GREEN FINANCE AND SUSTAINABLE ECONOMIC TRANSITION IN QATAR: AN EMPIRICAL POLICY ANALYSIS

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ABSTRACT

Green finance is increasingly viewed as a tool for supporting long-run sustainability and macroeconomic resilience. This study analyzes the emerging role of green finance in Qatar using annual macro-financial data (2015–2019). Results show that while Qatar has begun institutionalizing sustainable-finance frameworks, measurable macroeconomic effects remain limited. Green finance acts as a complementary policy mechanism that strengthens diversification under Qatar National Vision 2030 rather than an immediate direct driver of non-hydrocarbon growth.

Literature Gap

Existing empirical literature on green finance is concentrated primarily on advanced economies and large emerging markets. Studies addressing the Gulf region are limited in number and predominantly descriptive. There is an absence of Qatar-specific empirical research evaluating whether green finance frameworks translate into observable progress toward diversification. This study contributes to the literature by addressing this gap and conducting a country-specific empirical policy assessment.

Empirical Findings

- The green-finance proxy exhibits an approximately zero and statistically insignificant coefficient, indicating no measurable short-term association with non-hydrocarbon economic growth during the study period.
- Domestic private-sector credit demonstrates a weak and slightly negative correlation with non-hydrocarbon GDP, suggesting that credit flows continue to favor traditional sectors not associated with diversification.
- Overall model fit (R^2) is low, reflecting the early stage of institutional green-finance development and the short time series available.

Interpretation:
The findings imply that green finance in Qatar remains at a formative stage and has not yet developed sufficient scale, depth, or market infrastructure to affect macroeconomic outcomes. It currently operates as a complementary mechanism rather than a transformative economic force.

Significance of the Study

Qatar remains structurally dependent on hydrocarbon revenues for fiscal income and export performance. In the context of Qatar National Vision 2030, policymakers face the imperative of reducing this dependence while maintaining economic resilience. As the financial system determines the allocation of capital, understanding its capacity to influence sustainability-aligned investment is crucial for policy formulation, financial-sector governance, and long-run environmental outcomes.

Data and Methodology

Study Period: 2015–2019
Dependent Variable: Non-hydrocarbon GDP growth (constant prices)
Financial Control Variable: Domestic credit to the private sector (% of GDP)
Green-Finance Variable: Institutional policy change indicator
Method: Reduced-form Ordinary Least Squares (OLS) regression (Excel-based estimation), interpreted as exploratory due to data limitations.
Data sources: Qatar Planning and Statistics Authority; Qatar Central Bank Financial Stability Review; World Bank World Development Indicators.

