

# BTI 2016 | Oman Country Report

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This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2016. It covers the period from 1 February 2013 to 31 January 2015. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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### Key Indicators

Population	M	4.2	HDI	0.783	GDP p.c., PPP \$	-
Pop. growth <sup>1</sup>	% p.a.	8.1	HDI rank of 187	56	Gini Index	-
Life expectancy	years	76.9	UN Education Index	0.603	Poverty <sup>3</sup>	% -
Urban population	%	77.2	Gender inequality <sup>2</sup>	0.348	Aid per capita \$	-

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | UNDP, Human Development Report 2014. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.10 a day at 2011 international prices.

## Executive Summary

Sultan Qaboos' prolonged stay in Germany for medical reasons since July 2014 has triggered worries about the country's future stability, especially in the aftermath of the Arab Spring. In 2011 and 2012, the sultanate experienced its most widespread popular protests since the end of the Dhofar war in the 1970s. In order to quell these actions, which revolved around demands for more jobs and less inequality combined with harsh criticism of the elite's perceived high level of corruption, the sultan removed long-serving ministers perceived as corrupt and increased the prerogatives of the elected Majlis al-Shura (Consultative Council). However, this fell far short of expectations that the chamber would be transformed into a legislative body. A number of Majlis al-Shura members who were elected in 2011 have shown their commitment to empowering the chamber and increasing its position and prerogatives in the general balance of power, but this trend remains embryonic given the strong opposition of the executive branch.

At a broader level, the Omani Spring has not led to any substantial reform, and the regime's traditional supporters (the economic elite and the security apparatus) have not demonstrated sympathy with protesters' demands. Civil rights and freedoms, which suffered significant setbacks after 2011, continued to deteriorate between 2013 and January 2015. Significant investments in the security sector (police, intelligence), which aim to strengthen political control and pre-empt future unrest, have been a priority since 2011. Repression remains the preferred strategy for silencing dissent. The decision-making process remains firmly closed to dispute and the sultan enjoys absolute power in governance. Many are well aware of the considerable turmoil that the sudden demise of Sultan Qaboos may provoke, particularly as he has refused to designate a successor to the throne.

High oil prices have continued to feed growth (3-5% in 2013 through the first half of 2014) and the government reported a substantial budget surplus in 2013 which has been used, as in 2011 and 2012, in a record expenditure plan to forestall discontent among nationals. Oman's eighth five-year plan (2011 – 2015) presented before the Arab Spring concentrates on economic

diversification, encouraging foreign investment and promoting the role of the private sector as the key components of the move toward a post-oil economy. In 2013, the sultan appointed his cousin Haitham bin Tariq as chair of a new committee responsible for expanding the country's new long-term national strategy, Oman Vision 2040. Its first works have yet to be published. Job creation for Omani citizens (the "Omanization process") remains the most significant challenge. Unofficial estimates show a persistent 15-20% rate of unemployment among nationals, and more than 25% among 18- to 29-year-olds. Low oil prices since mid-2014 and future uncertainty about price levels have put additional severe pressure on Omani economy. The 2015 budget expects a record deficit of \$6.5 billion (equivalent to about 8% of Oman's GDP), which is a negative record since 1990.

## History and Characteristics of Transformation

On 23 July 1970, Oman's present ruler, Sultan Qaboos, overthrew his father Said bin Taimur with British assistance, marking a turning point in Oman's modern history. Soon after taking power, he abolished many of his father's harsh restrictions on various personal freedoms, which had prompted thousands of Omanis to either rebel or leave the country. He managed to end the Dhofar war in the late 1970s which shook the country in several waves since 1962. He also offered amnesty to opponents of the previous regime, many of whom took this opportunity to return to Oman.

Sultan Qaboos faced many deeply entrenched problems. He confronted an insurgency by expanding and re-equipping the armed forces and the state's security apparatus, and by carefully integrating Oman into the international system. In order to mitigate the country's endemic poverty and illiteracy, the sultan embarked on political and economic reforms and launched major development programs. He also sought international support for his economic policies by promising an extensive modernization program based on oil revenues. Sultan Qaboos has built his regime's domestic legitimacy on a policy of nation building and the assimilation of all of Oman to the oil rentier state framework. The sultan has cultivated since then his own image as the incarnation of the country's post-1970 "renaissance."

Oman is a hereditary and absolute monarchy headed by Sultan Qaboos, who rules by royal decree. Since his accession to power, Sultan Qaboos has endeavored to provide political representation for the country's diverse tribal, regional, and ethnic interests by creating a balance of these groups in his Council of Ministers, which is directly appointed by the sultan and functions as the sultan's cabinet. The monarch is both chief of state and head of government, as well as the minister of defense, finance and foreign affairs, the commander-in-chief of the armed forces and the chairman of the central bank. In 1981, the sultan created the State Consultative Council (SCC), an appointed body that had a purely informal role.

On 6 November 1996, Sultan Qaboos promulgated the basic law of the state that formally guarantees basic civil rights for nationals per royal decree. Moreover, this text establishes a bicameral body, the Council of Oman, consisting of an upper chamber, the State Council (Majlis al-Dawla), the 84 members of which are appointed by the sultan, and a lower chamber, the Consultative Council (Majlis al-Shura), which replaced the SCC in 1991. The Majlis al-Shura, elected by universal suffrage since 2003 for four year-terms, is a member of the Arab Inter-Parliamentary Union (AIPU). The Council of Oman, which can question service ministers, has limited legislative powers. It can propose laws that must be referred for consideration to the Council of Ministers. Also, draft laws prepared by the Council of Ministers should be presented to the Council of Oman, which has the right to approve or make amendments before the draft is forwarded to the Sultan for promulgation. The sultan can dissolve the Majlis al-Shura. The basic law may formalize the principles of the succession process, but its complexity, combined with the absence of a designated heir to the sultan (who has no descendants) raises many questions regarding succession and Oman's stability.

Oman is a middle-income economy by Middle Eastern standards. As with other Gulf nations, oil is the mainstay of the economy, providing a large proportion of GDP and state revenue. Compared to its neighbors, however, Oman is only a modest producer with quickly disappearing oil reserves, a fact which poses a major challenge to the state's ability to meet its developmental needs. As such, the government has tried to prioritize economic diversification by promoting agriculture, tourism, the gas sector and non-oil industries – with mixed success. Oman actively encourages the private sector to play a role in the country's development. Popular mobilizations between 2011 and 2013 revealed the level of political and social frustration of a country where 70% of the population is below 30 years of age.

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

Question  
Score

The Sultan of Oman possesses total monopoly on the use of force. The security forces have complete control over the state's entire territory. There are no areas in which any opposition groups infringe on that control.

Monopoly on the  
use of force  
10

In the country's southern region (Dhofar), national unity remains an issue long after the area's insurgency in the 1970s. In October 2014, a local writer and poet was arrested and held in isolation for two weeks for a post on Facebook claiming, "I am not Omani, I am Dhofari." However, the inculcation of the idea of an Omani nation as a collective framework of belonging is considered one of Sultan Qaboos's main political successes since the beginning of his reign in 1970. This includes the northern exclave of Musandam, where most of citizens are working in the United Arab Emirates, but (lacking) state identity is not an issue.

State identity  
8

Oman's basic law formally ensures that all citizens have the same civil rights. The nation state is widely accepted as legitimate, and since the events of 2011, critics of the regime and of some of the ruler's practices have been concerned both for the present of the country and its future after the current ruler. The identification of Omani identity with the figure of Qaboos, represented as the embodiment of Oman ("nahda" = renaissance ideology), is increasingly challenged by his subjects, 75% of whom were born after 1980 and have no memory of 23 July 1970, the day on which Qaboos was made sultan and which is celebrated each year as Nahda day.

In addition, the new Nationality Law (promulgated by sultan's decree in August 2014) allows the government to strip nationals of their Omani nationality if they "engage in a group, a party or an organization that adopts principles or doctrines that can harm the interests of Oman" or "worked for a foreign country in any way whatsoever [...] and failed to fulfill the Omani government's order to abandon such a work within a specified time." These rather vague provisions "can obviously be used to threaten or quell peaceful dissent," as analyzed by a January 2015 study by the Carnegie Endowment.

Though Islam is the state religion and Shariah law forms the basis for legislation, the regime has been tolerant of all sectarian groups. The religious establishment is under the state's firm control and can hardly express its voice without the prior consent of the ruling elite. However, certain Ibadi groups have quietly called for traditional religious leadership, and since the mid-2000s, Omani society has not been immune to the spread of religious ideologies which justify conservative social practices in the name of Islam. Sunni and Ibadi Islamist networks played a crucial role in channeling discontent in 2011 while the influence of Islamist-oriented ideas in the state apparatus has also been expanding. Since 2013, the authorities have been repressive towards non-violent Salafi networks in North Batina and Buraimi governorates, including the detention of Salafi businessmen, civil servants and bloggers in secret locations for weeks at a time without formal charges during the summer of 2014 and the sentencing of a Salafi Consultative Council member to three years imprisonment for "illegal gathering and undermining the status and prestige of the state."

