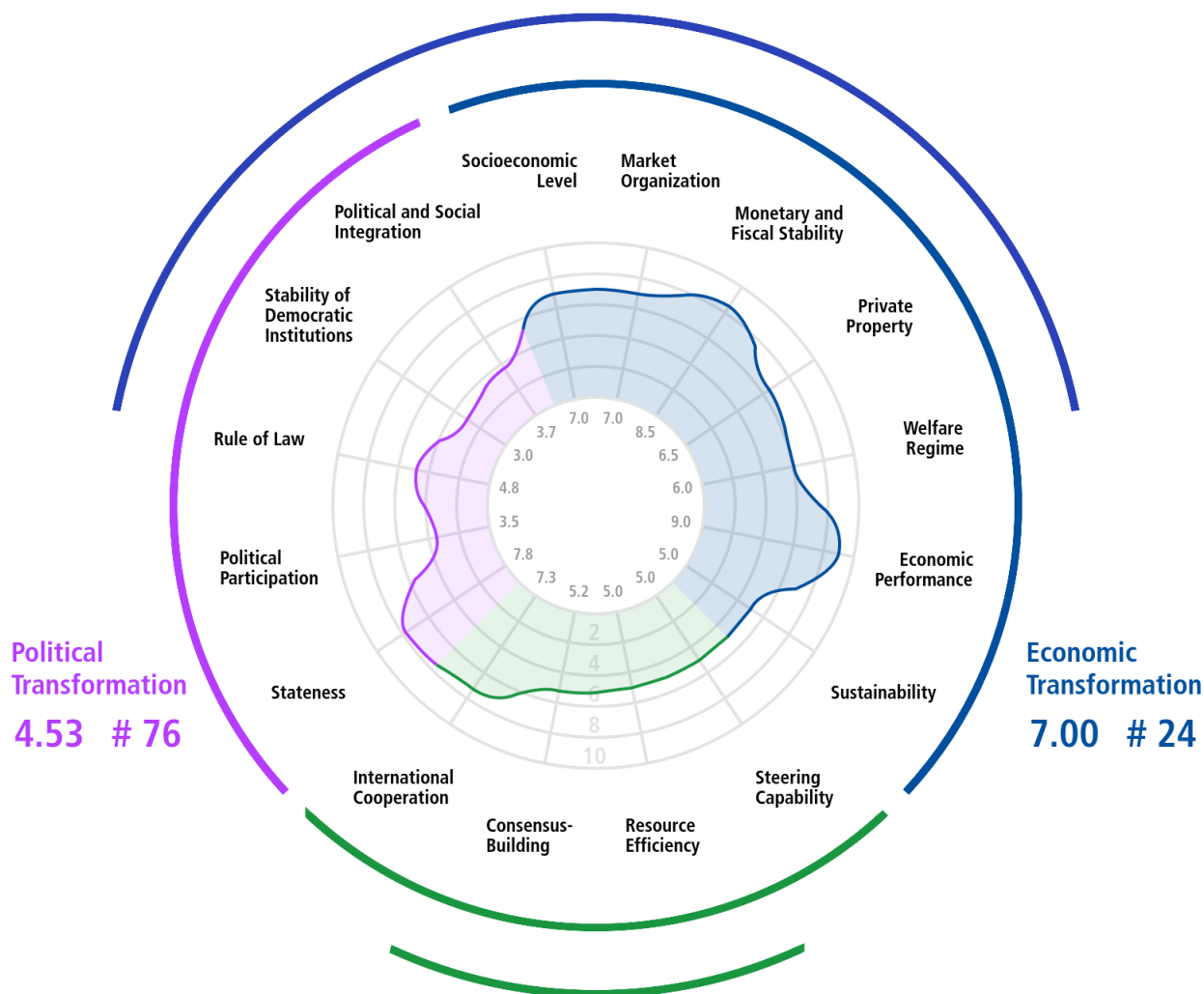


Kuwait

Status Index

5.77 # 55

on 1-10 scale out of 137



Political Transformation
4.53 # 76

Economic Transformation
7.00 # 24

Governance Index

4.84 # 64

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	4.3	HDI	0.831	GDP p.c., PPP \$	58056
Pop. growth ¹	% p.a.	0.4	HDI rank of 189	50	Gini Index	-
Life expectancy	years	78.7	UN Education Index	0.670	Poverty ³	% -
Urban population	%	100.0	Gender inequality ²	0.305	Aid per capita	\$ -

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

The period under review was characterized by the aftershocks of several watershed events in 2021 and 2022, including the strengthening of opposition forces in parliament, succession in leadership, massive corruption scandals and the economic crisis caused by the COVID-19 pandemic.

