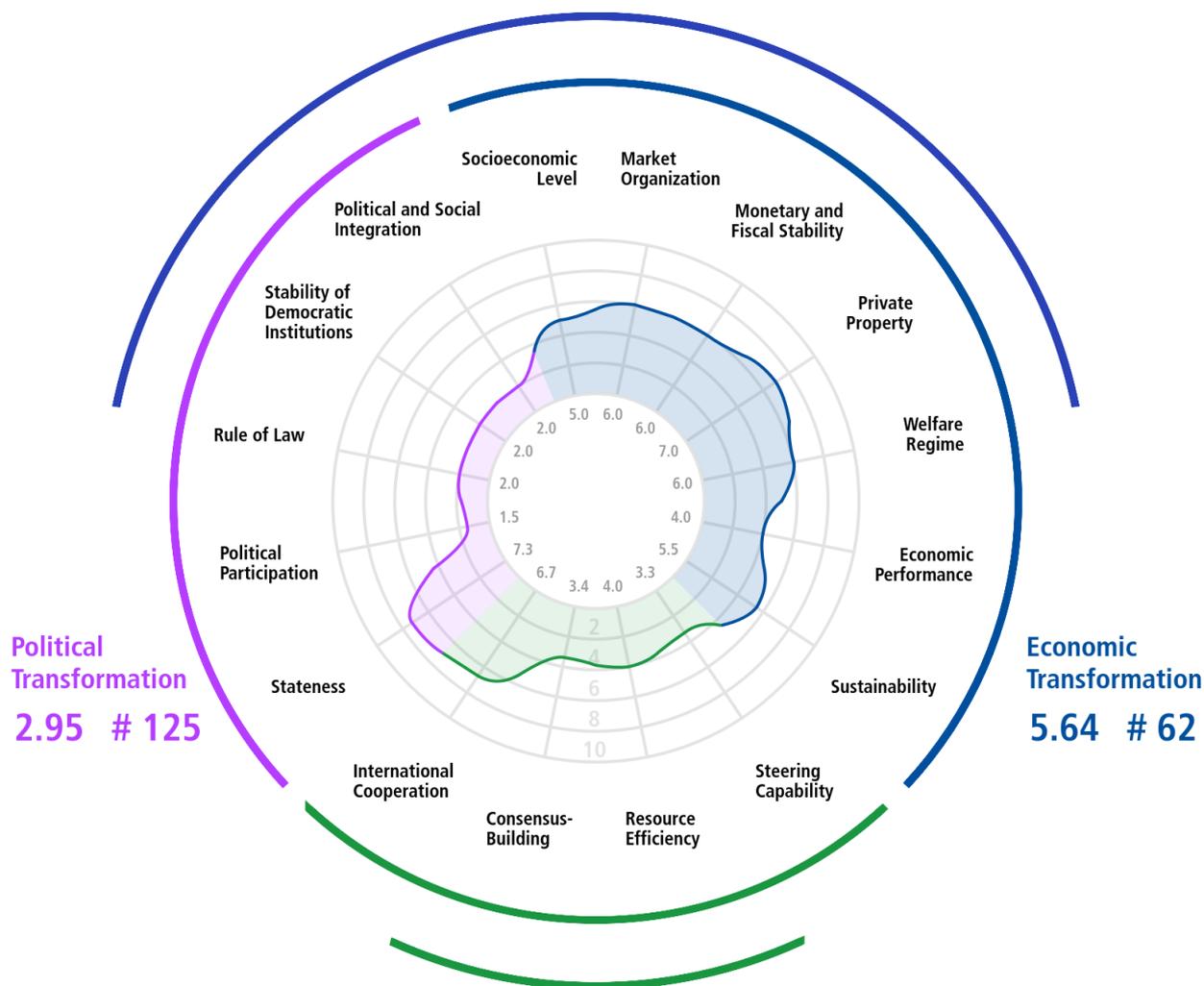


# Oman

## Status Index

**4.30 # 99**

on 1-10 scale out of 137



**Political Transformation**  
**2.95 # 125**

**Economic Transformation**  
**5.64 # 62**

## Governance Index

**3.78 # 106**

on 1-10 scale out of 137

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	<b>5.1</b>	HDI	<b>0.813</b>	GDP p.c., PPP \$	-
Pop. growth <sup>1</sup>	% p.a.	<b>2.6</b>	HDI rank of 189	<b>60</b>	Gini Index	-
Life expectancy	years	<b>77.9</b>	UN Education Index	<b>0.718</b>	Poverty <sup>3</sup>	% -
Urban population	%	<b>86.3</b>	Gender inequality <sup>2</sup>	<b>0.306</b>	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

For several decades, foreign observers have viewed Oman as a tranquil and politically stable state in a region often characterized by instability. This image has been sustained despite the ongoing Saudi-led war in Yemen, tensions within the Gulf Cooperation Council (GCC) and the broader Gulf region over the blockade of Qatar, the growing rivalry between Saudi Arabia, Iran and Turkey, and, for the first time in 50 years, the ascension of a new sultan. Sultan Qaboos, who had led Oman since 1970, died in January 2020, having written the name of his preferred successor, his cousin Haitham bin Tariq al-Said, in an envelope that remained sealed until after his death.

His final wish was accepted, and Oman witnessed a peaceful transfer of power to the new sultan. Since his ascension, Sultan Haitham has issued royal decrees institutionalizing the role of prince regent to ensure that in the future, the questions on the topic of succession that plagued Qaboos's last years will not threaten to destabilize the royal family. The new sultan has also demonstrated a willingness to enact personnel changes, and his first cabinet announcement in August 2020 revealed a number of significant changes. For example, Yusuf bin Alawi bin Abdallah, the Arab world's longest-serving foreign minister, was replaced by the Secretary-General of the Foreign Ministry, Sayyid Badr bin Hamad al-Busaidi. In finance, Darwish al-Balushi, who had been minister since 2011, was exchanged for the respected financial expert Sultan al-Habsi.

Haitham came to power at an interesting time in Oman's history. Although the uprisings of 2011/2012 did not result in any substantial alterations to the exercise of political authority in the country, their existence is a clear signal that all is not as tranquil as it seems. This is particularly the case given fluctuations and a downward trend in the price of oil, the export of which constitutes around 40% of GDP, depending on the price per barrel. Oman is vulnerable to international markets, meaning that its social programs, which are used to support the living standards of its citizens, are similarly vulnerable to instability. The COVID-19 pandemic, which had infected 133,728 Omanis and resulted in 1,527 deaths (in a total population of

approximately 5 million) as of January 31, 2021, has shone renewed light on the importance of economic diversification for Oman's future stability. Oman will record its eighth consecutive budget deficit in 2021, with borrowing covering up to 73% of the shortfall. In comparison to 2020, expenditure has decreased 14%, and policymakers, who have developed budget estimates based on the price of oil not dropping below \$45, must hope the price does not slip further.

The sultanate's Vision 2020 plan has come to an end with many significant objectives unmet, including substantially boosting Omani employment in the private sector. Oman has now initiated its Vision 2040 plan, which aims to make Oman one of the top ten countries globally by 2040.

## History and Characteristics of Transformation

The story of contemporary Oman begins in 1970 when a young Qaboos overthrew his father, Sultan Said bin Taimur. The polity, previously known as Muscat and Oman, became the Sultanate of Oman. Oman was, and remains, an absolute monarchy headed by the sultan who rules and reigns via royal decrees. Although the council of ministers, which is entirely appointed by the monarch operates a pseudo-cabinet and can issue ministerial decrees, the lead on policy comes from the sultan. Qaboos moved quickly to modernize the country with income from oil exports that began on a commercial scale in 1967. A desalination plant was built, a national electricity grid was established, and thousands of kilometers of new roads were built that integrated the various regions of the state together with the center based in Muscat. In addition, the security apparatus was buoyed by the state's substantial investment that totaled up to 50% of early state budgets. The Dhofar Rebellion (1963 – 1976) was the first major military and societal challenge faced by Qaboos, and while he successfully put down the rebellion, sporadic tensions still surface in Dhofar.

Development programs that have brought centralized and modern education and health care systems to Omanis across the sultanate helped Qaboos to integrate pre-existing social networks (tribal, regional, ethnic and religious) into the framework of the new nation-state. The concept of renaissance (Nahda) was especially significant in this process as it allowed existing identities and subnational hierarchies to be integrated upwards into the state. The state therefore did not obliterate subnational identities but found ways to itemize and utilize them and thereby build and sustain domestic legitimacy.

Oman had very few formal institutions of government until 1996, when Sultan Qaboos promulgated the country's first Basic Law. Acting as a de facto constitution for Oman, the Basic Law facilitated the creation of the Council of Oman (Majlis Oman) which supplanted the State Consultative Council (SCC). A bicameral body, the Majlis Oman is composed of a lower chamber, the Consultative Council (Majlis al-Shura), whose 85 members (later increased to 86) have been elected for four-year terms via universal suffrage since 2003. Its upper chamber, the State Council (Majlis al-Dawla), also contains 85 members, but these are appointed by the sultan and are not elected by citizens.

After the Arab Spring uprisings of 2011 manifested themselves in Oman with greater calls for democratization, Qaboos upgraded the capacities of the Majlis al-Shura, enabling the chamber to propose legislation for the first time. But by retaining the prerogative of appointing the Majlis al-Dawla means that the sultan as the head of the executive has a strong influence over the legislature as well. The uprisings, which have continued sporadically in the face of worsening socioeconomic conditions in the country, have illuminated structural weaknesses that have developed as a result of Oman's reliance on a rentier economy (oil and gas primarily) and thus underscored the importance of making changes in this regard.

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

The Omani state, led now by Sultan Haitham bin Tariq, possesses a complete monopoly over the means of coercion in the territories of Oman. The smooth transfer of power from the late Sultan Qaboos in January 2020 is a testament to the strength of the state under his rule. It is noteworthy that the country's ruling family council chose not to exercise its constitutionally sanctioned ability to nominate Qaboos's successor, instead opting to follow the wishes of the late sultan to have Haitham bin Tariq ascend the throne.

The ongoing war in Yemen is a threat to Oman's security. The province of al-Mahra, which borders Oman's Dhofar governorate, is a site of strategic competition between Saudi Arabia and Oman, with Saudi Arabia taking control of significant facilities such as the port of Nishtun since 2017. This is in opposition to Oman's own interests in the province and its own soft diplomacy with different Yemeni factions, as well as providing logistics support to Houthis by shepherding Iranian assistance through the sultanate.

Situated on the Straits of Hormuz, Oman is also at the front line of competition and clashes over control of the strait, through which a fifth of the world's oil supplies pass. The June 2019 drone attacks against oil tankers just beyond Omani territorial waters underscore the potential fragility of this border zone. This complicates further Oman's hold over the Musandam region, which is a mountainous peninsula bordering the United Arab Emirates (UAE). Oman's treatment of the Sunni al-Shehhi Tribe, the largest in the region, has been at the center of disputes and strategic maneuvering for decades, as Oman has used Musandam as part of its international relations with the GCC, Iran and the United States. Its control of the territory remains solid and unwavering. It will continue to play into the calculations of both the sultanate and its neighbors.