No interference of religious dogmas

5

In 1970, Sultan Qaboos inherited a territory torn apart by competitive local allegiances. Since his accession to the throne, the ruler has built a civilian state administration that extends throughout the territory. In 2013, the asphalt road network covered more than 32,600 kilometers. In addition, 96% of the population was supplied with electricity and gas and 95% with drinkable water.

Basic administration

8

However, the large size of the state bureaucracy and its lack of technical skills limit the effectiveness of Oman's administrative system. Popular protests that took place in peripheral regions (Northern Batina, Sharqiyya, Dhofar) in 2011 and that directly targeted symbols of the state (local branches of ministries, offices of the governors) illustrated the difficulty of the central state to deliver on its promise of local development. In order to re-assert Muscat's control over the peripheries, the administrative map of the country was re-drawn in 2011, and all regions changed into governorates under the Ministry of Interior's supervision.

## 2 | Political Participation

Oman is an absolute monarchy ruled by the sultan and his appointed government. However, the sultan has allowed an incremental diversification of the political decision-making authorities through the bicameral Council of Oman, which acts as an advisory body. In 2003, Qaboos granted universal suffrage for the lower chamber (Majlis al-Shura) elections to all male and female adults over the age of 21. The Majlis al-Shura is composed of 84 members elected for a renewable four-year term. Its chairman has been elected by the Council's members since 2011. Districts (wilayas) whose population exceeds 30,000 inhabitants have two representatives, and smaller wilayas just one.

Free and fair elections

2

In October 2011, a sultanic decree announced the establishment of municipal councils in all 11 governorates (muhafadhat), composed of members representing wilayas and elected for a renewable four-year term, in addition to ex-officio members representing ministries. Wilayas with up to 30,000 inhabitants are represented in the local council by two members, while those having more than 30,000 but less than 60,000 have four representatives, and larger wilayas have six representatives. All municipal councils are chaired by the head of the governorate appointed by the sultan. Municipal elections were conducted in December 2012 for the first time.

Candidates for the 2011 Majlis al-Shura elections and 2012 municipal elections competed under their own names, as the regime forbids political parties and platforms. They were allowed to put up posters and banners in streets and public places, advertise on television and in the newspapers and, for the first time, hold public meetings in halls or electoral tents. Yet, the election committee rejected at least 50 applications for candidacies from individuals who took part in 2011 protests “for security reasons.” As with the 2003 and 2007 Majlis al-Shura elections, clientelism, tribal or ethnic affiliations and money offered by candidates were also the key determinants of voters’ choices in 2011 and 2012. It was forbidden to tackle general topics (like the role of the religion in society, the separation of powers, or similar) or to join a candidate from another wilaya in a joint public campaign. These limits prevented the emergence of political strategies.

These elections do not, in any case, threaten the legitimacy of the ruler and leading political figures. The Majlis al-Shura and the municipal councils are responsible to the sultan and the Council of Ministers. The next Majlis al-Shura elections are supposed to take place in autumn 2015.

Since the defeat of the southern rebellions in the 1970s, the sultan’s rule has been effectively unopposed. Although there were two attempts (in 1994 and 2005) by Islamist groups to organize opposition, the sultan enjoys an absolute and almost uncontested power to govern. He has always been able to draw on the loyalty of all security apparatuses. On several occasions since the Omani Spring in 2011, intellectuals and human rights activists submitted petitions to the ruler calling for widespread political reforms (a new constitution to create a parliamentary monarchy). In the vast majority of cases, the ruler was not the target of protests. However, the regime’s reluctance to listen to the people’s frustrations and to breach the taboo on key issues (such as the concentration of power in the sultan’s hands and corruption), the refusal to appoint a prime minister or/and a crown prince, and the excessive security measures used against protesters have resulted in disillusionment about the regime’s will to respond to democratic demands and to prepare the succession, which is growing more urgent due to the age of the sultan (born in 1940) and his reported health problems.

Effective power to govern

1

Rights of association are generally underdeveloped. The basic law guarantees freedom to form associations with legitimate objectives if their activities are not considered inimical to social order. All proposed organizations and their by-laws must receive the approval of the Ministry of Social Development. As part of the bilateral free trade agreement with the United States (which came into force on 1 January 2009), the government of Oman amended its labor laws. These reforms included a 2006 sultanic decree that granted private sector workers the right to form trade unions. The Ministry of Manpower later outlined provisions for collective bargaining in the private sector and affirmed the right of private sector workers to stage peaceful strikes.

Association /  
assembly rights  
2

However, in practice, the exercise of rights of association runs into many obstacles. The Omani government does not permit the formation of independent civil society associations, including independent workers' unions, or pro-democracy or human rights organizations. The government employs the registration and licensing process to obstruct the legitimization of these groups. Political associations are banned. Government employees (in both the civil and security public sectors) and domestic workers are not allowed to form or join a union.

The application to register an independent association to support protesters' demands was rejected by the Ministry of Social Development in 2011. Article 137 of the Penal Law (amended by royal decree in October 2011) states that "anyone participating in a gathering of at least ten persons, with an intent to affect the public system, can be punished with a jail term of one month to one year." These amendments criminalize the specific character of the protests, even down to methods (e.g., road blocks) and the protesters' appearance (e.g., with covered faces), concluded Marc Valeri for Carnegie Endowment.

In March and July 2013, Sultan Qaboos pardoned (and ordered the release of) all 50-60 individuals – a number of whom were subjected to mistreatment tantamount to torture – sentenced and imprisoned since 2011 for political reasons. This included activists from Sohar, who were serving terms of between 30 months and five years for their role in protests, and writers, human rights activists and lawyers sentenced to jail terms of between six and 18 months in December 2012 on various charges related to "illegal gatherings," "incitement to cause riot" and "public disorder" for peacefully exercising their rights of assembly.

However, suppression of individuals exercising basic assembly rights continued in the second half of 2013 and throughout 2014. Renewed demonstrations and blockages to protest against pollution caused by industries in the Sohar industrial area led to new counteractive measures taken by riot police and arrests in August 2013. A curfew was imposed and armored vehicles were deployed in North Batina villages to prevent gatherings in summer and autumn 2013.

Despite his parliamentary immunity, local Consultative Council member Talib al-Ma'amari was sentenced to three years in jail on charges of “illegal gathering” and “undermining the status and prestige of the state” after more than a year of detention in October 2014. Another elected member of the North Batina Municipal Council was also sentenced to one year of jail for “illegal gathering.”

In October 2013, teachers from government-run schools across the country went on the most powerful strike on record, lasting four weeks. They demanded a salary structure according to seniority and the possibility to form an elected union. Intimidations, public labeling and arbitrary detentions were used by the authorities to put an end to the movement. A few days later, reacting to the strikes that had affected key economic sectors since 2012, the minister of manpower issued a new resolution prohibiting strikes or to instigating strikes at establishments that provide “essential public services,” particularly oil processing facilities and transportation infrastructure sites such as ports and airports.

The period between February 2013 and January 2015 confirmed the dramatic crackdown on freedom of expression that took place in Oman between 2011 and 2013, perpetuating what the United Nations Special Rapporteur Maina Kiai called a “pervasive culture of silence and fear affecting anyone who wants to speak and work for reforms in Oman” in September 2014.

The 1996 basic law provides for freedom of opinion and correspondence within limits. Freedom of the press is also guaranteed, provided that it does not lead to public discord or violate the security of the state. Ten daily newspapers, six in Arabic (including two online) and four in English, are currently published. The 1984 press and publication law still authorizes the government to censor all domestic and imported publications and the Ministry of Information can take legal action against any material it regards as offensive in political, cultural or sexual respects. Editorial policies generally follow the views of the government. The government influences the privately owned press through subsidies. In practice, these restrictions favor self-censorship. Criticism of the sultan in any form is prohibited. The government owns two national television stations. In 2004, a royal decree gave Omani citizens the right to establish private radio and television companies. The Public Authority for Radio and Television, which was established by royal decree in 2010, enjoys its own juridical competence and financial independence under the supervision of the Council of Ministers.

The dramatic increase in internet penetration (from 8% of the population in 2006 to 67% in 2013, according to the World Bank) allowed the emergence of social, economic and even political debates. Nevertheless, since 2011 the firm web control and filtering exerted by the Telecommunication Regulation Authority has led to widespread arrests of bloggers and human rights activists who had commented on government decisions and policies. In June 2012, the public prosecutor, citing the

Freedom of  
expression

2

amended penal code criminalizing lèse-majesté and “publication of false news, statements or rumors liable to undermine the prestige of the state,” issued a statement threatening to take “all appropriate legal measures” against activists “inciting calls under the pretext of freedom of expression.” A number of social websites, blogs and Facebook accounts were shut down. More than 30 bloggers, students and netizens were sentenced to jail terms on the basis of alleged defamatory Facebook and Twitter comments in 2012 alone. In January 2013, a journalist from al-Zaman was sentenced to one year in jail for lèse-majesté (a crime violating majesty). The sultan’s pardoning of 50 to 60 individuals in March and July 2013 did not put an end to the harassment and intimidation strategy against critical voices. The chief editor of the independent magazine Muwatin, who had been released after the sultan’s pardon in 2013, was again detained in isolation without specific charges for several weeks in September and December 2014. Muwatin had published a number of articles on corruption in government departments, including the Public Prosecution Office. Similar treatment (arrests and isolated detentions without charges) was given to several human rights defenders and writers after Facebook and Twitter posts or/and contacts with foreign human rights organizations between September 2014 and January 2015. Human rights defender Sa’id Jadad, who has been arrested three times since January 2013 and is always released without charges, received a travel ban in July 2014. Arrested again in January 2015, he started a hunger strike to protest “the parodies of trials conducted by the security apparatus” and was brought to court a few days later on charges including “undermining the prestige of the state.”

