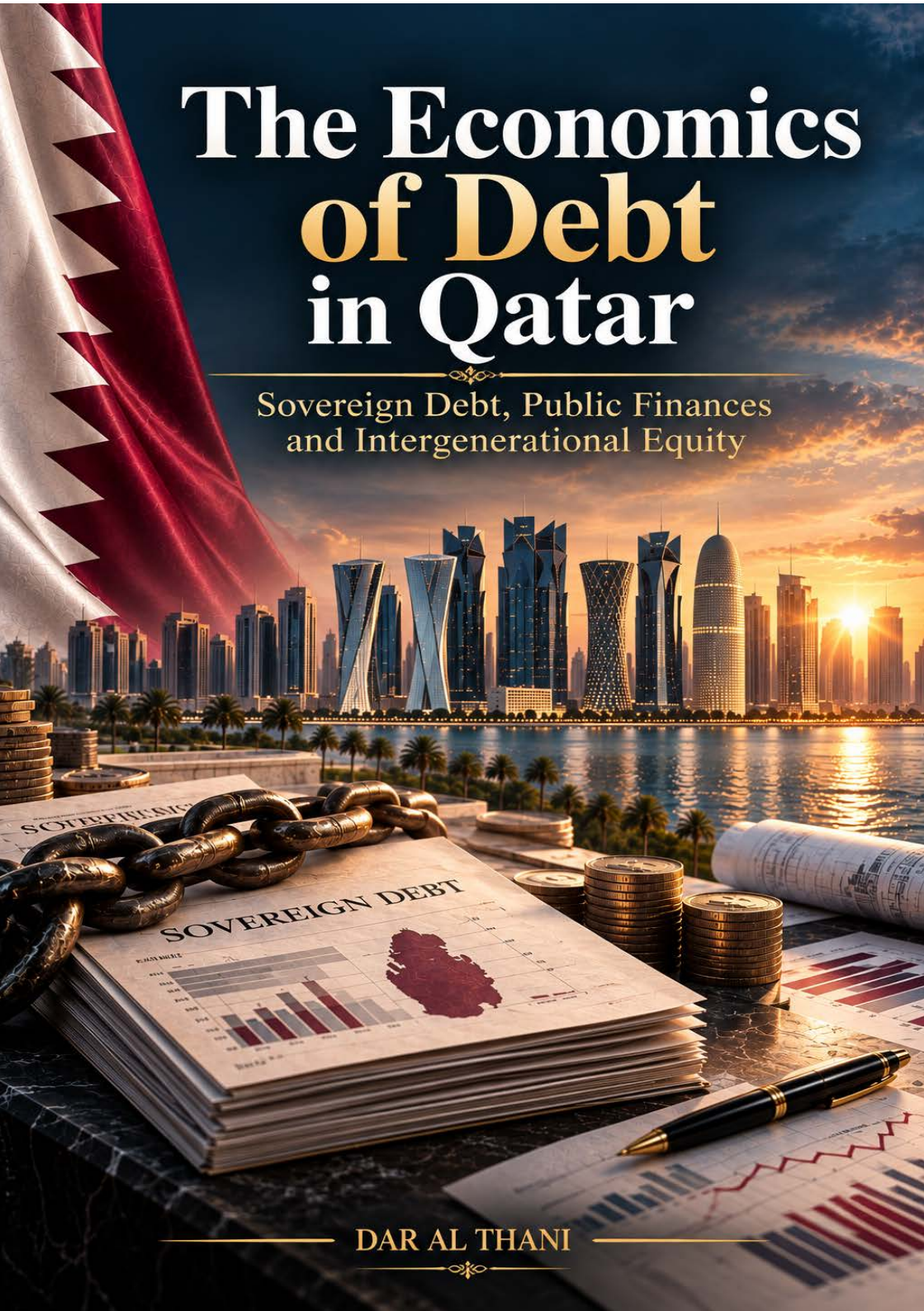




The Economics of Debt in Qatar

Sovereign Debt, Public Finances
and Intergenerational Equity

SOVEREIGN DEBT

DAR AL THANI

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Abstract

This study examines the economics of debt in Qatar and the fundamental questions it raises about the management of national wealth, the rationale for borrowing in a country rich in oil and gas resources, and whether the costs and future obligations it entails are justified. These questions provide the basis for analysing the relationship between sovereign debt, spending priorities, and public financial management, and for assessing whether current policies are building an economy capable of sustainably financing its needs or entrenching dependence on resource revenues while postponing structural reform. The study critically assesses the Qatari model, placing the economic rationale and transparency of financial decisions, together with the authorities' accountability for their outcomes, at the centre of its evaluation. It also examines the burdens these decisions may impose on generations that had no part in making them.

Chapter One examines the evolution, structure, and funding sources of Qatar's sovereign debt. It discusses the rationale for borrowing in a country with substantial natural resources and investment assets, and assesses debt-servicing costs and refinancing risks. It distinguishes between government debt, the obligations of public entities, and contingent liabilities arising from guarantees, highlighting the limitations of relying solely on the debt-to-GDP ratio to assess fiscal sustainability.