Question  
Score

Monopoly on the  
use of force

10



1

Identifying with the state in the form of citizenship is linked to the person of the sultan, a characteristic that has continued during the reign of Haitham bin Tariq. The decision of the new sultan to have portraits of Qaboos hung alongside those of himself in meetings and offices is, in part, indicative of this. The relationship between Omanis and the state is framed through the person of the sultan. While the immediate transition of power from Qaboos to Haitham has been accomplished, whether the new sultan is able to sustain the same embodiment of Oman's nahda (renaissance) as his predecessor remains to be seen.

Nationality/citizenship is regulated by the 2014 Nationality Law, which grants (Articles 7-8) the sultan powers to confer and rescind citizenship by royal decree. Further, the grounds for a withdrawing of citizenship are vague and subject to broad interpretation. For example, Article 20 stipulates that if a citizen "joins a group or party or organization supporting principles or beliefs that harm the interests of Oman," or works "for a foreign country at any capacity whatsoever, whether inside or outside Oman" without having acquired clearance from the government, their citizenship can be rescinded. Article 21 goes a step further, stating that if an Omani is convicted of "any crime against the security of the country," their citizenship can be withdrawn.

What constitutes a crime against the security of the country is detailed broadly in the penal code and offers security agencies considerable latitude to use the threat of loss of citizenship as a tool of policing.

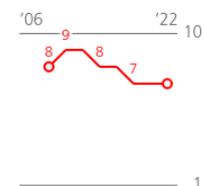
The state is considered legitimate by the majority of Omanis. Though subnational identities of some border tribes in the Dhofar governorate may be challenging in the future, recent history suggests that most forms of resistance to the state stems more from a desire to see policy change than from separatist ambition.

The northern governorates of Musandam, al-Buraimi, and al-Batinah are part of ongoing frictions between Oman and the United Arab Emirates. Many Omanis from these governorates work in the bordering emirates of the United Arab Emirates, a reality that causes Muscat some concern.

The Omani legal order and political architecture cannot be separated from religion. Islam is the state religion, Shariah is the basis of the legal code, and the sultan must be a Muslim. Ibadism holds a special position of prominence in Oman, and is interconnected with Omani identity, history and social values. Furthermore, religious dogmas influence the penal code (2018), in which blasphemy, apostasy and acts deemed to insult Islam are outlawed and are punishable with jail sentences of between three to ten years. Similarly, anyone found to establish or organize an association that contests Islam or is interpreted as "harming the foundations on which the Islamic religion is based or promoting or making propaganda for another religion" risks spending between three to seven years in jail.

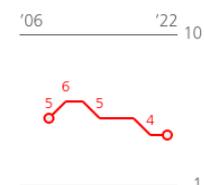
#### State identity

7



#### No interference of religious dogmas

4



Public policy is influenced by religious ideas on several levels. For example, teaching evolution remains banned in Omani schools due to religious opposition. Cases such as this call into question the seriousness with which Omani decision-makers claim to be pursuing development in line with the Oman Vision 2040. The Vision states the desire for “an effective national system that nurtures scientific research, innovation, and creativity to build a knowledge-based economy and society.” This is a laudable goal, but how it can be consistent with “value-enforcing curricula that incorporate Islamic principles and Omani identity” is a critical detail left out of the Vision.

Oman has developed state administration with broad coverage throughout the country. This is measurable in a number of areas. For example, internet penetration stood at 92% in 2020, and the number of internet users increased by 18% between 2019 and 2020. 98% of the population has access to water provided by the Public Authority of Electricity and Water (PAEW), and over 95% of the adult population is literate according to the latest UNDP records. Between 1970 and 2019, the number of public schools increased from 3 to 1,124, while private education has similarly expanded to encompass more than 730 schools.

It has been historical practice for the state not to levy taxes on the personal income of citizens (including property and capital gains), making it difficult to ascertain the real strength of the sultanate’s administration of taxation. In the coming years, it is likely that this will be tested as part of the country’s pivot away from hydrocarbon resources, toward greater industrialization and further economic diversification.

COVID-19 has negatively impacted administrative structures. In March 2020, the Ministry of Transport announced the suspension of public transport across the country as a means of reducing community transmission. Borders have been shut, as well as parks, beaches, and leisure centers. Indoor gatherings have also been banned.

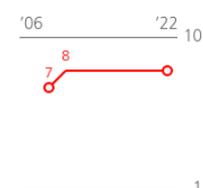
## 2 | Political Participation

Oman remains an absolute monarchy in which the sultan reigns and rules; consequently, the extent to which political representatives are selected via elections is minimal. Omanis vote in two sets of elections: general elections to determine the composition of the Consultative Council (Majlis al-Shura); and municipal elections for the arrangement of municipal councils. The most recent general elections took place in October 2019, with a turnout of a little over 49%, a reduction from 57% in 2015.

Parties are banned, and so potential candidates must rely on social and familial networks. As Ahmad al-Mukhaini, a political adviser and former member of the Majlis al-Shura notes in relation to elections: “there are no alternative platforms besides tribalism through which candidates can campaign with equal force to win votes and support.”

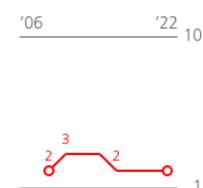
### Basic administration

8



### Free and fair elections

2



The 2019 elections saw an unprecedented degree of digitalization, with smartphone apps used to check the accuracy of voters' data, and the Sawtak (Your Voice) electronic system used to tally votes. Sawtak, which was designed and developed in Oman, is a touch-screen device used for voting that guides voters step-by-step through the process and effectively eliminates the need for ballot boxes. Political parties remain banned in Oman, so all candidates ran as independents. Two women were elected, an increase from the solitary woman elected in 2015.

With regards to municipal councils, the elections scheduled for 2020 were postponed due to the COVID-19 pandemic. The existing councils elected in 2016 will maintain their powers and prerogatives until new elections are arranged. Municipal elections were first created by royal decree in 2011 in all governorates and are composed of elected and centrally appointed individuals. The number of elected members ranges from two to six representatives, depending on the population size within each wilayat (provinces within the governorates). Because parties are prohibited, candidates seeking election must rely on local connections, clientelism and tribal/familial affiliations in order to mount a successful campaign.

Democratically elected representatives have very little effective power to govern in Oman, as the exercise of power remains centralized in the person of the sultan, who reigns and rules unopposed. The bicameral Majlis Oman (Council of Oman) and the municipal councils are responsible to the sultan, rather than to the voting citizenry, as is the Council of Ministers. While ministers can be questioned by the Majlis al-Shura, the ability to appoint and remove ministers belongs to the sultan alone. The limited legislative capacities of the Majlis al-Shura are tempered by existence of the royally appointed Majlis al-Dawla.

Furthermore, it is the sultan who has the unilateral ability to dissolve the Majlis al-Shura, thereby being able to veto the pre-eminent institution of citizen representation in the country. Centralized royal appointees also influence the work of municipal councils. Although eligible voters within wilayats are able to elect members to their municipal councils, the councils themselves include centrally appointed members and are chaired by the head of the governorate, who is appointed by the sultan. Thus, central authority is present even at the municipal level, and decisions over budgets and priority areas of expenditure are not unilaterally determined at the local level.

All members of the Council of Ministers are appointed by the sultan, who, following the example of the late Qaboos, is also the prime minister. The reduction in the number of ministers from 26 to 19 suggests a tightening of executive control over the cabinet, an impression underscored by the familial character of the new cabinet. Sultan Haitham's new line-up includes his brother Sayyid Shihab bin Tariq al-Said and an older cousin, Sayyid Fahd bin Mahmoud al-Said, as the two deputy prime ministers; while his son Sayyid Dhi Yazin bin Haitham was appointed culture, sports, and youth minister. Furthermore, the removal of long-serving

Effective power to govern



experienced ministers Yusuf bin Alawi bin Abdallah, the Arab world's longest-serving foreign minister, and Darwish al-Balushi, who had been finance minister since 2011, additionally conveys that a new direction is in the making.

Oman's Basic Law stipulates that Omanis "have the right to assemble within the limits of the Law" (Article 32), which in practice means that the ability for citizens to assemble is subject to change. A similar provision exists in relation to forming civic groups. Article 33 states that the freedom afforded to citizens is "guaranteed in accordance with the terms and conditions prescribed by the Law," as long as such civic collectives are not "adverse to the order of society." Citizens may gather and form associations, but they must not rock the boat. Unsurprisingly given this, political parties are prohibited, and no completely independent civil society organizations are allowed to operate.

Unions were legalized following a royal decree made by the late Sultan Qaboos in 2006, and as of July 2019, there were 261 registered unions in Oman under the umbrella of the General Federation of Oman Workers (GFW). However, they are monitored by the central government, thereby limiting their ability to operate independently. While Oman has been a member of the International Labour Organization (ILO) since 1991, it has not ratified many of its key standards, including Conventions No. 87, Freedom of Association and Protection of the Right to Organize Convention (1948), and No. 98, Right to Organize and Collective Bargaining Convention (1949). If undertaking a strike action, workers are required to provide their employer with three weeks' notice before commencing.

COVID-19 has had, and continues to have, a profound effect on the ability of Omanis to assemble in public. In March 2020, public parks were closed, while in April, social gatherings were banned in the lead up to Ramadan. Across the country, companies were allowed to have up to 50% of their workforce on site, dependent on their ability to comply with social distancing safety measures.

Periodically, lockdowns and closures have been enforced in the interests of public health. The Muscat governorate, for example, was locked down between April 10-22, 2020, and Dhofar similarly experienced a lockdown from mid-June to July 17, 2020. Drones have been deployed along with police and military to monitor compliance. The Royal Oman Police (ROP) arrested an unspecified number of citizens in June 2020 in the governorates of al-Dakhiliyah and al-Batinah North for breaking COVID-19 protocols.

Association /  
assembly rights

2

'06 '22 10



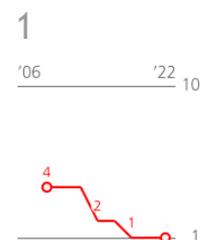
Free expression is another area in which a referral to the Basic Law tells only part of the story. Article 31 establishes two caveats to the freedom of expression, taking the form of “conditions prescribed by the Law,” and a broader prohibition on “anything that leads to discord, affects the security of State, or prejudices human dignity or rights.” As for the freedom to associate, the Basic Law provides little protection against restrictive legislation. The Press and Publications Law explicitly forbids any publications that offend the state, the Sultan, religion (particularly Islam) or that harm public order and/or morals. Teaching evolution in schools and publishing material in support of it are currently banned in Oman, in part because it diverges with conventional Islamic teaching on the subject.