### 3 | Rule of Law

Oman has no system of checks and balances, and thus no separation of powers. All power is concentrated in the sultan, who is also chief of staff of the armed forces, Minister of Defense, Minister of Foreign Affairs and chairman of the Central Bank. All legislation since 1970 has been promulgated through royal decrees, including the 1996 Basic Law. The sultan appoints judges, and has the right to grant pardons or commute sentences. His person is inviolable and he expects total subordination to his will.

The executive branch of government tries to exercise its powers in a legitimate fashion. Article 59 of the basic law states that “the sovereignty of the law is the basis of governance in the state. Rights and freedoms are guaranteed by the dignity of the judiciary and the probity and impartiality of the judges.”

One of the protesters’ early demands in 2011 was the long-awaited nomination of a prime minister, but the sultan seems reluctant to divest himself of prerogatives. Articles 5 and 6 detail the succession process, but no crown prince has been designated (as of January 2015), despite the sultan’s health issues.

Separation of  
powers  
2

Oman's legal system is based primarily on the Ibadi school of Islam. Though the Basic Law guarantees judicial independence and the State Security Court was dismantled in 2010, the judiciary is nonetheless strongly influenced by the executive branch. The sultan makes all judicial appointments and presides over the Supreme Judicial Council, which, in turn, oversees the judiciary and formulates judicial policy. While a February 2012 royal decree increased the Supreme Judicial Council's independence from the Minister of Justice by restructuring the management of judicial affairs away from the ministry's influence, it reasserts the sultan's primacy and control over all competent authorities, since decisions taken by the council in his absence will have to be ratified by the monarch.

Independent  
judiciary  
2

In February 2011, the prerogatives of the public prosecutor were expanded by royal decree, with all powers of the Inspector General of Police and Customs mentioned in the public prosecution law to be assigned to the Public Prosecutor office, which answers directly to the sultan. Since 2012, it has played a decisive and proactive role in the repression of peaceful protests and in stamping out expression of independent opinion.

The sultan has repeatedly made clear that abuse of powers by officials will not be tolerated. In particular, following 2011 and 2012 protests, the regime tried to show its willingness to fight endemic corruption within the state apparatus. A sultan's decree expanded the scope of action of the State Financial and Administrative Audit Institution (SFAAI). Its mission includes the necessity to detect financial and administrative irregularities, to ensure transparency in financial and administrative transactions, and the provision of recommendations for the avoidance of conflict of interests. In another symbolic move to appease the protests, two reshuffles of the cabinet in March 2011 led to the removal of long-serving ministers widely perceived as corrupt.

Prosecution of  
office abuse  
2

However, this reshuffle did not lead to an investigation or prosecution. The influence of those officials not held accountable for their corrupt practices has remained unaffected behind the scenes. The majority of cabinet members, senior office holders and some prominent members of the ruling family are still directly involved in businesses that benefit from public contracts. For instance, as of January 2015, three of Oman's largest business groups are still controlled by the Minister of Justice and two special advisers to the sultan, either personally or through their close relatives (brothers and children). This political-economic conflict of interest is aggravated by the growing involvement of royal family members, including potential successors to Sultan Qaboos who have built and consolidated business positions, in the economy.

In winter 2013 and spring 2014, prosecutors charged several government officials and businessmen for various types of office abuse, money laundering and corruption. Despite all hopes put in the SFAAI's new powers, none of those involved belonged to the economic or political heavyweights that protesters demonstrated against and who

have been embodying the conflict of interests between politics and business since the 1970s.

Though Oman's legal code theoretically protects civil liberties and personal freedoms, both are regularly ignored by the regime. Some efforts have been made to prevent forced labor. According to the labor law amended in October 2011, employers are required to pay salaries by electronic transfer to the employee's local bank account. But these amendments do not loosen the restrictions that prevent expatriate workers working for anyone other than their sponsor (the "kafala" system). More generally, nationals enjoy a set of benefits expatriates (in particular blue-collar workers) do not, including a minimum wage, a monthly allowance for national job seekers registered at the Ministry for Manpower, and a high level of protection against dismissal.

Civil rights

3

Women and children face discrimination in many areas. In the patriarchal society of Oman, women are excluded from certain state benefits, such as housing loans, and are refused equal rights under the personal status law. Women also experience restrictions on their self-determination in respect to health and reproductive rights.

The National Human Rights Commission, established in 2008, is not independent from the regime. It is chaired by the former deputy inspector general of Police and Customs and its members are appointed by royal decree.

Since the beginning of the "Omani Spring" in 2011, a number of extremely serious violations of civil rights have been reported, amounting to a critical deterioration of the human rights situation. Prisons are not accessible to independent monitors. There have been numerous testimonies of torture and other inhumane forms of treatment or punishment (beatings by police, death threats, forced confessions, solitary confinement and incommunicado detention, virginity testing for female detainees, etc.) perpetrated by security forces on protesters and detainees. The detainees were all peacefully exercising their right to freedom of expression and assembly. Although authorities must obtain court orders to hold suspects in pre-trial detention, they do not regularly follow these procedures. The penal code was amended in October 2011 to allow the arrest and detention of individuals by public prosecutors without an arrest warrant for up to thirty days without charge "for crimes related to national security or mentioned in the antiterrorism law."

In 2013, all of the individuals who were sentenced to jail for political reasons were granted a pardon by the sultan and released. Yet, as Human Rights Watch stated, basic rights have been "routinely trampled" since then, with security harassment and arbitrary detention of independent voices still taking place on a regular basis.

#### 4 | Stability of Democratic Institutions

Oman's executive branch is free to manage the country with very limited democratic input. As a response to some of the demands of 2011 popular protests, an October 2011 royal decree amended the basic law. The reform merely expanded the consultative powers of the Council of Oman and decided that the chairman of the Majlis al-Shura be elected by members of the chamber (and not, as previously, appointed by the sultan). The Majlis al-Shura can draft laws on its own initiative. They must be referred to the Council of Ministers for review. In addition, draft laws prepared by the Council of Ministers must be referred to the Council of Oman for approval or amendment before being submitted to the ruler.

However, the Majlis al-Shura cannot address important issues such as national security, oil, foreign relations, or the structure of the political system. The Majlis al-Shura can only make recommendations concerning draft development plans and the annual budget. It cannot question ministers involved in national sovereignty (Foreign Affairs, Defense, Finance, Interior, and Oil) and the opinions of the two councils are not binding for the government – nor, a fortiori, for the sultan, who can dissolve the Majlis al-Shura at any moment and without cause.

Majlis al-Shura member Talib al-Ma'amari's arrest in 2013 (and his sentencing to three years of jail) on charges of undermining the status and prestige of the state, despite his parliamentary immunity, was a clear message to Majlis al-Shura members. According to the Carnegie Endowment, "the existence of a proper parliament in Oman, with actual legislative powers, is not on the agenda. That message appears to have been received." The interrogation of ministers, which became virulent following the 2011 elections, has dramatically decreased since 2013.

Another October 2011 amendment to the basic law dealt with the succession process. The Majlis al-Shura chairman, along with Supreme Court members and non-elected Defense Council members, will "confirm the appointment [to the throne] of the person designated by the former ruler in his letter to the Ruling Family Council" (article 6 of the basic law).

In December 2012, the first municipal elections in the country's history took place. Previously only Muscat had a (fully appointed) municipal council. According to the new municipal councils law, the eleven councils (one per governorate) have an appointed chairman and deputy chairman along with their elected members. Municipal councils enjoy advisory powers only. They give recommendations on municipal services, such as infrastructure, health provisions, environmental protection, local taxes, etc.

Performance of  
democratic  
institutions

2

The justice system remains vulnerable to intervention from non-elected institutions, especially in security-related cases or other sensitive areas. The Supreme Judiciary Council is chaired by the sultan and he must ratify any decisions it takes in his absence.

Until March 2011, when popular pressure led the sultan to grant increased prerogatives to the Council of Oman, the ruler had exhibited no sign of any commitment to transforming the lower chamber into a proper legislative body. Despite the widespread public support for the expansion of the Majlis al-Shura's role, the sultan's unwillingness to implement substantial reform to the authoritarian system and its intention to keep all executive and major legislative powers as his personal prerogative in the wake of the Arab Spring have deeply disappointed many Omanis.