Chapter Two explores the governance of debt and public wealth by assessing the transparency of financial decisions and the effectiveness of oversight of borrowing, expenditure, and sovereign asset management. It

examines the availability of information on government obligations and project outcomes, placing decision-makers' accountability at the centre of the analysis. The ability to secure financing does not relieve the authorities of their responsibility to justify its use and disclose its costs and outcomes.

Chapter Three analyses the structure of public finances, focusing on the vulnerability arising from dependence on hydrocarbon revenues and the extent to which other revenues can cover expenditure. It examines the efficiency of major projects, their economic and social returns, and their operating costs. It also assesses whether spending priorities are building a sustainable productive base or keeping the economy dependent on resource revenues and government funding.

Chapter Four addresses intergenerational equity, examining the productive assets, debts, obligations, and costs that current policies leave behind. It assesses the resilience of the Qatari model in the face of declining energy revenues, rising financing costs, and changes in global demand for gas. The study argues that protecting future generations requires transforming exhaustible wealth into sustainable sources of income, ensuring that borrowing serves a clearly justified economic purpose, and subjecting public financial management to effective oversight that prevents the costs of today's decisions from being deferred and passed on to those who had no part in making them.

Introduction

The management of national wealth places every state under a responsibility that extends beyond meeting present needs to safeguarding the rights of future generations. This responsibility is greater in countries that depend on exhaustible natural resources, where revenues must be transformed into a productive economic base and sustainable assets capable of preserving prosperity as those resources decline or their economic value changes. In this context, Qatar's debt provides a starting point for examining the state's choices in managing its resources, setting spending priorities, and distributing benefits and burdens across generations.

Borrowing in a country rich in oil and gas resources calls for an assessment that goes beyond published figures and the scale of completed projects. It must examine the needs financed by debt, whether the returns justify the costs, and its actual contribution to expanding productive capacity. It also requires a distinction between borrowing that builds productive assets with lasting benefits and borrowing that finances expenditure of limited economic value. The authorities responsible for these decisions must be held accountable for any failure to deliver the expected returns and for the resulting burdens on public finances and future generations. Borrowing creates obligations that must be met from public funds and should therefore be subject to clear justification, effective oversight, and evaluation accessible to the public.

Sovereign debt cannot be assessed in isolation from the structure of public finances. Dependence on oil and gas

revenues links the state's ability to meet its obligations to factors beyond its full control, ranging from energy prices and global demand to regional instability. Periods of high revenues may create an impression of fiscal strength, while leaving unresolved the questions of whether other revenues can cover expenditure and how much of the state's obligations persists when revenues decline. Assessing sustainability therefore requires looking beyond the annual surplus or the debt-to-GDP ratio to examine funding sources, spending efficiency, and the risks that lie ahead.

The scale of expenditure does not, in itself, demonstrate the success of economic policy. Major projects must be judged by their contribution to productivity, employment opportunities, and service quality, as well as their capacity to deliver lasting benefits that justify their construction, operating, and maintenance costs. Accountability becomes more pressing when long-term decisions are made without sufficient disclosure of their economic viability, risks, and alternatives. National wealth must not become a justification for avoiding scrutiny of costs, nor should the availability of financing substitute for its sound use.

Intergenerational equity is central to this debate because the present generation manages resources that do not belong to it alone and makes decisions that may constrain the choices of those who follow. Such equity cannot be achieved merely through the accumulation of assets. It requires assessing their value, returns, and liquidity against debts, obligations, and deferred costs. Future generations need a productive economy and institutions capable of managing risk. They should not be required to bear the costs of decisions in which they had

no voice unless they also inherit benefits commensurate with those costs.

Chapter One: Sovereign Debt Structure and Sustainability Risks

1. The Evolution and Structure of Qatar's Sovereign Debt

Government borrowing links present expenditure to future resources, allowing the state to finance its needs in exchange for obligations to repay principal and make interest or return payments over a period of years. Whether such borrowing is justified depends on what it delivers for society. If it finances productive projects and sustainable services, its cost may be justified; if it funds expenditure of limited benefit, it leaves the treasury with burdens that outweigh those benefits. Qatar's debt should therefore be assessed on the basis of how the borrowed funds are used, the results they deliver, and their actual cost, rather than merely the state's ability to repay. Abundant gas resources do not shield borrowing decisions from criticism or relieve the authorities of their responsibility to protect national wealth and preserve future generations' share of it.

Between 2020 and 2023, Qatar's central government debt stood at QAR 381.7 billion in 2020 and QAR 382 billion in 2021, before declining to QAR 365.2 billion in 2022 and QAR 338.6 billion in 2023. This represents an actual reduction in the debt stock, although it remained a substantial financial obligation. As a share of the economy, however, debt fell from 72.6% in 2020 to 58.4% in 2021, despite its nominal value remaining almost unchanged. This illustrates that a decline in the debt ratio does not necessarily reflect a corresponding repayment of debt; it may instead result from an increase in the nominal size of the economy. Conversely, the ratio

rose from 42.6% in 2022 to 43.7% in 2023, even though the debt stock declined. Using this ratio alone to demonstrate the success of fiscal policy therefore presents an incomplete picture.

