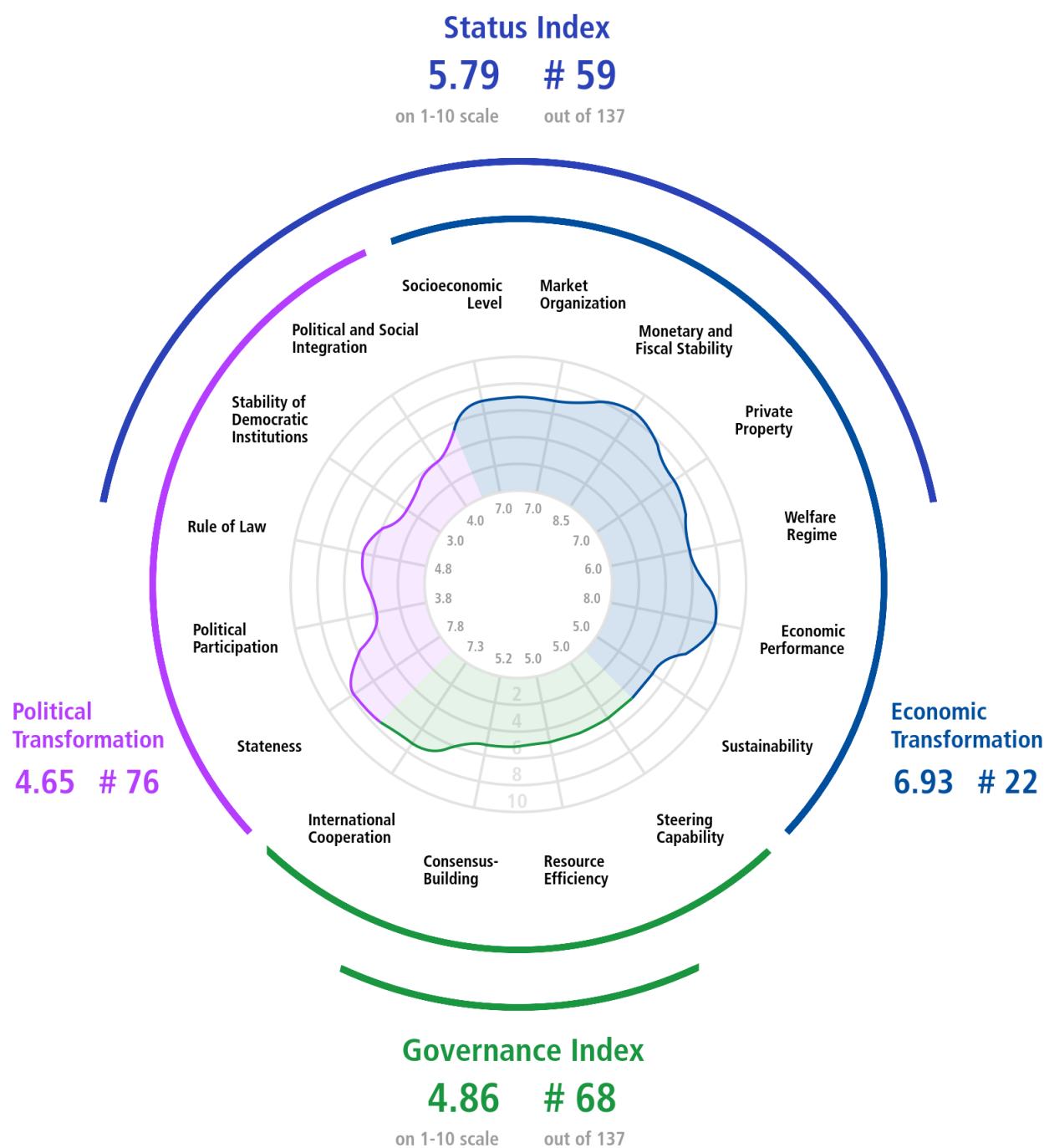


BTI 2022 Country Report

Kuwait



This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2022. It covers the period from February 1, 2019 to January 31, 2021. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	4.3	HDI	0.806	GDP p.c., PPP \$	-
Pop. growth ¹	% p.a.	1.5	HDI rank of 189	64	Gini Index	-
Life expectancy	years	75.5	UN Education Index	0.638	Poverty ³ %	-
Urban population	%	100.0	Gender inequality ²	0.242	Aid per capita \$	-

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

The period under review was characterized by significant political and economic change, with parliamentary elections, succession in leadership and an economic crisis caused by the COVID-19 pandemic. Externally, the resolving of the rift between Qatar and its three neighbors (Saudi Arabia, Bahrain, and the United Arab Emirates) from 2017 to 2021, a conflict that had hampered relations fundamentally within the Gulf Cooperation Council (GCC), is a promising sign of regional integration.

On September 23, 2020, the 6th Emir of the State of Kuwait, Sabah al-Ahmad al-Jaber al-Sabah, died after months of hospitalization in the United States. In the official announcement of the death of the 91-year-old emir, his half-brother and former crown prince, Sheikh Nawaf, was named as new emir of Kuwait. The quick designation of Sheikh Meshaal al-Ahmad, a paternal brother of the new emir, as heir apparent – with the approval of the parliament – made for a quick and smooth transfer of power. Although not unanticipated, the succession comes at a moment of political, social, and economic uncertainty for Kuwait.

The decade of political paralysis characterized by several early dissolutions of parliament and elections (2006 – 2016) was followed by a period of consolidation with two relatively free parliamentary elections in 2016 and 2020 marked by a high voter turnout (65-70%). This consolidation, however, has not resolved the perennial power struggle between the executive and legislature. The election of a powerful cross-ideological opposition that dominates the assembly continues to challenge governance. In November 2019, parliamentary inquiries into alleged corruption of two ministers led to the cabinet's resignation. Again, in early 2021, the new cabinet (formed on December 14, 2020) handed its resignation to the prime minister amid parliamentary submission of a no-confidence motion concerning its makeup.

Many expected the death of Sheikh Sabah – under whom Kuwait managed to create an image as neutral and trustful mediator – to leave the emirate vulnerable to the aspirations of other Gulf peers such as Saudi Arabia or the United Arab Emirates (UAE). However, the reopening of oil production in the Saudi-Kuwaiti neutral zone and the ending of the GCC rift in January 2021 marked great foreign policy achievements, enabling the new Kuwaiti leadership to continue its balancing role in the region.

Despite being one of the world's wealthiest countries, Kuwait faces a fiscal crisis. While the government has made substantial efforts to alter its market organization and has improved framework conditions to attract foreign businesses, profound achievements toward an economic diversification are still missing. The continuous high dependence on exporting oil leaves Kuwait vulnerable to global market fluctuations. The outbreak of the novel infectious disease COVID-19 (SARS-CoV-2) has resulted in an unprecedented dual economic shock. On the one hand, Kuwait's major income source, oil revenues, has been significantly decreased by the historic collapse in oil prices as a result of lockdown measures and travel restrictions. This has exacerbated the financial burden caused by a prolonged decline in oil prices since 2014. On the other hand, the pandemic has put further stress on the state budget by forcing investment in the public health sector and implementation of recovery measures to minimize economic harm to local business activities. In order to mitigate the economic fallout, Kuwait has significantly tapped into its General Reserve Fund, since a conflict with the parliament over the renewal of a debt law hindered the government from borrowing on international debt markets. The delayed government support to the private sector led to broad waves of Kuwaiti business owners suspending or shutting down their companies.

While fighting the severe consequences of the COVID-19 pandemic and its aftermath constitutes the top priority for the government, further social challenges remain unresolved. These include the undefined role of the Bidoons as a socially discriminated class, structural marginalization of women in politics and the job market, and interaction with low-skilled migrant workers, who face increasing xenophobic sentiments and accusations of being the vectors for the spread of COVID-19.

History and Characteristics of Transformation

The city-state of Kuwait's tribal tradition dates back to the late seventeenth and early eighteenth centuries when (Sunni) tribes from the central Arabian Desert migrated to the area. It remains unclear at what point the Al Sabah family managed to take over the rule of the sheikhdom. Most sources agree that it started in 1752 with Sheikh Sabah bin Jaber bin Adhbi but prospered under Mubarak the Great (1896 – 1915), who consolidated power by entering a tacit alliance with merchants and by avoiding an Ottoman annexation with British help. On June 19, 1961, Kuwait was the first among the Gulf monarchies to become independent from Britain and developed relatively quickly into a modern state. The discovery of oil in the 1930s irreversibly altered the city-state's political dynamics and had a dramatic impact on an economy that had been based on trading merchandise, pearling and fishing.

The centralization and nationalization of the oil industry gave the ruling family a great advantage vis-à-vis its previous dependency on the powerful old merchant elite, who now became dependent on the goodwill of the Al Sabah. At the same time, business operations and opportunities remained secured by protectionist legislation enabling the relatively small merchant class to retain its pre-oil elitist oligarchic position. The blurry boundaries between politics and economy and the interdependence of officeholders and a small group of local capitalists are key determinants of economic patterns in Kuwait.

Kuwait has the most open political system of any Gulf country. It was the first to adopt a written constitution in 1962 and established an elected unicameral National Assembly (*majlis al-‘umma*) in the following year. The assembly is the longest-serving elected body among the Gulf monarchies and is known for openly and heatedly debating public affairs. In particular, it has often pressed for more democracy, transparency as regards to state financial matters, strengthened efforts to battle patterns of corruption, and a greater role for itself in determining policymaking. It has the legislative power to vote the prime minister and cabinet members out of office, but executive power effectively remains in the hands of the emir, who appoints the government. The delicate relation between the elected parliament and the government has shaped the young history of the country considerably. Since its creation, various oppositional blocs such as merchants, nationalists, Islamists or tribes have used the parliament as a vehicle to oppose the government appointed by the emir and to widen their influence.

These political power games have led to two longer periods of parliamentary absence after the emir dissolved the assembly (1967 – 1981 and 1986 – 1992). From 2006 onwards, these power games reappeared on the political scene, which resulted in the dissolution of the parliament on seven occasions (2006, 2008, 2009, 2011, 2012, 2013 and 2016). The often adversarial relationship between the government and the elected parliament constitutes a dominant power struggle that often paralyzes policymaking in the country but, at the same time, provides a level of political participation and public debate unmatched by the other Gulf states.

Intra-family struggles within the ruling family are the source of another historical tension. Since Mubarak the Great, power has alternated between the lines of two of his sons: Jaber (1915 – 1917) and Salem (1917 – 1921). With one exception, when Sabah al-Salem (1965 – 1977) followed his brother Abdallah al-Salem (1950 – 1965), this pattern of alternation held through until the early 2000s. In 2006, this rule terminated when Sheikh Sabah al-Ahmad (2006 – 2020) succeeded the late Sheikh Jaber al-Ahmad (who had ruled the country for 29 years from 1977 to 2006), because the designated heir, Sheikh Saad al-Abdullah, was incapable of ruling due to health issues. The parliament and the ruling family – in accordance with the proceeding of succession as outlined in the constitution – agreed to remove Emir Saad after a few days. In his stead, a half-brother of the former Emir Jaber, Sheikh Sabah al-Ahmed al-Jaber al-Sabah, was appointed.

