work?

There is always an ongoing debate among the Kurdistan economists regarding satisfactory employment. The employees were faced with a real question just to understand how they see their productivity. The majority of the employees believed that they are unproductive. Only 35 of them thought that they are productive.



Do you prefer to leave public sector to private sector?

Any government which wants to minimize its size has to take some steps and one of them is to privatize even some of its employees. When the employees asked about transferring their service to work in private sector almost all of them rejected to be transferred.



Discussion and findings

- Qatar GDP has incredibly been increasing form the 1980s till present. That is due to the increasing of oil and gas production, and constant rising of the prices. Qatar may sustain real GDP growth averaging 3.6% between 2016 and 2018,that is their prediction to the GDP and national revenues through the entire sectors but they may credit still goes to the oil share. That forecast may not be accurate as the oil prices are decreasing. On the other hand, since 2006 Kurdistan regional government had presented a remarkable economic growth especially if we take GDP as an indicator. As it was clarified for Qatar, oil was the main backbone for that development. That economic growth continued till 2014 but suddenly the flow of money from Baghdad stopped as the result KRG face a tough financial crisis. Both countries are still under the threat of Dutch disease especially Kurdistan as it was showed in the previous chapter that oil the first and last revenue source.
- Foreign direct investment in both countries has been developed. In Qatar the FDI was not that much developed till the late 1990s, after the growth in GDP the Qatari movement started attracting the foreign companies. Qatar has provided an essential pillar for FDI which is having modern private banks. In contrary, Kurdistan has a very poor banking system. In addition, both countries have difficulties with labor force. Today's market demands are very high in regard to the professionalism. Furthermore, there is an imbalance in the sectors which have been licensed by KRG for investment. For example, housing sector has received the biggest potion of the money and more than 13% is provided to that sector. As Kurdistan trying to stand on its own feet, it has to build a strong infrastructure through foreign direct investment.
- The government size of both countries is more than standards. That does affect the performance of any government, the bigger the size of the government the more people ask their rights. Now, that can be simply proved if we take Kurdistan as an example. KRG has almost covered all the service sectors; people are waiting government even to do the smallest

things. Government spends too much money in daily services which can be done by private sector more efficiently. The KRG and Qatari government has a crowded governmental cabinet. Each one has too many ministers, deputy ministers and general directors. That create routine in daily performances and it costs too much money for their salaries to satisfy all these high ranking officials.

- The number of governmental employees of KRG is more than standard that refers to two factors. First, KRG has been receiving a huge amount of money which allows the government to employ as many people as it wishes. Second, Kurdistan has a very small private sector; all services are being presented by public sector as a result people require a job from government and KRG has tried to satisfy people.
- The likelihood of misusing the land area allocation is a clear weakness in the Kurdistan investment law as criteria is not clarified to give an area of land. “There might be incentives for political reasons to destabilize the region’s economy or simply to take advantage of the offer without making serious efforts to undertake any development projects worth supporting” Heshmeti A. (2007). Actually, the law had to distribute the allocated land according to the sectors that is to prevent flourishing a sector and deteriorating others, just like what happened with construction sector. The second weakness that has rooted in the culture is the issue of intellectual property rights. The law is lack of any legal guarantee in that aspect therefore, investors feel the fear of copying and losing their patterns. Thirdly, the law has allowed the companies to bring their staff and workers outside the region. This is something bad that makes socio-economic troubles. It is true that Kurdistan does not have a sufficient skilled and professional labor, but it has massive ordinary employees that can work instead of foreign ones.
- If KRG wants to transfer employees from its organizations to private sector organizations, it will face many barriers and rejections. First, the governmental employees have been employed on the bases of a permanent contract that cannot be determined unless there is a very serious and ethical reason. Secondly, the governmental employees are very relaxed and satisfactory. In the survey the majority of them frankly answered that they are not productive. Third, the public sector is more rewarding than the private sector in terms of working hours, leaves and retirement. Finally, private sector is not stable in Kurdistan, people are afraid as they do not know when will there contract be terminated. All these together shows that private sector in Kurdistan is not as secure as it should be. The sector is not enough mature that someone can depend on to sacrifice his governmental job. If government really intends to minimize the government size, it has to take a good care to private sector not just by issuing new laws but rather to control and enforce the laws.

Kurdistan has a modern investment law that has attracted investors, but the law enforcement is not satisfied and that is according to the local investors who feel injustice in the investment. Kurdish parliament has issued several good laws especially for supporting SMSs but unfortunately there effects are not necessarily seen as the implementation is slow. The investment is mainly few sector-focused such as construction and tourism. The essentials for foreign direct investment such as (banking system, labor force and SMSs) are not effectively functioning.

- For both countries (Qatar and Kurdistan) the budget surplus and deficit is totally related to the oil prices. Looking back to the Qatar situation before 2014 when oil and gas prices are at peak, the budget was always exceeded and it had a clear surplus but after the decline in oil prices Qatar could not enjoy that surplus anymore. This equation tells us that oil may cause sudden financial crisis if gained revenue will not be reinvested wisely. In addition, Kurdistan has been facing the biggest financial since 2014 as the budget sharing process ended by Baghdad and the oil prices declined.

