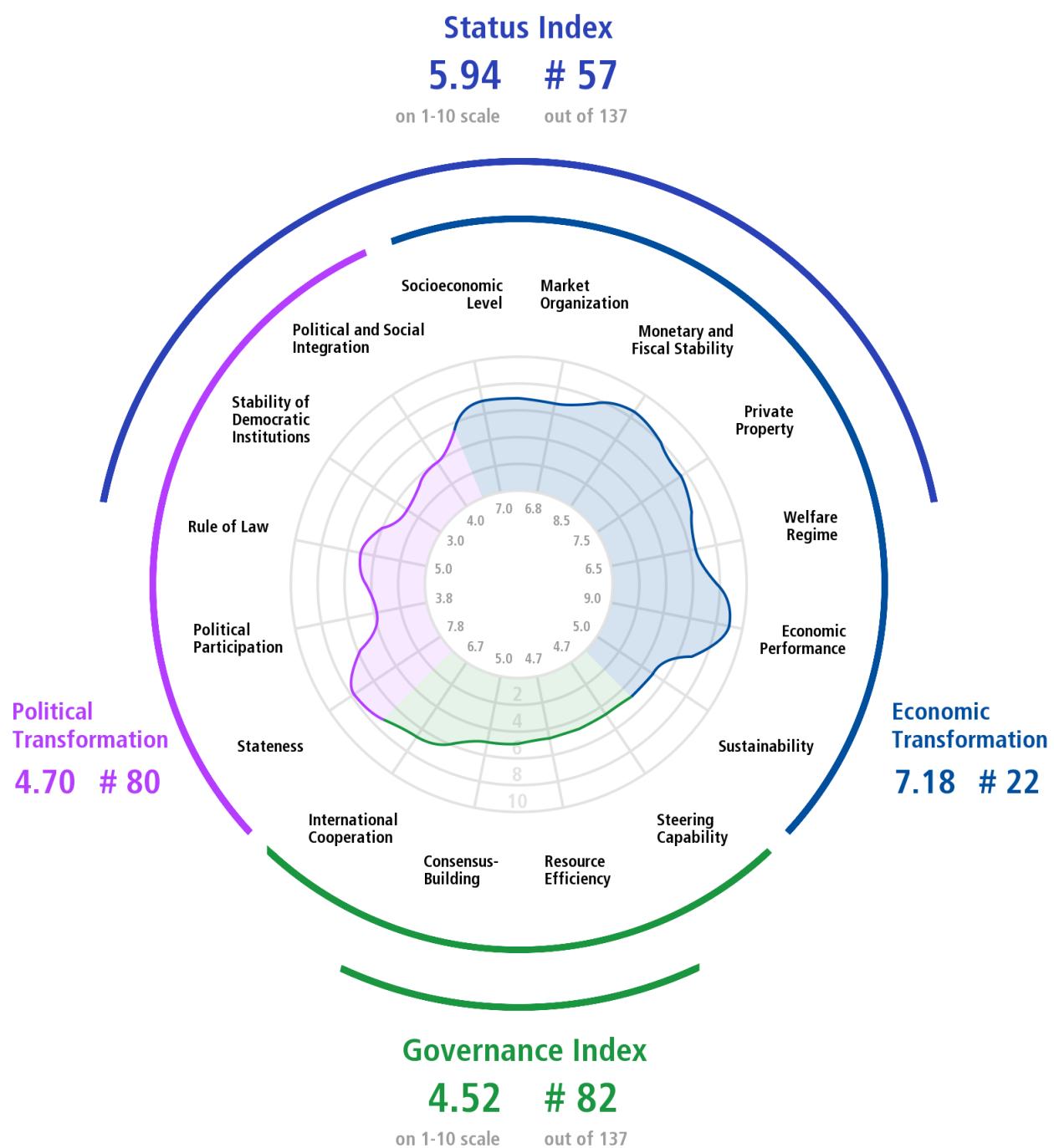


BTI 2020 Country Report

Kuwait



This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2020. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2020 Country Report – Kuwait. Gütersloh: Bertelsmann Stiftung, 2020.

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Key Indicators

Population	M	4.1	HDI	0.808	GDP p.c., PPP \$	73705
Pop. growth ¹	% p.a.	2.0	HDI rank of 189	57	Gini Index	-
Life expectancy	years	75.3	UN Education Index	0.625	Poverty ³ %	-
Urban population	%	100.0	Gender inequality ²	0.245	Aid per capita \$	-

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

After several politically (2011 – 2014) and economically (2014 – 2017) challenging years, Kuwait experienced internal stability and modest economic growth during the period under review. However, Kuwait's external relations (particularly inter-GCC relations) have grown more tense and fragile during the same time.

Motivated by the falling global oil price between 2014 and 2017, the government launched its second attempt at a national, long-term strategy, “New Kuwait Vision 2035” in early 2017. As with previous plans, the new vision aims to transform Kuwait into a regional commercial hub, promoting economic diversification and reducing the state’s dependency on oil. Ironically, however, so far, the implementation of the new development plan benefited greatly from the recovering global oil prices (since 2017). Long-stalled energy, housing and infrastructure projects, including the new international terminal for Kuwait’s airport, are now under way. Many large-scale projects have benefited from the legislative reforms of recent years, which promoted foreign direct investment. International business commentators have evaluated Kuwait’s economic developments overall to be positively, some even speak of a construction “boom.” On the other hand, nationalist voices within Kuwaiti society have more loudly called for the Kuwaitization of the private sector and the deportation of expatriate workers, with fears (and opposition) mounting in the face of the government’s plans to cut subsidies and to reform public sector employment.

The delicate relation between the elected parliament and the government has grown more difficult, with a vocal opposition back in parliament since the last election in 2016. Corruption scandals, a lack of transparency and accusations of mismanagement of public funds have fueled parliamentary debates. The emir met rising public pressure in December 2018 with a cabinet reshuffle, replacing four ministers. Regional commentators have warned that the rising adversarial relationship between the government and elected parliament might escalate again, and lead to the dissolution of the parliament in 2019 – a situation that parliament experienced seven times (in 2006, 2008, 2009, 2011, 2012, 2013 and 2016) during the reign of the current emir. With regard to the question

of the succession to the current emir (who is 90-years-old), at the time of writing, his eldest son Nasser al-Mohammed appears to be the ruling elites' favorite choice. In November 2018, his popular contender, Ahmed al-Sabah, stood down as an International Olympic Committee (IOC) member, a membership he had held since 1992, following allegations by Swiss prosecutors that he was involved in distributing fake videos, plotting against two Kuwaiti government officials.

The political developments in Kuwait have been overshadowed by mounting tensions in the Gulf. In June 2017, the so-called Qatar crisis escalated when Saudi Arabia, the United Arab Emirates, Bahrain and Egypt cut ties with Qatar, and established an air and sea blockade on Qatar. At the time of writing, no end to the blockade is in sight. The Arab quartet accused Qatar of supporting terrorism, particularly the Muslim Brotherhood, and spreading false news via al-Jazeera. Kuwait is not a party to the blockade. Instead Kuwait has been engaged in its traditional role as a mediator in an attempt to end the conflict, but has had little success. The Qatar crisis has reoriented political alliances in the Gulf. While Kuwait and Oman's relations with Turkey have warmed considerably, Turkish-Saudi relations have deteriorated. The Saudi crown prince's first formal visit to a GCC state since Mohamad bin Salman became heir apparent took him to Kuwait in September 2018. Regional commentators suggested that the brief visit reflected the lack of progress in the countries' dispute over the Qatar crisis. Hence, fears have been mounting in Kuwait that Kuwait's role in the Qatar crisis might increasingly anger its neighbor and motivate Saudi Arabia to meddle in the royal succession in Kuwait. Regional developments have occupied parliamentary and public political debates considerably, with various Islamist and Muslim Brotherhood affiliates (behind closed doors) further embracing the Turkish President Erdogan.

History and Characteristics of Transformation

Kuwait has been ruled by the Al Sabah dynasty since the mid-18th century and became fully independent from the United Kingdom on June 19, 1961. From early on, the authority of Al Sabah family members has been founded on an accord with local tribesmen and merchants and was based on mutual interest and exchange. The position of the Al Sabah changed fundamentally with the discovery of oil in 1938 and the first exports in 1946. Abdullah al-Salim al-Sabah, who became the first emir of Kuwait upon independence, used the wealth to create a comprehensive welfare state with extensive education and health care facilities, and initiated infrastructure projects. Today, the country is one of the largest oil exporters globally, possessing about 6% to 8% of the world's known oil reserves. The combination of large oil revenues and a small native population has unleashed tremendous economic development, allowing citizens to lead comfortable lives. Kuwait's history has been characterized by rapid population growth due to the import of foreign labor. Between 1950 and 2017, the population grew 27-fold, increasing from 150,000 to over 4.1 million.

Kuwait has the oldest elected parliament of any Arab Gulf country, with the National Assembly established in 1963. The parliament has never been a "rubber-stamp" body and openly discusses vital issues. In particular, it has often pressed for more democracy, transparency as regards state financial matters, a greater role for itself in defining oil policies and greater parliamentary

oversight over foreign defense contracts. However, women were not been represented in politics prior to 2005, when parliament finally approved the emir's request to grant women the right to vote and run for election. However, only one female candidate, Safaa al-Hashem, was successful in the last parliamentary elections in November 2016.

In order to create a counterbalance to the influential nationalist-leaning merchants, the ruling family naturalized many Bedouins ("badu") from the 1960s onward and offered them jobs in state bureaucracy and security forces. The conservative badu kept their strong tribal allegiances and were loyal to the Al Sabah. Over time, Bedouin tribal members integrated into Kuwaiti urban life, and achieved higher levels of educational attainment and better professions. Despite their increasing numbers, eventually forming the majority of the Kuwaiti population, their influence has not grown accordingly. Consequently, tribal activists sought their way into parliament to exert political influence independently from tribal chiefs loyal to the government. While many tribal groups were naturalized, some were not, and today they constitute a group of over 100,000 Bidoons, or persons without legal documents. These stateless local Arab residents, many of whose families settled in the Gulf generations ago as merchants or workers, are denied citizenship and corresponding rights.

Sunni-Shi'a relations have been less contentious than in other Gulf states, but tensions still exist. The conflict between Iran and the Arab Gulf states, as well as the crises in Syria and Bahrain post-2011, have exacerbated divisions.

The successor to the almost 90-year-old emir (born in 1929) has been a hot topic in Kuwait for some years. Succession is determined not by primogeniture, but by consensus of the ruling family. For a while, the position of the emir alternated between the two main branches of the family, the Jaber and the Salem branches. However, in 2006, that rule was skipped when Sheikh Sabah al-Ahmad succeeded the late Sheikh Jaber al-Ahmad (who had ruled the country for 29 years), because the designated heir, Sheikh Saad al-Abdullah, was deemed too ill. Since then, the main political powers have sidelined the Salem line, concentrating power primarily in the hands of the Jaber princes and thus effectively introducing the new generation to the prospective rule. Power struggles within the Jaber branch have since occupied political and public life in Kuwait, with the eldest son of the emir, Deputy Prime Minister and Minister of Defense Nasser al-Mohammed, and the emir's nephew, Ahmed al-Sabah, playing out their rivalry for succession in public.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

Kuwaiti government authorities exercise complete control and a monopoly on the use of force in the country. Kuwait has not witnessed any major violent conflicts within its territory since the war with Iraq (1990 – 1991). The country experienced some of the largest demonstrations in its history in the wake of the so-called Arab Spring between 2011 and 2014, which occasionally ended in police violence.