Similarly to assembly rights, COVID-19 continues to impact the capacity of Omanis to express opinions and access information. In late March 2020, Oman’s Supreme Committee for Dealing with COVID-19 forced all newspapers to shut down and the circulation of print media to cease. While temporary moves of this nature have been justified in the name of reducing community transmission, decision-makers have also used the shield of the pandemic to enact new laws whose impact will in all probability outlive the virus. On June 10, 2020, Sultan Haitham bin Tariq established the Cyber Defence Centre (CDC) with Royal Decree No. 64/2020. Accordingly, the CDC will function as a division within the Internal Security Service (ISS), which has been criticized by international human rights groups for suppressing public freedoms. The ISS chief, currently Lt. Gen. Said bin Ali al-Hilali, will be the de facto head of the CDC under the current decree.

As a result, ISS has complete control over information systems and communication networks in Oman, with the CDC having the power not only to monitor networks, but also to isolate them and shut them down in the interests of security. Furthermore, all data and devices of every institution and societal group in the country may be accessed by ISS, who can use this access to procure evidence against activists. For example, on June 10, 2020, Muscat’s Court of First Instance sentenced both Salem al-Awfi, a former member of the Majlis al-Shura and Adel al-Kasbi, a journalist, to one year of jail for “using information technology to spread harm to public order.” Both individuals had taken to Twitter to criticize the state of corruption in Oman and the use of public funds for private advantage. They paid bail and await appeal hearings.

Later, on June 16, the Court of First Instance in Ibri sentenced blogger and activist Awadh al-Sawafi to a one-year jail sentence (suspended), along with a blanket ban on the use of social media platforms for the same duration. His crime under the Cyber Crime Law involved publishing information on social media deemed to harm public order. This is not al-Sawafi’s first interaction with the law, having been arrested in 2012 for insulting the late Sultan Qaboos. On July 19, 2020, Dhofari activist Ghazi al-Awlaki was summoned by the ISS’s Special Division and arrested for a series of posts he published on Facebook. He was detained until September 7, 2020, without access to his family or a lawyer.

Freedom of expression



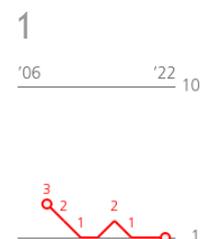
### 3 | Rule of Law

Owing to the highly centralized exercise of political authority in the sultanate, there is no working separation of powers in Oman. Checks and balances that do exist on paper do not have the independence to function adequately. The Majlis Oman, a bicameral body consisting of the State and Consultative Councils, has existed since 1997 and constitutes the prime representative organ of government. The Consultative Council (Majlis al-Shura) is the lower of the two chambers, whose 86 members are elected every four years by Omanis who must be 21 or over in order to vote. Each of the country's 61 wilayats has at least one representative seat allocated to them. Wilayats with a population greater than or equal to 30,000 are assigned two seats. The chairman of the Majlis al-Shura, formerly a royal appointee, has been elected by the members of the council since 2011.

The Majlis al-Shura possesses limited legislative powers and no executive functions, meaning that the sultan dominates the executive and the legislative branches of government. In the wake of the regional uprisings of 2011, an amendment was made to Oman's basic law that granted the Council of Oman several, albeit limited, legislative functions. The Majlis Oman is now able to propose legislation, review laws and summon ministers for questioning.

The upper house, the State Council (Majlis al-Dawla), in contrast to the Majlis al-Shura, is composed of 86 members, all of whom are appointed by the sultan. Under the terms of royal decree 99/2001, the Majlis al-Dawla has prerogatives to: propose draft legislation to be then referred to the government for consideration, amend and/or approve draft bills that have passed the Majlis al-Shura, review development plans and the annual budget and make recommendations to be submitted to the Council of Ministers. Elected representatives may therefore draft legislation, but they do not possess the unique ability to do so. As such, their primary role is one of review. Similarly, municipal politics are at the very least observed by centrally appointed members to the municipal councils. These councils do not enjoy financial independence or the ability to make unilateral decisions, particularly regarding budgets, without involvement from the central government.

Separation of powers



Though the Basic Law stipulates judicial independence, sultanic influence extends to the judiciary. The sultan not only chairs the Supreme Judicial Council, Oman's highest judicial body, but also makes all judicial appointments to Oman's courts. The system of civil courts consists of Courts of First Instance and accompanying Courts of Appeal. The Supreme Court of Oman presides above these two. In addition to this, administrative matters, meaning complaints regarding decisions and actions undertaken by the state's administrative apparatus, are handled by the Administrative Court pursuant to Article 67 of the Basic Law. Oman did have a State Security Court, but this was abolished by Royal Decree 102/2010. During the demonstrations of 2011/2012, activists called for the establishment of a constitutional court. These calls were ignored by the late Qaboos, and his successor shown little interest in reopening the issue to date.

Oman's record for tackling corruption and prosecuting officeholders is mixed. Since 2014, the sultanate has been a signatory to the United Nations Convention Against Corruption (UNCAC), which imposes obligations on ratifying member-states to adopt policies and procedures to prevent corrupt practices and establish proportionate disincentives and penalties. Taking action against corruption appears tied to political expediency. In March 2011, in the midst of a growing demonstration movement, then-Sultan Qaboos removed ten cabinet ministers, among them Ahmed Macki, who had managed Finance and Economic Affairs for two decades. Public concern with and perception of corruption was integral to Qaboos' decision to take such action.

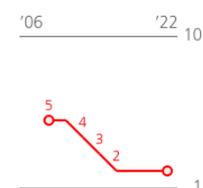
However, in the following years, such moves have become less frequent, and not because corruption has drastically decreased. A 2018 report from Oman's Public Prosecutor notes that 1,144 cases of misuse of power were handled by the agency in 2018; a substantial increase from the 685 cases recorded in 2017. Mohammed al-Busaidi, a member of the Majlis al-Shura, has argued that penalties for non-compliance should be made harsher in order to improve Oman's incentive against corruption. A notable exception was the sentencing of former commerce minister Mohammed bin Nasser al-Khusaibi to three years jail in 2015. Al-Khusaibi was found to have paid bribes amounting to 385,000 Omani rials (\$1 million) to former undersecretary of the Ministry of Transport and Communication, Mohammed al-Amri, for a contract award connected to the Muscat airport expansion.

Although Oman's Basic Law contains a discourse on the protection of civil liberties, the power to implement protection remains with the legislative process and legislation. Further, while the country has had a nominally independent National Human Rights Commission since 2008, its members are appointed by royal decree, and it therefore cannot be said to be truly independent of the regime and its own agenda when it comes to safeguarding human rights.

For example, Article 17 of the Basic Law prohibits discrimination on the basis of "gender, origin, color, language, religion, sect, domicile, or social status." However, the Nationality Law openly discriminates against women by not allowing them to

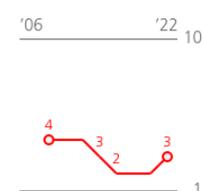
#### Independent judiciary

2



#### Prosecution of office abuse

3



#### Civil rights

2



transfer their citizenship to their children automatically, as is the case for their male counterparts. Women are able to pass their citizenship to their children with a foreign national only after divorce, becoming a widow, or if the father/husband abandons the family for a period of at least ten consecutive years. Meanwhile, Omani men transmit their citizenship automatically, regardless of marital status.

Further, Personal Status Law in Oman discriminates against women by reducing their autonomy and ability to act as active citizens. To begin with, women inherit half the amount given to male siblings or heirs. A woman's male guardian (a father, brother or other male blood relative) is required to contract an Omani woman into marriage, a condition that is not imposed on male Omanis. The law also stipulates that husbands may divorce their wives without cause or court procedure, whereas women must obtain a court approval, and can do so only on limited grounds. Fathers are additionally recognized as the legal guardians of children irrespective of whether the children in a divorce case live with their mother. Mothers therefore cannot make unilateral decisions about their children. For example, a mother and child cannot travel abroad without the permission of their male guardian.

The sultanate is yet to put forth legislation to combat domestic violence. Although the penal code and Article 37 of the Personal Status Law offer some legal protection to women, the subject itself is not discussed openly in the public sphere. Women who report being raped outside of marriage may find themselves prosecuted if authorities do not believe the woman's testimony.

In August 2020, Hotline 1100 was allocated to service victims of domestic violence during Oman's lockdowns, possibly signifying the practice to be more widespread than the state of public discourse would suggest. Female genital mutilation (FGM) is another area where redress is difficult to achieve; in a 2017 study, 78% of women reported having had the procedure. Omanis with non-normative gender identities also suffer discrimination. The 2018 penal code punishes consensual sexual intercourse between men with a jail term of between six months and three years, and even criminalizes non-normative gender expressions for the first time in Oman's history. Article 266 states that for any man found to be dressed in clothes understood to be for women, a sentence of between one month and a year in jail and/or a fine of 100 to 300 rials (\$260-780) will be handed down.

Concerning personal freedoms, Article 18 stipulates "personal freedom is guaranteed according to the Law, and it is unlawful to arrest, search, detain, or imprison any person or have his place of residence or freedom of movement or residence restricted except in accordance with the provisions of the Law." Hence, as long as a relevant law allows the above actions to be undertaken, there is little recourse for citizens to appeal. Jails in the sultanate are inaccessible to local or international independent monitors, meaning that it is impossible to determine whether conditions inside meet fundamental international standards. As has been highlighted in the case of activist Ghazi al-Awlaki, however, it is clear that citizens can be held without access to legal representation, even though this appears to violate the spirit of Article 24 of the Basic Law.

#### 4 | Stability of Democratic Institutions

Oman is a highly centralized sultanate. As a result, there are no inherently democratic institutions in the country. Those that do exist, such as municipal councils and the Majlis al-Shura, are at best partially democratic and do not possess the independence to unilaterally put the interests of the constituents they represent into legislation, regulation or policy without interference from the central regime. Any opening of the door to greater democracy is subject to political expediency in the face of challenges. Hence it was not until the regional uprisings of 2011 came knocking that then-Sultan Qaboos amended the Basic Law in order to expand the functions of the Majlis Oman, giving its members the ability to propose legislation. Additionally, Qaboos gave the Majlis al-Shura's members the right to appoint the chairman of the assembly, an appointment that he had previously made himself. Since then, the prerogatives of the Majlis Oman have not been updated in such a way as to facilitate further democratization.

Like the municipal councils, the Majlis Oman exists more as a vehicle through which opinions can be gathered and heard by the regime, rather than as a strong representative body capable of deliberating and implementing policies developed from within its chambers. Municipal councils can recommend actions and priorities pertaining to taxation, infrastructure, health services and environmental protection among other local services; but they do not make the final decisions on these matters. The Majlis Oman may advise the government and propose legislation, but it can be ignored by the government headed by the sultan, who retains the ability to dissolve the lower chamber at will and without explanation.

There is popular support within Oman for an empowered Majlis al-Shura. However, since ascending to the throne in 2020, new Sultan Haitham bin Tariq appears as unwilling as his predecessor Qaboos to enable an empowering of the sultanate's partially democratic institutions; understanding full well that any such move would restrict the executive authority he currently possesses.