It was the first time in the country's history that a parliament was actively involved in disposing the head of state. In the aftermath, the Salem branch was sidelined, concentrating power primarily in the hands of the Jaber princes. Power struggles within the Jaber branch have since occupied political and public life in Kuwait. The recent appointment of a new emir and crown prince, both from the Jaber branch, underlines the power shift once more.

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

Transformation Status

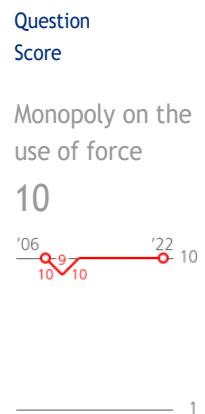
I. Political Transformation

1 | Stateness

Kuwaiti government authorities exercise complete control and a monopoly on the use of force in the country. Kuwait's territorial integrity has not witnessed any major violent conflicts inside the borders since the war with Iraq (1990 – 1991). The country has a relatively low level of criminal violence, and no major terrorist attack has been reported since 2015. Larger demonstrations that happened in the wake of the so-called Arab Spring in 2011 and oppositional movement against state corruption and over austerity measures were mollified with money (i.e., cash handouts) or crushed through force (i.e., police actions). A large demonstration in November 2019 advocating for the stateless Bidoon population was permitted by the authorities, but Amnesty International reported that a dozen demonstrators were arrested on arbitrary grounds.

Regional geopolitical tensions emerged in 2015 when Saudi Arabia shut down oil production from the jointly operated oil fields Khafji and Wafra in the Saudi-Kuwaiti neutral zone. The Saudis cited environmental concerns and violations involving flaring sour gas as a justification for their decision, but the consensus among observers is that this was instead about underlying political tensions. Primary motives have been attributed to Saudi Arabia's aspirations to wield greater control over oil production and to pressure Kuwait economically as a means of influencing issues regarding a regional security framework and Qatar's regional role. After several failed negotiations, by the end of 2019, the dispute ended when both states signed a memorandum of understanding that clarifies sovereign rights of each state in the neutral zone. Test production started in March 2020.

While relations between Iraq and Kuwait have improved in recent years, Iraq's fragility remains a concern for the Kuwaiti leadership. In August 2020, a convoy carrying equipment for U.S. forces was attacked near the crossing at the Iraqi-Kuwaiti border. An Iraqi Shi'ite militia group by the name of Ashab al-Kahf claimed responsibility for the explosion.



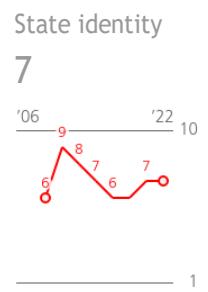
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Kuwaiti citizens consider the nation-state to be largely legitimate, but access to citizenship and naturalization is denied to particular groups because of associated welfare and political rights. According to the Nationality Law of 1959, full citizenship is granted to those persons who settled in Kuwait before 1920 and who maintained their primary residence there until the date of the law's publication. Furthermore, any person whose father is a Kuwaiti national has all citizenship rights, irrespective of the place of birth. This also applies to children born in Kuwait whose parents are unknown. However, the law excludes a large proportion of expatriates and historical minorities. The former includes foreign workers, who make up around 70% of the labor force; most of them have no prospect of attaining citizenship.

In 2018, there was a public debate on whether to amend Article 4 of the 1959 Nationality Law to allow non-Muslims to gain Kuwaiti citizenship. In early 2019, the parliament's Interior and Defense Committee rejected the proposal.

Citizenship is also denied to the approximately 100,000 so-called Bidoons (shortened from Bidoon jinsiyya, "without nationality"), stateless Arab residents who settled in Kuwait at a later stage. They belong to a group of Bedouins ("badu") that was not naturalized. Over the last decade, however, efforts increased to change the status and role of the Bidoons. In 2010, a government body – the Central System to Resolve Illegal Residents' Status – was created with a special committee tasked with overseeing the Bidoons' situation. In recent years, the government, working with the National Assembly, has been passing bills to grant citizenship to several thousand Bidoons as a means to resolve the decades-old problem. In 2019, responding to critical voices that suspect Bidoons of holding other citizenship and seeking Kuwaiti citizenship only for material benefit, the parliament considered forming an independent committee to control the naturalization process. Such a committee would also constrain the government's practice of granting citizenship strategically to certain groups in order to gain their political support during elections and to weaken parliamentary opposition groups.

As a consequence of growing social contestation following the Arab upheavals in 2011, the government has frequently stripped critics of their citizenship. This form of repression – meant to silence dissidents – peaked in 2014 but has decreased since then. In recent years, the government has discussed reinstating the citizenship of dozens of people.



Kuwait's civil law is a combination of British common law, French law and Islamic law. Article 2 of the constitution states that Islam is the state religion and Islamic Shariah is a main (but not the only) source of legislation. The state is largely secular along modern principles, and the ruling family is known for limiting the influence of religious dogma on legal orders and political institutions. The government appoints Sunni imams and state authorities oversee their sermons. The government does not permit training of Shi'ite clerics in the country, but Shi'ite Muslims have their own religious institutions. Other non-Muslim minorities are generally permitted to practice their faiths in private, but proselytizing is strictly forbidden.

No interference of religious dogmas

6

'06 _____ '22 10



_____ 1

While Islamist groups (Salafists and the Muslim Brotherhood) have been an important fraction in the parliament for several years, they have exhibited political flexibility. Their opposition role is largely pragmatic and in accordance with other critical voices calling for an end of corruption and pushing for broader political reforms. Only occasional, ideological stances from Islamist groups dominate the public discourse. For instance, prior to the new parliamentary election on December 5, 2020, Islamists initiated campaigns against France over the promulgation of cartoons of the Prophet Muhammad. Initiatives such as publicly blaming French President Emmanuel Macron, boycotting French products and expressing solidarity "to defend Islamic sanctities" were supposed to stir the religious sensibilities of Kuwaitis when voting.

Basic administration

8

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Since 1962, Kuwait has been divided administratively into six governorates (al-Ahmadi, al-Asima, al-Farwaniyya, al-Jahra, Hawalli, and Mubarak al-Kabir) that vary in population, area and formation. Around 96% of the population resides in and around Kuwait City (al-Asima) making Kuwait literally a city-state with a central organization. The state bureaucracy is functional but bloated. Around 70% of Kuwaitis are employed in the public sector as part of a rentier-based social contract without focusing on merit or needs.

Access to improved sanitation and fresh water sources is nearly universal (100% and 99%, respectively). The welfare state with its free or highly subsidized utilities such as water and energy led to unsustainable high consumption patterns. In combination with population and industrial growth and higher temperatures in recent years, the gap between supply and popular demand continued to grow, leading to summertime power outages and water shortages in one of the richest countries on earth.

Kuwait's basic infrastructure is fairly advanced, but occasional extreme weather events such as severe flash floods and heat waves have damaged roads, bridges and other newly built infrastructure projects in recent years. Kuwait has invested heavily in major urbanization projects of late, but the increasingly fiscal imbalance caused by the COVID-19 pandemic has hampered the completion of many undertakings.

2 | Political Participation

Elections have been largely free in comparison to those in other neighboring countries. Most citizens (except for police and military) above the age of 21 have the right to vote. Most expatriate workers do not have Kuwaiti nationality, and thus cannot vote. The small segment of naturalized citizens must have 20 years of Kuwaiti residency before they may vote. Women's suffrage and their right to run for office were introduced in 2005.

The Ministry of Interior, rather than an independent institution, overlooks and administers electoral procedures. As a result, the process lacks transparency, and the emir frequently implements swift changes of electoral laws in favor of the ruling family. For instance, in October 2012, the emir introduced the one-vote election, which limited the choice and variety of competing members of parliament. His so-called emergency decree was highly criticized because it fractured the dominant tribal-Islamist opposition and empowered independents, since voters were no longer able to support four candidates from the same bloc. Rather, voters can only vote for one candidate from a given bloc, resulting in competition between different candidates from each bloc.

Since Kuwait does not allow the formation of political parties, all candidates run as independent, and (officially) only form blocks and coalitions in parliament upon winning a seat; many groups operate freely as de facto parties. The unicameral National Assembly consists of 65 seats – of which 50 are directly elected from five multi-seat constituencies by simple majority vote – and 15 ex-officio members (cabinet members) who are directly appointed by the emir. In theory, MPs serve four-year terms.

After the latest dissolution of the parliament in October 2016, elections took place in November 2016 (with around 70% voter turnout). It was the first parliamentary assembly since 2003 that served out its full four-year term. Apart from by-elections for two members of parliament (turnout was around 42%), the last election on December 5, 2020, had a surprisingly high voter turnout of 65% considering social distancing and hygiene measures. According to local civil society organizations, the electoral process was held in a transparent and orderly manner. Yet the COVID-19 crisis changed the nature of campaigning. No public events were allowed (except for the mainly male-dominated informal social gatherings, the so-called diwaniya). Instead, the pandemic amplified the importance of virtual campaigning via traditional electronic means and new social media channels. These circumstances ultimately disadvantaged female candidates, who were lesser known. Ultimately none of them were elected.

Apart from an all-male composition, the results affirmed previous political developments. As in the election of November 2016, the opposition secured almost 50% of the seats (24 out of 50 seats). Only one-third of the previous members of parliament succeeded in holding on to their seats. In addition to the opposition's strong showing, the tribes achieved a remarkable success, winning 10 seats.

Free and fair
elections

4

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1

Reportedly tribes in four out of the five electoral districts held unauthorized informal primary elections (so-called tribal primary) prior to these elections. Furthermore, the Independent Salafists lost one position (three seats), whereas the Islamic Constitutional Movement (ICM) – affiliated to the Muslim Brotherhood – retained their three seats and the Shi'ite MPs retained their six seats. Notably, the majority of elected members (30 parliamentarians) is under the age of 45 and most were elected for the first time. One can speak of a significant rejuvenation of the lawmaking body, indicating anger and frustration over the established political elite.

The emir is the country's ultimate authority. Although the majority of its members are elected in largely free procedures, the parliament's role is limited, since up to 16 of its 65 members – notably the ministers that serve in the majlis ex officio – are handpicked by the emir. Hence, the government often does not require a majority backing in parliament in order to adopt new legislation. The parliament approves the annual budget but has no control over the country's significant financial reserves. Occasionally, strong oppositional individuals in the parliament act as veto players and challenge cabinet members, but the power of the Al Sabah remains largely uncontested.