Regional geopolitical tensions reinvigorated several border issues during the period under review. Kuwait remains part of the Saudi Arabia-led coalition, which has been engaged in the complex conflict in Yemen since 2015. Yet, the oil fields, Khafji and Wafra, that were previously jointly operated by Kuwait and Saudi Arabia, have been closed since 2015. Recent talks between Saudi Crown Prince Mohammad bin Salman and Kuwait's Emir Sheikh Sabah failed in September 2018. The failure of the negotiations has been attributed to Saudi Arabia's aspiration for greater control over oil production and differences between the two countries regarding the Qatar crisis. The 2013 border agreement between Kuwait and Iraq over the Khor Abdullah estuary was contested in 2017 by Iraqi lawmakers, who questioned their governments decision and mobilized protestors in Basra. In Basra, the Euphrates and Tigris merge into the Shatt al-Arab waterway, before flowing into the Gulf. Iraqi fishermen suffering from low fish stocks due to rising levels of pollution are increasingly forced to cast for fish in Kuwaiti waters.

Despite its substantial losses, the Islamic State (IS) group in Syria and the complex multiparty conflict in Yemen (fueled by Saudi Arabia, Iran and their allies) continue to pose potential security threats to Kuwait. Unlike in previous years, between 2017 and 2019, there were no terrorist incidents by the IS group on Kuwaiti territory. Yet, Kuwaiti government efforts to counter violent extremism in its territory continued in the form of imam trainings, school outreach programs and a new TV channel launched in 2017.



1

The legitimacy of the nation-state is largely accepted. However, Kuwaiti citizenship and its distribution has been a contentious issue because of the welfare and political rights associated with it. About two-thirds of Kuwait's population are expatriate workers, who have no prospect of attaining citizenship. A further 10% are so-called Bidoon (literally "without"), stateless Arab residents who often live in relative poverty and work in the informal economy. For decades, Bidoon have been denied full citizenship rights (e.g., access to social welfare, favorable employment and voting rights), despite often having lived all their lives in Kuwait. In public discourse, Bidoon are regularly suspected of holding other citizenships and seeking Kuwaiti citizenship only for its material benefits. With reluctance, the government has lately tried to solve the issue. In April 2017, the government announced that descendants of former Bidoon soldiers would again be allowed to enlist in the armed forces, thus offering stable and well-paid employment to thousands of Bidoon. Reports suggest that the military received 20,000 applications within the first three days of the announcement. In September 2017, the government further agreed to issue identity cards to Bidoon, allowing for identification and access to the state health care system. In October 2017, the parliamentary opposition, building on the momentum, put the expansion of Bidoon rights on its agenda, a reflection of tribal ties between the opposition and the Bidoon.

In late 2018, the parliament discussed granting Kuwaiti citizenship to non-Muslims. Parliament's committee for legal and legislative affairs approved in November 2018 the proposed amendment of article 4, paragraph 5 of the 1959 nationality law, which stipulates that naturalization can only be granted to born or converted Muslims. If the parliament and government approve, Kuwaiti citizenship would be open to non-Muslims in the future.

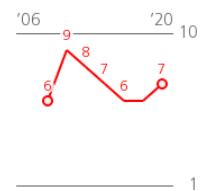
Historically citizenship would be sometimes granted by the government to certain groups in the population in order to gain their political support and to weaken opposition groups in the parliament. Likewise, citizenship can be withdrawn from individuals and their families in order to suppress political dissent. In 2014 citizenship rights were revoked for former Islamist member of parliament Abdullah al-Barghash, the owner of the pro-opposition television station al-Youm, Ahmad Jaber al-Shemmary, opposition activist Saad al-Ajmi, as well as a number of Islamist activists. However, in October 2016 the court restored al-Shemmary's citizenship and in May 2017 it reinstated the citizenship of Abdullah al-Barghash.

According to Article 2 of the constitution, Islam is the state religion and Islamic Shariah is a main (but not the only) source of legislation. Nevertheless, the country generally functions along modern principles with secular institutions and the emir, the head of state, does block Islamist policies.

During the period under review, Kuwait's Islamist groups (Salafis and the Muslim Brotherhood) continued to adopt an increasingly pragmatic political approach, which addresses above all issues related to corruption and the lack of transparency (issues

State identity

7



1

No interference of religious dogmas

6

that are endemic among Kuwait's elites), rather than a moralistic, ideological stance (e.g., lobbying for the implementation of Shariah law). Whereas most members of parliament rarely commented on foreign policy and international affairs in the past, the Qatar crisis has increased debates about Kuwait's regional and global position. In the context of the blockade of Qatar, regional alliances reoriented with Qatar intensifying its relations with Turkey. Many Kuwaiti Islamists embraced Turkish President Erdogan and Turkey's close ties with the Muslim Brotherhood. Kuwait's relations to Turkey have warmed considerably in the period under review, as manifested in the signing of a military cooperation agreement between the two countries in October 2018.

The current parliament, elected in November 2016, includes a significant Islamist fraction (12 out of 50 members of parliament). Whereas Sunni Islamists have become more involved in joining cross-ideological opposition, Shi'ite members of parliament appear rather loyal to the royal family. For instance, a parliamentary hearing in May 2018 filed by one Salafi and one member of the secular opposition (i.e., neither were Shi'ite), largely centered on the reasons behind Kuwait's decline in the Corruption Perception Index published by Transparency International.

Kuwait is administratively divided into six governorates, al-Ahmadi, al-Asima (in Arabic "the capital," including the area around Kuwait City in which approximately 96% of the total population resides), al-Farwaniyya, al-Jahra, Hawalli and Mubarak al-Kabir. Access to water and sanitation is almost universal. The state bureaucracy is functional but bloated. Many positions were created to provide employment for Kuwaiti citizens without focusing on merit or needs. Kuwaiti nationals are entitled to free social services (e.g., health care and education), although the quality of which are somewhat deficient. The basic infrastructure in Kuwait is fairly advanced, but power cuts are common during the hot summer season.

Kuwait experienced an infrastructure construction boom in the period under review. The country's five-year development plan for 2015 – 2019 focused on long-delayed infrastructure projects, such as the construction of a new terminal for Kuwait airport and a national railway plan. In July 2018 alone, the minister of public works and the minister of state of municipal affairs awarded \$48.5 million to infrastructure development projects, including the construction and maintenance of roads and bridges, and several key waterways and sewerage projects in the capital. However, in November 2018, severe floods damaged Kuwait City's infrastructure considerably, including roads, bridges and some of Kuwait City's newly built infrastructure. This sparked widespread criticism of the clientelistic processes and structures that enabled the infrastructure boom. Housing shortages have been a major source of public discontent and criticism of the authorities. Multiple new residential areas are currently being developed.

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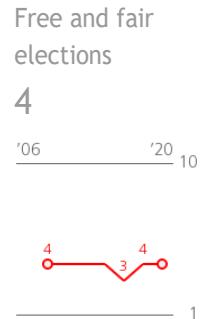
Basic
administration
8



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2 | Political Participation

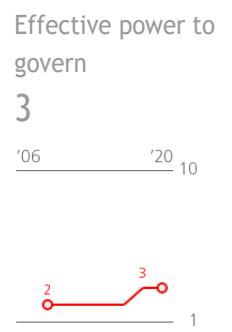
Parliament (majlis al-umma) consists of 50 directly elected members and up to 16 ministers who are directly appointed by the emir. The legal framework for Kuwait's election is largely in line with international standards, with the inequality of the vote being the major flaw, according to Democracy Reporting International. However, Kuwait does not allow the formation of political parties. Hence, members of parliament campaign in elections as independent candidates, and (officially) only on winning a seat form blocks and coalitions in parliament. Soldiers face limitations to their right to vote, while naturalized citizens are barred from participating in elections for 20 years after naturalization. Women were granted the right to vote and run in elections in 2005. However, while 15 women ran for parliament in the latest election in 2016, only one woman, Safaa al-Hashem, won a seat.



The latest parliament was elected in November 2016 for four years (until 2020) with a 70% voter turnout. After boycotting several previous elections, the majority of the opposition participated again, securing almost 50% of the seats (24 out of 50 seats). Independent Salafists won four seats, the Islamic Constitutional Movement (ICM) affiliated to the Muslim Brotherhood won three seats (with a fourth candidate effectively voting along ICM lines), while the number of Shi'a parliamentarians was reduced from nine to six.

The May 2018 municipal elections saw a low voter turnout, with estimations that little over 20% of eligible voters turned out. Critics suggest that the Municipal Council is merely a technical institution with no executive powers. The 73 candidates that ran in the municipal elections included only one female candidate (who did not enter the council). The Municipal Council is elected every four years. The council is comprised of one representative from each of the 10 districts, and six members nominated by the National Assembly and appointed by the government. The 2018 nominees included one woman representative, Maha al-Baghi. The previous Municipal Council had been dissolved by governmental decree in October 2017 after "lack of progress and mass resignations," as stated by Minister of State for Municipal Affairs Mohammad al-Jabri.

The role of the elected parliament is limited by the fact that the emir, Sheikh Sabah al-Ahmed al-Jaber al-Sabah, appoints the ministers, who are also members of the National Assembly. Hence, the government often does not require a majority backing in parliament to adopt new legislation. In other words, the power of the royal family and its hand-picked cabinet is unrestricted. The parliament has no oversight over the Kuwait Investment Authority (KIA), which administers the General Reserve Fund (the government's major financial reserves).



In an unprecedented step, in December 2018, Kuwait's Supreme Court unseated two members of parliament, Waleed al-Tabtabaie and Jamaan al-Harbash, who were

among a group of demonstrators that stormed the parliament in 2011, demanding the resignation of the then prime minister, Sheikh Nasser al-Mohammad. The incident has since caused widespread controversy. Following a heated debate, in October 2018, the parliament voted to keep the membership of the two accused. By-elections to replace al-Tabtabaie and al-Harbash are scheduled for March 2019.

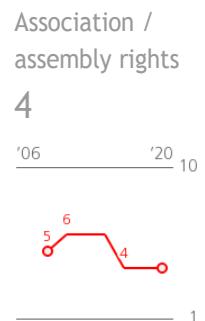
Yet, the Kuwaiti parliament is not a rubber-stamp body and has traditionally focused on controlling the executive and questioning government initiatives through the interpellation, or “grilling,” of ministers. The resignation of four ministers in December 2018 is seen as an example of the strength of the parliament, since the ministers could have been questioned in parliament regarding cases of alleged corruption and mismanagement of funds.

The adversarial relationship between the government and the parliament is evident in the fact that no elected parliament since 1999 has served its full term. It is possible that the December 2018 cabinet reshuffle will herald a dissolution of the current parliament before the end of its term in 2020.

Kuwait's constitution guarantees the right to freedom of assembly for Kuwaiti citizens (article 44). The traditional semi-public gatherings run by families or tribes, called diwaniyas, continue to be held frequently. However, political protests and street demonstrations, which used to be frequent in the past, have become rare since the period of heightened activism between 2011 and 2014. In November 2017, 67 people involved in demonstrations at Kuwait's parliament in 2011 were sentenced to between one and seven years in prison. This included a seven-year sentence for the leading opposition figure, former member of parliament Musallam al-Barak.

In December 2017, thousands of Kuwaitis went to the streets for an authorized demonstration to protest the United States' recognition of Jerusalem as Israel's capital. Activists took to the streets twice in September 2018 to protest rising censorship in the country, after a censorship board of the Ministry of Information banned 948 books from the 43rd Kuwait International Literary Festival.