However, unlike Qaboos, Sultan Haitham has delegated a number of ministerial portfolios, albeit to appointed ministers. Announcing his first cabinet in August 2020, the sultan gave these ministers responsibility for the ministries of defense, foreign affairs and finance while also appointing the head of the country's central bank (CBO). In January 2021, Sultan Haitham announced Royal Decree 6/2021, which established a mechanism in the Basic Law allowing for the appointment of the crown prince. By institutionalizing the appointment and prerogatives of the crown prince, this change could reduce the role of the royal family in matters of succession.

Performance of democratic institutions



Commitment to democratic institutions



### 5 | Political and Social Integration

Political parties and associated organizations are prohibited in Oman. Therefore, societal interests cannot be articulated, let alone aggregated through this channel. This is not to say, however, that societal interests are not aggregated at all. On one level, successfully elected members of the Majlis al-Shura and the municipal councils represent the interests of their constituents and, if relevant, professional sectors to which they belong. In this way, social expectations are channeled through familial, tribal and professional frameworks, and lobbies such as those for education, engineers and health do have some influence.

There are a range of active civil associations covering a broad spectrum of interests, including environment, education, health and development. Most of these, such as the Environment Society of Oman (ESO), enjoy the support of the ruling family, with Sayyid Tariq Bin Shabib al-Said serving as the organization’s patron.

Civil associations exist alongside more familial networks, while tribes, and more specifically prominent families within them, are well positioned to mediate between wider society and the state. Beyond electoral campaigns, it is known that a number of prominent tribal sheikhs receive state salaries which serve as a means of integrating them into the central state and incentivizing their acting as intermediaries between the state and their tribe.

As mentioned previously, Oman does allow private sector workers to form trade unions, and although they are monitored by the state, they do facilitate an accretion of member interests. For example, in late 2018, the General Federation of Oman Workers (GFOW) began criticizing employers who provided substandard accommodation to employees, stimulating a broader discussion on the subject and leading to improvements. Nonetheless, in 2020, GFOW acknowledged that violations persist.

Between November 22 and December 10, 2020, Omanis were invited to participate in the fourth cycle of a nationwide survey conducted by the National Center for Statistics and Information (NCSI). The surveys record opinions on living conditions, especially related to employment, the environment, health, and social relationships. The only political aspect included in the poll concerns priorities. In this way, the survey operates as a means of collecting data for consultation. There have been no similar polls conducted focusing on the popularity of the executive, the sultan or other sensitive elements of the political system. As such, garnering a quantitative and qualitative understanding as to the popularity of democratic norms and modes is difficult. However, the calls for empowering the Majlis al-Shura that have been made since 2011 suggest widespread support for a further representational opening in the sultanate. Crackdowns on activists in 2020 demonstrates the sensitivity of this issue, as the state’s use of coercive practices to disincentivize citizens from criticizing the status quo and calling for reform conveys a concern regarding the increasing presence of such calls in Oman.

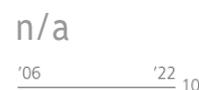
Party system



Interest groups



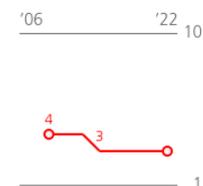
Approval of democracy



The Legatum Prosperity Index measures social capital in terms of the “strength of personal and social relationships, institutional trust, social norms, and civic participation in a country.” Its 2020 results saw Oman awarded a rank of 34 out of 167 countries and fifth in the Middle East and North Africa region. Within that, it records that institutional trust has barely shifted over the last ten years, with a score of 68.9 in 2010, dropping slightly to 66.9 in 2020. Most social capital is located within familial and tribal networks, which regularly intersect with mercantile and business interests in the major cities.

Social capital

3



## II. Economic Transformation

### 6 | Level of Socioeconomic Development

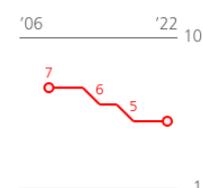
Structurally induced barriers remain a concern in Oman, especially in relation to gender, race, citizenship status and region. The sultanate is yet to become a signatory to the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR). Nevertheless, UNDP’s 2019 Human Development Index saw Oman improve one spot to 47/189 countries globally, while Oman was fifth in the Arab region with a score of 0.834. The gender inequality index stands at 0.306 as of 2019, while the most recent data (2018) on the loss of HDI due to inequality is 13.2%. The average life expectancy of Omanis is 77.6 years, according to UNDP.

Question

Score

Socioeconomic barriers

5



Oman, like other states in the Arabian Peninsula (“Jazeera”), has an economy that is reliant on rent-income from hydrocarbon resources (namely oil and gas). Not only does this put Oman at risk from fluctuating global oil and gas prices, it has also impacted its socioeconomic development. The three preeminent causes of poverty in Oman, namely high unemployment (upwards of 40%), employee underpayment and a lack of economic diversification, are linked to greater or lesser extents to a reliance on a rentier economy. Having said that, Oman has an impressive record in reducing extreme poverty, with the total number of those living under such conditions falling by more than half between 1990 and 2015. Since 2000, it has achieved eight of its Millennium Goals, including the provision of education for all citizens, including women and children.

Migrants from low socioeconomic countries of origin suffer various degrees of discrimination in Oman. Between November 2019 and November 2020, the size of the non-citizen workforce decreased from 1.71 million to 1.44 million individuals. Even before the onset of the COVID-19 pandemic, migrant workers, the majority of whom come from South and South-East Asia and East Africa, faced structural inequalities that severely impact their quality of life. Firstly, Omani labor laws do not require employers to pay migrant employees the minimum wage. This has a double effect. On the one hand, it reduces the capacity for migrants to live at a standard comparable to many Omanis. According to Human Rights Watch, an

estimated 100,000 migrant workers live “like second-class citizens.” On the other hand, it incentivizes employers to employ foreigners at the expense of locals, thereby contributing to the high rates of unemployment in the country.

Another socioeconomic barrier for migrant workers is the kafala (sponsorship) system, which ties domestic workers’ visas to their employer. In order to change employers, domestic workers need to acquire a “release” or “no-objection certificate” from their existing employer. This is a requirement regardless of whether the employee in question has completed their contract or is caught in an abusive workplace. In part because of the existence of the kafala system, Oman’s labor laws exclude domestic workers, meaning they cannot claim the same protections available to citizens.

Economic indicators		2017	2018	2019	2020
GDP	\$ M	70585.6	79788.8	76331.5	-
GDP growth	%	0.3	0.9	-0.8	-
Inflation (CPI)	%	1.6	0.9	0.1	<b>-0.9</b>
Unemployment	%	2.5	1.8	1.8	<b>5.0</b>
Foreign direct investment	% of GDP	4.1	7.4	4.5	-
Export growth	%	-1.3	4.6	1.6	-
Import growth	%	15.9	-3.4	-6.1	-
Current account balance	\$ M	-10980.6	-4289.1	-4140.3	-
Public debt	% of GDP	45.9	51.3	60.5	<b>81.2</b>
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	28.1	24.7	24.6	-
Public education spending	% of GDP	5.8	5.2	5.4	-
Public health spending	% of GDP	3.5	3.6	-	-
R&D expenditure	% of GDP	0.2	0.2	-	-
Military expenditure	% of GDP	9.6	9.5	8.6	<b>10.9</b>

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

The fundamentals of a market-based economy have been present in Oman for several decades. The local currency, the Omani rial (RO), has been pegged to the U.S. dollar since 1986, and currently trades at \$2.6 per RO. As in neighboring Gulf states, decision-makers in Oman have engaged in a mid-to-long-term strategy of shifting economic output away from over-reliance on gas and oil commodities. The key sectors associated with this shift are logistics/shipping, tourism, manufacturing, aquaculture and mining. All require further marketization to bring foreign investment and skills into the sultanate. As it stands, there are more than one million foreign workers in Oman.

The World Bank has given Oman a Doing Business 2020 rank of 68/190 globally, with an overall score of 70.0. Starting a business in Oman has been streamlined since the last BTI report, with the country acquiring an improved rank of 32/190 (score: 93.5), up from 37. On average, starting a business involves 4.5 procedures, takes 4.5 days and costs 3.1% GNI/capita. In 2019, Sultan Qaboos and his government put five new laws into effect in an effort to attract foreign investment by signaling Oman's seriousness in improving its competitiveness to the international community. These are the Public-Private Partnership Law, the Foreign Capital Investment Law (FCIL, Royal Decree 50/2019), an updated Privatization Law, the Bankruptcy Law; and the Commercial Companies Law (Royal Decree 18/2019). The FCIL is viewed in a particularly promising light, given that it removed minimum share capital requirements and the pre-existing limits on foreign ownership of Omani companies.

Yet as reported by the U.S. Department of State, smaller firms without an existing presence in the country or region remain at a disadvantage when entering the Omani market due to bureaucratic obstacles. These include payment delays to firms, which are pervasive across multiple sectors, and the requirement to hire and retain local employees in compliance with Oman's "Omanization" program.

This program, which has been in place for decades, is designed to reduce reliance on foreign labor expertise and reduce local unemployment. Most recently, the Ministry of Manpower announced in January 2021 that fees for importing employees for senior and specialized positions would be raised in order to disincentivize the practice. Similar fee increases occurred in 2016, with an outright ban on labor importation imposed on 87 professions in accounting, engineering, finance, human resources, insurance, IT, marketing, media and public relations in 2018. This comes as the number of foreign workers in the sultanate fell by 15.7% in 2020 as a consequence of the COVID-19 pandemic.

Market  
organization

6



Oman's first Competition Protection and Monopoly Prevention Law was promulgated by Royal Decree 67/2014. It established a maximum market share of 35% that can be owned by an individual or conglomerate. Exceptions to this ceiling can be made, up to a 50% market share, but only with permission from the Public Authority for Consumer Protection (PACP). However, this regulation excluded state-run public utility entities as well as public and private research & development entities. In 2020, the Minister of Commerce, Industry and Investment Promotion (MoCIIP) issued a Ministerial Decision (18/2020), clarifying the terms regulating the law. It is also important to note that as of early 2021, Oman does not have an active independent competition commission to monitor the application of the relevant legal framework.

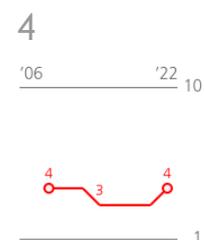
In March 2020, the Public Authority for Consumer Protection (PACP) issued a warning to Omani businesses against anti-competition behaviors and price gouging, following vocal criticisms on social media by citizens decrying inflated pricing during the COVID-19 pandemic.

Oman has been active in liberalizing its trade regime, an area of policy especially important in its plan to diversify its economic output. It has been a World Trade Organization (WTO) member since 2000, and a member of the Gulf Cooperation Council (GCC) since 2003, and it is therefore a party to the regulations and stipulations of both bodies. Additionally, the sultanate has 26 bilateral investment treaties (BITs) with: Algeria, Austria, Belarus, China, Croatia, Egypt, Finland, France, Germany, India, Iran, Italy, Republic of Korea, Lebanon, Morocco, Netherlands, Pakistan, Singapore, Sudan, Sweden, Switzerland, Tunisia, Turkey, the United Kingdom, Uzbekistan, and Yemen.