A number of Majlis al-Shura members elected in 2011, including former activists who took part in the protests, have shown their commitment to empowering the chamber and increasing its position and prerogatives in the general balance of powers, but this evolution is strongly opposed by a number of non-elected institutions (cabinet, the royal court, the sultan's palace office, security officials, etc.). Despite his parliamentary immunity, the conviction of deputy Talib al-Ma'amari to three years in prison in October 2014 was a clear message that the existence of a proper parliament with actual legislative powers is not on the regime's agenda.

## 5 | Political and Social Integration

Oman prohibits the existence of political parties and politically motivated associations. Despite the ban on parliamentary groups within the Majlis al-Shura, lobbies based on shared interests (like justice, education and health matters) are emerging. Even if the capacity of these informal parliamentary lobbies to influence national policy remains weak, their emergence illustrates just how many Majlis al-Shura representatives see their role differently than their predecessors did. They are determined to press for a growing influence of the elected chamber in state institutions and to act as a counterbalance to the Council of Ministers. However, following the targeting and sentencing of one of the most vocal Majlis al-Shura members to jail in summer 2013, the virulent interrogation of ministers has dramatically decreased within the Majlis.

Societal interests are usually articulated and channeled informally through friendships, family and tribal clans, and connections with public figures. These interests are articulated in the political sphere by members of the Majlis al-Shura and Majlis al-Dawla (even if skepticism about the actual power of these institutions is widespread), local sheikhs and tribal representatives, and even by the sultan himself, as the embodiment of post-1970 Oman in official historiography.

Commitment to democratic institutions

2

Party system

1

Interest groups

3

Oman's structure as a hyper-centralized rentier welfare state has rarely produced conditions conducive to organized societal demands and pressures. Since 2012 in particular, the authorities have taken a repressive response to peaceful demands made by social movements, unions and professional organizations. This sustained intimidation and suppression of human rights activists and dissonant voices has undermined the development of an embryonic civil society, composed of young Omanis with high educational and intellectual capital who make informed criticism of policies, which has nonetheless been more and more visible since the mid-2000s thanks to online forums and activism.

There has been no public opinion poll to assess the popularity of the current system. It is widely believed that citizens welcome the idea of greater political participation, as political demands expressed since 2011, online petitions calling to transform the Majlis al-Shura into a real legislative chamber and the healthy participation rate in October 2011 elections have shown. Not surprisingly, the very limited institutional reform implemented since 2011, in addition to the harsh repression of human rights and pro-democracy activists, meant that high expectations gave way to deep disillusionment.

Approval of  
democracy  
n/a

Omani political culture is dominated by a general acceptance of the government's omnipotence, despite societal diversity and fragmentation between rich and poor, urban and rural, old and young, male and female. In this context, tribal affiliations also remain important.

Social capital  
3

Demonstrations on economic and social issues, which broke out across the country in 2011 and 2012, often emphasized their loyalty to the sultan and dissatisfaction with officials. However the repeated smearing of protesters as "delinquents" and "vandals" by senior officials, the army's attempts to violently control demands, the manipulation of local identities and tribal issues as a "divide-and-rule" technique and the resulting deepening polarization based on religion and mutual prejudices related to ethno-linguistic identities have reduced the population's trust in the polity and undermined the development of independent organizations and political associations.

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Question  
Score

Socioeconomic  
barriers  
6

Given the appalling social and economic conditions in the early 1970s, Oman has achieved a considerable level of growth and development in a short period. In its 2013 report, UNDP's Human Development Index (HDI) ranks Oman 84th. In November 2010, UNDP stated that Oman has had the fastest progress in the HDI between 1970 and 2010, with a quadrupling of gross enrolment (reaching 109% in primary, 93.5% in secondary and 28.1% in post-secondary education) and literacy rates (reaching 90.2% among males and 81.8% among females age 15 and older) and a 27-year increase in life expectancy. The state's exploitation of oil rent has enabled economic and social development which would otherwise have been impossible. Ironically, though, only two months after the UNDP's praise, the country was to experience the most widespread questioning of the system by popular protest since the 1970s.

Over the last 15 years, the existence of structural poverty has become increasingly clear. The government's stated policy is to widen the scope of socioeconomic development, especially in border towns and remote areas, in an attempt to safeguard the allegiance of the local populations by awarding them senior public positions and by directing both public and private investments towards them. This is especially the case in Buraimi, Dhahira, Interior (al-Dakhiliyya) and Dhofar governorates and the exclave of Musandam. However, the economic situation in rural areas is still characterized by a migrant workforce with a low skill level who work under the restrictive legal conditions of the "kafala" system.

Despite the Omani government's official policy of inclusiveness, income disparities among regions and social groups have increased since the early 2000s. This was one of the determinants of the popular protests in Sohar from 2011 to 2012. Since the development of the Sohar industrial area at the beginning of the 2000s, inequality has exploded between pockets of wealth reserved for the executives of industrial groups in the port and the rest of the area, which has been hit severely by increasing costs. This economic boom disproportionately benefited a handful of local notables as well as the top Omani business groups already embedded in the heart of Muscat's political-economic decision process who had taken advantage of the dramatic rise in land prices, while the majority experienced the stagnation or decline in their living standards.

Women – at least in theory – have the same opportunities as men in public and private jobs. In reality, however, women and other groups such as the descendants of servants and other inferior tribes as well as former slave groups (descendants of slaves brought from Africa) still face high barriers to participation in formal economic activities.

Economic indicators		2005	2010	2013	2014
GDP	\$ M	31081.9	58641.4	78182.6	<b>81796.6</b>
GDP growth	%	2.5	4.8	3.9	-
Inflation (CPI)	%	1.9	3.2	1.2	<b>1.0</b>
Unemployment	%	8.4	8.2	7.9	-
Foreign direct investment	% of GDP	4.9	2.1	2.1	-
Export growth	%	19.4	15.0	-	-
Import growth	%	9.8	22.5	-	-
Current account balance	\$ M	5177.5	5039.0	5116.7	-
Public debt	% of GDP	9.9	5.9	5.1	<b>5.1</b>
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Cash surplus or deficit	% of GDP	2.2	-0.4	-	-
Tax revenue	% of GDP	2.0	2.5	-	-
Government consumption	% of GDP	20.8	18.1	-	-
Public expnd. on education	% of GDP	3.5	-	-	-
Public expnd. on health	% of GDP	2.1	2.3	2.1	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	11.7	8.3	15.0	<b>11.8</b>

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | International Monetary Fund (IMF), World Economic Outlook, October 2015 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2015.

## 7 | Organization of the Market and Competition

The foundations of a free and competitive market economy are assured. Over time, the government has incrementally introduced laws to ensure a free market. This was particularly true during the country's 2000 WTO entry process, the enacting of a free trade agreement with the United States in January 2009 and the need to apply a normal 5% external tariff as required by the GCC customs union agreement. Similarly, Oman's government has initiated laws to encourage and facilitate foreign investment and to offer incentives for both private and foreign investors. The program to privatize a number of wholly or partly state-owned enterprises has sped up considerably since 2003. In 2011 and 2012, however, emergency social and economic measures adopted in response to the Arab Spring (such as the creation of tens of thousands of public sector jobs for nationals, the sharp increase in public benefits and salaries in the public and private sectors, etc.) in a sense contradict privatization and deregulation policies implemented over the last decade. In 2015, under intensifying pressure to increase non-oil revenues and balance the budget, the cabinet has been studying the possibility of reducing state subsidies in various fields (including energy) and carrying out a new privatization program in the next three years.

Market-based  
competition

7

Rules that regulate the employment of expatriate labor (such as the kafala sponsorship system) and policies for the Omanization of the private sector workforce are still in force. While the government stopped issuing visas to non-nationals working in construction and cleaning sectors for one year between 2013 and 2014, in order to promote Omani nationals in these positions, international companies were exempted from these measures, as were companies working on government projects and firms managed full-time by their owners. This exception ended in October 2014 under increasing pressure from the private sector. Politically strategic segments of the economy remain controlled by business actors who are loyal allies of the regime.

One of the most common grievances expressed in the 2011 protests related to the intermingling of political and business interests among top political incumbents. This political-economic elite, which has managed to create quasi-monopolies since 1970, has been the regime's most reliable supporter under Qaboos, and cabinet reshufflings implemented since 2011 have not altered this situation.

Anti-monopoly  
policy

3

In November 1996, an agency law helped clarify foreign principals' right to dissolve existing contracts with Omani partner companies at the Ministry of Commerce and Industry upon expiration or cancellation of the commercial agency but did not affect the existing monopolies. However, significant amendments to the 1977 commercial agencies law governing the relationship between foreign entities and their local agents were made by royal decree in July 2014. In particular, the prohibition against the sale of a foreign entity's goods or services through an intermediary other than the registered agent has been removed. The agent's right to claim compensation from its

foreign principal for unjustified cancellation or non-renewal of the relationship has also been dropped. Moreover, the Ministry of Commerce and Industry enjoys the power to break up monopolies over specific types of commodities and services but it can no longer decide to ban the importation of a foreign entity's goods into Oman.

In November 2014, the first Omani "Protecting Competition and Preventing Monopoly Law" was issued. It states that the maximum percentage of the market that a person or group may control is 35%. This law does not apply to state-run public utility entities, public or private research and development entities and grants the right for an entity to seek permission from the Public Authority for Consumer Protection (PACP) for an activity of economic concentration that reaches up to 50% of the market.