The government restricts the registration and licensing of non-governmental organizations (NGOs), and particularly organizations critical of the government sometimes face harassment. Yet, in contrast to its neighbors, the country allows, for instance, Human Rights Watch (HRW) into the country and is open to constructive dialog, according to HRW. Unlike in other Gulf Cooperation Council (GCC) states, labor unions are allowed and vocal in Kuwait, and have historically been very influential.



1

The Kuwaiti constitution guarantees freedom of expression (article 36), but includes a wide-reaching clause of limitations. The law criminalizes defamation of Islam, the emir and the constitution.

Kuwaiti media is among the freest and most outspoken in the region, although there are some “red lines” that are not to be crossed, such as subjects that may cause religious offense or criticism of the emir. According to Article 54 of the constitution, the person of the emir is immune and inviolable. Therefore, journalists exercise a degree of self-censorship, and the authorities have persecuted dozens of critics who have spoken out on sensitive subjects. Several media outlets have been punished or closed following their coverage of the regime, including the local newspapers Al-Yawm and Al-Watan. However, these measures received relatively little wider public attention, as local print organs (e.g., Al-Watan) had previously suffered from a lack of credibility due to its pro-government and pro-royal family reporting. In December 2017, the independent Kuwaiti journalist Abdullah al-Saleh was sentenced in absentia to five-years imprisonment with hard labor for “abusing Saudi Arabia.” The reporter, who had fled to the United Kingdom, ran a YouTube channel with satirical news clips on the region, including sensitive issues like the personal wealth of Crown Prince Mohammad bin Salman. Together with other convictions he received, his accumulated imprisonment years amount to 31.

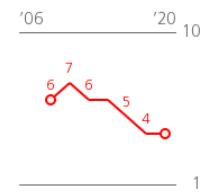
Local media outlets reported in 2017 on the government’s intention to form a committee tasked with monitoring social media accounts. Though these reports have not been confirmed by the government. In 2018, the Ministry of Finance revealed plans to invest in specialized software and to contract a competent company for the surveillance of social media networks.

The number of books banned by the authorities has increased each year since 2013, reaching more than 4,000 over the last five years. In 2018, the Ministry of Information banned 948 books from the country’s international literary festival, including classic works by Dostojewski and Marquez, as well as “The Little Mermaid” (for her bikini top was ruled to be too revealing).

In the 2018 World Press Freedom Index, Kuwait’s rank fell to 105, down from 90 in 2015.

Freedom of expression

4



3 | Rule of Law

There is a degree of separation between the legislature and the executive, but it is weakened by the fact that the emir appoints the ministers, as well as the prime minister, who are ex officio members of the parliament. Hence, roughly one-fourth (up to 16) of the members of the parliament are not elected. The emir can dissolve parliament, but new elections are supposed to be called within two months. However, in the past, this obligation was not always honored.

Lawmaking power rests with parliament, but the emir can veto any legislative measures by the assembly. In theory, the parliament can then overturn the emir's veto by a two-thirds majority. Since only one-fourth of parliamentary members (the cabinet) are directly appointed by the emir, the cabinet cannot directly form a blocking majority in the parliament without negotiations. This substantially strengthens the position of the parliament as long as the members of parliament succeed in forming alliances to counter a veto.

The assembly has the power to conduct inquiries into government actions and pass motions of no confidence against ministers, or no cooperation against the whole cabinet. Thus, checks and balances of the executive in Kuwait are more effective than in other Gulf States.

The constitution claims the autonomy of the judiciary (article 163) and explicitly denounces the domination of any authority over judges. Judges are appointed by the emir on recommendation of the Supreme Judicial Council, a consultative body comprised of members of the Ministry of Justice and Kuwaiti judges. In 2016, the U.N. Human Rights Committee noted concerns "about the insufficient independence of the judiciary from the executive branch in such matters as the appointment, promotion and disciplining of judges." The committee also criticized non-citizen judges' lack of tenure and job security, since their judicial appointment must be renewed every two years.

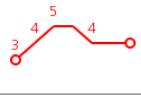
Nevertheless, on multiple occasions, the judiciary has ruled against the government's or the emir's decisions. For instance, in September 2016, a Kuwaiti court rejected the government's decision to increase petrol prices by 40%. However, in April 2017, the Appeals Court ruled that the price rise conformed with the constitution. Members of the opposition and lawmakers, however, have stated that they would take the case to the Supreme Court, Kuwait's highest judiciary body. It is difficult to assess whether the courts' seemingly "anti-government" decisions are made without the prior knowledge of the emir and the top officials.

The World Economic Forum's 2018 Global Competitiveness Index considers Kuwait's judicial independence fairly good, with a score of 4.6 out of 7 points and ranked 42 out of 138 countries. Yet, this is a slight drop compared to being ranked 39 in the 2015/16 index.

Separation of powers

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Independent judiciary

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The accountability of officeholders remains limited. Nevertheless, some officeholders, including cabinet members who abuse their positions, can face legal or political penalties. In December 2018, four high-ranking ministers (the minister of oil, Bakheet al-Rashidi, the minister of social and economic affairs, Hind al-Sabeeh, the public works minister, Hossam al-Roumi, and the minister of state for parliamentary affairs, Adel al-Khorafi) had to resign from office, as there was the threat that they would be questioned in parliament on cases of corruption and mismanagement of funds in their respective ministries. Al-Rashidi and al-Sabeeh had been subject to parliamentary questioning and no-confidence motions on more than once before. Pressure mounted following the substantial destruction caused by the November 2018 floods, which sparked severe criticism of the quality of infrastructure and the clientelistic processes through which the government engaged in large-scale infrastructure projects.

The fight for greater transparency and against corruption has been high on the oppositions' political agenda in parliament. Media reports regularly covered corruption scandals during the period under review, particularly in the field of infrastructure. During summer 2018, suspicions were raised about a Kuwaiti investment fund, the Port Funds, channeling \$500 million to Kuwaiti individuals. The case drew international attention due to the involvement of the Russian businesswoman Marsha Lazareva, who was sentenced to 10 years in jail in Kuwait for embezzlement of public funds in May 2018.

Kuwaiti citizens generally enjoy human rights and freedoms. While not systematic or widespread, there have been violations. Amnesty International reported cases of torture and abuse during detention. Since 2007, the death penalty has been executed on only two occasions, both mass executions. In 2013, five non-Kuwaiti citizens were executed, while five non-Kuwaiti and two Kuwaiti citizens were executed in January 2017.

Yet, during the period under review, there has been several improvements. In 2017, the emir ordered that the nationality of some government critics and their families, whose citizenship had been revoked during the period of heightened activism between 2011 and 2014, would be reinstated. In 2017, parliament reversed a 2015 amendment to the Juvenile Law, once again raising the age of minors from 16 to 18 years of age, affording more adequate treatment to young people under criminal law.

The largest human rights problem remains the treatment and the lack of legal protection for foreign and unskilled domestic workers. After the corpse of a Filipino domestic worker was found in the freezer of an apartment in February 2018, many long-acknowledged domestic workers' rights violations caused international diplomatic tensions. The Philippines government issued a ban on its nationals traveling to Kuwait. The crisis was solved by an agreement between the Kuwaiti and Filipino governments that promises better working conditions for Filipino workers, reinforcing the right for overtime payment and a minimum wage for Filipinos of

Prosecution of
office abuse

5

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Civil rights

6

'06 _____ '20 10



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KWD 120. In 2016, the Ministry of Interior set a minimum wage for all domestic workers of KWD 60 (\$200), making Kuwait the first GCC state to introduce a mandatory minimum wage for domestic workers. Yet, these basic civil rights remain highly contested within Kuwaiti society. The influential Kuwaiti social media star Sondos Alqattan openly criticized the one day off a week household helpers have, causing international consternation.

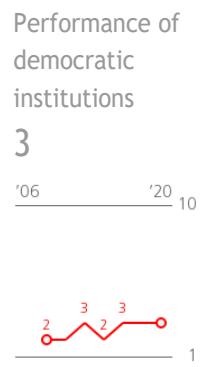
Bidoons continue to be excluded from full citizenship, despite their long history in Kuwait. Women in Kuwait still face legal discrimination. The nationality law does not afford Kuwaiti citizenship to the child of a Kuwaiti woman and foreign-born father.

4 | Stability of Democratic Institutions

Kuwait is ruled by the monarchy of the Al Sabah family, which is bounded by the 1962 constitution. This allows for a semi-democratic parliamentary system, which is headed by the emir, Sheikh Sabah al-Ahmed al-Jaber al-Sabah. Given the age of the current emir (born in 1929), the question of his succession has triggered a major public rivalry between his eldest son, Nasser al-Mohammad, and one of his nephews, Ahmed al-Sabah. Commentators judged the emir's decision to appoint Nasser al-Mohamed as defense minister in December 2016 as preparation for his eventual succession. Unique among the Gulf monarchies, the Kuwaiti parliament has a veto right in the succession process. The emir's choice of crown prince must be approved by majority vote in the parliament. With the ongoing Qatar blockade – which challenges Kuwait's role as a mediator between Qatar, and Saudi Arabia, Bahrain, the United Arab Emirates and Egypt – Kuwaiti officials fear that Saudi Arabia might meddle in Kuwait's leadership succession, if Kuwait does not align with and thus angers its neighbor.

Whereas 50 deputies in Kuwait's parliament are largely democratically elected, which allows for lively and productive debates, up to 16 parliamentary seats are occupied (*ex officio*) by ministers appointed by the emir.

Hence, Kuwait's government (cabinet) is not legitimized by democratic elections involving a majority vote within the unicameral National Assembly. The National Assembly has certain oversight over the executive. It can overturn decrees made by the emir when the National Assembly is not in session. Furthermore, it can remove ministers by a majority vote. These control mechanisms are weakened by the fact that government ministers are also members of parliament with voting rights. However, ministers are not allowed to participate in the work of assembly committees, and they cannot vote when parliamentary questioning leads to a no-confidence vote against one of the cabinet members.



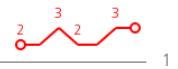
Kuwait's constitutional setup creates a conflict-prone relationship between the government and parliament, as the latter has mainly negative powers. Since almost half of the parliament in the period under review stands in opposition to the government, it has made use of its negative powers on several occasions through no-confidence motions and the questioning of ministers.

On the whole, Kuwaitis are proud of their tradition of active political participation, and the country stands out among all GCC members in terms of stability and performance, particularly of its parliament. The constitution is widely respected, even if it is not always interpreted in the same way. Various groups within Kuwaiti society (i.e., tribes, urban business elite, secular political blocs and religious groups, such as the Muslim Brotherhood, Salafi and Shi'a groups). Although some of the ruling family members have previously tried to diminish the powers of the National Assembly, calls for the abolition of the parliamentary system are not common. The high voter turnout (70%) in the last parliamentary election in November 2016 attests to the high standing of the parliament within Kuwaiti society. Despite this, liberal and leftist opposition groups continued to boycott the political system and did not participate in the last election. They do however coordinate action with some of the opposition-leaning members of parliament within the assembly.

Commitment to democratic institutions

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5 | Political and Social Integration

Legally, no political parties exist in Kuwait. However, members of the National Assembly are organized along political blocs, which include groupings such as liberals (the National Democratic Alliance), leftists (the Kuwait Democratic Forum), nationalist (the Popular Action Bloc), several Shi'i blocs (the National Islamic Alliance and the Justice and Peace Alliance), Salafi Islamist groups and the Islamic Constitutional Movement affiliated with the Muslim Brotherhood. These blocs act as quasi parties and are perceived as such by the population, as they partly run own TV stations and print media.