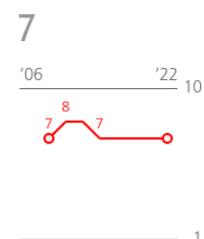
Foreign companies interested in importing products into Oman are required to register with the Ministry of Commerce and Industry via the online "Bayan" system. Sensitive products, including alcohol, firearms, explosives, medicinal narcotics and livestock, require a special license, while imported media items must pass through the Ministry of Heritage and Culture for censoring of material deemed politically or morally sensitive. Licensing can be a prolonged experience, adding significant time to schedules.

Current statistics from the WTO are dated from 2019, at which time the simple average most favored nation applied tariff rate (MFN) averaged 5.6% in total, increasing to 11.8% on agricultural products and 4.6% on non-agricultural products. In order to boost foreign investment, then-Sultan Qaboos issued Royal Decree 50/2019, which produced a new Foreign Capital Investment Law (FCIL) that came into effect in January 2020. The updated FCIL removed minimum capital requirements and increased the number of sectors in which 100% foreign ownership is allowed. Privileges which hitherto were available to U.S. nationals as part of the U.S.-Oman Free Trade Agreement (FTA) have now been extended to all foreign investors.

#### Competition policy



#### Liberalization of foreign trade



Oman's banking system is composed of eight local and nine international banks, including both conventional and Islamic banks. For foreign banks, there are no restrictions imposed on establishing operations, provided they comply with directives from the central bank (CBO). The CBO supervises the operations of all banks, while the Banking Law and Capital Market Law establish the foundations for day-to-day procedures. The Capital Market Authority (CMA) is the supervising center for the Muscat Securities Market, where all listed stock is traded. In general, Oman's banks are well regarded regionally, with low levels of non-performing loans (4% in September 2020), and stable funding portfolios. Public sector deposits have been an important component in these portfolios historically, although rating agencies such as Fitch have raised concerns regarding the high deposit concentration, given the weakening financial flexibility of the sovereign as a consequence of the COVID-19 pandemic.

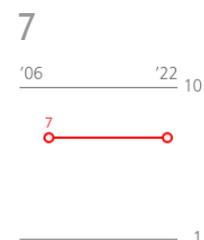
IMF data show that as of December 2020, capital adequacy ratios averaged 19.1% across the banks, with the Liquidity Coverage Ratio (LCR) sitting around 200%, substantially above the minimum required by CBO regulation. This offsets some of the concerns regarding high deposit concentration. The ongoing COVID-19 pandemic has impacted the asset value of Oman's banks. A KPMG report published in late 2020 recorded that on average, Omani banks saw profits decline 34.2% in the first half of 2020 in comparison to the same time in 2019. Bank Nizwa, the sultanate's first Islamic bank, bucked this trend with a 37% increase in net profits in the first half of 2020. In response to the pandemic, the CBO eased financial conditions by lowering interest rates and relaxing pre-COVID-19 requirements on liquidity ratios and capital buffers.

## 8 | Monetary and fiscal stability

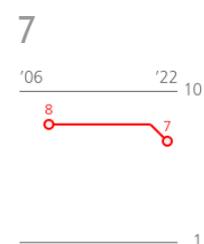
The CBO is the pre-eminent monetary authority in Oman. Its seven-member board is appointed by the sultan and currently sits under the chairmanship of Sayyid Taimur bin Asad bin Tariq al-Said, the son of Sultan Haitham's half-brother. The Omani rial has been pegged to the U.S. dollar since 1986, which means that interest rates generally follow those in the United States. Inflation (CPI) has remained low, at 0.134% in 2019 according to the World Bank, and persistently tracking downwards from a high of more than 12% in 2008.

Oman is the largest oil exporter outside of OPEC, and its fiscal stability therefore remains inextricably tied to the state of global oil and gas markets. On top of this, the COVID-19 pandemic has had, and continues to have, a profound negative impact on fiscal stability. With the country on track to record its eighth straight budget deficit in 2021, the government will have to resort to reserves and borrowing in order to cover up to 73% of the shortfall in 2021, even with a 14% decrease in budgeted expenditure compared with 2020. As the 2021 budget is based on the

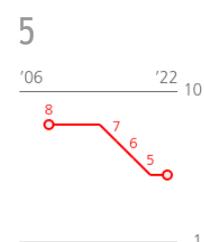
### Banking system



### Monetary stability



### Fiscal stability



price of oil being \$45 per barrel, there is a chance that the deficit could grow further should income from exports contract. This means that although the fiscal deficit, which increased to over 17% of GDP in 2020 as a consequence of the COVID-19 pandemic, is expected to decrease through 2021 and 2022, this assumption is predicated on a recovery in the price of oil.

In 2019, the current account balance was -\$4.14 billion and public debt reached in excess of 63.1% of GDP, while government consumption stood at 24.6% of GDP and the sultanate's reserves touched \$16.66 billion. Reflecting concern with the negative outlook, rating agency Fitch downgraded Oman's Long-Term Foreign-Currency Issuer Default Rating (IDR) from "BB" to "BB-" in August 2020 as a consequence of the erosion of the sultanate's external and fiscal balance sheets.

## 9 | Private Property

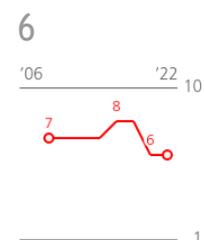
Private property rights are outlined in the Basic Law, with Article 11 establishing safeguards for private ownership, such as that "no person shall be prevented from disposing of his property except within the limits of the Law. And no property shall be expropriated except for the public interest in case, stipulated by the Law and in the manner specified therein." Private property ownership and acquisition is consequently regulated, and the state is able to interfere in the interests of security. For example, Royal Decree 29/2018 prohibited the ownership of strategically important land and some real estate by non-nationals, resulting in the transferal of over 1,000 property titles from foreigners to nationals between November 2018 and June 2020.

Article 1 of the decree prohibits non-Omanis from owning land and real estate in Musandam, Buraimi, Dhahirah, al-Wusta, Dhofar (except Salalah), Liwa, Shinas, Masirah, Jebel Akhdar and Jebel Shams. Furthermore, Article 2 stipulates that non-nationals who own land cannot use their properties for agricultural purposes anywhere in the country. According to the International Property Rights Index (IPRI), Oman is ranked 32 of 129 countries. Oman's confiscation of land that previously belonged to the Sunni al-Shehhi Tribe, the largest in Musandam, has caused a stir among Oman's GCC colleagues, who are concerned about the possible increase of Iranian interference.

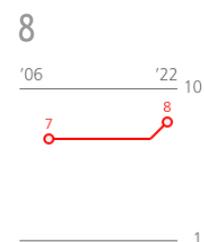
Private enterprise is a key component of the Oman 2040 Vision, which envisions a non-oil share of GDP of more than 90%. According to the Oxford Business Group, this vision for GDP diversification dovetails with the 40% Omanization target rate for the private sector, as the plan for the privatization of government assets will assist in realizing this ambition while simultaneously improving the fiscal outlook.

Royal Decree 51/2019 established a new Privatization Law that replaced its 2004 predecessor and updated its terms of reference in relation to the procedures of determining and awarding privatization contracts and outlining the conditions under

### Property rights



### Private enterprise



which the restructuring of government assets can take place. The Public Authority for Privatization and Partnership (PAPP) is responsible for overseeing the law's application. Since 2017, privatization has been a common discussion point, with more than 70 state-owned assets having been identified as having potential for privatization. This includes the Omani Electricity Holding Company (Nama Group), which sold a 49% stake in the Oman Electricity Transmission Company to the Chinese firm China National Electricity Grid Corporation in December 2019, contributing around \$1 billion to Oman's balance sheets. Nama Group is planning for four more privatizations, including the Muscat Electricity Distribution Company (MEDC). Initially scheduled to be complete by the end of 2020, a meeting in July 2020 of the Nama Group confirmed that while the process has been delayed, the group remains committed to selling 70% of its shares in the MEDC and is receiving bids.

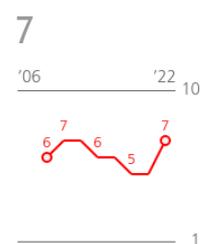
## 10 | Welfare Regime

The Omani state provides citizens with a range of social benefits with pensions and insurance available to both private and public sector employees. To date, the social safety net has been funded overwhelmingly by oil and gas revenues rather than taxation. However, this model has come under increasing pressure from the drop in global oil prices and the economic downturn precipitated by the COVID-19 pandemic. Before the full onset of both, however, the government, under the late Sultan Qaboos, had already implemented some changes. In 2018, it was announced that all companies in Oman would be required to provide their employees with health insurance from 2019 onwards. Mandatory health insurance will open Oman up to international health care providers and simultaneously reduce costs for the state, since private sector employees will receive at least basic coverage from private providers. Citizens of GCC states are able to access the public health system, but other foreign workers must have coverage provided by their employers, or they will be without insurance coverage.

Unemployment among Omanis, especially between 15 and 29 years of age, has been a persistent problem for decision-makers. Statistics from the National Center for Statistics and Information (NCSI) showed that by March 2020, upwards of 13% of Oman's unemployed were between 15 and 29 years old. Meanwhile, World Bank data indicates that the share of young adults without employment may instead hover around 50%. In an effort to provide a level of support for unemployed citizens, Sultan Haitham announced, the creation of an Employment Security Scheme to be administered by the Public Authority for Social Insurance (PASI) via Royal Decree 82/2020 in August 2020. The scheme came into effect in November 2020, and covers all workers from the public, private, military and security sectors.

The scheme is designed to provide temporary income support to insured Omanis who have become involuntarily unemployed and are seeking reemployment. To be eligible, citizens must be insured first, a status linked to employment. The

Social safety nets



requirement of demonstrating 12 months of employment to access the scheme's benefits has been waived for the first year of implementation. Income support amounts to 60% of the average salary paid to the individual in the last 24 months prior to their becoming unemployed. Payments are made for six months, either consecutively or non-consecutively.

The Omani government implemented a number of measures to support its citizens in the face of the unprecedented impact of COVID-19 on the economy and society of the country. Concerned by a possible surge in unemployment, the government announced a package of measures to keep citizens at work on April 15, 2020. Part of this involved supporting businesses and encouraging them to release available annual leave payments in advance and to enable employees to negotiate salary reductions to maintain employment. Furthermore, for Omani employees who had salaries reduced, the government encouraged banks to allow for fee-free loan rescheduling, provided increased fuel subsidies, and ordered the postponement of utilities bills until the end of June 2020.

The government began its COVID-19 vaccination program in December 2020, reserving an initial one million doses from the Global Alliance for Vaccines and Immunization (GAVI), constituting approximately 20% of the required amount. In the first phase, the government has prioritized citizens over 60 years of age. Only the governorate of Musandam has offered the vaccine to all Omanis and non-Omanis free of charge. In the rest of the country, non-citizens are required to pay a fee of 25 RO (\$65).

In terms of equal opportunity, Oman's Basic Law offers a potentially comprehensive framework prohibiting discrimination based on "gender, origin, color, language, religion, sect, domicile, or social status." At the same time, as for other provisions within the Basic Law, it is the role of legislation to make these theoretical protections applicable and enforced.