In addition, a new consumer protection law, which attempts to better regulate the activities of suppliers, advertisers and agents and grants extra powers to the PACP to investigate breaches of the law and impose penalties for its violation, was also issued by royal decree.

Since these three laws are in their infancy and executive regulations were not yet published in January 2015, it remains to be seen how their provisions will be interpreted and implemented and what their actual impact on local market behaviors will be.

Oman has liberalized and extensively deregulated foreign trade. After accession to the WTO in 2000, the government encouraged foreign trade and investment and introduced industrial regulations and labor laws. The 2003 GCC (Gulf Cooperation Council) customs union agreement, which was completed and fully operational on 1 January 2015, was followed by the January 2009 introduction of the bilateral free trade agreement with the United States. In order to lure more foreign investment, the new tax system, which came into force in January 2010, removed the distinction between local and foreign companies by establishing a fixed tax rate on profits of 12% for all companies, whether foreign or local, after an initial tax-free exemption of 30,000 Omani rial (\$75,000 or €57,400) of profits.

GCC nationals are permitted to establish 100% owned business entities in Oman for most activities. Non-GCC entities are allowed to hold up to 70% of Omani companies, and even 100% in banking, insurance, telecommunications sectors and (after approval by the Council of Ministers) in any sector if "the investment is in the national interest or introduces technical expertise which is not readily available in Oman."

Liberalization of  
foreign trade

7

The Omani financial sector, supervised by the Central Bank of Oman (CBO), which was established in 1974, has transformed considerably in recent years. The Muscat Securities Market (MSM) was established in 1989 and was the first Gulf stock market to set up a separate regulatory body, the Capital Market Authority (CMA). In January 1999, the new capital market law came into effect, enabling the CMA to oversee the MSM, where all listed shares are traded.

Though Oman has been less affected than many Middle East countries by the 2008 – 2009 international financial crisis, the central bank made a massive injection of extra dollar liquidity into the domestic banking system in 2008. In January 2009, the government banded together with pension funds and the domestic financial sector to form a \$389 million fund to stabilize the country's stock market. The Omani government contributes 54% of the fund.

Oman's conventional banking sector remains small (composed of six establishments) but performs well. The capital adequacy ratio to risk-weighted asset and bad debts to total loans ratio were 15.1% and 2.2% respectively in September 2014. However, in 2014, the CBO urged banks to diversify their funding base as government and public sector enterprises contribute one third of the total deposits. Since 2011, payment of all public allowances (to job seekers and people benefiting from increased social assistance programs) by electronic transfer has also helped boost the banking sector. Another structural characteristic of the Omani banking sector lies in its proximity to the political decision makers. Royal family members and government officials hold board and management positions in all Omani banks (and the sultan remains the chairman of the CBO). In a significant move, in spring 2014 the CBO issued a circular advising banks and licensed financial institutions to avoid conflicts of interest when appointing board members and senior management (in particular, when board members are also appointed as senior managers in banks and when senior management had been nominated for advisory, consultancy and other positions). It remains to be seen what impact it will have on the deeply entrenched conflict of interest between politics and business in Oman.

In May 2011, a royal decree approved the establishment of Islamic banks. In December 2012, the CBO issued the Islamic banking regulatory framework (IBRF) establishing the regulations that will govern all Shariah-compliant products. These regulations are considerably tighter than comparable rules in other countries. For example, the IBRF requires conventional lenders, who are entitled to perform Islamic banking operations in Oman, to open separate branches for two different products and to detail the origin and use of funds. In 2014, two Omani Islamic banks (Bank Nizwa and Alizz) and six conventional banks were offering Shariah-compliant products. Total Islamic assets amounted to 1.1 billion Omani rial (\$2.8 billion) in June 2014, or 4.4% of total banking assets.

Oman does not yet comply with Basel III banking standards.

## 8 | Currency and Price Stability

The Omani rial has been pegged to the U.S. dollar since 1986. In practice, this means that domestic interest rates follow those in the United States. Oman has historically had extremely low inflation. However, inflation started to rise in 2005, partly because of the weakness of the U.S. dollar against the currencies of Oman's main import suppliers (particularly the European Union and the United Arab Emirates) and because of the boom in foreign investment by GCC nationals in Oman prior to 2009. This led Oman to cancel its potential participation in the GCC monetary union in January 2009, due to the gaps in living standards and wage levels between Oman and its GCC neighbors – a monetary union would probably have dramatically increased prices and living costs in Oman. After the Arab Spring, the slowdown in economic growth and foreign investment, the result of greater caution on the part of European and Gulf investors, meant that inflation rates were contained under 5%. The creation in 2011 of a new Public Authority for Consumer Protection, independent from the Ministry of Commerce and Industry and charged with monitoring market prices and censuring unlawful increases by private companies, makes the state a key player in the setting and control of prices. Despite the 62% increase in the minimum salary for nationals in the private sector in July 2013, inflation remained subdued in the second half of 2013 and in 2014.

The government is considering cutting some of its subsidies in several areas (including fuel and gas) in 2015; the impact of this policy, if implemented, is likely to result in inflationary trends.

Oman's macroeconomic performance remained steady in 2013. Due to high oil revenues, the effects of the liquefied natural gas (LNG) facility and growth in the non-oil sector, real GDP growth reached 5% in 2013. High budgetary surpluses in 2011 and 2012 were earmarked for debt reduction (public debt is estimated at just 7% of GDP in 2013) as well as significantly increasing public expenditure (a 70% increase in government spending from 2011 to 2014), including in the defense and security sectors which consumed 36.5% of the state's expenditure in 2012, and 11.7% of the country's GDP in 2013 – one of the world's highest rates.

Oman confirmed that it had already signed several economic deals with other GCC countries, including one worth \$1.75 billion with Kuwait in November 2014, as part of the \$10 billion GCC financial aid pledged to help Oman and Bahrain cope with the Arab Spring. It will be used on infrastructure development projects such as the intra-GCC railway, the Batinah Expressway road and electric and water networks.

However, the substantial erosion of oil prices in 2014 seriously clouds Oman's economic forecast. Growth is expected to be slower in 2014 than originally forecasted (3.5%). According to the IMF, the oil price that Oman needs in order to balance its

Anti-inflation /  
forex policy

8

Macrostability

7

budget doubled within five years to reach \$108 per barrel in 2015. However, with world oil price forecasts being below \$100 a barrel in the midterm, Oman had increasing pressure to expand its non-oil revenue and find other ways to balance the budget. The State General Reserve Fund (SGRF), which has been acting for years both as a stabilization fund and as a means of saving excess oil export revenues (until 2013) for future generations, may help Oman to face these challenges. Nonetheless, Oman's macroeconomic stability definitely remains hostage to the country's over-reliance on oil revenues (86% of total state revenues in 2013) and the fluctuation of both oil prices and the U.S. dollar.

## 9 | Private Property

The basic law states that private property is protected and that nobody shall be prevented from disposing of property within the limits of the law. Nor shall anyone's property be expropriated or confiscated, unless in compliance with the law and with proper compensation. According to the World Bank, it takes 16 days and requires two administrative procedures to register property.

Property rights  
8

In 2006, GCC nationals gained the right to freely own residential and commercial properties anywhere in Oman. If the land is not disposed or developed within four years, the Omani government can repossess it against compensation. For non-GCC citizens, this freedom only applies to designated tourism projects. Expatriate-owned land can be sold or passed on through inheritance, upon presentation of suitable documentation. In May 2012, a decision by the Ministry of Housing gave GCC nationals and expatriates the right to extend the size of the residential or commercial properties they already own.

Oman's government has a policy of encouraging private sector growth. Since the early 2000s, the government has viewed private companies as the primary engines of economic growth. In October 2011, the Minister of Commerce announced the creation of an SME Loans Guarantee Program to help selected new entrepreneurs secure funding from banks. Risk is shared by the government and local banks participating in the program. In January 2013, a few days after the three-day national symposium on SMEs under the patronage of the Minister of the Diwan, the ruler stressed on his annual tour that SMEs are the "basis for all national economies." He announced the creation of a new public fund called al-Rafd to help SMEs develop. This fund combines all existing institutions supporting the creation of private businesses. This includes the SME development fund launched in March 2012 to subsidize finance and training for national small entrepreneurs, and the Sanad program set up in 2001 to provide young Omanis with state-funded training in institutions and companies. In June 2013, a Public Authority for the Development of SMEs, chaired by the Minister of Commerce and Industry and aimed at supporting the development and the growth of SMEs, was created by royal decree. Also, the

Private enterprise  
7

Central Bank of Oman issued a regulation stating that at least 5% of commercial bank lending should be directed to SME clients.

However, a number of oligopolies continue to operate with state investment. Because most members of the governing elite are directly or indirectly involved in business, privatization and economic liberalization policies have mainly benefited those who are already leading business actors.