In what has been perceived as an unprecedented step, two opposition members of parliament, Waleed al-Tabtabaie (Salafists) and Jamaan al-Harbash (Muslim Brotherhood), were expelled from the National Assembly on January 30, 2019. The two Islamist lawmakers were sentenced to prison over the storming of the parliament building during 2011 protests calling for the resignation of the then prime minister, Sheikh Sabah al-Ahmad al-Jaber al-Sabah. While several MPs voted in favor of both men retaining their seats, the Court of Cassation overruled the opposition by stating that the article in the parliamentary by-laws that would have allowed them to remain is unconstitutional. Ultimately, this verdict led to the expulsion of the two, as announced by the speaker of the assembly, Marzouq Ali al-Ghanim. Two independents won the vacated seats in by-elections on March 17, 2019, resulting in a loss for the Islamist coalition of Muslim Brothers and Salafists.

Apart from this legal precedent, the assembly plays an important and vocal role in shaping the process of policymaking and scrutinizing government activity. Frequently, its members interpellate members of the cabinet and entertain votes of confidence for individual ministers. Most recently, in November 2019, the entire cabinet resigned under mounting pressure from the parliament. The political crisis started when the public works minister resigned after parliament questioned ("grilled") him about flood damage in the desert country caused by heavy rainfall. The following week, the parliament "grilled" the interior minister, a senior member of the royal family over similar claims of mismanagement and misuse of public funds and filed a no-confidence motion to oust him. These moves led to the resignation of the prime minister and a cabinet reshuffle. By the time of writing

Effective power to govern

3

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another political crisis and resignation is looming following a request by the parliamentary majority to question the prime minister over alleged constitutional violations when forming the government and of failing to present a cabinet work program.

Kuwait's constitution guarantees the right to freedom of association (Article 43), but this right is constrained in practice. Many civic associations exist, including trade unions, professional groups or cooperative societies. The large bulk of civil servants, migrant workers, and household workers, who together constitute the majority of the work force, are not allowed to strike or form and participate in labor unions.

However, since March 2019, migrant workers are able to seek advice and assistance on legal disputes from a designated office of the Kuwait Trade Union Federation.

In general, the government controls the activity of non-governmental organizations through overseeing their registration and licensing. In contrast to its neighbors, it has granted licenses to non-governmental human rights groups including the Kuwait Human Rights Society (2004) and the Kuwait Association for the Basic Evaluation of Human Rights (2005). The Kuwaiti leadership further allows Human Rights Watch (HRW) access to the country and upholds a dialogue with the organization.

Freedom of assembly is guaranteed in the constitution (Article 44) but gatherings must be registered in advance lest they be deemed illegal, in which case protesters may be imprisoned or deported (if they are non-citizens). Especially since the period of heightened activism between 2011 and 2014, political protests and street demonstrations, which used to be frequent, have become rare. Yet traditional semi-public gatherings run by families or tribes, called diwaniyas, continue to be held regularly.

As in other countries, the COVID-19 pandemic has temporarily constrained the freedom of association and assembly in Kuwait. In March 2020, a ministerial decision prohibited all public and private gatherings and introduced a curfew that lasted until August. The Ministry of Interior has prosecuted violations of the ban on gatherings.

The Kuwaiti constitution guarantees freedom of expression (Article 36) but amendments to Kuwait's Press and Publication Law in 2006 explicitly criminalized defamation and insults aimed at religion, political leaders and the constitution. According to the 2020 World Press Freedom Index, Kuwait is ranked the highest among the Gulf Arab states in press freedom. A comparatively free press serves as a major forum for political debate and allows substantial dissent. In practice, however, many journalists exercise a degree of self-censorship, and the authorities have persecuted dozens of critics who have spoken out on sensitive subjects. Especially in the aftermath of the so-called Arab Spring and subsequent waves of

Association /
assembly rights

4

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Freedom of expression

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protests between 2011 and 2014, the government curbed freedom of expression, including a comparatively high degree of public criticism. Thousands of books were banned, and new legislation and regulations resulted in stricter (self-)censorship and the shutdown of media outlets.

Moreover, an expanded use of surveillance technology, mainly purchased from Western countries, reportedly led to increasing numbers of arrests and convictions of journalists and online activists in recent years. For instance, in 2020 the Ministry of Interior's cybercrime department prosecuted five activists and human rights defenders over critical comments on social media. Among them was the former member of parliament, Nasser al-Duwailah, who was sentenced to six months in jail and a fine over criticizing the United Arab Emirates on Twitter. Yet in October 2020 the Court of Cassation suspended the prison sentence pending a final decision in the case. Over the period under review, there were further signs that the government was slowly easing its tight control over freedom of expression. For instance, in August 2019 Kuwait's parliament amended the country's press and publication law, relaxing restrictions on publishing.

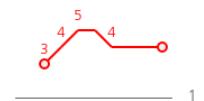
3 | Rule of Law

There is a formally established separation between the legislature and the executive, although it is imbalanced in favor of the latter. Executive power is exercised by the emir through appointing both the Council of Ministers (cabinet) and the prime minister, who heads the cabinet. The emir and the Constitutional Court have the power to dissolve parliament, but although new elections are supposed to be called within two months, this obligation has not always been honored.

The parliament has legislative power, but the emir is able to veto laws and send them back to the parliament for revision. According to the constitution, if the revision is approved by a two-thirds majority, the emir must approve and promulgate the bill within 30 days from its submission to him. Given the composition of parliament, in which the emir directly appoints one-fourth of its members (the cabinet), negotiations form a fundamental practice of any lawmaking process. Additionally, as the cabinet's resignation in November 2019 and early 2021 highlighted, the parliament is able to put a considerable amount of pressure on the government. Thus, checks and balances exist to some degree and are certainly more effective than in other Gulf states.

The government took preventive measures to contain the spread of the coronavirus comparatively early. The measures were in line with the constitution and announced on the government's official communication platform. The government did not call a "state of emergency," though the level of restrictions, similar to those in most countries around the world, represented a de facto state of emergency.

Separation of powers
4
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In addition to an influential parliament compared to the other Gulf monarchies, Kuwait has a relatively autonomously acting judiciary. According to the World Economic Forum's 2019 Global Competitiveness Index, Kuwait's judicial independence is fairly good, with a score of 4.6 out of 7 points. In comparison to the previous year, it has slightly improved from rank 42 to 41 (out of 141 countries).

There are, however, limitations in practice. In 2016, the U.N. Human Rights Committee noted concerns "about the insufficient independence of the judiciary from the executive branch in such matters as the appointment, promotion and disciplining of judges." The committee also criticized non-citizen judges' lack of tenure and job security since their judicial appointment must be renewed every two years.

The Supreme Judicial Council as acting body is composed of judges from the Ministry of Justice and Kuwaiti lawyers who are previously approved by the emir. The emir also has the final say on judicial appointments. While judges who are Kuwaiti citizens serve for a lifetime, non-citizens are appointed for up to three years.

In the past, Kuwait's judiciary has often supported the government against criticism – including the decision to shut down the critical newspaper al-Watan – and convictions against critical voices on social media. At the same time, the courts have a track record of ruling against decisions by the government or the emir. This includes objections against certain austerity measures as well as pressure by the Supreme Court to improve the living conditions of stranded blue-collar workers during the COVID-19 pandemic.

The lack of transparency and accountability by officials remain a concern. For several years, the fight against nepotism and widespread corruption patterns has been advanced on behalf of the opposition. Yet officials typically face more political accountability (questions in parliament and the media) than legal accountability in the courtroom. In 2019, the Constitutional Court disapproved a law passed by the parliament aimed at regulating conflicts of interest among public officials. The rejection was justified as unconstitutional, as it failed to precisely define conflicts of interest.

Most recently, the resignation of the government in November 2019 highlights the drastic implications of Kuwait's corruption problem. The political crisis erupted when lawmakers started to question the interior minister, Sheikh Khaled al-Jarrah al-Sabah, over alleged mismanagement and misuse of public funds. When the parliament called for a no-confidence vote, the entire cabinet resigned. Soon afterwards, Sheikh Nasser Sabah al-Ahmad al-Sabah, who was also the emir's son and had temporarily filled Sheikh Khaled's vacant position, reiterated the claims of corruption against Sheikh Khaled. He claimed that he discovered embezzlements of

Independent judiciary

5

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Prosecution of office abuse

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'06 _____ '22 10



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KWD 240 million from the Kuwaiti Army Fund when Sheikh Khaled was defense minister (2013 – 2017). The Justice Ministry declared that the courts would further investigate the case and banned media discussion on this matter. In summer 2020, reports that Sheikh Khaled was involved in a lawsuit in California over a fraudulent property sale again raised questions over the source of money for one of the world's most expensive properties.

Apart from this incident, which attracted public attention, the Anti-Corruption Authority Nazaha (founded in 2016) stated in October 2020 that it would investigate a potential corruption scandal at the Ministry of Finance.

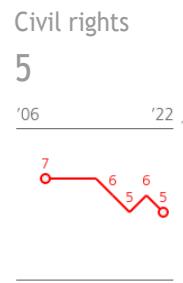
While civil rights in Kuwait are guaranteed by law, in practice these rights are applied differently to citizens and non-citizens as well as across gender and social minorities.

Kuwaiti citizens generally enjoy human rights and freedom, apart from the limitations to free expression and association mentioned above. Non-Kuwaiti citizens, often migrant workers, enjoy few protections and easily face disproportionate sanctions (like deportation) for small infractions. While Kuwait had been at the forefront of improving working conditions for migrant workers (e.g., the government enforced a domestic workers law in 2015), it has delayed further reforms on the kafala (sponsorship) system in recent years.

The constitution allows capital punishment, but death penalties are rarely enforced. During 2017, the government carried out the most recent capital punishment, executing seven people. In theory, torture and other forms of cruel and unusual punishment are prohibited but there are reports that especially Bidoons have been tortured and beaten in police custody.

According to the U.N.-led Global Database on Violence against Women, gender-based violence is a serious problem in Kuwait. While most recent figures are missing, Kuwait ranked 70 in the Gender Inequality Index Rank and 128 in the Global Gender Gap Index Rank in 2016. An article based on quantitative data collection throughout 2017 reiterates a high degree of interpersonal violence with 71% of women experiencing physical abuse, 81% sexual abuse, and 89% psychological abuse. Another study suggests that at least 38% of Kuwaiti women have undergone female genital mutilation (FGM).

The government has curtailed civil liberties such as freedom of movement and personal integrity and security in response to the COVID-19 pandemic. In March 2020, the government imposed a curfew and a travel ban. Moreover, Kuwaitis' mobility was monitored by state authorities through a contact-tracing application and electronic bracelets. Information gathered using this invasive tracking app has been stored in a centralized database.