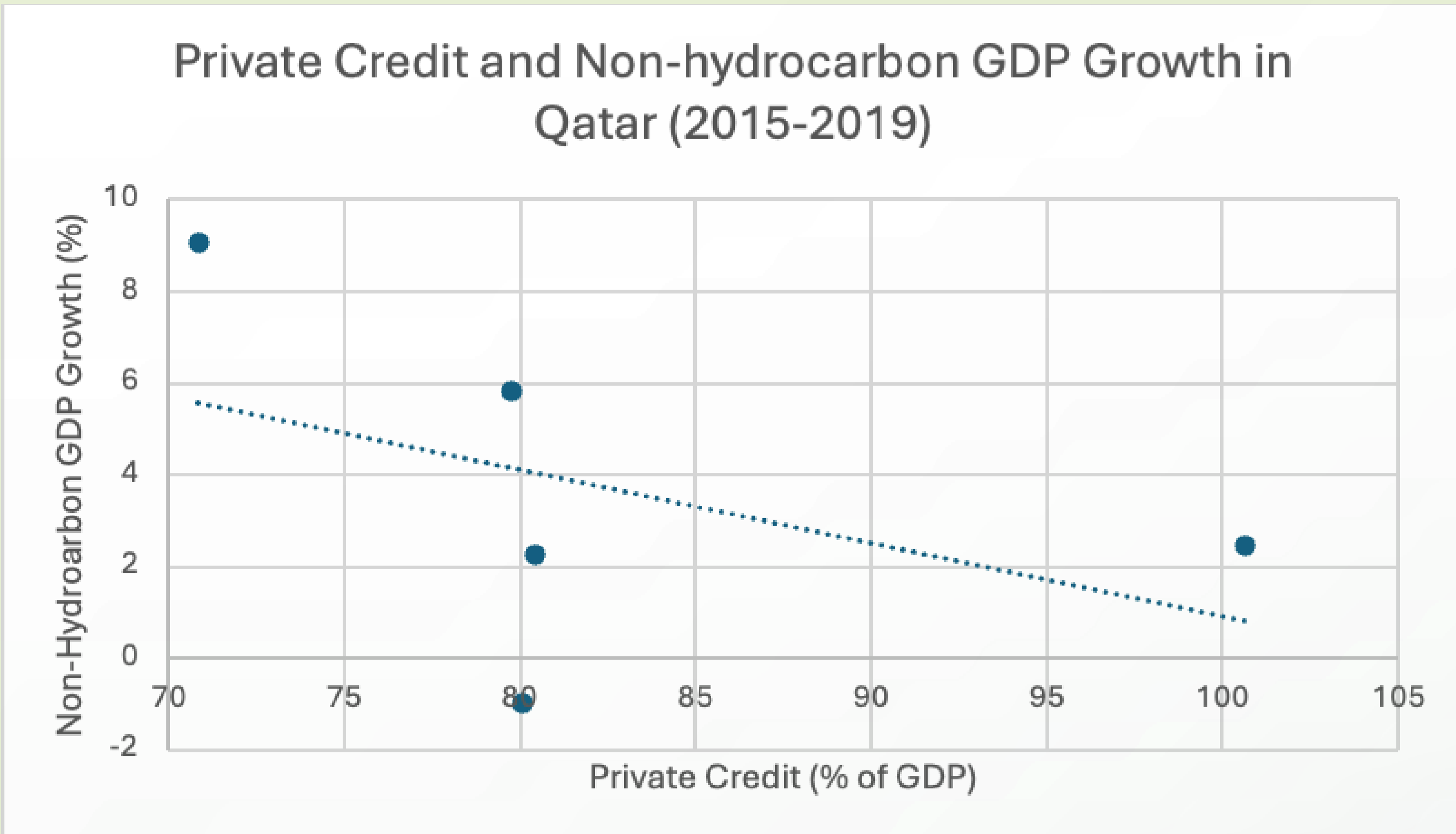

Figure 1. Relationship Between Private Credit and Non-Hydrocarbon GDP Growth (Qatar, 2015–2019)