Government debt is divided between domestic and external financing. In 2023, external debt amounted to QAR 178.2 billion, compared with QAR 160.4 billion in domestic debt, representing approximately 52.6% and 47.4% of the total, respectively, as calculated from International Monetary Fund data. These figures cover the central government, rather than the debts of all Qatari banks and companies. External financing makes new borrowing dependent on global market conditions, while an expansion of domestic financing may constrain the funds available to businesses and individuals if the government absorbs a substantial share of them. Domestic borrowing therefore does not eliminate debt-related risks, nor does external borrowing become safe simply because it attracts investor demand.

The state uses various instruments to raise financing, including bonds, sukuk, and Treasury bills. In simple terms, bonds entitle their holders to repayment of principal and agreed payments, while sukuk are structured through contractual arrangements that provide investors with returns according to their terms. Treasury bills are generally used for short-term financing. These different instruments do not remove the underlying financial obligation. Moreover, classifying debt as domestic or external is distinct from classifying it by instrument, such as bonds or sukuk. The share of each instrument cannot therefore be inferred from the share of domestic or external financing.

The cost of borrowing is clearly illustrated by the domestic bonds recorded in June 2024. Four tranches had a combined value of QAR 6.15 billion, with annual coupon rates ranging from 4.75% to 5% and maturities falling in 2026, 2027, 2029, and 2031. The coupon is the contractually agreed annual payment expressed as a percentage of a bond's face value. These payments remain due under the terms of issuance even if the activities financed fail to deliver their expected benefits. This underscores the need to hold the authorities accountable for the economic rationale behind the use of borrowed funds, because the treasury bears the cost regardless of the quality of the decision that created the obligation.

2. The Rationale for Borrowing Amid Abundant Wealth

Qatar's borrowing policy places the authorities under an obligation that cannot be evaded by pointing to the scale of the country's gas wealth and investment assets. A state endowed with such resources must demonstrate the necessity and economic rationale of borrowing and explain why it is preferable to reprioritising expenditure or using part of the available liquidity. A successful bond sale does not certify sound management of public funds. Investors may be confident that their money will be repaid, while the public still needs to know whether borrowing serves its interests or imposes the costs of poorly considered financial decisions.

Qatar's 2026 budget provides a concrete example. Revenues were projected at approximately QAR 199

billion, against expenditure of QAR 220.8 billion, leaving a deficit of QAR 21.8 billion, which the Minister of Finance announced would be financed through domestic and external debt instruments. Budgeted expenditure also increased by 5% compared with the previous budget, while projected revenues grew by approximately 1%. These are budget estimates rather than final outturns, but they reveal a clear fiscal choice: expanding expenditure faster than revenues and borrowing to cover the difference.

Describing revenue estimates as conservative is insufficient to justify this choice. Prudence in estimating resources must be accompanied by rigorous scrutiny of commitments. Debt financing provides the funds needed to implement the budget, but it does not establish that every expenditure item is necessary or that less costly alternatives have been considered. The Qatari authorities therefore have a responsibility to explain which expenditures warrant borrowing and which could be postponed or delivered at a lower cost, rather than allowing borrowing to become a convenient means of maintaining spending priorities without adequate review.

This scrutiny is all the more necessary because the budget remains dependent on energy revenues. The 2026 estimates included QAR 155 billion in oil and gas revenues, compared with QAR 44 billion in non-oil revenues, meaning that energy accounted for approximately 78% of total projected revenues. A further QAR 62.8 billion was allocated to major capital expenditure. These figures show that state financing remains heavily tied to a resource whose prices and export conditions fluctuate. Continued investment in projects should therefore be assessed against their

capacity to build sources of income and production that are independent of government expenditure. Financing projects with funds available today does not guarantee that they will reduce dependence on gas tomorrow.

In this context, neither the scale of Qatar's projects nor their media prominence should be treated as evidence of their economic viability. A project that requires construction financing followed by continuing operating support may add to the state's obligations rather than reduce them. These projects therefore require published assessments explaining what they have delivered, which have exceeded their original budgets, and which require additional funding. Any project financed through borrowing without demonstrating benefits commensurate with its cost leaves the treasury bearing a contractual obligation in exchange for an uncertain return.

The refinancing of existing debt also requires clear disclosure. When Qatar borrows to repay a maturing obligation, it replaces one debt with another and does not necessarily eliminate the burden. Refinancing may spread repayments over time or reduce costs if terms improve, but it may also increase costs if interest rates rise. For each issuance, the authorities should therefore specify how much is allocated to deficit financing, how much to projects, and how much to repaying existing debt. Without this breakdown, it is difficult to assess whether an issuance generates additional economic benefits or merely extends existing obligations.

A particularly sensitive issue arises when the government borrows while retaining the assets of the Qatar Investment Authority (QIA). The International Monetary

Fund estimated that the QIA's external assets exceeded 200% of GDP in 2023. It also noted continuing gaps in the coverage and detail of fiscal and external sector data, including data on the QIA's financial positions, and recommended an asset and liability management framework encompassing the government, the QIA, and state-linked entities. These gaps limit the ability of readers and researchers to assess the argument that retaining investments is preferable to using them to reduce the need for debt.