4 | Stability of Democratic Institutions

Kuwait is a semi-constitutional state ruled by the Al Sabah family. While Kuwait's constitutionally enshrined parliamentary tradition features elements of political pluralism and allows grassroots movements, the political system remains under monarchical control, which makes it a partly free authoritarian system. The constitution outlines that it is a hereditary emirate held in succession by the descendants of the Mubarak Al Sabah. The heir apparent must be a senior member of the Al Sabah family, chosen by the emir and the family council. Unique among the Gulf monarchies, Kuwait grants its parliament a veto right in the succession process. If the nomination is not approved by an absolute majority of the National Assembly, the emir submits three eligible candidates from the family, and the assembly selects one.

On September 23, 2020, the 91-year-old Sheikh Sabah al-Ahmed al-Jaber al-Sabah, who ruled from 2006 to 2020, died of natural causes. Power was smoothly shifted to his half-brother, the 83-year-old former crown prince, Sheikh Nawaf al-Ahmad al-Jaber al-Sabah. Even though that the constitution designates a year to name the crown prince, Sheikh Nawaf filled the vacant position within ten days by appointing 80-year-old Sheikh Meshaal al-Ahmad al-Jaber al-Sabah, a paternal brother of both the current and late emir. The 59 members of the assembly who were present unanimously approved the nomination on October 7, 2020.

Kuwaiti citizenry and decision-makers are proud of their tradition of political bargaining and their comparatively high degree of interest articulation and aggregation evidenced by a vibrant civil society and lively parliamentary sessions. Both factors distinguish Kuwait from other GCC members, and the country is constantly defending its unique political culture against foreign influence that aims to narrow public freedoms and (limited) pluralism. The stable high election turnout in the parliamentary elections of 2016 (70%) and 2020 (65%) indicates that Kuwaitis are generally supportive of the parliament although there have been recurring periods of dissolution of parliament by the executive as well as boycotts by some oppositional groups. Yet executive political power is mainly concentrated in the ruling family, with all powerful positions held by members of the Al Sabah.

With the spreading of the coronavirus, usual activities were suspended. On March 24, 2019, the assembly held a meeting to discuss emergency legislation. Resumed ordinary sittings returned in June 2020. Due to the infection of two members of parliament in September 2020, several parliamentary sittings were canceled.

Performance of democratic institutions

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Commitment to democratic institutions

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5 | Political and Social Integration

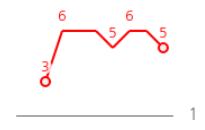
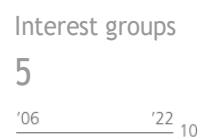
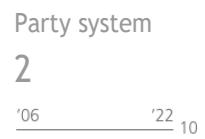
Generally, political parties are banned in Kuwait, but members of the parliament are predominantly organized along political blocs. The most important ones include liberals (the National Democratic Alliance), leftists (the Kuwait Democratic Forum), nationalists (the Popular Action Bloc), several Shi'ite blocs (such as the National Islamic Alliance and the Justice and Peace Alliance), Salafi Islamist groups and the Islamic Constitutional Movement affiliated with the Muslim Brotherhood. Frequently, these blocs form coalitions and are perceived as quasi parties. At the same time, many members of parliament are primarily loyal to tribal interests.

Kuwait's diverse spectrum of interest groups largely reflects most social interests. It comprises women's organizations, Islamic associations, environmental groups, cultural clubs, charities, trade unions and diverse professional associations. Particularly through informal meetings and social gatherings (diwaniya), these groups regularly engage in the political process, express their wishes to the government and shape public opinion. In addition, Kuwait's labor unions play a major role and shape the political discourse considerably.

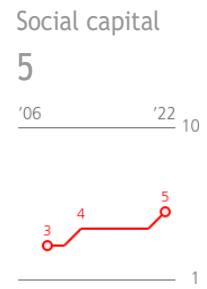
In recent years, activism – especially among youth and women – has increased, boosted in part by new technology. For instance, Kuwaiti women have launched online campaigns against sexual harassment and discrimination. Oppositional youth activism, which has drawn increasing numbers since 2006, has grown increasingly active on social media, following their success in the last parliamentary election. Other successful campaigns have targeted environmental destruction of the Kuwaiti coast over oil spills and book censorship.

Most people seem to have a positive view of democracy in general and are proud of Kuwait's parliamentary tradition but at the same time consider monarchism legitimate. While there are constant demands to limit the emir's power in favor of the assembly, there are no public voices calling for an end to the monarchical system or the rule of the Al Sabah. A lively public debate suggests general support for democratic institutions. According to the Arab Barometer's 2019 Kuwait report, around 62% of Kuwaitis are pro-democratic.

Tensions between the executive and the legislature are perceived as a constant and essential element of policymaking. After tumultuous years characterized by political gridlock and seven dissolutions of the assembly since 2006 on behalf of the emir, it seems that the system has been stabilized and consolidated since 2016. Support is also indicated by a high voter turnout of 65-70% during the last two elections. However, a lack of pluralism (e.g., exclusion of Bidoons as well as social and political marginalization of women and Shi'ites) and widespread corruption and nepotism in state institutions reduces popular approval of the system and trust in institutions.



Given the country's highly heterogeneous social strata that comprise sectarian lines (Sunni/Shi'a), origin (Arab/Persian), social background (membership in a certain family, tribe, urban/rural), time of naturalization in Kuwait, and religious and political views (Islamist/liberal), there is some mistrust between different societal groups. Nevertheless, solidarity is a central feature of Kuwaiti society. The World Economic Forum's 2019 Global Competitiveness Report attests to a relatively high degree of social capital in Kuwait with a score of 56.6 out of 100 and a rank of 29 out of 141.



The outbreak and spread of COVID-19 has affected social capital in a number of ways. There was a strong increase in volunteerism during the first months of the crisis. At the same time, the pandemic has decreased the level of trust between certain groups. This is particularly apparent in a stronger defamation of and discrimination against the low-budget expatriate workers and migrants.

II. Economic Transformation

6 | Level of Socioeconomic Development

Kuwait's high level of socioeconomic and human development is based foremost on the abundance of hydrocarbon resources, as the country holds around 6% to 8% of the world's crude oil reserves. Its economy is heavily reliant on hydrocarbons, with revenues from the export of oil and oil products generating between 80% and 90% of the state income. The wealth from oil revenues enabled the country to make considerable progress in key human development sectors.



Despite a slight drop, the 2019 UNDP Human Development Index still put Kuwait in the “very high human development” category, ranking it 64 out of 189 countries (compared to 62 in 2018). There is little in the way of gender-based poverty and inequality. With a score of 0.242, Kuwait performed relatively well in the 2019 Gender Inequality Index, although it had scored better in this regard ten years ago.

While there is a lack of data on indicators such as the Gini index or poverty rate, Kuwaiti citizens overall enjoy a very high per capita income (gross salary around KWD 20,610, approx. \$47,469 in 2021). This, however, includes a high rate of civil servants. Around 70% of Kuwaiti citizens are employed in the public sector, with more favorable salaries, benefits and working conditions alongside job security, whereas only 4.5% of Kuwaiti nationals work in the private sector. Due to structural barriers, the informal economy sector has slightly grown over the past years, especially for young entrepreneurs and given a rising trend of conducting business on social media platforms. Lastly, the Bidoons as a structurally excluded group work mostly in the informal sector.

Kuwait has made slow attempts to replace foreign workers with Kuwaitis in the private and public sectors (the so-called “Kuwaitization” reform program). In particular, the 3.3 million migrant workers who make up roughly 70% of the country’s population are often socially excluded and economically exploited. They face discriminatory rhetoric from some officials and are structurally marginalized through systemic developments in labor, migration and citizenship policies.

Economic indicators		2017	2018	2019	2020
GDP	\$ M	120707.4	138182.4	136196.8	-
GDP growth	%	-4.7	1.2	0.4	-
Inflation (CPI)	%	2.2	0.5	1.1	-
Unemployment	%	2.3	2.3	2.4	6.8
Foreign direct investment	% of GDP	0.1	0.0	0.4	-
Export growth	%	-4.8	-4.8	-	-
Import growth	%	9.2	-0.9	-	-
Current account balance	\$ M	7757.2	24049.1	33810.6	-
Public debt	% of GDP	20.5	15.1	11.6	11.7
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	24.4	23.1	25.2	-
Public education spending	% of GDP	6.4	6.4	6.5	6.6
Public health spending	% of GDP	4.6	4.4	-	-
R&D expenditure	% of GDP	0.1	0.1	-	-
Military expenditure	% of GDP	5.6	5.1	5.5	6.5

Sources (as of December 2021): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

As in other Gulf countries, Kuwait's economy is dominated by powerful parastatal enterprises. This is especially apparent in the hydrocarbon sector that accounts for over 50% of real GDP.

Despite growing calls for more privatization and providing incentives to attract foreign direct investments (FDI), structural market barriers remain. For instance, foreign investors are hesitant to invest since 51% of any business must be Kuwaiti owned, except in some fields such as infrastructure, tourism, medical services or information technology. Many industries are dominated by the country's well-established business elite with close ties to the political sphere. Hence, new players (local or international) find it hard to establish themselves.

In terms of FDIs, Kuwait is underperforming, although the government has taken certain measures to loosen the protectionist legislation and open up the economy in accordance with the latest national development plan, which emphasizes the aim to triple the country's FDIs by 2035. This, however, had very little impact on the ground. While FDIs play a relatively small role in Kuwait's economy so far, World Bank data show a small increase of FDI net inflows from -0.015% of GDP in 2018 to 0.379% of GDP in 2019. This development has mainly been related to Kuwait's role in China's Belt and Road Initiative (BRI) and further investment incentives such as tax exemptions and an update of Kuwait's public-private partnership (PPP) model.

Still, as a consequence of a reform agenda aligned with Kuwait's development plan, the country made substantial progress in its business environment. In specific terms, Kuwait's ranking in the World Bank Group's Doing Business study improved from 97th in 2019 to 83rd out of 190 countries in 2020. According to the report, among others, the country has managed to make registration and licensing easier, strengthened minority investor protections, reduced the time needed to obtain construction permits, and improved access to credit information.

While Kuwait has long been characterized by monopolistic structures that are controlled by the ruling family and some influential oligarchic families, there have been some tentative initiatives to change this practice of monopolization of late. In November 2020, the parliament approved an updated Competition Law (Law 72/2020) to grant broader powers to the Competition Protection Authority (the CPA), which became effective in 2015. This legislation is part of a broader economic reform program. In essence, it aims to improve a competitive business environment, increase accountability in commercial relations and reduce corruptive patterns. This has also been reflected by the Global Competitive Index 2019, which notes improvements in the components of incidence of corruption and the extent of market dominance.