With the death of Emir Sheikh Sabah al-Ahmad al-Sabah in September 2020, Kuwait has plunged back into a domestic crisis. The emir had ruled Kuwait since 2006 and was widely respected domestically and internationally. After his death, a new era (“al-ahd al-jadeed”) was announced. However, his successor, Emir Sheikh Nawaf al-Ahmad al-Jaber al-Sabah, has not been able to fill his predecessor’s shoes. Suffering from increasing health problems, in autumn 2021, he transferred some of his leadership duties to Crown Prince Sheikh Meshal al-Ahmad al-Jaber al-Sabah.

In 2022, the 82-year-old crown prince pledged to return Kuwait to its development track in order to keep up with other ambitious, assertive states, such as Saudi Arabia, Qatar and the United Arab Emirates. He made several promises to speed up the implementation of long-vaunted development projects and reforms, announced handouts and compensation for the economic fallout caused by the COVID-19 pandemic and began addressing the country’s widespread corruption problems. He also granted amnesty to a number of political dissidents. However, to date, he has not been able to resolve the deteriorating crisis between the administration and parliament.

After a period of political consolidation from 2016 to 2020, the country fell back into its previous deep political rifts and paralysis. The cabinet resigned four times in 2021/2022, and the National Assembly was repeatedly suspended. The cross-ideological opposition, which has dominated the assembly since the election of 2020, was able to increase its power further and continued to challenge the government. In particular, the Islamist bloc was able to increase its influence. Frictions over costly populist measures, such as additional subsidies demanded by the majority of parliament members, as well as requests to interpellate two ministers, resulted in the government’s fifth resignation (on January 23, 2023) within two years.

Despite being one of the wealthiest countries in the world, Kuwait faces a fiscal crisis. While the government has made substantial efforts to alter the organization of the market and improve conditions to attract foreign businesses, no economic diversification has resulted. Its ongoing high dependence on exporting oil leaves Kuwait vulnerable to fluctuations in the global market. Measures to cushion the economic fallout caused by the COVID-19 pandemic, due to global and local lockdown measures that harmed domestic businesses and the reduced income from oil exports have shrunk the country's financial assets. To cushion the economic fallout, Kuwait has significantly tapped the reserves of its General Reserve Fund, since a conflict with the parliament over the renewal of a debt law prevented the government from borrowing on international debt markets. Only the unexpected rise of the international price of oil in the wake of Russia's full-fledged war against Ukraine resulted in an increase in much-needed revenues. However, in contrast to its neighbors, Kuwait has not been able to lower its dependence on oil. In a climate-constrained world demanding a fundamental shift toward low-carbon development, Kuwait faces an imminent economic risk, which would also affect its political standing. The quest for energy and income diversification as a top priority is paired with a number of other socioeconomic challenges, including the undefined role of the Bidoon as a social class that faces discrimination, the structural marginalization of women in politics and job markets, rising xenophobic sentiments against low-skilled migrant workers, a deteriorating health and education system, a housing crisis, as well as the widespread habit of corruption. The political gridlock prevents a real solution to these problems.

History and Characteristics of Transformation

The state of Kuwait has a tribal tradition that dates back to the late 17th and early 18th centuries, when Sunni tribes from the central Arabian Desert migrated to this area. It is unclear when exactly the Al-Sabah family assumed control of the sheikhdom. Most sources indicate that it occurred in 1752 with Sheikh Sabah bin Jabir bin Adhbi but grew under Mubarak the Great (1896 – 1915), who solidified his power by forming a tacit alliance with merchants and, with British assistance, thwarted an attempted Ottoman annexation.

On June 19, 1961, Kuwait became the first among the Gulf monarchies to gain independence from Britain and quickly developed into a modern state. The discovery of oil in the 1930s permanently changed the political dynamics and had a profound impact on the previously economic traditions of trading, pearling and fishing. The centralization and nationalization of the oil industry gave the Kuwaiti ruling family a significant advantage compared to its previous reliance on the powerful old merchant elite, which subsequently had to rely on the goodwill of the Al-Sabah family. At the same time, protectionist legislation ensured that business operations and opportunities remained secure, allowing the relatively small merchant class to maintain its pre-oil, elitist, oligarchic position. The blurred boundaries between politics and the economy, as well as the interdependence between officeholders and a small group of local capitalists, are crucial factors in understanding economic patterns in Kuwait.