3. Reported Debt and Potential State Liabilities

The government debt figure alone does not provide a complete picture of the fiscal risks Qatar may face. It captures government obligations within a defined statistical scope, but does not show the debts of public enterprises, guarantees issued by the state, or the potential cost of intervening to support a distressed institution. Relying on this figure alone to assess fiscal soundness therefore leaves essential factors outside the analysis. This limitation becomes particularly significant when the roles of the government, public entities, and banks overlap, allowing the effects of financial decisions to spread from one institution to another.

In its report published in 2025, the International Monetary Fund noted that the fiscal data used covered only the central government and called on the Qatari authorities to expand coverage to include the broader public sector and the Qatar Investment Authority (QIA). It also recommended an asset and liability management

framework encompassing the government, the QIA, and state-linked entities. These recommendations indicate that examining government accounts in isolation is insufficient to assess the scale of the state's fiscal risks, and that a complete picture remains essential to accountability.

The analysis requires a distinction between three types of obligations: government debt, which the treasury is directly responsible for repaying; public enterprise debt, which is, in principle, the responsibility of the borrowing enterprises and does not automatically become government debt merely because they are state-owned; and bank liabilities, including borrowings and deposits, which form part of banks' financial activities and must be assessed against their assets and capacity to meet their obligations. Conflating these categories undermines the analysis, but distinguishing them does not justify ignoring the links through which an institution's losses or financial distress may place pressure on public finances.

In Qatar's case, these links should be subject to a clear assessment. If a public enterprise borrows to finance a project and subsequently cannot repay, the government may face pressure to provide support to preserve an essential service or a strategic asset. If a major bank comes under severe stress, the authorities may consider intervention necessary to protect financial stability. These are possibilities requiring examination, rather than predetermined government obligations. Excluding them from the discussion, however, creates the misleading impression that the boundaries of published accounts also define the limits of the state's potential financial responsibility.

This responsibility becomes more explicit where a government guarantee exists. A guarantee is a commitment by the state to assume an obligation under specified conditions if the original obligor fails to fulfil it. It may entail no expenditure when issued, yet subsequently become an actual claim on the treasury. Its value, beneficiary, duration, and triggering conditions should therefore be disclosed, alongside an assessment of the likelihood that it will be called. A guarantee does not become costless or risk-free simply because it is absent from the direct debt stock, nor should it be granted without assessment and oversight merely because its fiscal impact is deferred.

Other contingent liabilities may arise without an explicit guarantee, including support the government may provide to a public entity or a distressed project. Some public-private partnership contracts may also entail future payments or compensation that become due under specified conditions. The IMF therefore recommended that Qatar's budget be accompanied by regular fiscal risk assessments, including risks arising from public-private partnerships. Assessing fiscal policy must consequently encompass contracts, guarantees, and contingencies that could generate future expenditure, alongside debt for which the government is directly liable.

The fragmented presentation of financial information in Qatar weakens transparency, obstructs accountability, and deprives the public of the means to assess the scale of the obligations and risks the treasury may bear. Publishing government debt figures alongside substantial investment asset figures, without explaining their relationship to public enterprise debt and government guarantees, provides an incomplete picture

that cannot serve as a sound basis for judging fiscal strength. Invoking the scale of assets to imply financial security also overlooks the fact that some may be difficult to liquidate quickly or may have to be sold at a loss, while their values and returns remain subject to fluctuations. The authorities are responsible for disclosing these relationships and risks and identifying the resources actually available to meet obligations during a crisis. Presenting separate figures that suggest strength without revealing the corresponding burdens and constraints on the use of assets undermines the credibility of official claims about the state's financial capacity and leaves the public with assurances that are difficult to verify.

4. Limitations of Sustainability Indicators

Qatar's fiscal sustainability indicators cannot provide a complete picture unless the factors behind their improvement are explained. A decline in the debt-to-GDP ratio is insufficient to demonstrate successful debt management, particularly when it is driven more by higher energy prices and nominal GDP growth than by a reduction in the debt stock itself. Using this ratio to assert fiscal strength without explaining the factors behind its decline therefore attributes greater significance to the apparent improvement than the figures warrant and obscures the treasury's continued dependence on volatile revenues. Reducing fiscal sustainability to a declining debt-to-GDP ratio offers an inadequate assessment of Qatar's position: the ratio may improve as the value of energy production rises, without a corresponding reduction in liabilities. According to the International Monetary Fund report[1] published in February 2025, the ratio fell from 58.4% in 2021 to 42.6% in 2022, while the debt stock declined from QAR

382 billion to QAR 365.2 billion, a reduction of only approximately 4.4%. Nominal GDP, meanwhile, rose from QAR 654.2 billion to QAR 858 billion, an increase of approximately 31.2%. This comparison shows that the substantial improvement in the ratio far exceeded the actual reduction in debt. Presenting it as an achievement in debt management without explaining the effect of GDP growth therefore overstates its significance.