Market organization

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Competition policy

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Kuwait depends heavily on foreign trade. So far, the bulk of exports stems from the sale of oil, primarily to Asian countries (e.g., China, South Korea, India and Japan). At the same time, Kuwait is highly dependent on the import of food, consumer goods and further manufactured products.

Under the period of review, Kuwait's major suppliers included China, the United Arab Emirates, the U.S. and Saudi Arabia, followed by Japan. The simple average MFN applied tariff in 2019 was 4.7% (5.1% for agricultural goods, 4.6% for non-agricultural products).

Besides the Central Bank of Kuwait (CBK), with its supervisory role, there are several commercial banks, largely private, that are generally well-managed and stable. From 2004 onwards, international banks have operated in Kuwait, yielding the current mix of local, Islamic and foreign banks. While foreign banks have been allowed to open more than one branch in the country since 2015, Kuwait's banking system is largely protected by a strong central bank that regulates and intervenes in the system. Kuwait's bank capital to asset ratio was estimated to be 12.7% for 2018 (compared to 11.1% in 2015). The bank non-performing loan ratio was reported to be 1.6% in 2018 (compared to 1.9% in 2017).

The banking sector has been hit considerably by the COVID-19 pandemic. However, the CBK provided additional liquidity only if needed. According to the IMF, the CBK implanted further measures such as reducing discount rates, repo rates, and capital adequacy requirements as well as decreasing risk weighting for small and medium enterprises.

There are indications that the pandemic will change Kuwait's banking system, perhaps in reaction to the hesitant support of the conventional banking sector. The Islamic banking sector in particular experienced a quick recovery in the second half of 2020. This sector plays an important role in the GCC states, with Saudi Arabia and the United Arab Emirates dominating the field (19% of the GCC total), followed by Qatar and Kuwait with 11% each. Especially Kuwait experienced a growth of Islamic banking assets with sukuk (a bondlike instrument) increased by 21.8% in 2019 over the previous year, according to the Kuwait Financial Center. After collapsing during the first half of 2020, Shariah-compliant funds outperformed the conventional banking sector during the volatile period of the global health crisis.

Liberalization of foreign trade

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Banking system

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8 | Monetary and fiscal stability

After Kuwait enjoyed its lowest inflation in decades with an annual average of 0.5% in 2018, the country experienced a rise in inflation to 1.1% in 2019. Preliminary data indicates the consumer price index further increased by an average of 2% in 2020.

Regarding exchange-rate policies, the Kuwaiti dinar is pegged to a basket of currencies, which is dominated by the U.S. dollar. When the U.S. Federal Reserve cut its discount rate by 25 basis points on July 31, 2019, the CBK kept its policy rates unchanged, in contrast to the central banks of other Gulf states including Saudi Arabia, the United Arab Emirates and Bahrain, which were quick to follow suit. Still, to cushion the economic fallout in the face of the COVID-19 pandemic and the drop in oil prices, the CBK emulated the Fed's monetary policy in March 2020, cutting its interest by 25 basis points to 2.5% early that month and a further 100 basis points to 1.5% two weeks later.

Despite rising state revenues from the sale of oil and notwithstanding its holding of one of the largest sovereign wealth funds worldwide with assets of more than \$590 billion, Kuwait experienced increased budget deficits in the last few years. Public debts slightly decreased from 14.8% of GDP in 2018 to 11.8% of GDP in 2019.

The economic recovery measures to limit the dual economic shock caused by the coronavirus pandemic will further shrink state assets. According to the IMF, the government has allocated KWD 500 million (\$1.6 billion or 1.5% of GDP) in additional funds to support its economy.

This has further increased the fiscal deficit, which was exceptionally high in 2020 at 20.9% of GDP, according to the Economist Intelligence Unit. While critical voices claim that the government failed to address the economic downturn sufficiently in 2020, the parliament will press for the expansion of a stimulus package in 2021, putting further burdens on the state's fiscal stability, despite forecasts of a slow economic recovery.

9 | Private Property

Kuwait's property rights are clearly defined in the constitution. In recent years, Kuwait has made substantial progress in terms of procedures, time and cost necessary to register property. The World Bank's Doing Business Report of 2020 illustrates that Kuwait has the second highest rank in the region (behind Bahrain) in the registering property score. According to the report, it requires an average of 17 days and seven procedures to register property, as opposed to 35 days in the previous year.

According to the Global Competitiveness Report of 2019, intellectual property protection in Kuwait has also improved, moving up from a rank of 80 out of 137 to 71 out of 141.

Monetary stability

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Fiscal stability

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Property rights

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Kuwait is keen to bolster the private sector. For this purpose, several new bodies and reforms have been announced in recent years. This includes a special fund to support small and medium enterprises (SMEs). However, Kuwait still lags behind its GCC peers in terms of privatization. This is mostly explained by the high state dependence of a rentier system-based private sector and the deeply ingrained oligarchic structures in which a small business elite frequently protects and expands its economic interests and privileges.

In light of the economic crisis, the government implemented measures to prevent bankruptcy of SMEs. For instance, the central bank instructed other banks to support private enterprises with financing at a maximum interest rate of 2.5% and it decreased the risk weights for SMEs. Still, the COVID-19 shock revealed the fragile ecosystem of private businesses in Kuwait. The weak private sector has been hit hardest by the economic fallout. A survey of 500 business conducted in summer 2020 revealed that 45% of respondents have suspended or shut down their businesses whereas another 26% are on the verge of collapse.

10 | Welfare Regime

As are other Gulf states in the region, Kuwait is a rentier-based welfare regime. Being among the wealthiest countries in the world, the state is able to assume primary responsibility for the welfare of its citizens; its success is reflected in a high life expectancy of 75.4 years and overall public health expenditures of 4.4% of GDP (2018). Most rental income from the oil export flows into the payroll of public sector employees (including salaries, public transfer payments and pensions), subsidies of basic utilities and other domestic public investments such as the health and education system as well as government-supported housing. Due to increasing budget deficits, however, there have been attempts to introduce austerity measures and cut subsidies in recent years. The new tariffs have been challenged by the parliament so that the government had to partially reverse them. As a consequence, subsidies on fossil fuels have been reduced but cuts in the electricity and water subsidy system only target expatriates as well as commercial and industrial enterprises.

Since the government has granted citizenship to several thousand Bidoons (exact numbers and statistics of registration are not available) in recent years, a minority of the socially discriminated class has gained access to the social welfare system. Some of them are now able to legally hold jobs and enjoy benefits of employment such as paid sick leave, annual leave and pensions.

In light of the COVID-19 pandemic and the dual economic shock, the government has focused on providing social welfare gains instead of introducing austerity measures, in order to avoid further social frictions. For instance, the government rolled out a far-reaching emergency response program by buying masks, testing kits, medical supplies and ventilators. In addition, it prepared its already well-developed health care system by raising the capacities of beds in intensive care units.

Private enterprise

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Social safety nets

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Inequality between women and men is mainly apparent in areas of politics, law and economy. While earning more degrees in higher education than men (56.6% of adult women have reached at least a secondary level of education compared to 49.1% of their male counterparts), the share of females in the total labor force is significant lower (around 24.7%). Employment, especially in the public sector, is still mainly male-dominated.

Women have had the right to vote and run for office since 2005 but constraints such as entrenched societal attitudes hamper greater female participation. Women also lack access to male-dominated forums such as diwaniya and are rarely promoted by political groups or tribes. The latest election in December 2020 underlines this: Although 16 female candidates were running for office, the only incumbent woman, Safaa al-Hashem, lost her seat.

Similarly, the Shi'ite Muslim minority, which makes up around 30% of the society, is not adequately represented in the political system. Inequality is even worse for non-citizens such as Bidoons and low-waged migrant workers. Especially the latter were subjected to increasing xenophobic sentiments in recent years. According to the Ministry of Interior, Kuwait has deported almost 150,000 expats (mainly Indians, Egyptians and Bangladeshis) between 2013 and 2019 due to violations of residence and labor laws. During the same period, the Kuwaiti leadership undertook attempts to legally improve working conditions. In 2015, the National Assembly passed a law for domestic workers that grants limited working hours, 30 days paid leave per year or end-of-service benefits. In the following years, the Ministry of Interior introduced overtime compensation and established a minimum wage for domestic workers. However, the kafala (sponsorship) system, which is still in place, prevents many domestic workers from claiming their rights under the new laws.

The status of expatriates also became the subject of intensive debate during the COVID-19 pandemic. The resulting economic fallout hit this workforce significantly. In contrast to public employees, who continued to receive their salaries, the approximately 96% of migrant workers working in the private sector did not enjoy such privileges. Many lost their jobs or had their wages temporarily suspended. As some studies have shown, migrant workers were also increasingly affected by COVID-19, which spread in their overcrowded, suburbanized residential districts with poor municipal services. Furthermore, perceptions of migrant communities as threats to socioeconomic and political stability abounded during 2020.

Equal opportunity

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11 | Economic Performance

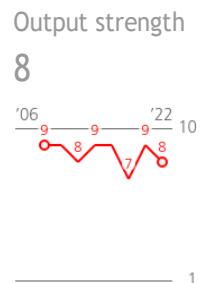
After a period of falling oil prices between 2014 and 2017, GDP performance recovered slightly, but then was hit hard by the dual shock of the coronavirus pandemic and a renewed oil price slump. Since Kuwait has not yet managed to considerably diversify its economy away from oil, economic output remains volatile and highly affected by oil price fluctuations. Therefore, economic growth in Kuwait has been tapering since 2014. Moreover, economic reforms have stalled due to an acrimonious relationship between the legislature and executive. According to the World Bank and the International Monetary Fund, Kuwait's nominal GDP dropped from \$140 billion (2018) to \$136 billion (2019), and GDP per capita remained on high plateau of around \$51,912 in 2019. FDIs remain low with 0.5% of the GDP, and GDP per capita growth was -1.3% in 2019. For the same year, public debt was estimated at 11.8% of GDP and Kuwait's current account balance at \$33.8 billion (2019).

Significant losses are expected in Kuwait's economic performance due to the COVID-19 pandemic and the country's high dependence on exporting oil products. Still, the financial reserves can cushion most of the severe economic downturn. For 2020, it is estimated that Kuwait suffered a 5% loss of real GDP growth and an inflation rate of 2%.

In 2010, the government revealed its long-term economic development plan. Due to unrealistic objectives in light of shrinking government expenses caused by the financial crisis combined with an oil price slump in 2008, ongoing internal turbulences (i.e., boycott by the opposition) and a lack of public support, the plan slowly disappeared in 2011. In early 2017, a new national long-term plan ("New Kuwait Vision 2035") was unveiled.