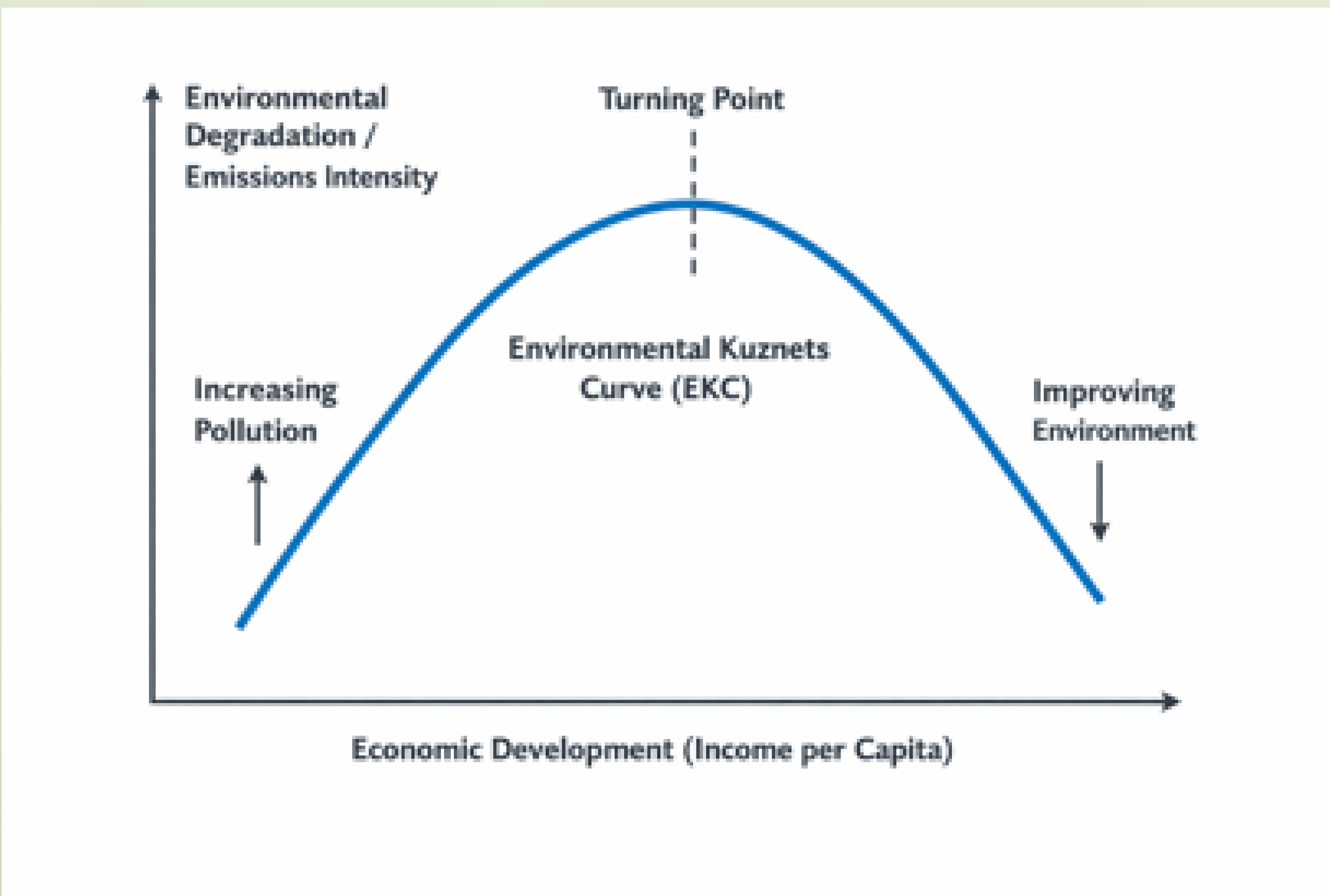

Figure 2. Conceptual Environmental Kuznets Curve (EKC)

Theoretical Framework

The study draws on the premise that financial systems are not neutral; rather, they shape sectoral capital allocation and determine the environmental profile of economic development. Green finance is conceptualized as the integration of environmental criteria into financial-sector activities through regulatory guidance, climate-risk supervision, ESG disclosure, and sustainable lending practices. Qatar's position on the Environmental Kuznets Curve characterized by high income yet carbon-intensive production implies that environmental improvement requires deliberate institutional and regulatory intervention rather than market-driven adjustment.

Policy Implications

1. Development of a national sustainable-finance taxonomy aligned with QNV2030
2. Mandatory ESG reporting standards for firms under Qatar Central Bank and Qatar Financial Centre
3. Introduction of sovereign or quasi-sovereign green bonds to mobilize capital toward infrastructure
4. Climate-risk stress testing incorporated into prudential regulatory frameworks
5. Credit-allocation incentives favoring non-hydrocarbon SMEs and clean-technology sectors
6. Establishment of a public-private green investment fund to support long-run diversification

Conclusion

The analysis demonstrates that Qatar has initiated important institutional measures toward sustainable finance; however, these developments have not yet produced observable macroeconomic effects. Green finance therefore constitutes a long-run policy tool whose impact will depend upon regulatory consolidation, expansion of market instruments, and the alignment of financial-sector strategy with national diversification priorities.