Party system

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In a much-criticized move, the emir amended the electoral law by decree in October 2012, reducing the number of candidates that a voter could elect from four to one. The previous election system made it easier for political groups to run lists of candidates. For example, if a voter supported a liberal bloc, he or she could cast four votes for four candidates from the same bloc. Now, a voter can only vote for one candidate, effectively making representatives of the same bloc compete against each other.

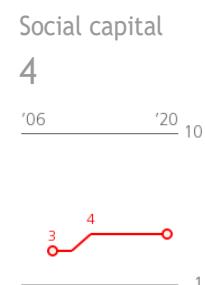
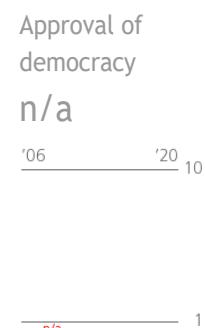
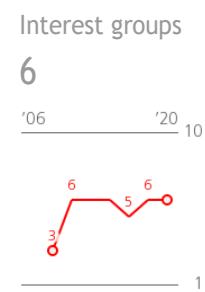
Calls for the introduction of political parties are one of the main demands of the opposition groups.

Kuwait has long stood out for its robust public sphere and active civil society. It comprises women's organizations, Islamic associations, cultural clubs, charities, trade unions and diverse professional associations, including those for journalists and lawyers. These groups regularly engage in the political process, express their wishes to the government and shape public opinion. Kuwait has strong business associations, such as the Kuwait Chamber of Commerce and Industry, which influence policy-making through formal and informal connections to the government. Kuwait's public sector labor unions are comparatively exceptionally strong in their ability to protect the privileges of public sector employees and organize strike actions by regional standards. In addition, tribal and family networks maintain strong ties to parliament, and play a crucial role in mediating conflicts between members of parliament and state institutions. Diwaniyas, family or tribe run gathering places provide important spaces for consultation, and civic and political activism.

Most people seem to have a positive view of democracy in general and are proud of Kuwait's parliamentary tradition. However, many are not satisfied by the regular standoffs between the parliament and the government, and the high number of elections in recent years, which hampers development and is seen to be a primary cause of Kuwait lagging behind its more authoritarian neighbors (e.g., the United Arab Emirates and Qatar). The high voter turnout of 70% during the last election and lively public debate suggest general support for democratic institutions. As highlighted by the tumultuous period following the 2011 uprisings, Kuwaitis – like other Arab populations and particularly young Kuwaitis, who comprise a large proportion of the Kuwaiti population – are increasingly wary of corruption in state institutions, the authoritarian style of government and the distributional inequality of oil-generated wealth.

In the World Economic Forum's Global Competitiveness Report for 2017/18, Kuwait scores three out of seven points and ranked 68 out of 138 countries for "public trust in politicians," which is a substantial drop from its rank of 56th in 2014/15.

Kuwaiti society is highly stratified and divided along sectarian lines (Sunni/Shi'a), origin (Arab/Persian), social background (membership in a certain family, tribe, urban/rural), time of naturalization/settling in Kuwait, and religious and political views (Islamist/liberal). Therefore, tensions and, occasionally, mistrust indeed exist among different groups of society, often exacerbated by the overspill of regional conflicts and political events. Kuwait has a deep-rooted culture of philanthropy, which assumes a variety of forms, such as associations, endowments (awqaf) and informal religious practices of giving, particularly in the month of Ramadan. In line with global developments since 9/11, the Ministry of Social Affairs, which supervises charitable associations, has taken several steps to regulate and monitor charitable fundraising. International claims in 2016 and 2017 that Kuwaiti charities would finance Islamist terrorism abroad have been repeatedly denied by the Kuwaiti Foreign Ministry.



II. Economic Transformation

6 | Level of Socioeconomic Development

Despite the volatility in oil prices over the past decade, Kuwait is a wealthy country that controls an estimated 6% – 8% of the world’s crude oil reserves. With a value of 0.803, Kuwait ranked 56 out of 189 countries in the UNDP Human Development Index 2017, which placed the country in the “very high human development” category. Literacy is high at 95.5%, and access to education is fairly good and equal from a gender perspective.

No official data exist from the World Bank on poverty or on the Gini coefficient, but generally Kuwaiti nationals, who account for 30% of Kuwait’s population, do not live in poverty. According to the latest statistics (2017) of the Central Statistical Bureau of Kuwait, the proportion of Kuwaiti workers, working in the government and public sector stood at 92%. Their average monthly salary was KWD 1,457 (approximately \$4,800), according to the national Labor Market Information System (as of December 2016). According to official statistics for 2016, 277,935 Kuwaitis worked in the public sector and only 70,857 nationals in the private sector. In order to reduce the burden of public sector employment on the state budget, the government regularly debates the “Kuwaitization” of the private sector labor force, which is dominated by expatriate workers. Kuwaitization policies being discussed include introducing quotas for national employees in private companies. However, Kuwaitis have little incentive to seek employment in the private sector due to lower private sector salaries and longer work hours.

As in all Arab Gulf states, wealth is very unevenly distributed with many blue-collar expatriate workers structurally suffering from poverty and inequality. Roughly 70% of the residents of Kuwait are temporary foreign workers from South Asia and the Arab world, who are often socially excluded and economically exploited.

Question
Score

Socioeconomic
barriers

7



1

Economic indicators		2015	2016	2017	2018
GDP	\$ M	114567.3	109420.1	119551.6	141677.8
GDP growth	%	0.6	2.9	-3.5	1.2
Inflation (CPI)	%	3.3	3.2	2.2	-
Unemployment	%	2.2	2.2	2.0	2.1

Economic indicators		2015	2016	2017	2018
Foreign direct investment	% of GDP	0.2	0.3	0.1	0.0
Export growth	%	-0.9	1.8	-2.6	-
Import growth	%	6.8	1.1	14.9	-
Current account balance	\$ M	8584.2	641.7	7757.2	24049.1
Public debt	% of GDP	4.7	10.0	20.7	14.7
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	-20.9	-	-	-
Tax revenue	% of GDP	1.4	-	-	-
Government consumption	% of GDP	24.2	26.3	25.1	-
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	3.4	3.3	-	-
R&D expenditure	% of GDP	0.1	0.1	0.1	-
Military expenditure	% of GDP	5.0	5.8	5.6	5.1

Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

With the exception of the state monopoly in the oil and petrochemical industries, there is little state intervention. However, it should be noted that these industries generate around half the country's GDP.

State subsidies make up around 20% of government spending. The government intends to lower the level of subsidies, which are supplied for fuel, food and housing. Kuwait's currency is pegged to an undisclosed currency basket and according to the IMF "maintains an exchange system free of restrictions on payments and transfers for current international transactions."

Despite many reforms in the area of foreign direct investments (FDI) in recent years, foreign investments are still restricted in many sectors. It is necessary that businesses in Kuwait are 51% Kuwaiti owned, except in some fields (e.g., infrastructure, tourism, medical services and information technology). A few influential, private,

Market organization

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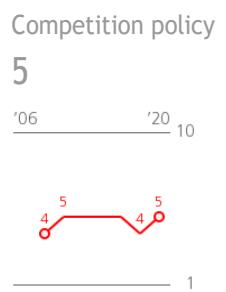
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family-owned companies dominate the economy and thus new players (local or international) find it hard to establish themselves. Many industries are largely dominated by the country's well-established business elites. The private sector is also extremely dependent on the state as it is greatly reliant on government contracts and subsidized utilities. Thus, Kuwait is considered to be a very difficult environment for new businesses and foreign business investments. Recent attempts to increase Kuwait's attractiveness for FDI showed a small improvement in the country's ranking in the World Bank's Ease of Doing Business index, with Kuwait's rank improving from 102 in 2017 to 96 in 2018, although it dropped one place to 97 in 2019, out of 190 countries. Starting a business in Kuwait takes 35 days and seven procedures, and costs 2.0% of GNI per capita. For starting a business, Kuwait scored 81.4 out of 100 points and ranked 133 out of 190 countries. The recent drop in Kuwait's rank in the Global Competitiveness Report by the World Economic Forum, from 40 in 2014/15 to 56 out of 140 countries in 2018, is due to the decline in GDP growth due to oil price volatility.

The difficulty of doing business in Kuwait, especially for SMEs and young entrepreneurs, has led to the growth of the informal economy, particularly in recent years with the rise of trade on social media platforms (e.g., Instagram). Yet, despite a lack of data on these activities, we can assume that informal economic activities are still very limited.

The ruling family and a few long-established merchant families control key economic activities and sectors. Monopolistic structures continue to exist despite government efforts to tackle monopoly in Kuwait. In October 2017, the minister for commerce and industry outlined executive regulations as part of a law to break long-standing commercial monopolies. Meanwhile, in February 2016, the parliament embraced a commercial agencies law, which allows for more than one agent or dealer for commodities in Kuwait, which officially broke the monopoly of agents over imports. Yet, decisions by the administration related to market activities can be arbitrary and sometimes involve corruption. The business community is further able to influence political decision-making through connections to the government and parliament, as well as lobbying of the Chamber of Commerce. Therefore, it has tools to shape economic policies in a way that protects its privileged, monopolistic position in the market.

Restrictive agreements and practices are regulated by the Commercial Law. In 2007, the government issued a Competition Protection Law (Law no. 10), which established a Competition Authority. The competition law aims to ensure the freedom to practice economic activities in a way that does not curb, prevent or harm free competition in any way. Any contract or agreement that tries to create a monopoly or curbs or restricts free trade or competition in Kuwait is forbidden. In October 2017, the authorities announced an investigation into Berlin-based Delivery Hero's acquisition of the Kuwaiti start-up Carriage (a local online food platform, which had successfully



established itself within months in Kuwait), after it had already bought regional online order giant “Talabat” in 2015. The announcement has been seen by local experts as a sign of the authority’s new scrutiny. In the period under review, the Kuwaiti government has further sought to enhance the institutional effectiveness of the new Competition Protection Authority through an engagement with the World Bank as part of the World Bank’s Country Partnership Strategy (2016 – 2020).

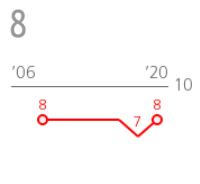
The Global Competitiveness Index has shown a constant improvement in the effectiveness of Kuwait’s anti-monopoly policy, with Kuwait ranked 108 out of 137 countries in 2017 – 2018, compared to 131 in 2014 – 2015. However, the ranking shows that anti-monopoly regulation in Kuwait is still very weak.

Kuwait depends heavily on foreign trade. The country exports oil and (to a lesser extend) petroleum-related gases. At the same time, the country heavily depends on the import of food, consumer goods and semi-finished products (which are then assembled by local companies). Kuwait’s major suppliers include China, the United States and the United Arab Emirates, followed by Germany.

The latest national development plan (“New Kuwait 2035”) launched in 2017 highlights foreign direct investment (FDI), which the government aims to triple by 2035. Foreign investments have been restricted in the past. Based on the Commercial Companies Law from 1960, foreign companies were barred from operating in Kuwait, unless they had a local agent or partner who retained at least 51% of company ownership. In order to promote FDI, the government issued a new FDI law in June 2013, which in theory now allows foreign investors to own up to 100% of a company located in Kuwait (not just companies in special economic zones). However, a 2015 ministerial resolution (no. 75) set out a “negative list,” comprising 10 sectors, which are not eligible for a foreign investment license. The list includes the energy, manufacturing, real estate, public administration and security sectors.