The 2026 budget[2] reveals a deeper, persistent imbalance in the state's funding sources. According to the figures announced by the Minister of Finance, projected revenues amount to QAR 199 billion, comprising QAR 155 billion from oil and gas and QAR 44 billion from non-oil revenues. Calculated from these figures, energy accounts for approximately 77.9% of revenues, while non-oil revenues cover only 19.9% of projected expenditure of QAR 220.8 billion. This dependence exposes clear limitations in official claims of economic diversification: the expansion of activities outside the energy sector has yet to generate a public revenue base capable of financing most expenditure. The planned deficit also increased from QAR 13.2 billion in 2025 to QAR 21.8 billion in 2026, a calculated rise of approximately 65%, with the authorities announcing that it would be financed through domestic and external debt instruments. These are budget estimates rather than final outturns, but they reveal a continuing need for borrowing even within the government's own fiscal plans.

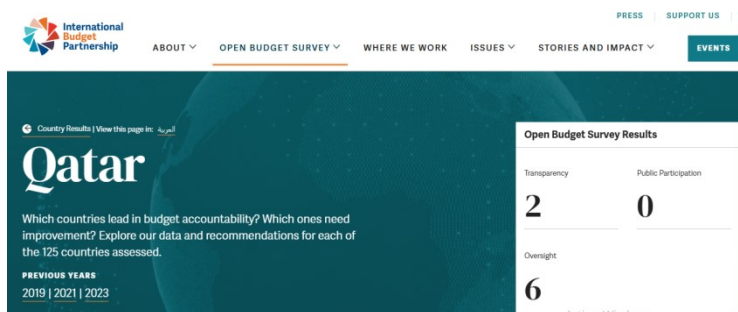
The burden of repayment becomes particularly evident when measured against non-hydrocarbon revenues. In 2023, interest payments amounted to QAR 11.2 billion, compared with total revenues of QAR 254.4 billion, of which QAR 211.9 billion were hydrocarbon revenues

under the IMF's definition[3]. Interest payments alone therefore represented approximately 26.4% of non-hydrocarbon revenues. Government external debt service amounted to 11.9% of total revenues, equivalent to approximately 71.2% of non-hydrocarbon revenues.

Comparing debt payments only with revenues that include substantial energy inflows makes the burden appear lighter, but does not establish the treasury's capacity to sustain it if those inflows decline. This dependence becomes more dangerous when falling energy prices coincide with rising borrowing costs. The IMF noted that lower prices reduced fiscal surpluses in 2023 and warned that an expansion in global gas supply could put downward pressure on prices in the future.

Chapter Two: Debt and Wealth Management and the Limits of Transparency and Accountability

1. Public Debt Decision-Making and the Limits of Accountability



The Open Budget Survey 2023, Published by the International Budget Partnership

The problem with public debt decision-making in Qatar lies in the weakness of the accountability mechanisms intended to govern borrowing decisions and disclose their costs to the public. Article 32 of the Constitution stipulates that state borrowing must be regulated by law, while Law No. 2 of 2015 on the State Financial System devotes a chapter to borrowing, lending, and investment. Article 76 also grants the Shura Council the authority to approve the budget and oversee the executive, while Article 107 requires the draft budget to be submitted to the Council at least two months before the start of the fiscal year. However, it makes amendments by the Council conditional on government approval. This creates a fundamental constraint: the institution responsible for scrutinising expenditure cannot

independently amend the budget prepared by the institution it oversees.

This problem is compounded by the 2024 constitutional amendments. Article 77 now provides for a Shura Council consisting of at least 45 members appointed by an Emiri decision. This arrangement weakens the basis for direct public accountability over financial decisions whose consequences extend over many years. Citizens do not choose the members of the Council that is supposed to review the budget and hold the executive accountable. The independence of oversight therefore depends on actual practice, rather than merely on the constitutional provisions granting the Council its powers.

The practices assessed by the Open Budget Survey 2023[8] present deeply unfavourable indicators. Qatar scored 2 out of 100 for budget transparency, zero out of 100 for public participation, and 6 out of 100 for institutional oversight. It ranked 121st out of 125 countries for transparency. The survey concluded that the Shura Council provided weak oversight during budget planning and no oversight during implementation. These findings reveal documented shortcomings that extend beyond the existence of institutions to the effectiveness of their work and the public availability of its results.

Undertaking obligations in the name of the state amid such low levels of disclosure and participation deprives the public of the means to assess their necessity, costs, and alternatives. Institutional approval alone does not ensure meaningful accountability for borrowing unless its terms, maturities, and guarantees are published, its rationale is explained, and the findings of oversight are

disclosed. Citizens have the right to know which obligations the treasury will bear in the future and to hold those who incurred them accountable. Public debt entails public responsibility, and its management must not remain confined to official decision-making circles.