Kuwait has the most open political system of any Arab Gulf country. As the first state, it adopted a written constitution in 1962 and established an elected unicameral National Assembly (*majlis al-'umma*) the following year. The assembly is the longest-serving, all-elected body among the Gulf monarchies and is known for openly and heatedly debating public affairs. In particular, it has often pressed for more democracy, transparency regarding state financial matters and a greater role for itself in defining oil policies. It has legislative competence to vote the prime minister and cabinet members out of office, but executive power effectively remains in the hands of the emir and the ruling family council, which appoints the government. The delicate relationship between the elected parliament and the government has significantly shaped the country's history. Since its creation, various oppositional blocs, such as merchants, nationalists, Islamists or tribes, have used parliament as a vehicle to oppose the government appointed by the emir, to widen their influence and to extract concessions. These political power games have led to two long periods with no parliament after the emir dissolved the assembly (1967 – 1981 and 1986 – 1992). Beginning in 2006, the situation deteriorated again, resulting in the dissolution of the parliament on seven occasions (2006, 2008, 2009, 2011, 2012, 2013 and 2016). The often-adversarial relationship between the government and the elected parliament constitutes a dominant power struggle. The halfway nature of Kuwait's semi-democracy – a directly elected parliament facing a hereditary head of the executive – has often paralyzed policymaking in the country.

Another historical constant is tensions within the ruling family. A pattern was established during Mubarak's rule, according to which power alternated between the lines of two of his sons: Jaber (1915 – 1917) and Salem (1917 – 1921). With one exception, when Sabah al-Salem (1965 – 1977) followed his brother Abdallah al-Salem (1950 – 1965), this pattern persisted until the early 2000s. In 2006, this rule was broken when Sheikh Sabah al-Ahmad (2006 – 2020) succeeded the late Sheikh Jaber al-Ahmad. Sheikh Jaber ruled the country for 29 years, from 1977 to 2006. The designated heir, Sheikh Saad al-Abdullah, was unable to assume power due to health issues. The parliament and the ruling family both agreed, in accordance with the succession process outlined in the constitution, to remove Emir Saad after a few days. This marked the first time that parliament was actively involved in deposing the head of state. In the aftermath, the main political powers marginalized the Salem line, concentrating power primarily in the hands of the Jaber princes. Power struggles within the Jaber branch have since dominated political and public life in Kuwait. The recent appointment of a new emir and crown prince, both from the Jaber branch, underscores the consolidation of power by this particular family branch.

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

Transformation Status

I. Political Transformation

1 | Stateness

Kuwaiti government authorities exercise complete control and a monopoly on the use of force in the country. Kuwait's territorial integrity has not been challenged since the invasion by Iraq (1990 – 1991). The country has a relatively low level of criminal violence and no major terrorist attack has been reported since 2015.

In a speech in summer 2022, the crown prince declared that the regime would apply “forceful measures,” if the political impasse between the parliament and cabinet continues. Without specifying what this would mean, some observers concluded that he was hinting at the possible imposition of martial law according to Article 69 of the constitution. To date, martial law has been declared twice in Kuwait, once for seven months following the 1967 Arab-Israeli War and again in 1991 during the liberation from the Iraqi invasion.

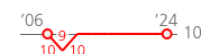
While relations between Iraq and Kuwait have improved in recent years, Iraq's state fragility remains a concern for Kuwait's leadership. In August 2021, three missiles hit a U.S. military base in Iraq, close to the Kuwaiti border. In August 2022, a militia group from Iraq falsely claimed it had launched a drone attack targeting American troops at an air base in Kuwait. While no casualties were reported, the Kuwaiti army is increasingly preparing for new threats from aerial drones and ballistic missiles. For the time being, internally and externally, the use of force remains with the state authorities uncontested.

Kuwaiti citizens consider the nation-state to be largely legitimate, but access to citizenship and naturalization is denied to particular groups because of associated welfare and political rights. According to the Nationality Law of 1959, full citizenship is granted to those who settled in Kuwait before 1920 and who maintained their primary residence there until the law's date of publication. Furthermore, any person whose father is a Kuwaiti national, has all citizenship rights, irrespective of the place of birth. This also applies to people in Kuwait whose parents are unknown.