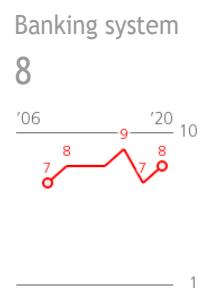
In order to promote FDI, the new FDI law also established the Kuwait Direct Investment Promotion Authority (KDIPA) in 2013, which facilitates investments and assists investors. In an interview with the Financial Times in 2018, the KDIPA stated that it has attracted more than \$2 billion in foreign investment since its inception in 2013. However, many foreign companies working in Kuwait continue to rely on foreign expatriate workers rather than the national labor force.

Liberalization of foreign trade



1

According to the IMF, Kuwaiti banks are amply capitalized and liquid, with stable profits. Kuwait's central bank plays a supervisory role. There are several commercial banks, largely private, that are generally well-managed and stable. Kuwait's banking system suffered somewhat as a result of the 2009 financial crisis (the Gulf Bank had to be rescued by Kuwait's central bank), but has since stabilized. Kuwait's non-performing loan ratio was estimated to be 1.9% in 2017 (compared to a peak of over 10% in 2009). The bank capital to asset ratio was reported to be 11.1% in 2015.

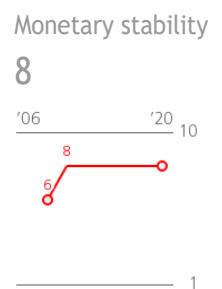


The adoption of the Basel III criteria in February 2014 has enhanced financial sector stability. In the period under review, the banking sector experienced a positive effect due to the higher levels of state spending as the government began implementing its development plan, while (global) oil prices finally rebounded. The global ratings agency Fitch reaffirmed Kuwait's AA rating in 2018 with a stable outlook.

Foreign banks have been allowed to set up operations in Kuwait since 2004, which has resulted in the current mix of local, Islamic and foreign banks. Since 2015, foreign banks are allowed to open more than one branch in the country. Yet, their activities remain largely confined to investment banking. Overall, Kuwait's banking system must be described as protected, with a strong central bank regulating and intervening in the system.

8 | Monetary and fiscal stability

Contrary to predictions, inflation in Kuwait eased in 2017, with an annual average of 2.7% after headline inflation rates of more than 3.5% in some months of 2016 and 2015. It was expected that, during the period under review, there would be a rise in inflation following the long-awaited introduction of a value-added tax. However, in May 2018, the parliament's budget committee announced the postponement of the tax to 2021. Hence, annual inflation for 2018 remained low, around 0.6%. The government's attempts to curb subsidies for petrol, electricity and water pose a potential inflation risk. Though the current parliament given its relative power was able to successfully oppose these austerity measures during the period under review.

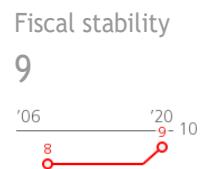


In 2007, the Kuwaiti dinar was un-peged from the U.S. dollar and re-peged to a basket of foreign currencies, mostly to diffuse the risks of external economic shocks and to limit imported inflation. The Kuwaiti dinar is fully convertible and profits can be repatriated.

The central bank of Kuwait (CBK) can rely on a huge stock of foreign currency assets to support the Kuwaiti dinar, as well as Kuwait's large current account surpluses. The CBK's board of directors includes representatives from the Ministry of Finance and Ministry of Commerce and Industry and is not fully independent.

Owing to high oil income, as well as a tendency to spend below budget, Kuwait posted successive budget surpluses for nearly two decades. Yet, the fiscal year 2015/2016 saw the first shortfall in 16 years with a budget deficit of KWD 5.5 billion (around \$18.2 billion). As a result of the strong recovery in global oil prices, Kuwait returned to a surplus of 0.6% of GDP in 2018/2019 and is expected to remain positive with oil prices further picking up in 2019.

Currently, public debt in Kuwait is moderate, with public debt standing at 27.1% of GDP in 2017 and 18.5% in 2016.



The Kuwait Investment Authority (KIA) oversees the country's sovereign wealth fund, the General Reserve Fund, which was estimated to hold assets of over \$590 billion in December 2018, making it one of the world's largest sovereign wealth funds. KIA also oversees the Future Generations Fund, founded in 1976, which has received an annual minimum of 10% of all state revenues in order to secure the well-being of Kuwait's future generations in the post-oil era.

9 | Private Property

Property rights and basic commercial laws are reasonably clear. Kuwait ranked 54 out of 140 countries in the 2017 – 2018 Global Competitiveness Index for property rights. In terms of days and procedures necessary to register property, Kuwait has improved substantially in recent years. According to the World Bank's Doing Business Report, it required an average of 35 days and seven procedures to register property in 2019, as opposed to 47 days and eight procedures in 2014/2015.



Previously, only Kuwaitis had the right to freely own real estate. Citizens of Arab countries could acquire ownership of only one estate with permission from the Council of Ministers. Foreign countries were permitted to possess real estate for the purpose of housing their diplomatic missions. In April 2014, however, Kuwaiti media reported that the cabinet had granted expatriates permission to own property in Kuwait (including apartments, houses and land), but with little specification regarding how, when and who. Hence, the common mode for foreign investors remains a build-operate-transfer (BOT) arrangement (Law no. 7 or 2008).

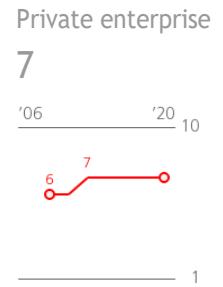
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Kuwait protects intellectual property rights through a number of different laws. It has been member of, among others, the World Intellectual Property Organization (WIPO) since 1998. Most recently, in 2014, Kuwait signed the Bern Convention for the Protection of Literary and Artistic Works and the Paris Convention for the Protection of Industrial Property. In reaction to the criticism of the United States Trade Representative (USTR), in 2016, Kuwait adopted a new law (no. 22) concerning Copyrights and Related Rights, repealing an inefficient 1999 law concerning Intellectual Property Rights. The new law was well received and expected to reform

Kuwait's domestic copyright legal framework to align with international standards (e.g., WIPO standards).

In November 2017, the U.N. Committee on the Elimination of Discrimination against Women criticized the persistent discrimination of women in terms of inheritance rights, which limits women's equal rights to own property.

Motivated by the versatility of the global oil price, the government's development plans (e.g., the "New Kuwait Vision 2035" launched in 2017) aim to increase the role and contribution of the private sector to the national economy. For this purpose, several new bodies and reforms have been announced in recent years. For example, the National Fund for Small and Medium Sized Enterprise Development was launched in 2013 with a budget of KWD 2 billion (\$7 billion) in a partnership with the World Bank. However, in 2016 the World Bank reported that SMEs only account for 3% of Kuwait's GDP and employ 23% of the workforce. So far, the SME fund does not appear to be functioning effectively. The fund has been overhauled twice and Kuwait's parliament ordered in May 2018 the complete restructuring of its governing body. According to the World Bank's Doing Business Report 2019, it takes on average 35.5 days and 7.5 procedures to start a business in the country, which ranks Kuwait an unfavorable 133 out of 190 countries.



Many international business reports describe Kuwait, during the period under review, as being in the midst of a construction and infrastructure boom. In order to encourage the private sector to invest in infrastructure projects, the government issued a new public-private partnership (PPP) law in 2014 (Law no. 116), which is considered a development of the Build-Operate-Transfer (BOT) Law no. 7 of 2008. The first phase of the Az-Zour North Independent Water and Power Project (IWPP) delivered in 2016 is considered to be the first PPP construction scheme to be finished in Kuwait. Since 2014, a raft of contract awards and new tenders have been granted to Kuwaiti and international firms, after several years of delays in infrastructure projects. Partnerships and joint ventures with international companies include projects in oil and gas (e.g., UK Petrofac, U.S. Schlumberger), housing, roads and sewage, and the new international terminal at Kuwait airport contracted to Turkish Limak. A second contract package relating to Kuwait international airport (including passenger services, buildings and roads) was tendered in January 2019.

In recent years, the calls for privatization have intensified because of the government's decreasing ability to provide an adequate level of basic services to the population in such areas as electricity, post, telecommunication, health care. It is widely assumed that private companies could provide better services and reduce the government's financial exposure. However, there is major popular opposition to the privatization of crucial sectors, especially oil, as it can lead to mass layoffs of national employees and will increase the cost of services.

10 | Welfare Regime

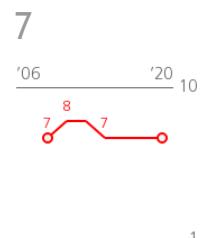
Kuwait is an oil-funded welfare state. The state assumes primary responsibility for the welfare of its citizens, who are provided with free medical care, government-supported housing, interest-free loans, free (primary, secondary and tertiary) education and until recently guaranteed public sector employment. In addition, various services, including fuel, electricity, water and telecommunications, are heavily subsidized. According to the 2018 – 2019 state budget, the Ministry of Finance allocated 16% of the state budget to subsidies and 54% to the salaries of Kuwaiti public sector workers. Given the recent fall in the global oil price, the government has attempted to introduce austerity measures (e.g., cutting government subsidies), but these measures have largely been blocked by the parliament. Despite considerable resistance, in 2016, the government was successful in cutting Kuwait's petrol subsidy system, which caused price hikes of between 40% and 80%.

Despite the extensive state welfare system, housing in particular has been a contentious issue for several years. The Public Authority for Housing Welfare, charged with providing free homes for citizens, had 100,000 nationals on its waiting list for housing in 2012, which rose to 103,000 in 2016. The monthly rent allowances of KWD 150 (\$496), which the state pays to couples on the waiting list, are deemed insufficient given the true market cost of housing. To meet housing demand, new suburbs are under construction with further suburbs planned for the future.

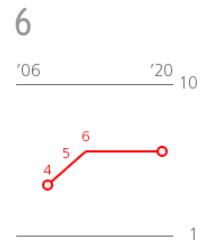
Still, there are very few cases of poverty among Kuwaiti citizens. This does not however apply to the Bidoons, who do not carry Kuwaiti citizenship. Also, foreign blue-collar workers and housekeepers, especially women, are often exploited, and live and work under unacceptable conditions. However, migrant workers have seen a few improvements, such as the introduction of a minimum wage in 2016. For some time now, the government has considered abolishing the controversial, traditional sponsorship (kafala) system, which human rights groups have criticized as a form of bonded labor. In January 2019, local media reported that the Minister of State for Economic Development, Mariam Al-Aqeel, will soon head a ministerial meeting to discuss cancelling the kafala.

The constitution declares men and women to have equal rights. And although Kuwait is essentially a patrimonial society, women are increasingly enjoying more rights and freedoms. A milestone for women's rights was the introduction of women's suffrage in 2005. Since 2015 Kuwaiti women have been allowed to become public prosecutors and some of those subsequently supervised election committees in 2016. However, out of approximately 400 candidates to run for office in the last parliamentary election, only 15 candidates were women and only one female candidate (Safaa al-Hashem) was elected to the National Assembly. Hence, Kuwait still ranks at the bottom of global rankings for women's representation.