The country's five-year development plan for 2015 – 2019 focused on large-scale infrastructure and urbanization projects. With many projects not completed by 2019, the increasing budget deficit impeded the infrastructure construction boom. The proportion of financial allocations for this executive phase declined from \$12.5 billion between 2018 and 2019 to \$10.9 billion between 2019 and 2020. It is expected that the COVID-19 pandemic will further halt or delay many projects and initiatives.

Tax obligations to increase non-oil revenues remain low and challenged in Kuwait. In 2017, the Kuwaiti government approved a draft to introduce a GCC-wide value added tax to take effect in 2018. Still, due to strong rejection on behalf of the parliament and country's national bank, implementation was postponed to April 2021.



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Unemployment remains on a stable plateau of around 2% and has only slightly increased – by 0.11% – between 2018 and 2019. While official data was not available by the time of writing, it is expected that the COVID-19 pandemic has changed the unemployment rate for the worse. This is especially predictable for the young working force (aged 15 – 24), whose jobless rate had already been significant higher prior to the pandemic (around 16% in 2016, according to the ILO).

12 | Sustainability

Kuwait has a comparatively long history of environmental politics. Small-scale environmental activism occurred already during the 1960s and 1970s and culminated in the creation of the first environmental NGO, the Kuwait Environment Protection Society (KEPS). Subsequently, KEPS came under the supervision of the Environment Protection Council, which was established in 1980.

While Kuwait experienced a surge of environmental awareness shortly after the Gulf War of 1990-1991, no significant efforts for environmental protection were made. Only in recent years has there been a noticeable revitalization of environmental issues.

In 2014, parliament adopted the Environment Protection Law. It includes a broad catalogue of regulations for protecting human health, controlling and reducing pollution, enhancing natural resources and biodiversity as well as promoting cleaner and more efficient energy. The law also foresaw the creation of an environmental police force, which appears to be quite successful in specific areas such as reducing illegal fishing or protecting the country's nature reserves but ineffective in confronting environmental threats such as pollution or enforcing waste management and water conservation measures. The law also prepared the way for the launch of the Kuwait Environmental Governance Initiative in 2016, which was incorporated in the country's development plan (the New Kuwait 2035). The vision lists a sustainable living environment as one of seven key pillars and stresses the importance of enhancing Kuwait's environmental policy in accordance with international standards and agreements. However, the strategic paper does not include clear targets and objectives.

Also on the international dimension, Kuwait is dedicated to showing its shifting role from a laggard to a green advocate. As the most recent GCC country to do so, it signed the Paris Agreement in 2015 and submitted its first Nationally Determined Contributions (NDCs) to the United Nations Framework Convention for Climate Change (UNFCCC) in 2019. Still, an evaluation of Kuwait's environmental performance by the UNFCCC is not expected before 2025 and it is doubtful whether Kuwait will manage to fulfill its ambitious and manifold NDC goals. The fiscal burden of the coronavirus pandemic has already resulted in solar energy plans being shelved.



Kuwait has a substantial and long-standing education policy and a high rate of literacy (96.1%, 2018). In the U.N. Education Index, it has gradually increased over the last decades and has leveled between 2018 and 2019 on a solid score of 0.638, almost equal to the index's global average. According to the Ministry of Education, in the school year 2018 – 2019 the public education system enrolled around 650,000 pupils, meaning that more than 60% of kindergarten-to-secondary-level pupils attend public educational facilities. These schools are gender-segregated starting at the primary level. In addition, Kuwait counts various private foreign schools that do not necessarily follow national Kuwaiti curricula, but rather international models (e.g., British, American, or French) and tend to be co-educational.

Yet non-Kuwaitis and socially marginalized groups do not benefit from a free education system. Often, they have no access to public schools. Bidoons are not allowed to enroll in Kuwait's free public schools but may attend private educational facilities at a reduced charge. Some selected groups such as the children of diplomats and the children of Kuwaiti mothers married to non-Kuwaiti men are granted permission to attend school. Since 2006, no data on governmental public expenditure on education has been published, but until then, it was comparatively high, ranging between 11% and 18% of the GDP.

As data from the World Bank reveals, the expenditure on R&D is limited. While there was a significant rise in such expenditures in 2014, at 0.4% of GDP, the level quickly dropped back to 0.1% the GDP. This explains why Kuwait lags behind its GCC fellows in terms of research institutions, innovation and technology. Two of the country's most important research bodies are the Kuwait Institute for Scientific Research (KISR) (established in 1967) and the Kuwait Foundation for the Advancement of Sciences (KFAS) (established in 1976). While development into a knowledge-based society is also explicitly mentioned in the new development vision, it does not appear to be a top priority so far.

Education policy /
R&D

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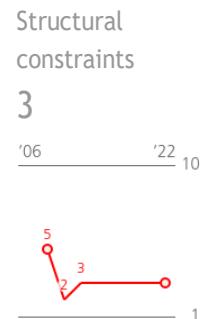


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Governance

I. Level of Difficulty

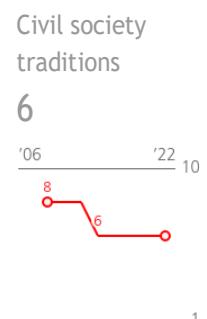
In recent decades, Kuwait's process of policymaking has often been hampered by a dual conflict dynamic. This includes an intra-family dispute between the two branches of al-Jaber and al-Salem as well as an adversarial relationship between the parliament and government. Further structural constraints include the high dependence on oil and on migrant workers, a bloated public sector, endemic corruption and nepotism, and a harsh climate with increasing natural disasters such as extreme heat waves during summer. Other factors are positive, namely an advanced level of economic development, low poverty and a high level of education.



Kuwait also has an advantageous geographical location as part of the Arabian Peninsula that connects world markets in Europe, America and Asia. Yet it is surrounded by an unstable environment characterized by internal tensions between GCC peers, continuous state fragility in Iraq, and an ongoing conflict between Saudi Arabia and Iran. While tensions have eased on various fronts during the period under review, renewed escalations are possible, with severe consequences for Kuwait. The country's important seaborne trade suffers from incidents such as attacks on oil tankers near the Strait of Hormuz.

The outbreak of the coronavirus created a new challenge for Kuwait. The number of infections had been relatively high, with 157,399 confirmed cases of COVID-19 by mid-January 2021, but authorities have been successful in containing the fatal impact of the pandemic. As of January 2021, there have been only 947 fatalities. In the scope of the launch of its nationwide vaccination campaign that started by the end of December 2020, Kuwait has imported vaccines from different manufacturers and started with inoculations, which are free of charge and will be initially given to Kuwaiti citizens.

Unlike its more authoritarian neighbors, Kuwait has a long history of societal activism. It dates back to the early 20th century when the merchant community started the country's first public schools. Civil society activity further experienced a boost upon the establishment of the Kuwaiti branch of the Muslim Brotherhood in 1947 and during the spread of the Arab Nationalist Movement in Kuwait in the 1950s. In the 1970s, the first professional groups were created – like the first environmental NGO – and Shi'a religious groups started to appear in Kuwait under the influence of Iraqi clerics.

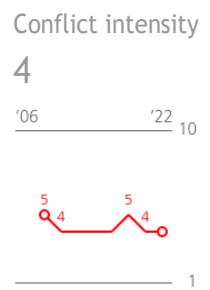


Since the Arab upheavals of 2010/2011, Kuwait's vibrant and diverse civil society has increasingly contested state authorities, but at the same time become exposed to greater scrutiny and monitoring. The Ministry of Social Affairs and Labor closed several civil society organizations due to a lack of proper licensing. Additionally, on an occasional basis, individuals including oppositional figures and human rights advocates had been imprisoned in recent years over critical comments shared on social media channels. In a regional comparison, in which interest articulation and aggregation have been systematically narrowed, Kuwait's civil culture remains exceptional.

Kuwait's social cleavages follow confessional, historical, political and national lines, though they are often intertwined. A major historical split exists between the badu (Bedouins) and hadhar (i.e., nomads with strong tribal affiliations and urban people). Politically, tensions between liberals and Islamists occur primarily through public debates in the assembly. Another religious fault line occurs between Sunni and Shi'ite Muslims although the latter are fairly well integrated here, in comparison to other Sunni Arab Gulf states. A further conflict results from the social exclusion of Bidoons. In summer 2019 the integration efforts received a severe blow when the state authorities arrested 15 advocates for the rights of Bidoons after a demonstration. The protest was triggered by the suicide of a young Bidoon man who was denied civil documents and subsequently lost his job. A month later, the detainees began a hunger strike to draw attention to human-rights violations and the refusal of basic rights to the Bidoons in general.

Furthermore, growing divisions between local and expatriate communities could deepen and constitute a potential source of conflict. A noticeable rise of nationalist sentiments and xenophobia toward expatriates can be detected through public rhetoric, socioeconomic plans such as "Kuwaitization," and legislation changes such as various proposals for imposing a tax on expatriates' remittances.

Occasionally, public figures and officeholders have called for the deportation of hundreds of thousands of low-waged migrant workers. The COVID-19 pandemic has further marginalized the blue-collar expatriate workers as the most vulnerable people. Growing frustration and distress over non-payment and health risks are a potential source of increased political tensions. At the same time, the gap between foreign workers and Kuwaiti citizens is increasing. For instance, there was a public debate in the parliament, which had refused to provide a "financial guarantee" to businesses affected by the economic crisis fearing that it would be used to pay off the debts of immigrants.



II. Governance Performance

14 | Steering Capability

With the assistance of international consultancy companies, Kuwait has unveiled two long-term visions over the last decade (2010 and 2017) based on market economy principles that are flanked by several medium-term national plans. The years 2015 to 2019 were dedicated to infrastructure building as the second consecutive development plan of five quinquennial phases of Kuwait's Vision 2035.

When the previous national development plan (2015 – 2019) terminated in 2019 with many projects unfinished, the Kuwaiti government announced a new development plan for 2020 – 2025. According to the minister of state for economic affairs, the new plan – unlike the prior one, which remains in the execution phase – was to focus on “human resources.” Still, detailed information is rare, and it is difficult to discern a clear differentiation between the plans. Core aspects include a focus on public administration, infrastructure, digitalization, sustainability and human capital.

The construction boom focused on long-delayed infrastructure projects such as the Sheikh Jaber Causeway, the Kuwait City Metro, a new airport and five new planned cities to target the housing shortages. These infrastructure and urbanization projects have been considerably affected by the COVID-19 pandemic. One vivid example includes the Kuwait Port Authority’s decision in October 2020 to shelve the \$6.5 billion Mubarak al-Kabeer port, which had been a centerpiece of the infrastructure initiative.

The domestic development also is closely linked to international goals and factors, by adapting to the United Nations Sustainable Development Goals (SDGs) 2030 agenda. Still, in the 2019 Arab SDG Index, Kuwait ranked at 9 out of 22 countries. The index shows a promising development of achieving the SDGs in terms of clean water and sanitation while other sectors are only moderately improving or stagnating. In terms of maritime protection and sustainable urbanization Kuwait’s development is actually declining.