2. Transparency of Public Accounts

The transparency of Qatar's public accounts remains incomplete unless published data enable financial obligations to be tracked and their risks assessed. Disclosing total debt does not reveal when it must be repaid, its interest costs, or the terms of its refinancing. Nor does it identify the guarantees and contingent liabilities that the treasury may have to cover. What is required is comprehensive, integrated disclosure that makes it possible to determine the annual repayment burden, the beneficiaries of guarantees, and the conditions under which those guarantees may be called. Without these details, aggregate figures are of limited value in assessing risk.

The International Monetary Fund[9] called on Qatar to publish annual budget documents and quarterly performance reports, broaden their coverage, provide more detailed information on fiscal operations and budget plans, and improve the timeliness and accuracy of data and the accompanying analysis. These observations show that the existence of fiscal publications does not, in itself, demonstrate complete disclosure. The standard is their ability to explain decisions and reveal their consequences, rather than merely report outcomes.

These shortcomings are also evident when the budget is examined in isolation from public enterprises and the Qatar Investment Authority (QIA). The IMF recommended a more comprehensive framework for managing sovereign assets and liabilities that includes the QIA and government-related entities, alongside regular fiscal risk assessments. Presenting state assets and debts in separate accounts without explaining transfers, guarantees, and obligations between these entities makes it difficult to assess the state's overall financial position. The authorities are responsible for disclosing these links, rather than leaving the public to infer fiscal soundness solely from the scale of assets or the low level of central government debt.

Chapter Three: Public Finances and the Vulnerability of Dependence on Resource Revenues

1. Dependence on Hydrocarbon Revenues

Qatar's public finances remain heavily dependent on oil and gas revenues, revealing the limits of progress in diversifying the state's funding sources. The existence of commercial, real estate, and tourism sectors is insufficient to demonstrate the budget's independence from energy as long as the treasury relies on it to meet most of its needs. The fundamental weakness is that the state's ability to finance its obligations remains highly sensitive to a global market whose prices it cannot control, while salaries, services, and project costs persist even when revenues decline.

The 2026 budget estimates illustrate the scale of this dependence: almost four out of every five riyals expected to enter the treasury come from oil and gas. These are planned figures rather than final outturns, but they demonstrate that state financing remains primarily dependent on hydrocarbon resources.

This dependence is not a temporary phenomenon. According to IMF data based on figures from the Ministry of Finance, hydrocarbon-related revenues amounted to QAR 253.1 billion in 2022, equivalent to 85% of total revenues. They then declined to QAR 211.9 billion in 2023, while still accounting for 83.3% of the total. The IMF's definition includes investment income and corporate taxes arising from hydrocarbon activities. These percentages should therefore not be compared

directly with the budget classification without accounting for the difference in definitions. The data show that some revenues recorded as taxes or income from public entities remain linked to energy and cannot automatically be treated as evidence of diversification.

Market fluctuations feed through to the budget as energy export receipts and related profits, transfers, and taxes change. The speed of this transmission may vary according to contracts, export volumes, and pricing mechanisms, but its impact on public revenues remains significant. The IMF[4] explains that lower hydrocarbon prices contributed to a decline in Qatar's fiscal surplus from 10.4% of GDP in 2022 to approximately 5.6% in 2023. The World Bank[5] also reported that hydrocarbon revenues fell by approximately 18% in 2024, while the fiscal surplus narrowed to 0.7% of GDP.

These shifts expose the weakness of treating an annual surplus as proof of successful fiscal policy. A surplus means that revenues exceeded expenditure in a given year, but it does not, by itself, explain why. It may result from higher energy prices without a corresponding improvement in the stability of revenue sources or the efficiency of expenditure. The IMF[6] linked the 2022 surplus to exceptional hydrocarbon windfalls. Attributing that surplus to sound management therefore presents an incomplete account and turns gains generated by global markets into political credit for the authorities.

The Qatari authorities bear responsibility for the persistence of this dependence, because abundant resources have given them an opportunity to build a more diversified fiscal base. Relying on increased gas

production is insufficient to address the problem. Expansion may increase revenues and reserves, but it enlarges the same revenue source rather than demonstrating diversification in state financing. Likewise, using a conservative oil price assumption when preparing the budget helps limit overly optimistic estimates, but it does not change the structure of revenues or make them independent of energy market fluctuations.

2. Claims of Diversification and Continued Dependence on Oil and Gas

IMF data[7] reveal that economic diversification in Qatar has not addressed the underlying fiscal dependence on oil and gas. Although non-hydrocarbon sectors now account for approximately two-thirds of economic output, their expansion has not translated into sufficient government revenues to finance public expenditure. The IMF confirms that revenue and export diversification has progressed more slowly than output diversification. Using these sectors' share of output as evidence of independence from energy therefore confuses what the economy produces with what the treasury receives.

The 2023 figures illustrate the scale of this shortfall. Hydrocarbon-related revenues accounted for 84% of total government revenues, while non-hydrocarbon revenues represented only 16%. Calculations based on IMF data indicate that these non-hydrocarbon revenues could finance only approximately 20% of government expenditure, leaving around 80% dependent on other funding sources, primarily oil and gas revenues. The

treasury thus remains reliant on energy despite the expansion of activities classified outside the hydrocarbon sector.