Social safety nets



Equal opportunity

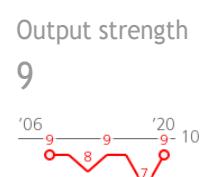


Women face legal discrimination in different areas. Kuwait's law 153 still protects "honor killing," since it rules that a man who kills his female relative for "engaging in illicit acts" (e.g., sex outside of marriage) will be punished with a misdemeanor charge of up to three years in jail or a fine. The law is highly controversial and has been contested by local rights activists, such as the "Abolish 153 Campaign" co-founded in October 2017 by Alanoud Sharekh, which was widely discussed during the period under review. Kuwaiti women married to foreign men cannot pass on their nationality to their children. Despite high literacy rates and good education levels – topping male enrollment in secondary and tertiary education – women are underrepresented in the Kuwaiti labor market, with 28.2% of the total workforce being women in 2017, according to the World Bank's female labor force survey.

Furthermore, opportunities are much more restricted for non-citizens, such as Bidoons and low-waged foreign workers. Many observers noted that xenophobic sentiments are rising. Foreigners have been blamed for congested roads, traffic jams, crashing wedding buffets and benefiting like parasites from Kuwait's public welfare services. Often these resentments are fueled by political elites as a way to shift blame away from the authorities' public policy failures. For instance, member of parliament Safaa al-Hashem made headlines after stating that "expats are crowding our hospitals and competing with us for the air we breathe in hospital waiting rooms." In 2016, hospitals in Jahra as well as the Amiri Hospital in Kuwait City began barring foreigners from morning visits (in non-emergency cases). In 2017, Al Jaber Hospital, the first hospital exclusively for Kuwaiti citizens, was built.

11 | Economic Performance

With the recovering global oil price during the period under review, Kuwait's GDP performance returned to an outstanding level, reaching \$120,126 million in 2017. However, Kuwait's economy is highly dependent on oil and lacks diversity. Therefore, revenues are volatile and affected by oil price fluctuations. The drastic fall in the value of crude oil from mid-2014 to 2017 impacted GDP performance considerably. According to the National Bank of Kuwait, nominal GDP declined almost by 33%, from KWD 49.4 billion (\$164 billion) in 2013 to KWD 33.1 billion (\$110 billion) in 2016. This reflects falling oil prices, reducing the contribution of oil to GDP from 66% in 2013 to 41% in 2016. The country had a relatively low and stable inflation rate of 2.2% in 2017. With assets valued at \$592 billion, the Sovereign Wealth Fund Institute ranks the Kuwait Investment Authority (KIA) the fourth wealthiest sovereign wealth fund in the world.



Unemployment data varies according to the source, with figures for 2017 ranging from 2.1% (World Bank) to 16% among people aged 15 – 24 years old (ILO). The government is trying to "Kuwaitize" the private sector workforce to establish a more sustainable labor market and to accommodate a growing number of young Kuwaitis.

Foreign direct investment (FDI) has traditionally been low in Kuwait, accounting for only 0.1% of GDP in 2017. Despite amendments in legislation and government incentives under its latest economic development plan, FDI reached a record low of \$112,082 million in December 2017.

Tax obligations remain low. In 2018, a parliamentary committee approved the draft of a remittance tax law. However, the parliament and the country's national bank strongly rejected the idea. Kuwait also postponed the introduction of VAT to 2021.

12 | Sustainability

In recent years, environmental issues and goals have increasingly been taken into consideration and talked about by the Kuwaiti government and the media. In October 2014, a new environment law took effect, establishing a new environmental police division, as well as introducing very strict penalties for violators. The new environmental police appear to have had an effect in the field of fishing (to the disadvantage of hobby fishers) and the protection of hunting grounds. Various Kuwaitis have complained on social media, however, that the police show more concern about smoking in buildings than about real environmental issues, such as littering and the illegal dumping of garbage. Environmental problems abound and, as a side effect of the government's comprehensive subsidy program, the water and electricity consumption of Kuwaiti individuals remain exorbitant. Air quality suffers from the burning fossil fuels in power plants, oil activities and petroleum refineries.



Kuwait was one of the 150 countries that signed the Paris agreement to combat climate change in 2015. Kuwait's political representatives are keen to present the country's readiness to combat climate change and environmental pollution at international meetings (e.g., the December 2017, One Planet Summit in Paris). The country's development plan "New Kuwait 3035" lists "sustainable living environment" with a focus on environmental concerns as one of the seven pillars of the country's socioeconomic development.

However, we can expect that the infrastructure and construction boom during the period under review will negatively impact Kuwait's climate record and biodiversity in the country. For instance, the Council of Ministers commissioned a consultancy to prepare a plan for transforming the Boubyan and Warba Islands, largely uninhabited marshlands with unique maritime and wildlife, into a center for manufacturing, IT, renewable energy, eco-tourism, fish farming and logistics based around the Mubarak Al Kabeer port. A similar fate is expected for Failaka Island, which has remained largely uninhabited since the 1990 invasion by Iraqi forces, which the government plans to develop into a tourism, education, historical and cultural center.

Kuwait's performance in the education sector is mixed.

Over the last decades, the country's level of education has continuously risen, which is reflected in Kuwait's score in the U.N. education index increasing from 0.592 in 2007 to 0.620 in 2017, scoring well above the index's average of 0.453. Public education is free for Kuwaiti citizens. The public education system enrolls around 60% of nearly 600,000 pupils in Kuwait. Public educational facilities are gender-segregated starting from primary education. In addition, Kuwait counts various private foreign schools that do not necessarily follow national Kuwaiti curricula, but international models (e.g., IB, British, American, French or Indian) and tend to be co-educated.

Non-Kuwaitis are in general not allowed to join public education. However, several groups have been granted special permission, such as the children of diplomats, and the children of Kuwaiti mothers married to non-Kuwaiti men. Local news reported in May 2017 that 514,000 expatriate children study in Kuwait's public schools. This number was criticized by the Islamist opposition member of parliament Osama al-Shaheen, who called for a reduction in the number of foreign students in public educational facilities.

Bidoons are not allowed to enroll in Kuwait's free public schools, but can attend private educational facilities at a reduced charge. Parents pay up to 30% of the tuition fee, with the rest subsidized by the state. However, stateless children are regularly denied access to schools due to accusations that their parents destroyed their real identification documents to allow them to pass as Bidoon and benefit from state subsidies.

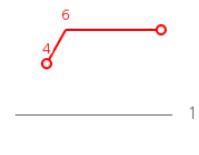
Kuwait University is the country's only public university but there are plans to establish a second public institution, the Sabah al-Salem University (al-Shadadiya project). The construction of the new campus started in 2004, but has been subject to constant delays. Furthermore, Kuwait has nine private universities. However, whereas primary and secondary school enrollment rates are very high (100.6% and 97.5%, respectively), World Bank data suggests that the tertiary enrollment rate stood at only 32.6% in 2018.

Kuwait has a high literacy rate of 95.7%, with almost no difference between the sexes, which is one of the highest in the Arab world. However, according to the Global Competitiveness Report 2017 – 2018, the quality of Kuwait's education system is not rated very high, with Kuwait's higher education and training system ranked 85 out of 137 countries. The education system is generally criticized for not preparing students for the labor market. Although there exist various research institutions, like the Kuwait Foundation for Advancement of Sciences and the Kuwait Institute for Scientific Research, the Global Competitiveness Report 2018 rated the quality of scientific research institutions low, ranking Kuwait 81 out of 140 countries.

Education policy /
R&D

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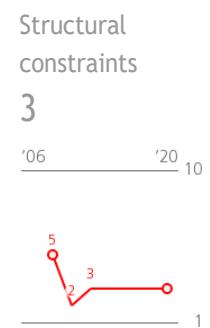


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Governance

I. Level of Difficulty

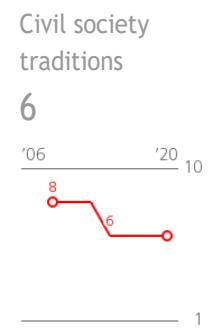
As in the previous years, a major structural constraint on governance in Kuwait is the adversarial relationship between the government and parliament, with every project threatened by potential political blockage. While the controversial parliamentary debates set Kuwait positively apart from its more authoritarian neighbors in the Gulf, the current parliament's often populist, nationalist tones alienate the government. Further limitations include the country's continued reliance on foreign labor, extreme climatic conditions in summer, growing unemployment among citizens, the inefficiency of government bureaucracy and the continued presence of informal patronage networks.



Others would argue that Kuwait's reliance on oil, a highly volatile source of revenue, is the country's main structural constraint. The government's capacity to diversify the economy is constrained by multiple structural factors. On the one hand, Kuwait's extreme climate and lack of non-hydrocarbon resources hamper the development of agricultural and industrial activity. On the other hand, Kuwait's aspiration to become a regional logistic hub is undermined by an unstable GCC, with tensions mounting due to the Qatar blockade. The looming conflict between Saudi Arabia and Iran has led to fears of a closure of the Persian Gulf, which would cut-off Kuwait from its sea-born trade. The scenario of state collapse in Iraq bears unforeseeable risks for Kuwait.

The country's high level of economic development, lack of poverty and intense ethnic conflicts, as well as an improving level of education among citizens, make governance easier.

Kuwait's history of civil society activism dates back to the early 20th century when the merchant community started establishing the country's first schools to provide public education. Civil society activity further experienced a boost during the spread of the Arab Nationalist Movement in Kuwait in the 1950s and upon the establishment of the Kuwaiti branch of the Muslim Brotherhood in 1947. In the 1970s, Shi'a religious groups started to appear in Kuwait under the influence of Iraqi clerics.



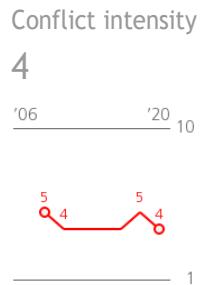
Today, Kuwaiti civil society comprises trade unions, women's organizations, Islamic associations, cultural clubs and diverse professional associations, including associations of journalists, lawyers, accountants and economists. Sport clubs

(especially football clubs) also play a significant role in the country's civic and political life. A local variant of civil society tradition are Kuwait's diwaniyas, weekly gatherings of male Kuwaitis, which allow for relatively free debate on all sorts of topics. Many of these civil society organizations work informally.

Civil society organizations face a challenging legal environment in Kuwait and are often dependent on the goodwill of the Ministry of Social Affairs and Labor. Under international pressure, the ministry has put fundraising for charity under scrutiny for fear of money-laundering and channeling support to Islamist terrorism. In the period under review, the Ministry of Social Affairs and Labor closed 34 charities, which it deemed illegal due to their lack of proper licensing. The new social affairs minister, Saad al-Kharraz, who was sworn into office in December 2018, was asked by members of parliament to take action against some further 85 allegedly illegal charities.

Kuwaiti society consists of various groups, which can be distinguished along confessional, historical, political and national lines, though they are often intertwined. A major historical cleavage is between the badu (Bedouins) and hadhar (i.e., nomads with strong tribal affiliations and urban people). Further differences exist between Sunni and Shi'ite Muslims (although both groups are fairly well integrated and only recent tensions with Iran have led to more pronounced differences), and between liberals and Islamists – with the Bidoons (longtime inhabitants without citizenship) somewhere in between. There is little violence, and a culture of debate and consultation generally prevails.

In the period under review, there has been a noticeable rise in xenophobia toward expatriates not only in the rhetoric of government circles and members of parliament, but also in concrete policy proposals to deport migrant workers, limit incoming migration and tax remittances (though all short-lived with no success). Several recent legislation changes, mentioned earlier in this report, cement the growing gap between nationals and economic migrants. The mounting contention against migrant workers reflects the rising problem of unemployment among nationals, particularly young Kuwaitis, who are not the first choice of many employers due to their lack of skills and work ethic.