This does not always occur consistently. Anecdotally, individuals from tribes (and clans within tribes) that are perceived to be of inferior origin or who come from a lower socioeconomic class have struggled to attain higher managerial positions.

For able-bodied Omanis, there are no limitations on primary and secondary education, with access provided to all children. The registration of Omani girls in higher education stood at 73% in 2020, and almost 40% of scholarships for studies abroad were awarded to female students. However, Omanis with disabilities do not have the same ease of access to either education or employment. In recent years, Oman has taken steps to begin addressing this, partnering with UNICEF in a project (completed in 2019) to strengthen the classification system of disabilities in the country, and develop a nationwide map of existing services for persons with disabilities. Kaderoon (They can), a new program initiated in summer 2019, is intended to improve the employability of people with disabilities.

Equal opportunity

5

'06 '22 10



1

In 2018, literacy rates reached 95.7% in total, broken into 97.0% for men and 92.7% for women. The ratio of female to male enrollment (2020) meanwhile equated to 1.1 at the primary level, 0.9 in secondary school, and 1.5 for tertiary education. As a percentage, gross enrollment was high in 2020. However, it is disturbing to note that it becomes lower the longer students remain enrolled, with 102.9% in primary education, 107.1% in secondary, and a considerable drop to 40.4% in the tertiary sector.

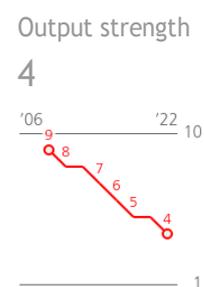
Omani women remain underrepresented in the workforce, although Oman performs better than a number of its neighbors in the region. The World Bank reports that women (15 years old and older) composed 27.03% of the workforce in 2010, a figure that increased to 35.97% in 2019. Of this, 26.4% of all private sector labor was conducted by women in 2019, compared with 41.9% in the public sector. And while women make up almost 50% of voters (47.3%), there are currently only two women elected to the Majlis al-Shura.

Non-national residents cannot access the same benefits as Omani citizens, and the process through which some more highly skilled and financially well-off migrants can access similar benefits is a prolonged one. Oman is not a signatory to the United Nations' International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families. Migrant workers from lower socioeconomic backgrounds are often given employment in Oman through the Kafala system, which offers few if any substantial employment protections.

## 11 | Economic Performance

Oman's economic output has been constrained by low oil prices and the effects of COVID-19. In mid-2020, oil prices fell below \$40 per barrel. As a result, GDP from hydrocarbon exports contracted by more than 6%. GDP from the rest of the economy shrank more than 10% in 2020. In 2019, GDP totaled \$76.3 billion, a decline from 2018 records. The downturn caused by the onset of COVID-19 has done away with the incremental recovery that has been underway since 2018. Also, in 2019, GDP (CPI) was 0.1% while PPP was \$28,507, falling from \$45,517 in 2009. GDP per capita growth was negative in 2019, registering -4.5%; maintaining the trend of what has averaged out to a decline over the past decade.

According to the IMF, inflation (CPI) was 1% across 2020, while World Bank forecasts have this figure reaching 2.6% in 2021 and 1.7% in 2022. Different statistics for unemployment are in circulation. ILO statistics put the figure at 11.55% in 2019, while the World Bank registered it at 5.0% in 2020. Meanwhile, in a recent economic update, Fitch stated unemployment is forecast to increase from 2.7% in 2020 to 3.8% in 2021. Unofficial statistics from activists in Oman suggest that the real unemployment rate is much higher, especially among young Omanis.



Foreign Direct Investment has fluctuated in the last few years. UNCTAD's World Investment Report (2020) records that the sultanate received \$3.1 billion in 2019, showing a decrease compared to \$4.2 billion in 2018. However, during 2020, statistics from Oman's NCSI state that at the end of the second quarter of 2020, FDI stood at RO 15.4 billion, constituting an increase of 13.2% on FDI into the sultanate during the same period in 2019. The three most important partners for FDI to Oman are the United Kingdom, the United States, and the United Arab Emirates. World Bank statistics show an FDI of 4.5% of GDP in 2019, falling by almost half from 2018's 7.4%.

Oman's current account balance of -\$4.14 billion in 2019 (largely unchanged from 2018), has been negatively impacted by the twin factors of low oil prices and the COVID-19 pandemic. The World Bank forecasts that in such an environment, the account balance will reach -12.7% of GDP, recovering slightly in 2022 to -6.2% of GDP. Oman's finance ministry expects public debt to exceed 21.7 billion RO (\$56.37 billion) by the end of 2021, with required international borrowing making up 76% of total public debt. This constitutes an increase of about 23% since the end of 2019 and has been a concern for all of the international ratings agencies that have rated Oman below investment grade.

There are no up-to-date figures on tax revenue or net lending from the World Bank. However, according to Omani government sources, total tax revenues were up by 8% in 2019 compared to forecasts contained in the budget estimates. This can be contributed in part to the introduction of Excise Tax during 2019. Oman is on track to introduce a 5% value-added tax (VAT) in April 2021 which, when combined with the existing Excise Tax, is expected to add over \$1 billion to the budget's bottom line. Further, Oman is forging ahead with plans to introduce an income tax on high income earners in 2022; it will be the first member of the GCC to do so. Most recent data (2019) from the World Bank saw Oman post gross capital formation to the value of 20.5% of GDP.

## 12 | Sustainability

Due to the realities of geography, more than 90% of Oman's physical territory is classified as either desert or semi-arid terrain. The environmental component of the Oman 2040 Vision is therefore as much a matter of survival as it is of being a good global citizen. A number of initiatives of various scales have been and are being implemented. For example, part of the Vision 2040 and the National Energy Strategy is to have at least 30% of Oman's electricity produced from renewable sources by 2030. Contributing to this, a wind farm was commissioned in Dhofar in November 2019, and two solar independent power projects (IPPs) (Manah I and Manah II) were in the tendering stage until March 16, 2021.

Environmental  
policy

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On a smaller scale, the government is promoting its “Sahim Initiative” to encourage the installation of solar panels across the country. Initiated in 2017, and now in its second phase, Sahim II aims to provide 10-30% of homes in Oman with panels to contribute to electricity production. Regarding consumption, a ban on single-use plastic bags was introduced by Ministerial Decree 23/2020. Single-use bags will no longer be distributed across the country, with violations penalized with a fine between \$260 and \$5,200 depending on the nature and scope of the violation.

Oman’s present education system owes its existence to Qaboos’s endeavors to modernize the sector since his ascension in 1970. It is a task and legacy continued by Sultan Haitham and is one of thirteen national priorities in the Vision 2040. A key part of this involves radically improving the quality of education at all levels in order for Oman to be listed among the top 20 countries in UNESCO’s education development index by 2030, and in the top 10 countries by 2040. The U.N.’s Education Index scored Oman 0.718 in 2019, with R&D expenditure constituting 0.2% of GDP in 2018. Literacy stood at 95.7% of the population in 2018.

However, there are important questions to be answered concerning how the different elements of the 2040 plan can be realized. For example, it is not clear how the desire for “an effective national system that nurtures scientific research, innovation, and creativity,” is consistent with a “value-enforcing curricula that incorporate Islamic principles and Omani identity.” Furthermore, as UNESCO commented in 2018, there is no specific data about apprenticeships and other models of technical work-based learning (WBL), making it difficult to see how investment in the sector can improve outcomes. At the same time, there are signs of commitment. In 2019, Oman invested \$4.2 billion into the education system, or 6.5% of GDP for that year. Education therefore received the highest allocation of budgetary funds (34.7% of the total budget) in 2019. However, it remains to be seen if this commitment will be sustained and matched by changes to curriculums.

Education policy /  
R&D

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## Governance

### I. Level of Difficulty

Oman does not have many structural difficulties that constrain the governing capacity of decision-makers. However, those that it does face are significant, including its reliance on international markets to import upwards of 60% of its domestic food consumption needs. The natural environment of the country, with just 0.25% of its land area considered arable, means that self-sufficiency in food production is unlikely. Regionally, Oman navigates treacherous waters, as the ongoing rivalry in the Gulf between Saudi Arabia and Iran has shown no signs of dissipating in recent years. Insecurity from the war in Yemen and attacks against shipping lines in the Straits of Hormuz threaten to disrupt Oman's stability and investment attractiveness, should tensions escalate.

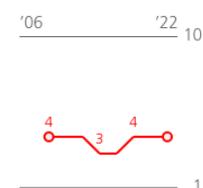
Reliance on oil and gas exports renders the sultanate vulnerable to global commodity markets at a time when, like its neighbors in the Gulf, it is attempting to diversify its economy and revenue streams. The onset of the COVID-19 pandemic has shown more light on this, with supply chains disrupted and decreasing demand for oil placing additional fiscal costs on reform efforts. Yet with more than 60% of the population aged 30 years or younger, economic diversification for the creation of employment opportunities cannot be sidelined given the high rate of youth unemployment.

Oman has a very limited tradition of civil society, and many of the prominent organizations operating today possess only two to three decades of institutional memory and experience. These include the Omani Society of Engineers (OSE), established by ministerial decree in 2001, and Tawasul, the first nationally based, private and independent think tank in Oman, which opened in 2008. One of the oldest CSOs, the Omani Women's Association (OWA), which was established by royal decree in the 1970s after the ascension of Qaboos, is an outlier in terms of its longevity.

Citizen participation in civil society is heavily monitored, reducing opportunities for independent action and open critique. All CSOs owe their continuing existence to their acceptance of an established model of relations between the civil society and the state. Broadly consisting of three groups, namely regime elites, religious and tribal authorities and leaders, and the country's youth, state-society relations are framed by the Islamic principle of shura (consultation) within Oman's Ibadi tradition. The unwritten assumption is that this younger generation will, like their parents and grandparents, accept this model as satisfactory.

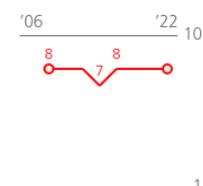
Structural constraints

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Civil society traditions

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Under the leadership of the late Sultan Qaboos, Oman was successful in developing and imposing the idea of the modern Omani nation, in which the concept of renaissance (Nahda) was and is central. To this end, possible cleavage points in society around tribal disagreement and historical confrontation, sectarianism, class, and ethnicity (Arabs: both from the Peninsula and Swahili speakers from the Swahili coast, Baluchis and Ajmis, Lurs, Mehri, Lawatis and Omanis of African origin) are subsumed by loyalty to the nation as embodied by the sultan. Additionally, the sheer scope of economic development enabled by rent that occurred under Qaboos's rule made it relatively easy for the state to ensure that while development would be inevitably uneven, all Omanis would see an improvement in living standards.

However, it is unclear whether the new era of Sultan Haitham will be able to rely on a similar trajectory of socioeconomic development. Since 2000, demonstrations born from stubbornly high unemployment have persisted, and perceptions of corruption have seen an increase in citizens' frustration which, if left unaddressed, risks societal polarization. This is undoubtedly a challenge for Sultan Haitham.