## 10 | Welfare Regime

Oman provides its citizens with extensive social services. Human development indices have improved with respect to income, education, health, life expectancy, and education. Government assistance for the poor helps relieve poverty but remains insufficient. According to the Ministry of Social Development, 84,000 people benefited from social assistance programs in 2013. In 2013, the social housing fund was doubled, bringing the number of beneficiaries to 4,400. Pensions and social insurance have been widened to include both public and private sector employees. Nationals employed in the private sector are guaranteed a minimum monthly wage, which was raised in July 2013 by 62% to 325 Omani rial (approx. \$825 or €630). Foreign workers have no access to the welfare system. There are no state-sponsored insurance schemes, but rather a monthly allowance of 150 Omani rial (\$390 or €290) for jobseekers registered at the Ministry of Manpower has existed since 2011. So far, these efforts have done little to relieve the alarming rate of endemic poverty and youth unemployment among nationals (estimated to be around 30% for youth age 15 to 24 years).

Social safety nets  
6

The basic law prohibits discrimination on the basis of “gender, origin, color, language, religion, sect, domicile, or social status.” There are no formal restrictions for either males or females in education, jobs or public services. Indeed, girls outnumber boys in enrollment rates in primary (100.8%) and post-secondary education (145.1%) and have almost equal rates in secondary education (95%, World Bank data for 2013).

Equal opportunity  
6

Managerial opportunities for descendants of tribes considered of inferior origin or of low social status (including former slave groups) in the civil sector are still rare, while the recruitment of individuals on the basis of common tribal or ethnic background is still practiced on a large scale – especially in this period of structural unemployment among the young.

Omani women, who are severely under-represented in the legal field, still face difficulties gaining justice through the courts. In order to address this, the government passed a law in 2008 stipulating that men and women’s legal testimonies should be considered equal. Most men apparently remain opposed to women working in public places. With a female-to-male ratio of 14.6% in the labor force (World Bank for 2013), Oman is indeed among the worst global performers.

## 11 | Economic Performance

The Omani economy registered an increase of 5% in its real GDP in 2013 but the sharp fall of oil prices since mid-2014 significantly reduced state revenues and put mid- to long-term pressure on Omani economy. Inflation remained modest, at under 5%. Oil and natural gas sectors account for 45% of the Omani GDP and 86% of government revenues. Data from the Ministry of National Economy has shown that the Omani economy grew by only 2.8% and 3.7% in nominal terms in 2013 and the first half of 2014 – its slowest paces since 2009. In its 2015 budget plans, Oman expects to raise its state expenditures by 4.5% compared to the previous year. That follows a 70% increase in government spending between 2011 and 2014. With an assumed average oil price of only \$75 per barrel in 2015 budget plans, Oman anticipates a deficit of 2.5 billion Omani rial (\$6.5 billion or €5.8 billion), or about 8% of its GDP – the country’s first fiscal deficit in five years and the biggest since 1990. The IMF predicts Oman’s net public debt will grow to 10% of GDP by 2017 and its deficit may widen to 11.4% in 2019 as weaker oil prices erode state revenues.

While official figures of Omani jobseekers are not published on a regular basis, the unemployment rate is estimated at 15% (double that for 15- to 24-year-old nationals). Moreover, these figures omit what is probably a considerable rate of underemployment, particularly in rural areas, which puts further downward pressure on wages.

## 12 | Sustainability

Oman faces water scarcity and periodic droughts. Irrigation-intensive agriculture in the most fertile region, the Batinah coast, often leads to the saline intrusion via aquifers. Overgrazing and desertification are growing problems in the south. In principle, the sultan has demonstrated a personal commitment to environmental protection, and the country has a sound record of environmental law, enforced by the Ministry of Environment and Climate Affairs. However, waste issues are poorly regulated. Despite occasional fines against, and even the closure of, companies that do not comply with environmental laws, such as the temporary shutting-down of a fish oil and powder producing factory in Jaalan Bani Bu Ali in January 2015, environmental concerns are increasingly losing out in the face of private interests and the development of tourism, real estate and industrial projects. Severe pollution caused by industries in Sohar port helped trigger popular protests in the Batinah region since 2011.

Output strength  
6

Environmental  
policy  
5

Oman has placed great importance on primary and secondary education since 1970 and over 15% of government civil expenditures goes toward education and higher education (3.6% of GDP in 2013). By 2013, Oman had over 1,500 schools, 69% of which were government-run, providing education at primary, preparatory and secondary levels. Girls represent 50% of all pupils registered up to secondary school certification. Although the Omani education system appears healthy from a purely quantitative perspective, there are structural qualitative deficits. The standard qualifications for schoolteachers remain low – and the Omanization process of replacing foreign teachers with local ones has not remedied this structural problem. The Oman 2020 plan emphasized the need for upgrading the level of education by improving basic education and technical and vocational training. In the academic year 2013-2014, the sultanate had only one public university and 27 private institutions of higher education. The government funds and subsidizes all of them. The establishment of numerous technical institutes over the last decade is a sign of progress. However, the number of graduates from these institutions and from universities of applied sciences abroad employed as technicians and engineers, and government efforts to significantly raise figures are not enough. Additionally, a clear political will and policy (i.e., scholarship policy) is not visible. Vocational education (UAS level) and practice-oriented vocational training remains the Achilles heel of Omani education. A significant gap exists between education and training on the one hand and market needs on the other. In addition, there is still high under- and unemployment of young people parallel with the continuous growth of foreign technical labor. As a response to the Arab Spring, in 2011 the sultan announced the creation of a second public university, but no concrete progress was made on this project until January 2015.

Research institutes are nonexistent and R&D was evaluated at 0.1% of GDP in 2010. The government has started to address this deficiency by creating a scientific research council, the TRC. The TRC, established in 2005 by royal decree, was commissioned to draw a national plan for scientific research in the sultanate. Since 2009, the TRC has been funding small research projects in agriculture, fisheries, urban development, road safety, etc. The last Five Year Plan targeted a national expenditure in R&D (in the public and private sectors) of 1% of GDP for 2011 – 2015, but this objective proved completely unrealistic after the Arab Spring and the resulting spending priorities.

Education policy /  
R&D  
5

# Transformation Management

## I. Level of Difficulty

Structural constraints on Omani governance are limited. The royal family does not have a great deal of power over the sultan himself or the government, which includes only a few royal family members. Despite the high ethnic and tribal diversity of the national population, one of Qaboos' major achievements is strengthening the idea of the Omani nation as a collective framework of belonging. Despite the return of many Omanis to the country since the 1970s and the growing expatriate workforce, one of the main constraints for management performance remains the lack of a skilled national labor force (although a high percentage of under- and unemployed youth – about 30% of the 15- to 24-year-old nationals – exists) that could meet the existing demand as well as the needs of the new economic sectors that the government wishes to develop in the post-oil era. Since the second half of 2014, falling oil prices have been a major concern of the regime and may turn into a serious structural constraint if low prices become the norm. This is exacerbated by extreme demographic pressure, with 67% of the population under the age of 30.

Structural  
constraints  
3

Oman has a very limited civil society tradition and no tradition of civic engagement in NGOs. The government's fear of social and public associations galvanizing public opinion and channeling dissenting voices has prompted it to ban any sort of politically oriented civil society organization or association, only issuing licenses to those deemed apolitical. Despite an increasingly vocal civil society, which has been highlighting the economic and political flaws in the system for years, the government's stance on civil society organizations has tightened since 2011, as shown by the arrests of numerous human rights activists, the active harassment and repression of peaceful alternative voices, and the priority given to investments in the security sector.

Civil society  
traditions  
8

Although Omani society is split along social, ethnic and regional lines, the regime has been highly successful in imposing the idea of an Omani nation as the collective framework of belonging. The lack of a dominant group or dominant tribe has encouraged this sense of national identity. This, coupled with the state's power and its insistence on national unity and loyalty to the sultan, has mitigated any potential societal conflict. Ten years of structural unemployment has, however, produced growing frustrations and mutual mistrust, which have contributed to a re-polarization

Conflict intensity  
1

of society and competitive declarations of loyalty to the nation by various subnational groups. This competition has not yet reached a level that could threaten national unity. However, the uneven distribution of the 2011 protests (with Ibadi inland regions almost entirely immune and the influence of underground Muslim Brotherhood and Salafi networks in channeling discontent) illustrates how pronounced social divisions are in the sultanate, may pose a threat in the post-Qaboos era.

## II. Management Performance

### 14 | Steering Capability

Question  
Score

For most Omani citizens, the country's model of development is intimately linked to Sultan Qaboos. The sultan has made some limited reforms in response to calls for greater political participation from the younger generation and the international community. The 2011 removal of cabinet members widely perceived as corrupt, and the measured increase of legislative power for the Council of Oman illustrate this.

Prioritization  
3

However, the refusal to appoint a prime minister as well as an heir/crown prince (especially since the sultan's prolonged absence because of health reasons since summer 2014), and the ruler's general unwillingness to lay the foundations for the long-term development of the country, have fuelled the population's growing anxiety about the perceived lack of long-term vision and the prospect of a future without the paternal figure of Qaboos. This reluctance to set long-term priorities is supported by conservative figures of the regime who owe their influence to their proximity to the sultan; some were removed from their positions in 2011 but retain their influence behind the scenes.