II. Governance Performance

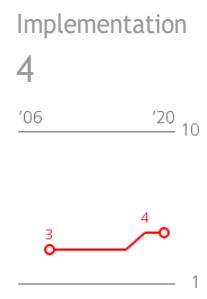
14 | Steering Capability

The government has set strategic goals with its latest national development plan 2015 – 2019 and a long-term plan, “New Kuwait Vision 2035,” announced in early 2017. Yet, these visions, often developed by foreign consultants, largely remain rhetoric. Like the previous development plan launched in 2010 (confusingly similarly called “Kuwait Vision 2035”), the current plan mainly focuses on large infrastructure projects (e.g., the metro network, airport, seaport, the Silk City project and others dating from the previous development plan). The seven pillars of “New Kuwait” do not explicitly address any government political goals.

The new vision aims to transform Kuwait into a regional commercial hub through economic diversification, thereby reducing the state’s dependency on oil. However, given the rising tensions in the Gulf due to the recent escalation of the Qatar crisis, Kuwait appears unattractive to the (international) business community. The versatility of the global oil price motivated some recent reform measures, concentrating on the empowerment of the private sector and national employers, as well as attracting foreign businesses to and investment in Kuwait.

The government faced difficulties implementing policies deemed unfavorable to native-born citizens. Though less contentious economic policies, aimed at boosting development projects and attracting foreign investment, progressed (slowly) in the period under review.

Several economic reform measures (e.g., the Kuwaitization of the labor market and austerity measures, including a reduction to water, power and petrol subsidies) provoked opposition in parliament and the business sector, and have been repeatedly postponed over recent years. Although lifting subsidies appears to have been a hot and much debated topic during the recent period of low global oil prices (2014 – 2017), this hardly resonated in the local media, presumably due to its sensitive nature. Cuts to electricity and water subsidies, which went into effect in September 2016, ultimately excluded Kuwaiti households, and were confined to expatriates, and commercial and industrial sectors. The plan to reform the public sector payroll resulted in strikes in the country’s oil sector in 2016 and the government has not been able to implement the reform measure to date. So far, the authorities have only been able to reduce subsidies for petrol. However, opposition to this measure resulted in the dissolution of the parliament in 2016.



One year after the launch of the “New Kuwait Vision 2035,” the prevalent view among locals interviewed in September 2018 reflected a concern about who would be responsible for implementing the agenda.

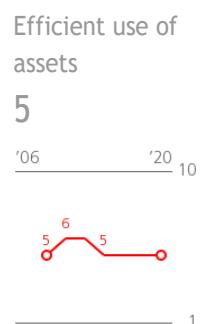
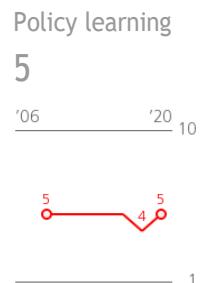
Without further elaboration, the parliament’s budget committee announced in May 2018 that it would postpone the implementation of a VAT to 2021, which Kuwait together with the other five Gulf Cooperation Council (GCC) states had previously agreed to implement in 2018.

While Kuwait’s leadership is often said to be inflexible and resistant to innovation, the Global Competitiveness Report upgraded Kuwait’s level of innovation slightly from 110 in 2016/2017 to 103 out of 140 countries in 2017/2018. Although the government sometimes tries to respond to mistakes and failed initiatives with new ideas, old patterns frequently repeat themselves due to the specificities of political system. The latest economic development plan, “New Kuwait Vision 2035” – which in many ways (not least in name) appears to be a repetition of the previous plan, “Kuwait Vision 2035” – illustrates this approach. With several countries (e.g., the United Arab Emirates and Qatar) pursuing impressive economic development, Kuwait’s government closely monitors policies and initiatives in other GCC member countries, and sometimes tries to copy them. However, unlike its GCC peers, the Kuwaiti government is not completely autonomous in its decision-making and has to respond to and coordinate with parliament. Due to the peculiar political system, the parliament is often left playing a negative or delaying role.

The government does, however, cooperate with academics and researchers from Kuwait’s universities, the Kuwait Foundation for the Advancement of Sciences (KFAS) and the Kuwait Institute for Scientific Research (KISR). In the past, the government has also been advised by Ernst & Young on developing strategies to rationalize subsidies of energy and goods and has signed various partnership agreements with the World Bank (e.g., to monitor municipality activities).

15 | Resource Efficiency

The Kuwaiti government uses its available economic resources relatively efficiently, yet lags with regard to the use of human and organizational resources. Large revenues from oil exports have financed the development of a generous welfare state, which provides a broad range of services (such as health care, housing loans, free education) as well as employment or financial assistance to all Kuwaiti citizens. To cope with the foreseeable end of oil revenues, the government has since 1976 been placing a minimum of 10% of its revenues in a special reserve fund for future generations. This fund, together with the General Reserve Fund, the main treasure for the government, is administered by the Kuwait Investment Authority (KIA). The Sovereign Wealth Fund Institute values the Kuwait Investment Authority (KIA) at \$592 billion, the fourth wealthiest sovereign wealth fund in the world. The sovereign wealth fund lacks



transparency with regards to its total assets and investments. There is no direct oversight by the parliament and income from KIA's foreign investments is not counted as part of Kuwait's budget. The sovereign wealth fund is required to present a report on its assets and performance to the cabinet, but is strictly forbidden from sharing this information with the general public.

Kuwait's gross debt rate more than doubled in recent years, according to the IMF, from 11% of GDP in 2015 (and less than 10% before that) to 27.1% of GDP in 2017. However, given the vast financial reserves of the country, this seems rather manageable. Kuwait has benefited substantially from the recovery in global oil prices since 2017 and returned a budget surplus of 0.6% of GDP in 2018/2019. With oil prices further picking up in 2019, more positive figures are expectable.

Administratively, the government does not use its available resources efficiently. The 2017 – 2018 Global Competitiveness Index lists inefficient government bureaucracy and corruption as the most problematic factors for doing business in Kuwait. Sensitive procedures are rarely transparent and regular corruption scandals highlight considerable exploitation in public procurement. There have been several reports of mismanagement of public funds, including by KIA.

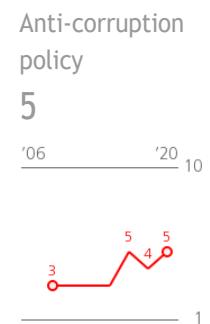
In terms of using its human resources, the government is highly inefficient. The public sector is overstaffed with unneeded employees, which results in a huge burden on the budget and the creation of impenetrable bureaucratic red tape. The staff in the government sector is often employed with little regard to skills and education. Personal relations and favoritism play a more significantly role.

The government often has difficulties in forming coherent policy amid conflicting objectives. The recent attempts at economic reforms are a prime example of the government's failure to coordinate among popular interests, business interests and economic demands. For this reason, policies often lead to conflicting results. For instance, as mentioned above, on the one hand, the government is currently pursuing policies aimed at attracting foreign investment and businesses, while on the other hand, it is trying to restrict the employment of foreign laborers and drastically reduce the number of expatriate residents.

Nevertheless, the cabinet meets on a weekly basis under the prime minister's chairmanship to discuss and coordinate policies. Ministers further coordinate policies with relevant parliamentary committees. However, implementation is impeded by multiple conflicting interests.



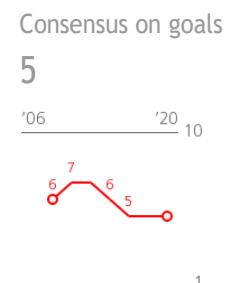
Corruption is a big problem in Kuwait with corruption allegations dominating the political sphere and discourse. Popular opposition protests in 2011 were largely triggered by leaked information that in 2009 the prime minister distributed bribes to members of parliament in order to buy their support during parliamentary questioning. The scandal surfaced again in April 2018, when a dozen opposition lawmakers signed a letter to the government demanding the re-opening of corruption cases involving 13 members of parliament, alleged to have accepted more than \$167 million in return for parliamentary votes in 2011.



The new Anti-Corruption Authority (Nazaha), which was established by Law 2 in April 2016, started operating in the beginning of 2017. Since then, the media has reported on several investigations against civil servants (and one senior official in the Ministry of Health). In early 2018, the prime minister ordered the authority to investigate a \$1.1 billion helicopter deal with France, after the French magazine Marianne reported that intermediaries demanded \$71 million from Airbus in commission for the deal. In 2018, the authority sent a rapporteur to the United Nations Convention against Corruption (UNCAC) in Vienna, who emphasized that the government is ready to make serious and diligent efforts to combat corruption. In October 2018, during the first government forum on integrity, Prime Minister Sheikh Jaber Mubarak al-Sabah stressed that he would not end corruption in government office. In government rhetoric, corruption is seen as a major obstacle to foreign investment and thus needs to be eliminated. In spring 2018, the Ministry of Interior formed a committee that expressed some interest in allowing the Kuwait Transparency Society, the local chapter of Transparency International, to reopen after it had been shut down in 2015.

16 | Consensus-Building

There is a general consensus in Kuwait on the prominent position of the ruling family. How far this influence goes, and over what kind of political system the emir presides, is being debated. The emir and the ruling family accept political participation by the National Assembly, as long as the emir's leading role is not questioned. Kuwait remains a half-democracy. While most of the National Assembly is elected in a flawed, but competitive democratic elections, it does not form the government and thus only has limited constructive policy-making powers. Flaws in the democratic elections to the National Assembly include tribal leaders pressuring tribe members to vote for the candidate chosen by the tribal council. The country is fundamentally divided over whether it should develop toward more democracy (e.g., a constitutional monarchy), with political parties and an elected cabinet, or instead reduce the role of the National Assembly, which often assumes a obstructive and delaying role and thus is seen by many as the main roadblock to development. The high voter turnout in elections suggests that most Kuwaitis support the chance to participate in politics through parliament.



Like the previous national development plan, the “New Kuwait Vision 2035” defines as its goal developing the country into a financial and trade center, based on market economy principles. However, the majority of Kuwaitis is employed by the state and would thus only profit indirectly from a growing private sector. The merchant families are strong supporters of a growing market economy – on the premise that their privileges stay untouched and they can benefit from new development projects. However, leftist groups and the strongly nationalist parliamentary opposition often reduce the country’s complex problems to simplistic, xenophobic solutions, and argue that a market economy would only benefit the elite. Parliamentary opposition in the period under review instead appeared very protective of the welfare rights of Kuwait’s citizenry. The parliament strongly opposed austerity measures that could have harmed ordinary Kuwaitis and demanded state intervention in the economy to promote the Kuwaitization of the labor market.

There is a wide consensus on the importance of Kuwait’s constitution, which is seen as a guarantee – or even the only guarantee – for the political system’s stability. Given the often protracted and conflict-prone policy process between the executive and parliament, rumors that the emir may suspend parliament and rule without it are frequently circulated. However, in previous instances, when the emir attempted to do so, all social forces got mobilized to protect democracy and demand the quick restoration of the parliament. In general, the unconstitutional dissolution of the assembly and the abolition of the parliamentary system remains highly unlikely.

The period under review was comparatively favorable for reformers, as the opposition made a strong political comeback during the last elections in 2016. Another positive development has been the more pragmatic approach of the large Islamist fraction in parliament, which formed cross-ideological coalitions on various occasions, and promoted transparency and anti-corruption measures in the name of national development rather than a moralistic agenda. However, since the current speaker of parliament and roughly 50% of members of parliament are pro-government, the reform process is likely to continue to be slow with opposing views dominating political debate.