## II. Governance Performance

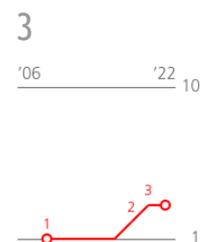
### 14 | Steering Capability

It is important to recognize that governments in Oman cannot be separated from the ruling dynasty. The House of Al Said has demonstrated deftness in integrating the process of Omani renaissance with the survival of their dynasty. Inasmuch as survival is understood as the pre-eminent priority, a maintenance of policies that contribute to this overall objective under Qaboos, with Haitham appearing to follow his lead. The implementation of Omanization in private sector employment, for example, ought to be read in this light.

Advocation for local employment is commendable, but this form of state intervention in the market risks reducing expertise in the domestic economy by sidelining potential employees from abroad. In July 2020, the Ministry of Manpower identified 11 professions to be reserved for citizens only and introduced new quotas for all sectors to boost local employment figures. For example, in the fishing industry, 70% of managerial positions must be filled by local labor by 2024.

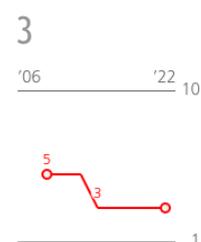
The Vision 2040 consists of three pillars: "people and society," "economy & development," and "governance & institutional performance," within which are a number of related sub-areas. COVID-19 has necessitated a change in priorities, as the suppression of community transmission has become the pre-eminent priority. Oman's community restrictions have depressed economic growth, which will inevitably impact the country's recovery.

Conflict intensity



Question  
Score

Prioritization



Because the ultimate priority for the House of Al Said is its survival, any loosening of the tight centralized control it currently enjoys over Omani politics must correspond to a change in the sociopolitical environment. If there is no change in the sociopolitical environment, no policy moves toward greater democratization and decentralization are likely. Amendments to the penal code in 2018 have given the regime substantial powers to utilize coercion against demonstrations and dissenting voices, given that “anyone who seeks to stir up religious or sectarian unrest or discord, or fosters feelings of resentment, hatred or disunity among the population, or incites others to do so, shall be imprisoned for a term of not less than three years and not more than ten years.”

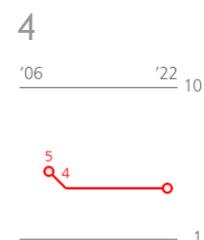
As far as further marketization is concerned, policymakers are caught in a dilemma. On one hand, the Omanization initiative requires state intervention and regulation, which works against the principles of a market-based economy and may serve to reduce investor confidence and Omani competitiveness. On the other hand, intervention of this nature contributes to regime stability by continuing to sustain the image of the state as one that provides for its citizens. This makes it difficult for decision-makers to sustain a coherent economic narrative, as shown by the unachieved goals of Vision 2020. In 1995, when it was introduced, Vision 2020 targeted an Omanization rate in the private sector of 75% by 2020.

Yet between 2007 and 2017, the number of foreign workers tripled in Oman, comprising 45% of the total resident population in the country. Unsurprisingly, the Omanization rate in the private sector was far from the desired 75% at the beginning of 2020. The non-citizen workforce decreased from 1.71 million to 1.44 million individuals from November 2019 to November 2020.

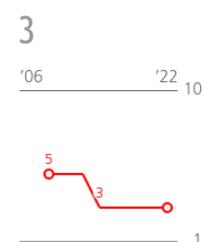
Omani decision-makers are cautious, conservative and concerned about image in the face of policy setbacks, resulting in a lack of transparency in communication. This may also help explain why the updated penal code contains many broad categories that allow security agencies to interpret legitimate and well-meaning criticism as examples of disseminating public unrest. For example, there has been no public review into why a number of significant objectives outlined in the Vision 2020 were not met, nor into the subsequent question of, what confidence there is that Vision 2040 will be different. Short term stabilization appears to take precedence over longer-term development.

The sultanate has collaborated with and learned from international agencies such as the World Health Organization (WHO) in its COVID-19 response. This included the dissemination of technical guides and procedures to educate the public and mid-level policy implementers, the creation of national workshops and training meetings, and Oman’s involvement in global WHO research and partnerships contributing to evidence for monitoring Oman’s COVID-19 response.

#### Implementation



#### Policy learning



## 15 | Resource Efficiency

On a historical spectrum, the effective use of resources by Oman for purposes of development since 1970 cannot be denied. However, in the 21st century, it has become more difficult for decision-makers to manage expenditure efficiently. Since 2014, the annual budget has been in deficit, and this looks to continue into 2022 and beyond if oil prices do not recover. Similarly, human resources have proven difficult to manage efficiently, with the Omanization targets in Vision 2020 ultimately being too ambitious to realize, and therefore being downgraded in Vision 2040. In part, this is because the education sector needs further reform to produce graduates capable of working in an increasingly technical workplace. This in turn takes years of planning and implementation before results are visible. Alluding to this, Omanization targets up to 2020 have focused on lower-skilled positions.

Oman is a highly centralized country, with power tightly held in Muscat. Qaboos's reorganization of administration by royal decree in October 2011 created the present system of governorates. Decentralization within the governorates in the form of municipal councils are integrated upward, rather than decision-making powers being relocated to them from the center. As a result, the councils function more as consultation venues than as opportunities for local governance and citizen empowerment.

The 2021 budget relies on the oil price not dropping below \$45 per barrel. Given Deloitte's 2021 assessment that the oil recovery will be strong but remain between 4% and 7% lower than pre-COVID-19 levels, there is some risk that Oman may struggle to coordinate its policy agenda should its fiscal condition worsen. Such a scenario could produce obstacles for the implementation of the Vision 2040 program. Even beyond this, the Vision 2040 seems to contain a number of contradictory elements for which few solutions are provided.

The Vision sets forth an aim "to modernize the educational ecosystem, support scientific research and innovation" and identifies quality education as a key national priority. It was also a priority in Vision 2020. However, according to the World Economic Forum, Oman's scores have barely moved. In 2012 it received a score of 3.9 (7 being the highest and 1 the lowest) and a rank of 86 out of 167 countries for "local availability of specialized training services." In the most recent results from 2018, Oman's score was 3.7 and its rank 113/167. In the category of "quality of scientific research institutions," Oman's 2012 score of 3.5 and rank of 74/167 is better than its 2018 results of 3.2 and 104/167.

The worrying sign here is that despite all of the rhetoric about and investment in education development, Oman's scores have barely moved. The sultanate remains a very traditional society governed by traditional and conservative social norms that appear to impede the development of an open, critical education system. Yet providing a high-quality education system is essential in ensuring that the country's Omanization initiative succeeds in the long term. This example suggests that policy coherency and alignment is lacking in the implementation of nation-building policy.

Efficient use of assets

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Policy coordination

4

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In 2014, the sultanate ratified the U.N. Convention Against Corruption (UNCAC) and, two years later, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Anti-corruption efforts in Oman are led by the State Financial and Administrative Audit Institution (SFAAI) which replaced the State Audit Institution (SAI) in 2011. No dedicated or independent anti-corruption investigative agency exists.

Post-investigation results are not generally released publicly, although annual reports are passed on to the Majlis al-Shura, State Council, Council of Ministers and the sultan. However, with the 2018 annual report only released in January 2020, there are questions about the timeliness of reportage. Other agencies, notably the Royal Oman Police and the Internal Security Service (ISS), are also involved in combating corruption. There are concerns about a lack of procedural transparency that could open the door to corrupt practices.

For example, in the defense sector, there is “no defined process for acquisition planning” available to the public and civilian scrutiny according to the Government Defense Index (GDI). The public is kept in the dark regarding the process through which military priorities are determined and acted on in the market. Procurement is exempt from public tender, and information is not shared with the Majlis al-Shura, which does not debate defense purchases.

Contrastingly, vocal critics of Oman’s handling of corrupt practices seem to find themselves before courts more frequently. In June 2020, Muscat’s Court of First Instance sentenced Salem al-Awfi, a former member of the Majlis al-Shura, and journalist Adel al-Kasbi to one year in prison each for posting tweets criticizing the approach to corruption in the country. It was argued that their tweets constituted a use of “information technology to spread harm to public order.” Similarly, Canadian citizen André Gauthier was detained in Oman in 2019 and extradited to the United Arab Emirates, where he was jailed for corrupt practices. Released in 2020, Gauthier declared his innocence and claimed he was set up, which raises questions about the state of corruption in some sectors of GCC trade.

## 16 | Consensus-Building

The success of the late Qaboos’s endeavor to make the national narrative of development and renaissance synonymous with his personal being is demonstrated in the decision made by his successor, Sultan Haitham, to hang his royal portrait alongside that of Qaboos. There are a number of sectors, such as the tribal elite, religious authorities and business elite, that, having benefited from the status quo, support the centralized nature of decision-making in the hand of the sultan. Simultaneously, there is a consistent recent history of demonstrations calling for greater democratization, accountability and a loosening of control from the center. Ibadi dissidents led some protests in 2005, there were labor protests in 2011 and

Anti-corruption  
policy

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Consensus on goals

4



2018, and since 2011, there have been broader societal protests against corruption and worsening economic conditions. It remains to be seen what Sultan Haitham's exact level of commitment to delegating decision-making, let alone democratization, may be.

Further developing the economy along market lines is an integral part of achieving the ambitious development goals outlined in the Oman Vision 2040, which replaced the Oman Vision 2020. One goal that remained unmet in Vision 2020 is particularly revealing as to the importance of this task: increasing the percentage of Omanis employed in the private sector. By the end of 2019, the percentage of local employees in the private sector stood at around 15%, far from the desired 75% as outlined in the Vision 2020 document. This means that the public sector remains the driver of consumption, given that it is the largest employer of Omanis. Following the dismantlement of the Ministry of National Economy in 2011, a new supreme council for planning that was supposed to take over many of the ministry's functions and responsibilities was established by royal decree in May 2012. In December 2013, the sultan issued royal orders to create a committee responsible for developing and drafting a new long-term national strategy entitled Oman Vision 2040, intended to replace the previous Oman Vision 2020 (published in 1995). The Oman Vision 2040 committee issued a preliminary vision document in January 2019 emphasizing the need "to build a productive and diversified economy, founded on innovation and the integration of roles, on equal opportunities and the leveraging of Oman's competitive advantages, driven by the private sector toward synergy with the global economy and active contribution to global trade." In the context of extreme volatility of oil prices and increasing socioeconomic tensions, it remains to be seen what degree of consensus these declarations of intention will be able to command among the broader population.

Regime control over the limited democratic processes and institutions in the sultanate means that reformers have no affective capacity to co-opt anti-democratic actors. The broad provisions of the 2018 penal code, which remains un-amended, can by design be implemented to restrict and repress the activities of civil society and any domestic independent voices that emerge to critically question the status quo. Laws of this nature convey clearly that in the absence of a critical social mass capable of altering the established relations between state and society, reform along democratic lines is not on the regime's agenda.