There is widespread agreement on key elements of the country's mid-term plan for economic development. First, Oman has to develop and upgrade its human resources to better cope with international competitors. Second, Oman's private sector must learn to use human and natural resources effectively and sustainably.

In general, dramatic social inequalities, endemic unemployment, and poverty resulting from recent deregulation policies should push Oman to utilize the value of its geostrategic location, promote economic diversification, and, above all, distribute the fruits of development equally among all regions and all citizens. However the dismantlement of the Ministry of National Economy in March 2011, which prepared and monitored the five-year economic plans, illustrates the dilemma in which the Omani leadership finds itself after the "Omani Spring."

Apart from frequent, arbitrary royal directives to address short-term issues among specific sectors of the population, the first announcements of the new Supreme Council for Planning (created in 2012) and the Oman Vision 2040 main committee (appointed in 2013) are still awaited. These bodies have yet to demonstrate a coherent development framework or allay considerable uncertainties related to the country's long-term economic and social priorities.

Power remains heavily concentrated in the hands of Sultan Qaboos and his protégés. Some senior members of the government have remained in office for many years, which has bred political malaise. This stagnation, together with the absence of an active prime minister (the sultan also functions as prime minister), contributes to the government's inability to set and maintain strategic priorities in a coherent manner. Because the political leadership must fulfill the sultan's will to remain in the cabinet, the sultan's interests are paramount. The Arab Spring, which could have been used to initiate political reforms, was definitely a missed opportunity. Instead, repressive measures to quell dissonant voices have only become more prominent.

Implementation  
4

The government has only had limited success in setting and achieving its development objectives. The Omanization rate in the private sector plummeted from 16% at the end of 2010 to 11.2% in December 2014. Estimates show a persistent 15% unemployment level among nationals – and 30% among 18- to 24-year-olds. Moreover, the announcement of short-term social and economic measures designed to forestall public discontent (i.e., the creation of public sector jobs for nationals and major increases in allowances and salaries in public and private sectors) contradict the liberalization policies pursued over the last decade.

Oman's delicate political situation and limited economic resources make the government very cautious about mistakes and failures. The leadership used to respond quickly and pro-actively to mistakes, but this has not always proved sufficient. For years, civil society has been highlighting economic and political flaws in the system as well as deteriorating living conditions for some parts of the Omani population, accompanied by dramatic inequality and pockets of endemic poverty. However, the 2011 protests, strikes and peaceful sit-ins across the country still caught the regime by surprise. The draconian response to protests in 2012 and the reliance on arbitrary economic gestures as short-term solutions to long-term structural issues are evidence that the leadership has learnt little from past mistakes.

Policy learning  
3

## 15 | Resource Efficiency

While the government has been relatively successful in making efficient use of its available economic resources (despite pressure on the state budget caused by current low oil prices), it has mixed results in its management of human resources. The government has tried to realize its human resource objectives with economic equilibrium and sustainable growth, diversifying income sources, and by developing the private sector. However, success has been limited and many young people remain unemployed – despite an additional 50,000 jobs that the sultan decreed in response to the 2011 protests. In addition, the Omanization policy of employment, implemented to increase the number of nationals in the private sector, has largely focused on low-skilled or unskilled positions. Civil servants are predominantly appointed on the basis of kinship or regional identity rather than competence.

Efficient use of  
assets

5

Though some young, skilled technocrats have been offered decision-making positions in the cabinet since the end of the 1990s, there has been no major change in the overall human resource policy. The state apparatus remains highly concentrated in Muscat, hindering the establishment of substantial decentralized administration. The administrative re-organization of the country by royal decree in October 2011, which transformed all former regions into governorates under the supervision of the Minister of the Interior (except those of Muscat and Dhofar, who hold the rank of Minister of State), illustrates the fear of alternative political power centers and is an attempt to re-assert the central state's hold on turbulent peripheral regions.

The regime's failure to anticipate the 2011 popular protests and subsequent misapprehension of their political significance illustrates the long-term structural deficiencies in government coordination and the irrelevance of long-term policies drawn up at the end of the 1990s. The cabinet was drastically reshuffled as a result of the Arab Spring and two new bodies, the Supreme Council for Planning and the Oman Vision 2040 main committee, were instructed to prepare revised long-term objectives and priorities – which were not yet announced as of January 2015.

Policy  
coordination

5

Intra-government frictions, conflicting personal and local interests and cleavages, combined with the absence of a prime minister to control the cabinet, have often hindered the implementation of government objectives. Personal access to the ruler, who is increasingly isolated but indicated without ambiguity after 2011 that he intends to keep all levers of power, is restricted to a handful of people. Coherence in policy formulation and cooperation among all concerned parties are strongest when the sultan expresses particular interest in a given objective, as no meaningful reform can be implemented without the sultan's approval. The sultan's health issues since mid-2014 have only confirmed the extreme centralization of the political system, the culture of political insecurity among many cabinet members who are afraid to

displease the ruler and the fundamental uncertainty surrounding the decision-making process in his absence.

Oman has no dedicated anti-corruption agencies or organizations. Instead, corruption falls under the aegis of a number of security services such as the Royal Oman Police, the Internal Security Services and the Ministry of Palace Office. Article 53 of the 1996 basic law makes it illegal for members of the Council of Ministers to “combine their ministerial posts with the chairmanship or membership of the board of any joint stock company.” In 2010, the sultan issued a new law to combat money laundering and terrorism which established a “Financial Intelligence Unit” under the supervision of the Assistant Inspector General of Police and Customs. Any person convicted of money laundering can be jailed for between three and 10 years.

Following the Arab Spring protests, in an attempt by the regime to show its determination to fight ingrained corruption within state institutions, the prerogatives of the State Financial and Administrative Audit Institution (SFAAI) were expanded by sultan’s decree in 2011. Its mission includes “detecting financial and administrative irregularities,” “ensuring transparency in financial and administrative transactions,” and providing “recommendations on how to avoid conflicts of interest.” A law for the protection of public funds and avoidance of conflicts of interest was promulgated by royal decree in October 2011. It is applicable to the public sector and to private sector companies if the government holds at least 40% shares in the company or in situations where the private sector company has dealings with government bodies and officials, and prohibits giving, accepting and mediating bribes. In January 2014, Oman was the last Middle East country (except Syria) to ratify the United Nations Convention Against Corruption.

The end of 2013 and the spring of 2014 were punctuated by a litany of reports announcing prosecutions and convictions of government officials and businessmen on various charges related to abuse of office, money laundering and corruption. Some 40 civil servants and businessmen have faced corruption trials since 2013, with Mohamed al-Khusaibi, the former secretary general of the Ministry of National Economy, and P. Mohamed Ali, the Indian co-founder of Oman’s largest construction company Galfar group and an internationally involved investor, most prominent among them.

The steps taken since 2011 to fight endemic corruption are definitely positive, but their actual impact remains to be seen. Despite all the hopes that rested with the SFAAI and its ambitious mission, though, people involved in these cases have not been among the big economic and political players who had attracted the protesters’ wrath and who have embodied the conflict of interest between politics and business since the 1970s. A substantial number of cabinet members currently have direct or indirect business interests. Specific whistleblowing legislation does not exist in Oman. Media access to information on public spending (and control of it) is virtually

Anti-corruption  
policy  
4

nonexistent – and dangerous, as the case of *Muwatin* magazine’s investigations in 2014 showed, to name only the most recent.

## 16 | Consensus-Building

The sultan has consolidated a sense of national unity by imposing himself as the bodily incarnation of contemporary Oman and the sole source of power. As a consequence, the stated goal of careful movement toward political participation long attracted a general consensus among major political and social actors. Yet repeated calls for democratic rights, freedom of expression and against corruption among top political incumbents – led by Islamist groups in the 1990s and in 2005, with broader protests since 2011 – fell on deaf ears, even though the protests stopped short of calling for regime change. A growing number of intellectuals and reform activists, once convinced of the sultan’s commitment to reform, are now deeply disillusioned by the regime’s draconian response. Since 2012, priority has been given to repressive responses, with new investments in the security sector and a crackdown on human rights activists and dissonant voices. Moreover, the personal business interests of the decision-making establishment has fuelled the widespread perception of a corrupt elite, busily safeguarding its privileges while silencing questions about conflict of interest. The religious establishment and tribal leaders generally support the government’s policy of preservation of the current authoritarian order.

Following the dismantlement of the Ministry of National Economy in 2011, a new Supreme Council for Planning, which was supposed to take over many of the Ministry’s functions and responsibilities, was established by royal decree in May 2012. In addition, the sultan issued royal orders in December 2013 to set up the main committee responsible for developing and drafting a new long-term national strategy entitled *Oman Vision 2040*, established to replace the old *Oman Vision 2020* from 1995, with objectives that already proved unreachable in the mid-2000s and which became obsolete with the Omani Spring. However, both the Supreme Council and the *Oman Vision 2040* main committee have yet to issue a roadmap in 2015 and, in the context of the sultan’s absence from Muscat for health reasons since July 2014 and the fall of oil prices, any consensus with regard to economic objectives seems unattainable.