Nor does this expansion guarantee the independence of those activities. The IMF links the expansion of the non-hydrocarbon economy to substantial public investment and its growth to government investment and the spillover effects of gas projects. To the extent that businesses depend on government projects and contracts, energy revenues flow into construction, trade, and services. Diversification therefore appears in the nature of economic activity, while dependence persists in its source of financing. This is the underlying weakness that claims of diversification cannot conceal: a broader range of sectors is insufficient to establish fiscal independence as long as the treasury remains unable to cover most of its expenditure with revenues outside oil and gas.

Chapter Four: Future Generations and the Cost of Today's Financial Choices

1. Exhaustible Wealth and the Rights of Future Generations

The exhaustible nature of Qatar's gas wealth places the authorities under a responsibility that extends beyond financing current expenditure. Every quantity extracted and sold reduces the resources available to future generations and must be matched by the creation of alternative wealth capable of generating income as energy revenues decline. Assessing fiscal policy should therefore begin by identifying how much of these revenues is consumed today and how much is channelled into savings and investments that will benefit the future. Present abundance does not give the authorities the right to manage these resources as though they belonged exclusively to the current generation, nor does extensive spending demonstrate sound stewardship.

Intergenerational equity requires measuring net public wealth per capita by deducting debts and liabilities from assets and then accounting for changes in population over time. The total value of assets may rise while the per capita share declines if liabilities increase or the population grows faster than wealth accumulates. Focusing solely on the scale of investments therefore obscures the more important criterion: the effect of current policies on the net wealth available per person in future generations. Aggregate assets may expand while each person's share of resources diminishes and their share of debts and liabilities increases. Accurate measurement also requires specifying whether the per capita calculation is based on the number of citizens or

the total population, since the choice of denominator changes both the results and their implications.

2. The Deferred Burdens of Current Policies

Qatar's fiscal policies create obligations that extend beyond the announcement and implementation of projects, reaching into future budgets and generations. The state does not pay for a facility only when it is built; it must subsequently bear the costs of operating, maintaining, and renewing it. Borrowing likewise provides funds for the present in exchange for future payment obligations. Assessing achievements by the scale of expenditure and infrastructure therefore presents an incomplete picture unless it also reveals the full costs that decisions leave behind once implementation is complete.

Some Qatari loans extend to the middle of this century, making their costs a claim on the resources future generations will manage. The issue goes beyond the amount borrowed today to encompass cumulative interest payments, the timing of principal repayment, and whether the projects financed can deliver benefits commensurate with these obligations. Gas wealth alone is insufficient to justify such decisions. The authorities remain responsible for demonstrating that borrowed funds build sustainable productive capacity rather than consume future resources.

The following table illustrates how some of Qatar's financial obligations extend over the coming decades. It draws on the S&P Global Ratings report[10] issued in

July 2020 and the bond issuance document for Qatar Petroleum, subsequently renamed QatarEnergy, published through the London Stock Exchange[11] in July 2021. It presents tranche values, coupon rates, and maturities under the original issuance terms. Annual payments are calculated by multiplying each tranche's face value by its coupon rate, excluding principal repayments and fees.

Borrower and issuance	Tranche value at issuance	Annual coupon rate	Maturity year	Calculated annual payment
Government of Qatar 2020 issuance	USD 5 billion	4.4%	2050	USD 220 million
QatarEnergy 2021 issuance	USD 3.5 billion	2.25%	2031	USD 78.75 million
QatarEnergy 2021 issuance	USD 3.5 billion	3.125%	2041	USD 109.375 million
QatarEnergy 2021 issuance	USD 4 billion	3.3%	2051	USD 132 million

The government tranche maturing in 2050 illustrates the scale of these long-term costs. The coupon on USD 5 billion amounts to USD 220 million annually. If the tranche remains outstanding in full throughout its original thirty-year term, total nominal coupon payments will reach USD 6.6 billion, in addition to repayment of the USD 5 billion principal. This is an undiscounted contractual calculation rather than a present-value estimate, but it demonstrates that financing costs persist long after the proceeds have been spent. For QatarEnergy, the 2041 and 2051 tranches alone comprise USD 7.5 billion in principal, with combined annual coupon payments of USD 241.375 million under the original issuance terms. Assuming both tranches remain outstanding in full until maturity,

their total coupon payments over twenty and thirty years, respectively, will amount to approximately USD 6.2 billion, before repayment of principal.

This borrowing warrants rigorous scrutiny because it is linked to expanding the very sector on which public finances already depend. The IMF explained that QatarEnergy's USD 12.5 billion borrowing in 2021 was intended to finance a major expansion in liquefied natural gas production. The expansion is intended to generate returns, but that expectation must be tested against the risks of falling prices, changing demand, and rising operating costs. All else being equal, the company's debt service may also reduce the funds available for reinvestment or transfers to the state. An assessment of this borrowing therefore cannot be separated from the question of continued dependence on gas.