Anti-democratic  
actors

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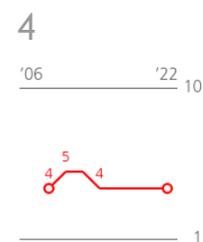
Under Qaboos, the House of Al Said demonstrated adeptness in managing cleavages and maintaining the model of social cohesion developed over the course of his reign. In addition to a compelling national narrative of renaissance, this was made possible through the deployment of state resources to improve the living standards of most Omanis while integrating existing social networks (religious, ethnic, mercantile, tribal) into the fabric of the expanding centralized state. However, in the last 12 or so years, increasing evidence of disgruntlement has emerged, suggesting that the established model of conflict mitigation is struggling to meet the new and emerging realities of many Omanis.

Demonstrations in 2011, 2012, 2018 and 2019 over living conditions and the increasing rates of unemployment in the country, especially among young Omanis, are particularly noteworthy and alarming for the regime. Sultan Haitham bin Tariq must ensure that these voices are heard and addressed in a structurally sustainable way if Oman is to continue to enjoy its record of domestic stability.

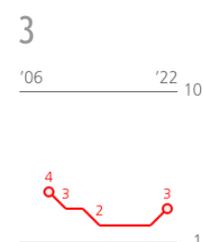
Civil society organizations (CSOs) typically lack any substantive ability to participate in and influence political decision-making. When CSOs are able to exert an influence on the political process, it is only under certain conditions. Firstly, the CSOs in question are considered either apolitical (the Omani Association of the Disabled), or sufficiently controlled (General Federation of Oman Workers, GFOW). Secondly, the organization in question is perceived by the regime as engaging in consultation, rather than propositioning or demanding action. When it is the latter rather than the former that is understood to be occurring, the regime may employ coercive methods. In 2013 and 2014, for example, elected members of the North Batinah Municipality were arrested for demonstrating against pollution generated by industry.

In contrast, when the actors involved are deemed unthreatening, collaboration between CSOs and the government is possible. In recent years, for example, the Omani Association of the Disabled has partnered with the government and private enterprises to increase the employment of people with disabilities. In 2019, the NCSI reported in 2019 an 18% increase in the number of Omanis with disabilities in the private sector. Furthermore, in June of that year, a new initiative called “Kaderoon” (They Can) was announced by the Ministry of Civil Service in cooperation with the Muscat National Development and Investment Company (ASAAS).

Cleavage /  
conflict  
management

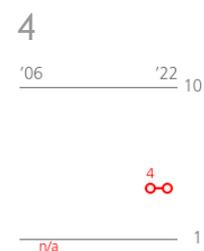


Civil society  
participation



Since the end of the Dhofar rebellion, Oman has been free from episodes of mass violence. Qaboos offered an amnesty to end the hostilities. Given the state's more or less total monopoly over the means of coercion in the territory of Oman, it is the state that is the pre-eminent perpetrator of contemporary violence. It is therefore unlikely to engage in reconciliation processes in which it would have to acknowledge this role. There has been no investigation into the killing of demonstrators by security agents in Sohar during protests in February and April 2011. Nor have deaths in custody been examined. Hassan al-Basham, a prominent activist with a large online presence, died in custody in April 2018 after being denied medicine. During his appeal in November 2017, his lawyers were not permitted to use his medical records as evidence. Article 108 of the penal code is an illustration of the state's preference that no critical revisionist research should be conducted on the history of the Omani state.

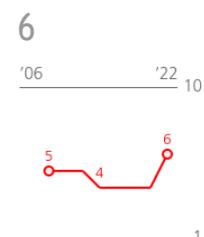
#### Reconciliation



## 17 | International Cooperation

Oman's Vision 2020 and Vision 2040 offer a blueprint of its publicly articulated plans for long-term development, and international partnerships are integral in any possibility of achieving the ambitious objectives these documents contain. In the sphere of technological infrastructure, for example, Oman has turned to China to upgrade its telecommunications network, with Oman Tel partnering with Huawei to develop 5G in the sultanate. Oman has also signed a cooperation document with China in relation to the latter's Belt and Road Initiative. To date, the Duqm Special Zone has been an important site for Chinese investment, and Daleel Petroleum, the third largest producer of oil in Oman, is a joint venture between China National Petroleum Corporation (CNPC) and local player Mezoon Petrogas.

#### Effective use of support



However, the Oman-China relationship has developed a lopsided character that does not assist Omani policymakers in diversifying the country's economy, as the majority of Chinese investment remains locked in the oil sector. In 2020, China purchased close to 90% of Oman's oil exports, a proportion that has grown from 35.2% in 2000 to 92.4% in 2018.

At the same time, China has contributed only marginally to Oman's FDI, with the United Kingdom, the United Arab Emirates, the United States, and Kuwait all individually investing more. In this sense, the trade imbalance does not assist Oman in meeting a number of key development goals ranging from diversification to Omanization. The relationship with China is significant given that in the past, decision-makers have been hesitant in acquiring development funds from other sources, such as the IMF. This hesitancy has been driven by concern over the potential for interference in domestic policy spheres.

Oman is a member of a number of significant international bodies, including the League of Arab States (1971), the U.N. (1971), the Organization of Islamic Cooperation (1972), the GCC (1981), and the WTO (2000), to name a few. While Oman is perceived as being a reliable partner, domestic concerns around the potential for foreign interference limits its activities and prevents it from openly seeking more aid from abroad to pay for large scale development projects. Connected with this, there is concern among members of the liberal world order regarding Oman's unwillingness to reduce the centralization of decision-making and ratify important components of international agreements.

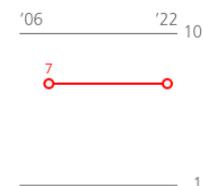
For example, Oman has not ratified or promulgated into its domestic law a number of agreements, including the International Covenant on Civil and Political Rights and the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families. Nor has Oman ratified Conventions No. 87, 98, 100 and 189 of the International Labor Organization. Consequently, Articles 97, 102, 116, 270 and 169 of the Penal Code, Articles 25 – 28 of the Press and Publications Law as well as Articles 16 – 19 of the Cyber Crime Law do not align with international human rights standards.

Nevertheless, Oman is a valuable ally, particularly in the realms of surveillance and security. The Government Communications Headquarters (GCHQ), part of Britain's intelligence and security agency, bases its Middle East operations in Oman. In 2018, this presence was upgraded with a Joint Logistics Support Base in Duqm, providing the United Kingdom with a permanent naval presence in the Sultanate. In 2018, Oman and the United Kingdom partnered in Saif Sareea 3 (SS3), the third UK-Oman joint military exercise (the previous two being held in 1986 and 2001). This proved the prelude to the signing of a historic joint defense agreement between the two nations in 2019. Oman has fostered warm relations with other allies of the United Kingdom, including Jordan and Egypt in the region and the United States more broadly.

Oman has been an active regional player for decades, was a founding member of the GCC and the Peninsula Shield Force and is a member of the League of Arab States. Furthermore, it was a founding member of the Indian Ocean Rim Association in 1997. The sultanate is thus imbedded within regional multilateral platforms and agreements. It has been Oman's practice to seek its security in concert with others through cooperation rather than via conflict or breaking off relations. It is notable that it has not severed diplomatic ties with Syria at any stage during that country's ongoing civil war, unlike many of its neighbors. This can be partially attributed to the relationships Oman has with Iran and Russia. Oman has not joined its GCC colleagues in taking a publicly hawkish stand toward the Islamic Republic. The consistency of Oman's positioning between the GCC and Iran gives it credibility as a mediator not only in terms of GCC-Iran relations, but equally with regards to the future of Syria.

#### Credibility

7



#### Regional cooperation

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Similarly, during the GCC-led blockade of Qatar (2017 – 2021), Oman maintained diplomatic relations with the emirate despite being under pressure from Saudi Arabia to suspend ties. Furthermore, Oman assisted Qatar by allowing maritime cargo that was previously transited through the United Arab Emirates to be rerouted through Sohar and Salalah.

The ongoing war in Yemen has had an impact on Oman's relations with its GCC colleagues. Consistent with its pursuit of dialogue, Oman has hosted Houthi delegations and their meetings with the U.N. Special Envoy to Yemen in an attempt to broker an end to the conflict. It is the only GCC member that has not joined the military intervention led by Saudi Arabia, a reality that has pushed Oman out of favor in Riyadh. It has also moved Oman to compete with Saudi Arabia and the United Arab Emirates for strategic influence in Eastern Yemen, which borders Oman. In response to this, Oman moved to prohibit GCC nationals from owning property in the vicinity and other strategic territories in 2018, a policy that was upgraded by Ministerial Decision 292/2020 to law 29/2018.

## Strategic Outlook

On the domestic front, the regime must make several difficult and interconnected decisions regarding political reform and economic diversification. In terms of political reform, decision-makers must decide whether or not to continue responding to displays of civil discontent with the coercive and repressive means legally available to security forces in the hope that coercion continues to produce compliance among the majority of the population. While it is possible to maintain this trajectory, continuing to refuse to engage meaningfully in a process of decentralization and democratization presents challenges. The longer this is delayed, the harder it will be for the regime to maintain its sociopolitical capital with citizens.

Alternatively, the House of Al Said could open the door to real citizen involvement and consultation by repealing some of the more repressive articles of the penal code to improve public ownership and confidence in the direction policymakers are taking the country. However, in the passage of time, doing so will change the political architecture of the sultanate and the role the House of Al Said plays in it. With Oman investing more than any other country in the security sector per capita (12% of GDP in 2019), it is more likely that the previous trajectory will continue, at least in the short term.

Economically, the pre-eminent challenge facing Oman is its transition away from a rentier economy based on oil revenue to one more that is diverse and productive. Even aside from the price of oil, which has been falling over the past decade, this task is urgent in order to provide sufficient employment opportunities for Omanis. The median age of Omanis is 30.6 years of age, and some 50,000 individuals graduate from school and university each year. The economy must therefore expand in order to accommodate their demand and right to work. In addition, given that increasing diversification in the employment market requires employees with increasingly specific skillsets, the state must revise its curriculum at the secondary and tertiary levels.

The Oman Vision 2040 provides a roadmap, albeit one in need of more details, of how these socioeconomic challenges can be met over the next two decades. Yet given the failure of the state to meet most of its goals established in the Vision 2020, even more effort will be needed to achieve the objectives of Vision 2040.

Externally, Oman recognizes political instability in its immediate region of the Arabian Peninsula, and, more broadly, in West Asia, to be a potential risk to its domestic tranquility. To this end, Oman will continue to pursue dialogue and diplomacy as the means of ending the war in neighboring Yemen, rather than involve itself militarily. However, this approach has complicated Oman's relations with its GCC colleagues Saudi Arabia and the United Arab Emirates, who see the Houthi uprising as a part of Iran's wider strategic plan of dominance in the wider Middle East. Unlike other members of the GCC and the League of Arab States such as Jordan, Oman, despite what its expenditure on military assets suggests, believes that threats posed by Iran can be mitigated through dialogue rather than through military build-up and deterrence. How this position will influence Oman's place in the GCC moving forward remains to be seen.