The conflict between the executive and legislative branches paralyzes policymaking and frequently delays the implementation of fast-track procedures or large-scale projects such as those found in neighboring countries. This is especially apparent when these policies disadvantage Kuwaiti citizens. Much needed economic reforms to reduce the growing budget deficit have faced strong resistance from parliament. Austerity measures that included cutting state-subsidized utilities provoked opposition in parliament and the business sector. When they were finally implemented in September 2016 the reforms were partially adjusted.

Implementation

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For instance, the government increased the price of diesel fuel for consumers, but its cuts to electricity and water subsidies ultimately excluded Kuwaiti households, targeting only expatriates as well as the commercial and industrial sectors.

State authorities have been similarly hesitant to introduce taxes. The implementation of a VAT, originally planned for 2018, has been repeatedly postponed. Currently, it is planned for April 2021, but it could also be postponed to 2022 due to the negative economic effects of the ongoing coronavirus pandemic.

The implementation of large-scale decarbonization projects such as the al-Zour refinery project was seriously delayed due to parliamentary opposition over high costs. Reportedly as a result of the COVID-19 pandemic, in summer 2020 the Kuwaiti cabinet canceled plans to construct the \$1.4 billion al-Dabda solar plant. It had been planned as part of the country's first renewable energy plant, the al-Shagaya Complex for Renewable Energy project, to be carried out by the Kuwait National Petroleum Company (KNPC). Operation was supposed to begin in February 2021, but even prior to the health crisis its implementation was delayed due to bureaucratic procedures.

The failure to complete large infrastructure projects on time and on budget, as envisioned in the 2015 – 2019 national development plan, has been ascribed to the oil price slump and missing revenues. In 2020, suspension of work was also caused by lockdown measures, and interruptions in the global supply chains.

As do other small states of the GCC such as the United Arab Emirates or Qatar, Kuwait aspires to put itself on the global map with a modernization course away from a hydrocarbon-based toward a knowledge-based economy. Also like some neighbors, Kuwait has relied on supranational bodies and international big players and smaller boutiques of the consulting industry to achieve these objectives. For instance, in order to launch the Kuwait Vision 2035, the Supreme Council for Planning and Development hired the international consultancy firm Tony Blair Associates. Additionally, the government has worked with Ernst & Young as well as the World Bank to develop strategies on rationalizing subsidies and introducing austerity measures as a means to reduce the budget deficit. As a high-income economy, Kuwait nevertheless scores poorly on the Global Innovation Index 2020, occupying the penultimate place.

Policy learning

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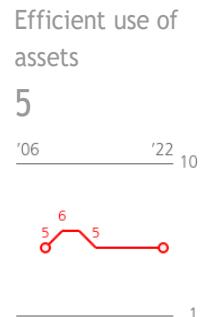


There are, however, several policy fields in which Kuwait tends to catch up with its GCC peers and learn from their best practice models. Efforts toward economic diversification (including the adaptation of renewable energy sources and decarbonizing the oil refinery) and the expansion of the digital infrastructure (implementing integrated 5G network but also expanding measures of state surveillance) disclose convergence processes between Kuwait and other small Gulf states such as the United Arab Emirates, Qatar, or Bahrain.

On a domestic level, the government mainly cooperates with the two leading institutions, namely the Kuwait Foundation for the Advancement of Sciences (KFAIS) and the Kuwait Institute for Scientific Research (KISR). Furthermore, the government cooperates with academics from Kuwait's universities but, generally, the academic sphere is more engaged with teaching than research and consultancy. Particularly for the sensitive area of energy diversification and resilience, the state-owned oil companies with their various institutions and financial capacities play a critical role in determining policy.

15 | Resource Efficiency

The abundance of oil financed the development of a generous welfare state, which provides a broad range of services (such as health care, housing loans, free education) as well as employment or financial assistance to all Kuwaiti citizens. While Kuwait has exploited its hydrocarbon resources relatively efficiently, the dependence on one resource also impaired progress on various fronts. The financial inflow created a bloated public sector that hampers an efficient administrative organization of state assets. And while there are attempts to modernize the public administration and reduce corruption and inefficient bureaucracy, substantial achievements are lacking so far. As in other Gulf states with a broad public sector, personnel and administrative organization remains inefficient, for the most part.



Furthermore, fluctuations of global oil market prices shape the domestic budget. In order to ensure long-term financial stability beyond oil, Kuwait created the Future Generation Fund in 1976. Since then, a minimum of 10% of oil revenues has been dedicated to this special reserve. Together with the General Reserve Fund, it forms the main treasury for the government, and is administered by the Kuwait Investment Authority (KIA). According to the Sovereign Wealth Fund Institute, the KIA is the oldest and one of the wealthiest funds worldwide.

The coronavirus has significantly drained these assets. Since the government is unable to raise international debt due to a gridlock with parliament over a long-delayed debt law aimed at raising the country's debt ceiling, the General Reserve Fund has been tapped to the extent that liquid assets could be depleted by April 2021. The economic fallout also prompted the government to halt the annual transfer of 10% of revenues to the Future Generation Fund. As a consequence,

Moody's Investors Service for the first time downgraded Kuwait's long-term issuer outlook from A1 to Aa2 in September 2020. Given these circumstances, the government has been studying various alternatives to add cash to the fund. Proposals include a legal adjustment to allow a transfer of up to 25% in years with surplus, borrowing from the Future Generation Fund, or buying assets owned by the Ministry of Finance.

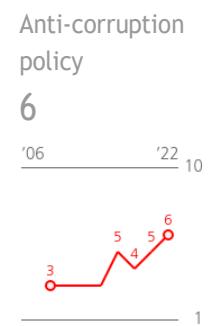
As in other Gulf states, the inefficient public sector is also characterized by a siloed approach of individual departments and governmental bodies, which often lacks systematic policy coordination. The blurry boundaries between the private sector and policymakers further reduces the transparency of governmental responsibilities.

Moreover, the existing formal channels of coordination between political decision-makers are relatively advanced and transparent. The cabinet's weekly meetings and frequent exchanges with various parliamentary committees represent an important aspect of the country's policy coordination.

Corruption is endemic in Kuwait, but in contrast to other countries in the region, Kuwait discusses corruption openly. Allegations of malfeasance dominate the public discourse and constitute an important lever for societal mobilization against the regime.

Since 2016, an Anti-Corruption Authority (Nazaha) has investigated corrupt practices and has set up the Kuwait Integrity and Anti-Corruption Strategy 2019–2020. By Autumn 2020, it was reported that the authority has investigated more than 300 cases, of which only around 40 were referred to court. In October 2020, Nazaha started investigation into a potential corruption scandal at the Finance Ministry.

In November 2019, the whole government resigned after parliamentary investigations over alleged mismanagement and misuse of public funds in the Interior Ministry and the Defense Ministry. The Justice Ministry announced further legal inquiries and then banned media discussion on this matter. These examples indicate that corruption is one of the greatest structural challenges the country has to face. Given the continual pressure by the parliament, however, it appears that the government is serious about implementing integrity measures. However, it is still too early to evaluate Nazaha's actual effectiveness. So far, the organization's achievements have been limited, which also explains why a new Integrity and Anti-Corruption Strategy, lasting from 2019 to 2024, has been established.



16 | Consensus-Building

Kuwaiti citizenry seems largely supportive of the ruling family and there is a general consensus over their prominent position. Yet their influence on the political structure and dynamics as well as on the kind of political system is subject to an ongoing debate. While some people aspire to the top-down, fast-track and hyper-developmental approach of other small Gulf states without the obstructive and delaying role of a parliament, others argue in favor of equipping the parliament with more power and turn the country toward more democracy (e.g., a constitutional monarchy), with political parties and an elected cabinet. The high voter turnout (between 65% and 70%) in the elections of 2016 and 2020 indicates that the majority of Kuwaitis acknowledge the role of the parliament.

The long-term development plans point toward transforming the economy from a rather dynamic state capitalist model, based on relatively large and efficacious government bodies and state-owned firms, to a model based on market economy principles. However, there is little consensus about the concrete direction. The influential merchant elite is generally supportive of the transformation as they see more business opportunities. At the same time, they fundamentally oppose any measures that would reduce their oligarchic privileges. Fearing a greater gap between the elite and ordinary Kuwaiti citizens, popular voices in the parliament reject developments toward a market economy. Generally, the parliamentary opposition advocates for the generous welfare system and critically engages with any step that might weaken the welfare rights of Kuwait's citizenry.

After a longer period featuring several parliamentary dissolutions by the emir, the political process has stabilized. Still, even during the assembly's multiple absences, social forces mobilized to protect democracy and demand the parliament's quick restoration. The latest parliamentary election has reinforced the power of the opposition and strengthened the role of reformers who advocate democratization. As in the previous legislative period, it can be expected that cross-ideological coalitions, for instance with the strong Islamist fraction in parliament, are formed to promote anti-corruption measures, transparency and accountability from the pro-government bloc.

Consensus on goals

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Anti-democratic actors

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Given the country's heterogenous composition, the government has been relatively successful in managing cleavages and depolarize structural conflicts along religious, political ethnic, historical or tribal lines. This conflict management is mainly based on patronage power to buy loyalty and reduce tensions as well as a strategic approach toward divide and rule tactics.

Cleavage /
conflict
management

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However, Bidoons had been excluded from these inclusionary co-optative techniques. Although there had been some improvements for Bidoons including granting access to military service to descendants of former Bidoon soldiers and issuing identity cards, divisions remain. In light of shrinking financial resources, this social class increasingly faces public resentments. In the summer of 2019, violent protests escalated after the suicide of a young Bidoon. In November 2019, protests broke out with hundreds of demonstrators demanding the government's resignation over allegations of public mismanagement and corruption. Apart from these incidents, a culture of debate and consultation generally prevails over violent conflicts.

Furthermore, the latest cabinet appointment, on December 14, 2020, can be seen as an attempt to reduce potential clashes between the legislative and executive branches and within the ruling family. The initial cabinet under the new emir pointed to a technocratic set up and willingness to reflect societal demands for change. Seven newcomers were appointed, and the presence of the Sabah family has been reduced. Noteworthy, the interior and defense portfolios have been given to members of the Salem branch of the ruling family indicating a concession by the Jaber branch to share power. Still, various aspects – such as increasing criticism of the prime minister, Sabah al-Khaled, the reappointment of the deputy prime minister and minister of interior, Anas al-Saleh, and the re-election of Marzouq al-Ghanim as speaker of the assembly – triggered considerable opposition in parts of the assembly, which eventually led to the cabinet's resignation on January 11, 2021.