Until 2011, it was generally considered that, although authoritarian, Oman’s political leadership was demonstrating some responsiveness to public demands and a willingness to take corrective action. However, draconian measures against peaceful popular protests and independent voices since 2011 have been clear signs to the population that the regime will resort to open repression to silence dissent and reassert the regime’s power. The appointment of a couple of young, educated ministers perceived as supportive of reform in the 2011 cabinet reshuffle did not carry much weight against the anti-reform “old guard” composed of Muscat business actors, the military and intelligence forces. The regime has been largely successful in wielding

Consensus on goals  
4

Anti-democratic  
actors  
2

the carrot and the stick to avoid thorough democratic reforms. Wide sectors of the youth express huge disillusionment with the regime's uncompromising answer to the peaceful call for reform expressed by the population from 2011 to 2012.

The regime's strategy has been to co-opt the most powerful societal elites (religious leaders, tribal and ethnic figures, business leaders) into the system. The government has tried to enhance national unity by appointing cabinet members from different regions and ethnic groups. Moreover, many tribal sheikhs, remunerated as employees of the Ministry of Interior, act as intermediaries in minor disputes between individuals and the public administration. This policy had long served to pre-empt religious, class and regional cleavages in the political sphere. However popular protests since 2011 illustrate that these government techniques have reached their limit. Allegations that protesters were acting under foreign influence, intended to impugn their patriotic motives, were widely disregarded. The divide-and-rule strategy of manipulating local identity and tribal issues to channel claims and demands to prevent the spread of protests met with failure. Recent economic difficulties meant growing frustrations and demands were expressed through local – and occasionally religious – identities, but this heterogeneity has not opened ethnic or religious tensions.

Cleavage /  
conflict  
management

4

The government does not encourage civil society organizations and associations but does grant licenses to those it deems apolitical (i.e. organizations that provide services to women, children, the disabled and the elderly), and in some cases the government even supports them financially. Propositions and demands by independent civil society organizations are ignored, and actors have been blatantly harassed since 2011 – as illustrated by jail sentences targeting human rights activists, journalists and intellectuals in 2012, arrests and jail sentences targeting community-based activists and elected members of North Batina Municipality Council and Consultative Council protesting against pollution created by Sohar industries in 2013 and 2014, and repeated arrests and detentions without charges of intellectuals and journalists in the summer and autumn 2014. Yet, continuing protests of citizens against the pollution caused by a fish-processing factory in the Wilayat of Jaalan Bani Bu Ali led to its temporary closure in January 2015.

Civil society  
participation

2

In an effort to assert the stability of his rule, Sultan Qaboos proclaimed a general amnesty toward his father's former political opponents and offered them seats in the government and top positions in the central administration. Since the 1970s and the end of the Dhofar war, there has been no large-scale injustice in Oman which would require major reconciliation efforts. However, the regime has made no effort to investigate the killing of two protesters in 2011 by security forces in Sohar, nor alleged physical and psychological mistreatment, tantamount to torture.

Reconciliation

n/a

## 17 | International Cooperation

Since 1970, Sultan Qaboos' government has made great efforts to fully integrate the country into the international community. In 1971, Oman joined the League of Arab States and the United Nations. In May 2014, Oman hosted the "UNESCO Global Meeting on Education for All" which led to the Muscat Agreement, calling for increased efforts in education after 2015.

Effective use of  
support  
4

Oman's foreign policy has always been a means of asserting the regime's stability in a troubled region; it is based on four tenets. First, Oman strives for the development and maintenance of good relations with all its neighbors, the GCC and Iran, Pakistan and India. Second, Oman maintains close relations with the United Kingdom, the United States and their Arab allies (especially Egypt and Jordan). Third, Oman exhibits a pragmatic approach to bilateral relations, emphasizing underlying geostrategic realities rather than temporary ideological positions – as illustrated by the role it played in facilitating the conclusion of the Iran-P5+1 nuclear deal in 2013. Finally, Oman works to establish security through cooperation rather than conflict. It has close strategic partnerships with the U.K. and the U.S. Regular renewals of military cooperation and facility access agreements with these two countries have confirmed that "Britain's oldest friend on the Arabian Peninsula" (in the words of a Times correspondent in 1974) remains dependent on both Britain and the United States.

Oman acts as a reliable partner in its relations with the international community, but is, due to its relative wealth, not a classical developing country. Besides their own financial possibilities, fear of external interference prevents Oman from securing more international aid for specific projects.

Credibility  
7

The lack of substantial political reform since 2011, the hyper-centralization of political power and the absence of long-term political plans for a post-Qaboos Oman remain a concern for the international community. Nonetheless, the government works closely with international organizations such as the World Bank, the IMF, the United Nations and other regional Arab developmental and financial institutions. For instance, on 8 July 2013 the government concluded consultations with the IMF on "Article IV," which permits the surveillance of Oman's economic, financial and exchange rate policies. Oman has been working closely with the World Bank in 2014 on development of strategies to "enhance the investment climate and strengthen the competitive position" in the country.

Oman works closely with neighboring states and has developed close ties with them. It is a founding and active member of the GCC, which was established in 1981. However, in 2009, Oman confirmed its decision not to join the GCC monetary union. Furthermore, Oman was one of the 14 founding members of the Indian Ocean Rim Association in 1997. Tensions with the UAE are unlikely to substantially damage Oman's relationship with its neighbors, given their similar responses to domestic pro-democracy protests. Like all other GCC members, Oman fully supported the Bahraini regime in its repression of opposition forces in spring 2011, and it also gratefully accepted financial help from Saudi Arabia and the GCC in dealing with its own protesters. In the run-up to the 34th GCC summit in December 2013 though, Oman declared its opt-out from a potential upgrading of the GCC into a union of six countries.

The country usually rejects proposals for foreign assistance from neighboring countries (especially Saudi Arabia), considering them potential sources of unwanted political interference.

However, confronted by the short-term challenge of the Arab Spring and the perceived threat (shared by all Gulf monarchies) of destabilization of the authoritarian order, the Omani government has overcome its usual reluctance to accept foreign assistance from its powerful neighbors, receiving a \$10 billion aid package from other Gulf Cooperation Council countries over 10 years to support its economy. In parallel, Oman ratified the GCC security pact in January 2014, to foster security-related cooperation and mutual assistance. Drafted in November 2012, this agreement clearly was elaborated in response to the Bahrain uprisings, as now national security apparatuses are allowed to support each other in times of security disturbances and unrest.

Regional  
cooperation  
7

## Strategic Outlook

Since the start of the millennium, Oman has undergone limited political and economic reform. The regime's concentration on stabilizing and consolidating its power does not obscure the fact that major steps remain to be taken. Overall reforms are needed in order to restore popular confidence in the government's coordinated and long-term goals. In 2011 and 2012, most major towns saw protests by Omanis demanding higher salaries, better living conditions, a tougher fight against corruption and substantial political reforms. "Since 2012, repressive measures have become more prominent, with new investments in the security sector and crackdowns on dissonant voices," analyzed Marc Valeri in his January 2015 report for the Carnegie Endowment. Valeri concluded that civil society organizations and associations should be strengthened and encouraged instead of being harassed and suppressed.

Oman's main structural socioeconomic challenge lies in the transition from over-reliance on oil revenues to a diversified economy in which the national workforce is in a position to play a full role in the creation of wealth. In order for this to happen, educational reform needs to feature prominently on the reform agenda. Some 45% of nationals are under 19. Some 50,000 Omanis leave school and university every year with or without degrees. Oman's education system is still locked in a system of low expectations and low performance. Curricular focus must be on promotion of personal initiative and critical perspective. In addition, more emphasis needs to be given to higher education (including vocational training) and significantly higher numbers of young Omanis should be given access to higher education institutions at home and abroad (with the help of scholarships). The number of foreign migrant laborers needs to be reduced in favor of Omani employment. A further structural obstacle to long-term reform lies in the conflicts of interest at the highest levels in the country. Despite the removal in 2011 of some top incumbents perceived as corrupt, a substantial number of cabinet members still have directly or indirect business interests. These decision makers often fail to promote the nation's greater interest (such as the Omanization policy and the reform agenda) when they act as businessmen. Instead, they advance their own private interests through the influence they wield as statesmen. This situation has become unacceptable for the emerging civil society, composed of young, educated Omanis who question the authoritarian political and economic structure of Oman and who will not be willing to grant the next ruler the same degree of control that their parents granted Qaboos. The massive increase in Internet penetration within just a few years, and its efficiency in uniting dissenting voices among the urban, educated population, shows how eager young citizens are to participate in economic and political debates at both local and national levels. While the protests did not initially target the ruler, direct criticism of his decisions and practices has become more common by those fearing for the future of the country.

Essentially, the sultan appears unwilling to prepare for a post-Qaboos Oman through either the long-awaited nomination of an heir or transfer of power to a prime minister. The regime's reluctance to broach key issues, coupled with the uncertain health of the sultan, has only fuelled widespread anxiety concerning the perceived lack of a long-term economic and political vision. Sultan Qaboos has not provided any answers to these questions yet; this lack of orientation will likely lead to considerable turmoil in the event of the aged sultan's sudden demise.