Recommendations:

- KRG should start the downsizing of itself step by step, they decision makers should emphasize on how to privatize the services and for that purpose they have to look for the companies that can provide the some service as the government does. For example, ministries of electricity and municipality and privatize most of their works. There are hundreds of companies which can do cleaning better than the governmental municipalities. There may be contractors who wish to establish electricity stations and provide electricity. Companies will be more accountable than government as they will lose their work if they do not satisfy the customers.
- Private sector must be secured and observed so as not to exploit the employees and violate the labor rights. If KRG can do that, people will happily change their work to private sector. In addition, the private sector should be diversified to be able to include all the specialties. In Kurdistan, private sector is not secured as it should be, there is no guarantee for the employees' rights. If an employee gets dismissed from his job there is not a place to go for complaining.
- In any transforming process from public sector to private sector there should be transparency and fairness. KRG has employed its employees and it has to take care of them anyways. Employees should not be forced to leave the governmental job to private sector unless their life and rights are guaranteed. In addition, there should be fairness towards all employees who are eligible to the change, if some people will be

excluded from the change then a massive rejection occurs among the employees who are going to move.

- Most companies and private businesses are located in the three main cities in Kurdistan. Some sectors have highly been concerned while others are poorly remained. One the other hand, there is a clear differentiation among the cities and towns that projects have been implemented. KRG should work on having an inclusive private sector that can cover all Kurdistan otherwise there will be an imbalance to provide the chances for all job seekers around Kurdistan.
- There should be a fair management regarding the investment sectors, some sectors have highly been concerned while others are poorly remained. One the other hand, there is a clear differentiation among the cities and towns that projects have been implemented. KRG should think about the project which they are productive and manufacturing because a strong infrastructure keeps the economy system from bankruptcy and Dutch disease.
- Kurdistan is really in need to a modern and reliable banking system. Investment cannot be effective and efficient without having a dependable financial system; therefore it is very important for KRG to encourage private banks so as to be more reliable. The culture has not been cultivated yet, people do not dare to take their money and keep it in banks. This money should be circulating and investing instantly.

Conclusion

In brief, it can be said that Kurdistan as an underdeveloped region has some strong potentials that can help its development. It has a strong natural geopolitics and tourism location for trade and investment. As an inheritance that has remained from Iraqi communism, Kurdistan economy has not been able to liberate itself from the hands of government. KRG size is big and economically speaking it costs too much to run such a big government for this number of population. Comparing to Qatar government KRG is bigger and less privatized. All the services are presented through government ministries and as a result private sector is less active. Investment and the process of privatization as the pillars of market economy have been cared about to a good extent. The private sector has established its roots but it has not caused that much development to be proud of. Lack of rational management has totally ruined any effort to build a strong infrastructure. Furthermore, as a crucial component for today's modern economy, banking system needs to be developed since they are very important for FDI, in Kurdistan the banking culture has not been developed among people; it is the responsibility of government to develop the banking system. The GDP of both countries is completely oil-based therefore it may rise and fall dramatically. Kurdistan's economy has completely depended on oil revenue, It is absolutely risky for Kurdistan if it does not expand its economic resource, there is always a threat of Dutch disease and KRG is currently suffering from that economic illness. Finally, it can be seen from data and statistics that both governments have a high forecast and predication for the coming years increase their economic growth but at the end it all depends on the oil prices. As the last keynote, Kurdistan is in a weaker position than Qatar due to its geopolitical situation, therefore all the efforts should be in the direction of building a strong infrastructure and private sector. Kurdistan is

becoming a consumerist society because it lacks a considerable manufacturing and production base which the latter forces Kurdistan to import everything. If this continues to happen along with; our social expectation for work; increasing urbanization; and misusing agrarian lands, economy will damage more.

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الخلاصة

هذا البحث هو مشروع بحث أكاديمي تم إجراؤه لفهم ثم تحليل حجم حكومة إقليم كردستان من خلال النمو الاقتصادي والأداء ثم مقارنة مع الحكومة القطرية. ويحاول البحث تقديم لمحة عامة عن نظم الاقتصاد والإدارة الكردستانية ومقارنتها مع حكومة قطر. وقد تم التحقيق في ركائز حجم الحكومة. وبداية من النمو الاقتصادي الذي يشمل الناتج المحلي الإجمالي ثم العمالة كمؤشر لحجم أي حكومة، تم تحليل كليهما. ثانياً، عملية الخصخصة التي هي وسيلة لتقليل حجم الحكومة، ويشمل الاستثمار الأجنبي المباشر والخصخصة. وأخيراً، قدمت النتائج والمناقشات ببعض التوصيات الملموسة.

ئەم توێژینەویە پرۆژەییکی ئەکادیمیە، کە بۆ هەلسەنگاندنی قەبارەیی کارگیری حکومەتی هەریمی کوردستان ئەنجامدراوە لەڕیگای هەلسەنگاندنی گەشەیی ئابوری و ئەدای خزمەتگوزاریەو بەبەرورد بە حکومەتی قەتەر. لە توێژینەو کەدا هەول دەدریت وینەییکی گشتی لە ئابوری کوردستان و سیستمە کارگیرییەکی بخریتەر و بەراوربکریت بە وڵاتی قەتەر. پایەکانی قەبارەیی کارگیری حکومەت خراونەتەبەر لیکۆلینەو وەکو گەشەیی ئابوری کە تیکرای گەشەیی بەرھەمی ناوخوا و ریزەیی هەلی کار لەخوا دەگریت وەک ئاماژەکانی قەبارەیی هەر حکومەتیک. هەر وەها مەسەلەیی بە کەرتی تایبەتکردن کە ھۆکاریکە بۆ بچووکردنەو قەبارەیی کارگیری حکومەت، ئەویش لەڕیگای وەبەرھینانی راستەوخوایی بیانی و بەتایبەتکردنی خزمەتگوزاریەکان. لەکو تایدان کۆمەلێک گفتوگو و دەرنەجام و راسپاردە خراونەتەر و.