Civil society
participation

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The involvement of civil society actors is not formal and institutionalized, but rather informal. Common tools of this exchange are the meetings (diwaniyas) where members of parliament and other civil society actors (e.g., professional groups such as the lawyers' association, an economic society, labor unions) deliberate. This is an important steering element to influence public opinion and shape the political decision-making process. After a systematic crackdown against civil society participation from 2011 onwards, recent years have seen journals and public intellectuals experience more leeway to criticize the government. While there are clearly defined boundaries, this is particularly true for allegations of corruptions and mismanagement of public spending.

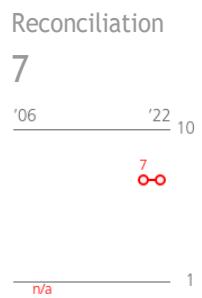
In addition, there are cautious attempts to systematically engage with civil society. For instance, as part of Kuwait's SDG Agenda 2030, a permanent national steering committee, the National Sustainable Development Committee (NSDC), was set up

by a ministerial decision. The NSDC also comprises representors of civil society including members of the society for the Protection of the Environment, the Kuwait Society of Engineers and the Kuwait Economic Society.

During the COVID-19 pandemic, the Kuwait Foundation for the Advancement of Sciences (KFAS) issued a call for proposals to Kuwait-based Civil Society Organizations (CSOs) and non-profit non-governmental entities (NGOs) for projects, solutions, or efforts in direct response to the COVID-19 pandemic in Kuwait. This opportunity for co-funding can be seen as a promising sign of increased formal civil society participation and appreciation for the grass-roots perspective on social, environmental, economic, and institutional structures.

There are few past acts of injustice with which the Kuwaiti government still needs to grapple. The ongoing trauma from the Iraqi invasion of 1990 and 1991 is frequently used to project Kuwait as a victim and to recall memories of historical injustices, but this is rather used to build collective nationalist sentiments.

An exception is the unresolved question of greater inclusion and potential compensation for historical injustice against the 100,000 Bidoons living in Kuwait today. This social class has been marginalized since first settling in Kuwaiti territory at a much later stage than the rest of the citizenry. They often live in relative poverty and work in the informal economy while constituting the bulk of Kuwait's armed forces. Even though Bidoons have often lived all their lives in Kuwait, full citizenship rights (e.g., access to social welfare, favorable employment and voting rights) have been denied. In the period under review, however, the government has continued its efforts toward the reconciliation of their status, such as opening employment in the military, issuing national IDs and finally allowing access to the state welfare system.



17 | International Cooperation

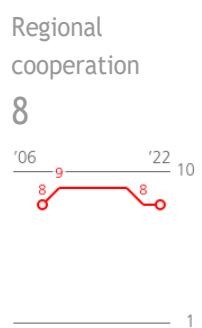
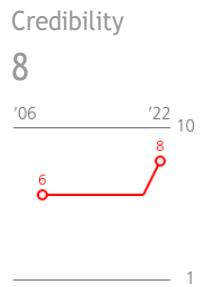
Kuwait's political and economic development has a clear outward-oriented dimension. The country is a member of various major regional and supranational bodies such as FAO, LAS, IMF, Interpol, OIC, OPEC, or WTO. Kuwait is a member of the U.N. and regularly submits reports to various related bodies. For instance, in 2019 it submitted its National Determined Contribution (NDC) to the UNFCCC. However, Kuwait frequently lags behind its internationally committed objectives and is slow to adopt international standards and impose law enforcement. Examples include efforts and recommendations by the World Bank and the IMF on economic and tax reforms, the ILO suggestions for changing Kuwait's sponsorship (kafala) requirement, or meeting demands from the United Nations' Human Rights Committee concerning the role of the Bidoons.

The launch of the new Kuwait Vision 2035 in 2017 is a vivid example. The homepage of the Ministry of Foreign Affairs describes the plan as “linked to international goals and factors by adapting them to the United Nations Sustainable Development Goals (SDG’s) 2030 agenda, in order to achieve compatibility between the national development plan and the international development vision.” However, according to the Sustainable Development Report of 2020, Kuwait’s performance is relatively low with significant and major challenges remaining in core goals and a rather stagnating trend. The country’s overall score is 63.14 (out of 100) for a rank of 112 out of 193 countries worldwide.

For a small state, Kuwait has a considerable status in the international community, owing in part to its long-term image as a trustworthy global provider of oil and gas. External reputation is key for Kuwait and the country is known for complying reliably with its international agreements. Additionally, it has fostered a reputation as a neutral mediator and generous donor of international help over the decades. Shortly after Kuwait became independent in 1961, the Kuwait Fund for Arab Economic Development was created to provide economic assistance to fellow developing countries. Since then, Kuwait has been at the forefront of humanitarian assistance. According to the International Humanitarian Report 2020, Kuwait is among the 20 largest contributors of international humanitarian assistance and the second largest donor in proportion to gross national income. In 2019, Kuwait increased its contributions by 25% (\$94 million).

Kuwait was elected as a non-permanent member in the U.N. Security Council in 2017, serving for two years (January 2018 – December 2019). During this period, it made substantial efforts toward adopting resolutions for providing humanitarian help in several conflict areas of the Middle East including Syria, Yemen, and Iraq. It also promoted a resolution to provide international protections for the Palestinian people. Generally, Kuwait takes a more vocal stand in favor of the Palestinian cause, which is why it has not followed other countries in signing peace agreements with Israel during 2020 (i.e., the so-called Abraham Accords).

In the regional realm, Kuwait has managed a balancing act of mediating between hostile parties. Despite its close relationship to Saudi Arabia, it has constantly called for a broader regional solution of tensions that also includes Saudi Arabia’s main adversary, Iran. Even after the withdrawal of the United States from the nuclear deal with Iran (the Joint Comprehensive Plan of Action, JCPOA) in May 2018, Kuwait has continued its efforts as a peace broker to bring the parties back to the negotiating table. While Kuwait participated in the Saudi-led intervention in Yemen from 2015 onwards (with more than a dozen fighter jets), it has gradually decreased its military involvement in favor of promoting de-escalation and diplomacy between the hostile camps. Kuwait has also improved its relations with Iraq and assisted the country in its reconstruction efforts. Still, unlike other neighboring countries recently, Kuwait rejects any form of open relationship with Israel. While the



government declined to issue any statement over the Abraham Accords, broader parts of the parliament and several of Kuwait's most prominent civil society organizations publicly condemned the other Arab states' decision to establish diplomatic relationships with Israel.

A major success of Kuwait's inter-GCC mediation efforts was the GCC summit in January 2021, which resolved the protracted Gulf crisis. When Saudi Arabia, Bahrain, the United Arab Emirates (UAE), and Egypt embargoed Qatar in June 2017, Kuwait and Oman did not participate despite growing criticism from the blockading states, particularly Saudi Arabia. Both neutral countries considered the GCC rift as undermining regional peace, stability, and prospects for greater economic integration in the Gulf. Especially Kuwait, with the support of the United States, endeavored to quickly solve the dispute, but long-term efforts were required in order to find a diplomatic resolution. In late 2019 there were increasing signs that ongoing mediation efforts could lead to a rapprochement; the result was a common GCC declaration during the al-Ula summit on January 5, 2021. Although Kuwait's regional standing goes primarily back to the former emir, Sheikh Sabah al-Ahmad al-Jaber al-Sabah, who also held the position of foreign minister more than 40 years before becoming the head of state, it is assumed that his successor will follow this path.

Strategic Outlook

Kuwait is a key player in the region, taking a balancing role and often serving as a neutral mediator. As the recent rapprochement among the GCC states has shown, Kuwait's hedging policy is successful and is likely to continue under the new emir although he has less experience in foreign affairs than his predecessor. In view of the geostrategic dimension of Gulf affairs, Kuwait's role is thus of global significance, underpinned by its important position as a donor of humanitarian assistance. Kuwait is well-advised to follow this path in a volatile region.

Domestically, the Kuwaiti leadership is likely to continue its difficult equilibrium between a partly elected legislature and hereditary executive power. It is open to question whether parliament will be able to gain more power, aligning electoral accountability better with real political responsibility.

The majority of well-educated and young officeholders who have recently entered parliament is expected to increase these calls to turn Kuwait into a constitutional monarchy with political parties and an elected cabinet. The recent election of an all-male parliament is a setback, however, to the cause of an inclusive electoral process that results in a representative assembly. Legislative changes and incentives such as introducing quotas and granting equal citizenship rights to females are necessary to provoke a rethinking within Kuwait's patriarchal society. This also applies to other socially marginalized and persecuted groups including the Bidoons, who should be granted citizenship.

The role of migrant workers, who keep the country's basic services going, remains critical. While some fundamental rights can be reserved to citizens (such as electoral participation), the gap that separates Kuwaiti citizens and expatriate workers is too large, risking social contestation. The controversial, traditional sponsorship (kafala) system should be abolished in favor of a modern immigration policy. International partners and organizations should encourage the government to embark on these necessary social and labor reforms.

In terms of fighting corruption, Kuwait has made progress in recent years. By launching the Kuwait Integrity and Anti-Corruption Strategy 2019 – 2024 the government has a solid framework for reducing the widespread problem of corruption that is also a constant source of frictions in the state-society relations. However, instead of primarily focusing on a few cases involving popular individuals in the public sector that catch public and international attention, the responsible authority needs to combat corruptive practices on a broader scale including other sectors such as public procurement, natural resource management and environmental protection as well as customs and land administration.

Although Kuwait has relatively successfully curbed the effects of the COVID-19 health crisis due to a well-developed public health system, the pandemic has severely damaged Kuwait's economy. The missing revenues and growing costs of economic stimulus packages have reduced

the country's financial reserves. The COVID-19 pandemic is also a burden for Kuwait's plans for much needed infrastructure development and urbanization. In order to avoid condemnation from members of parliament, which will further destabilize the political environment and constrain policymaking ability, the government is likely to avoid enforcing dramatic spending cuts in the near future. Instead, a quick revitalization of the hydrocarbon-based production sector to receive "easy money" is highly probable, in hopes of a faster recovery of Asian countries as Kuwait's most important markets. This would reverse previous ambitions of economic diversification and environmental sustainability as outlined in various development plans (most recently in the "New Kuwait Vision 2035"). However, as international institutions like the IMF have frequently highlighted in recent years, Kuwait needs to take concrete steps to diversify its economy instead of debating and continually postponing the move.

The fiscal crisis created by the COVID-19 pandemic offers a window of opportunity toward a so-called "green recovery." The implementation of clean standards and regulations could open up new sectors of economic activity that would unlock local and international investments, create new job opportunities, and thus strengthen Kuwait's medium and long-term economic competitiveness. Suffering directly from climate change (heat waves, droughts), Kuwait has a strong interest in combating it, but this will require a complete transformation of Kuwait's business model. The country would be well advised to initiate the transformation rapidly, as long as it still has the means to do so, rather than becoming a loser in a global economy turning away from carbon resources.