In 2016, the government adopted an election law amendment, which barred those convicted of insulting “the Almighty Allah, the prophets and the emir” from participating in parliamentary elections. This will prevent leading opposition figures (e.g., Musallam al-Barak) and liberals (e.g., Mohammad al-Saqr) from participating in future elections, thus weakening the forces for reform.



The ruling family has managed to contain most potential cleavages within the system, including those between Sunni Muslims and Shi'ites, between Islamists and liberals, and between the urban population (hadhar) and those living in outer districts (badu), which are of tribal origin. It maintains relations with these groups through neopatrimonial practices, using the country's wealth to buy their loyalty and reduce tensions. The government's management of these cleavages partly involves emphasizing some divisions – using the strategy of divide and rule – in order to strengthen its own position.

Foreigners have increasingly been identified as a source of Kuwait's domestic policy issues and the malfunctions of public (welfare) services. In April 2016, new legislation increased the price of electricity and water in all residential buildings, except for Kuwaiti nationals. Other legislative changes prevent foreigners from applying for a local driving license during the first two years of their work in Kuwait. Xenophobic public resentments have been fueled by the political elites and media statements. For example, member of parliament Safaa al-Hashem warned that foreigners would be “competing for the air we breathe,” member of parliament Abdulkareem al-Kandari called for parliament to discuss the “alarming increase in the number of expats versus Kuwaiti nationals” and former minister Hind al-Sabeh had been working toward a plan to balance demographics in the country.

In recent years, the authorities also successfully used hadhar/badu and Sunni/Shi'a divisions to break up the opposition and co-opt urban families and Shi'a. This was done to prevent the repetition of the scenario resulting in the 2011 mass protests, when opposition-leaning groups of all backgrounds cooperated. Nevertheless, such divide and rule tactics are not sustainable, as youth groups like the Civil Democratic Movement (Hadam) tend to reject differences in background in order to challenge the government's corruption and undemocratic practices as a united force.

The political leadership does not interface with civil society organizations in any institutionalized way. However, informal mechanisms of communication, for example, through diwaniya meetings do exist. Professional societies (e.g., a lawyers' society, an economic society, labor unions) are frequently engaged in discussing new laws and reform initiatives. With government officials and members of parliament attending the meetings/diwaniyas, those societies are able to communicate their opinions to decision-makers, and politicians are able to popularize government measures and influence public opinion. The strength and importance of informal connections in Kuwait facilitates this exchange. After the deterioration in freedom of expression following the violence and repression after 2011, during the period under review, it seems that journalists and public intellectuals were again allowed more leeway to criticize the government, particularly with regard to corruption and the mismanagement of public funds – topics that have dominated news headlines recently. The return of the opposition and its strong vocal position, which has often

Cleavage /
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Civil society
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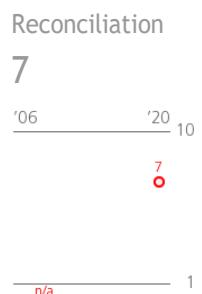


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led the debate on these issues, seems to be a major reason for this positive development.

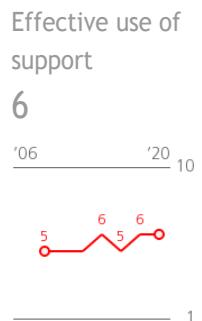
Ultimately, despite the political leadership's tough stance on political dissent, it has to take publicly voiced demands into account.

The only major injustice that Kuwait has to reconcile has been the continued statelessness of more than 100,000 Bidoons, which resulted from historical processes. The Bidoons are marginalized native nomadic tribes, who settled in Kuwaiti territory at a much later stage than the rest of the citizenry. In the review period, the government announced important steps toward the reconciliation of their status, such as opening employment in the military, issuing them national IDs and finally allowing them access to the state welfare system.



17 | International Cooperation

Generally open to international cooperation, Kuwait is a member of all major international organizations, including OPEC and the WTO. The government generally submits reports to the U.N.'s reporting bodies, but often is slow to act upon recommendations by these international bodies. Examples include the IMF recommendations on state subsidies and tax reforms; the ILO suggestions for changing Kuwait's sponsorship (kafala) requirement, or the demands made in 2000 by the United Nations' Human Rights Committee, repeated in 2016, that Bidoons be granted citizenship on a non-discriminatory basis. Although the government recently initiated steps to improve the situation of the Bidoons (e.g., issuing them ID cards), the Bidoons continue to lack equal citizenship rights to Kuwaiti citizens today. As in the wider Gulf region, for many years, Kuwaiti officials have vowed to adapt or abolish the kafala system in order to improve Kuwait's ranking with international partners, although little legal change has been affected. Rather adopt general legislation, Kuwait has made concessions with particular (trade) partners in recent years. For example, Kuwait negotiated with the Philippines to allow Filipino overseas workers the rights to keep their passports and refuse to be transferred to an alternative employer in Kuwait.



The role of outside actors in economic reforms has been growing in the recent years. Kuwait seems to be paying greater attention to recommendations by international organizations following mounting pressure on the economy due to its dependency on oil, as outlined in the 2017 "New Kuwait Vision 2035." In 2016, pressure from the IMF and World Bank, and the prospect of downgrading of the country's credit rating by Moody's were strong incentives for the government to start moving forward with reforms. The authorities further publicized negative forecasts by credible international bodies in order to justify their unpopular measures and convince the broader population that reforms are necessary.

The Kuwaiti population, however, in general reacts skeptically to recommendations by international organizations (e.g., the IMF and the World Bank), particularly when these relate to welfare cuts.

Kuwait is perceived as a relatively reliable partner, not only by the other GCC states but also by the wider international community. In contrast to other GCC states, Kuwait does not try to exert substantial political influence in the region and can be seen as a more neutral actor.

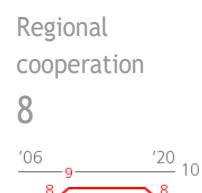
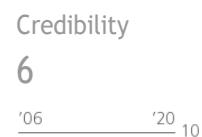
The country offers its financial support to various causes regionally and internationally, which is usually given on humanitarian grounds. The government, for instance, previously granted long-term residency permits to Syrian expatriates who had overstayed their visas in 2015, exempting them from the legal requirement to leave Kuwait. After the defeat of the Islamic State (IS) group and liberation of Iraq, Kuwait hosted a donors conference for the reconstruction of Iraq's damaged cities in 2018 and pledged \$500 million in humanitarian assistance for Iraq.

Kuwait's credibility as an international partner was shaken when, in 2014, it was accused by the U.S. government of fundraising for terrorist groups in Syria. In response, Kuwait increased its emphasis on international counter-terrorism cooperation and improved its controls over charitable fundraising, including monitoring transfers to international beneficiaries and regulating online donations. It also joined the Small Group of the Global Coalition to Counter ISIL. International human rights groups, such as Amnesty International or Human Rights Watch, continue to criticize Kuwait for its deficiencies in human rights protection and democracy.

Kuwait has traditionally held a mediating role in the Gulf, which it has demonstrated again during the current Qatar crisis. In June 2017, the conflict escalated when Saudi Arabia, the United Arab Emirates, Bahrain and Egypt expelled all Qatari citizens from their territory and established an air and sea blockade on Qatar. Kuwait and Oman have not participated in the blockade, which has increasingly provoked criticism within the GCC, particularly from Saudi Arabia. A brief visit of the Saudi crown prince to Kuwait in September 2018 was judged by commentators as a further sign of the deteriorating Saudi-Kuwaiti relations.

The Qatar crisis has reoriented the political alliances in the Gulf. With deteriorating inter-GCC relations, Kuwait, Qatar and Oman have considerably warmed up with Turkey. To the mounting concern of the GCC, Kuwaiti-Turkish ties were cemented in October 2018 with a military cooperation agreement, which outlines the exchange of military experience and the coordination of activities beginning in 2019.

Although Kuwait officially supports the Saudi-led stance on Iran, it separately tries to maintain peaceful relations with the latter and play a mediating role. In January 2017, Kuwait's foreign minister made a trip to Iran, which was very soon followed



by the Iranian president visiting Kuwait. When U.S. President Donald Trump announced the withdrawal of the United States from the nuclear deal with Iran (the Joint Comprehensive Plan of Action, JCPOA) in May 2018, Kuwait's foreign office emphasized that it had welcomed the deal in 2015. In June 2018, Kuwait sent a delegation to the U.N. meeting on the JCPOA, a meeting between countries that still believed in the necessity of a nuclear deal with Iran. The Kuwait delegate said that such a plan could promote regional security.

Since the end of the Ba'th regime in Iraq, relations have been improving between the two neighbors. The donor conference held in Kuwait in February 2018 to support the reconstruction of Iraqi cities damaged by the IS group marked a positive milestone in relations between the two countries. In addition, Kuwait pledged \$500 million in humanitarian support for Iraq.

Strategic Outlook

Kuwait's mediation role in the GCC should be seen as an asset. The country plays an essential role in a polarized context.

Kuwait should gradually reform its political system in order to decrease friction between the legislature and executive, integrate public dissent into the political arena, and ensure effective and accountable governance. Hence, the government should allow the parliament to transform into a more constructive political force through introducing a party system and allowing the parliament to elect the prime minister and the cabinet based on a party agenda. With an empowered legislative branch and a potential for changing the government, parliament's role would eventually become more constructive and there would be clearer decision-making accountability, in contrast to the current situation in which both sides accuse each other of blocking reform measures. Furthermore, the introduction of a political party system would diminish the role of informal connections (e.g., family, tribe and sect) and the subsequent nepotistic practices during parliamentary elections. In such a system, candidates would be voted for based on their political programs, rather than their personality or family background. It is also important to impose stricter control over potential conflicts of interest of parliamentarians, in order to avoid situations where members of parliament pursue their own or their family's business agendas by political means. This should be achieved through a maximum transparency policy, which publicly discloses how Kuwait's public funds are spent. Furthermore, ministers should not automatically be members of parliament, as this undermines the separation of powers. Finally, the emir's role in the political process should become more that of an arbiter and guarantor of constitutional order than decision-maker.

In terms of economic reform, the state should first work toward results in the Kuwaitization of the labor market, acknowledging fears of rising unemployment, particularly among young Kuwaitis. Only then would cutting subsidies and reforming the public sector be feasible. Hence, Kuwait needs a public debate about Kuwaitization, which addresses the inefficiencies of the education and research system, labor ethics, and corruption and clientelism, as much as the exploitation of the expatriate workforce. Only once construction, general services and domestic work become more attractive, will these sectors attract more native-born workers. Hence, the government could impose stricter regulations on the private sector, such as raising the minimum wage, decreasing working hours and creating a healthy working environment.

In the midst of an infrastructure boom and a growing economy, the state should not forget the environmental costs of development. For the sake of Kuwait's future generations, the government should take utmost care not to lose its unique maritime and wildlife when pursuing infrastructure projects on uninhabited lands (e.g., Boubyan Island). In summer 2016, Kuwait City became famous for being the hottest place on earth with temperatures soaring to 54 degrees Celsius. In fall 2018, Kuwait City was hit by the worst floods in its modern history. With climate change, and extreme heat and weather conditions on the rise, Kuwait should invest wisely in eco-friendly architecture and infrastructure, and not only in designated "smart" zones.