Future generations bear these costs through reduced resources at their disposal and a potential need to refinance debt, draw on assets, or adjust expenditure and revenues. Policy becomes inequitable when anticipated wealth is used to justify long-term obligations without demonstrating corresponding sustainable benefits. The standard against which the Qatari authorities should be held accountable is the net wealth and productive capacity they leave after debts have been repaid, rather than the volume of funds they have managed to borrow.

Recommendations

1. **Publish a comprehensive account of public debt:** Include government debt, the debts of state-owned enterprises, and state guarantees, specifying the amounts owed, interest costs, and repayment schedules so that the public can understand the financial burdens Qatar actually bears.
2. **Subject borrowing to independent and effective oversight:** Require the authorities to justify the need for each loan, explain its intended uses and economic rationale, and publish the findings of reviews of debt-financed expenditure.
3. **Assess the risks of gas expansion before assuming new obligations:** Conduct and publish stress tests measuring repayment capacity under scenarios of lower gas prices, weaker demand, or rising project costs, rather than basing decisions solely on optimistic forecasts.
4. **Protect future generations from the transfer of today's burdens:** Establish borrowing rules that balance debt costs against long-term benefits and restrict financing for projects of limited economic viability that leave future generations with obligations exceeding their returns.
5. **Reduce the state's dependence on gas revenues:** Direct resources towards productive sectors capable of generating sustainable income, and measure the success of diversification by its actual contribution to revenues, exports, and employment rather than by the amount of expenditure announced.
6. **Publish a clear debt repayment and refinancing plan:** Specify how much principal is repaid and how much is replaced with new

borrowing, disclose interest costs relative to revenues, and maintain liquid reserves to meet obligations as they fall due without undermining essential services.

Conclusion

This study shows that assessing Qatar's debt requires more than examining its size or its ratio to GDP. It also requires understanding how borrowed funds are used, their interest costs, repayment schedules, and the capacity of the projects they finance to generate sustainable returns. Borrowing can support development, but it becomes a burden when obligations accumulate without clear benefits or when repayment capacity depends on gas revenues remaining high. The scale of assets and investments is insufficient to justify financial decisions, because possessing wealth does not relieve the authorities of their responsibility to disclose the costs and risks of their choices. Nor does a declining debt ratio, by itself, demonstrate a reduction in financial burdens unless accompanied by disclosure of actual repayments, new obligations, state-owned enterprise debt, and associated guarantees. Fragmented information continues to obstruct oversight and accountability, preventing the public from assessing whether resources are being used to build a sustainable economy or merely to postpone confronting its structural weaknesses.

The Qatari authorities bear responsibility for what their decisions leave behind once the revenue boom has passed. Expanding production and expenditure is not an achievement in itself; its value must be measured by the productive capacity and sustainable income it creates after accounting for debt, interest, and operating and maintenance costs. Protecting the future therefore requires comprehensive transparency, independent oversight, meaningful economic diversification, and safeguards that prevent future generations from bearing

the costs of projects whose benefits are not commensurate with their burdens.

Ultimately, future generations are not figures in repayment schedules. They are children who will grow up with dreams and a right to a homeland that opens doors for them. What Qatar will leave them is being determined today: either wealth that gives them freedom of choice or obligations that consume their income and narrow their opportunities before their working lives have even begun. It is painful to contemplate children inheriting the bill for a prosperity they did not choose and being asked to pay for decisions in which they had no voice. The responsibility entrusted to those who govern demands that the country they pass on remain capable of nurturing those children's dreams, and that its wealth support their future, rather than their future becoming the collateral for today's debts.

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The Economics of Debt in Qatar

Sovereign Debt, Public Finances and Intergenerational Equity

This book examines the economics of debt in Qatar and the fundamental questions it raises about the management of national wealth, the rationale for borrowing in a country rich in oil and gas resources, and whether the costs and future obligations it entails are justified. It analyses the relationship between sovereign debt, spending priorities, and public financial management, and assesses whether current policies are building a sustainable economy or entrenching dependence on resource revenues while postponing structural reform.

The study assesses the evolution, structure, and funding sources of Qatar's sovereign debt, the transparency of financial decisions, and the effectiveness of oversight of borrowing and expenditure. It examines the structure of public finances, the efficiency and returns of major projects, and the risks arising from dependence on hydrocarbon revenues. It also considers the consequences for future generations and the need to transform exhaustible wealth into sustainable assets, while ensuring accountability and greater transparency in the management of public resources.

By placing the economic rationale, transparency, and accountability of financial decisions at the centre of the analysis, this book provides a critical assessment of the Qatari model and highlights the long-term implications of current debt and spending policies for the country's economic stability and the rights of future generations.

KEY THEMES EXPLORED



SOVEREIGN DEBT

Evolution, structure, funding sources and debt-servicing costs.



GOVERNANCE AND TRANSPARENCY

Oversight of borrowing, expenditure and sovereign wealth management.



PUBLIC FINANCES

Dependence on hydrocarbon revenues and the efficiency of major projects.



INTERGENERATIONAL EQUITY

Assets, obligations and the impact on future generations.



REFORMS AND ACCOUNTABILITY

Measures to ensure sustainable growth, transparency and responsible debt management.