Question
Score

Monopoly on the
use of force

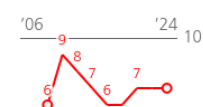
10



1

State identity

7



1

Meanwhile, the law excludes the majority of expatriates and other historical minorities. The former includes foreign workers, who make up nearly 3.4 million of the total population of 4.6 million. They have no prospects of attaining citizenship. Citizenship is also denied to around 80,000 to 110,000 Bidoon (shortened from “Bidoon jinsiyya” = “without nationality”), stateless Arab residents who face significant discrimination.

For several years, the National Assembly – in coordination with the government – has passed bills to grant citizenship to several thousand Bidoon as a means to resolve the decades-old problem. Bidoon are often accused of holding another citizenship and seeking Kuwaiti citizenship only for its material benefits. Their loyalty to Kuwait is doubted. In May 2021, a handful of parliamentarians submitted a proposal to grant more rights to the Bidoon, but it was not adopted. In November 2022, the newly elected speaker of Kuwait’s National Assembly, Ahmad Abdulaziz al-Sadoun, also proposed a bill to address the Bidoon question and establish a formal process for naturalization. Meanwhile, the government has pressured the Bidoon communities to make statements about their country of origin and allow investigations by Kuwaiti state security services. One common practice has been the suspension of bank accounts and, thus, freezing access to salaries.

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

While Kuwait’s Islamist groups (Shi’ites, Salafists and Hadas, a movement affiliated with the Muslim Brotherhood) have been an important faction in the parliament for several years, they have exhibited political flexibility. Their opposition is largely pragmatic and in accordance with other critical voices calling for an end to corruption and lack of transparency. Only occasional, ideological stances by Islamist groups dominate public discourse. Prior to the parliamentary election in September 2022, a “values document” (wathiqat al-qiyam) was circulated throughout the country. The document entailed calls for gender segregation in education, a ban on gambling, the criminalization of tattoos and a “modest” dress code. It faced harsh criticism from the more liberal segments of society but shows that religious beliefs may come to play a bigger role in politics with the rise of Islamists in parliament.

No interference of religious dogmas

6

'06 '24 10



1

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

Kuwait charges neither income nor social security taxes to citizens and expatriates. The introduction of a value-added tax has been discussed since 2017 but has not been implemented. Despite attempts at “Kuwaitization” of the judiciary, the number of judges from the national cadres is still insufficient to fill the various judicial departments.

The welfare state, with its free or highly subsidized utilities such as water and energy, led to unsustainable high-consumption patterns. The provision of fresh water, electricity and sewage systems covers 100% of Kuwaiti households. However, in combination with population and industrial growth and higher temperatures in recent years, the gap between installed power, water-generating capacity and popular demand became continually tighter, leading to temporary power outages and water shortages in the summer in one of the richest countries on earth. Corruption also inhibits the functioning of basic administration.

Additionally, occasional extreme weather events, such as severe flash floods and heat waves, damage roads, bridges and newly built infrastructure projects in recent years. Despite these growing challenges, the basic infrastructure in Kuwait remains advanced, and all citizens enjoy full access to safely managed electricity, water and sanitation.

2 | Political Participation

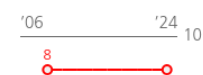
The legal framework for Kuwait’s election is largely in line with international obligations, such as the International Covenant for Civil and Political Rights. Elections have been largely free and competitive. Most adult citizens (except police and military) above age 21 are allowed to vote. The expatriate population has no vote. A small proportion of naturalized citizens must be residents of Kuwait for 20 years before they can vote. Women’s suffrage was introduced in 2005, along with the right to run for office.

The Ministry of Interior oversees and administers the electoral procedures instead of an independent institution. The process sometimes lacks transparency.

Changes in electoral laws/the electoral system in favor of the ruling family have been implemented from time to time. For instance, in October 2012, the emir introduced the one-vote election, which limited the choice of voting. His emergency decree was highly criticized because it fractured the dominant tribal-Islamist opposition and

Basic administration

8



1

Free and fair elections

4



1

empowered independents, since voters were no longer able to support four candidates from the same (informal) bloc. Instead, a voter could only vote for one candidate from a single bloc, resulting in competition among candidates from the same blocs.

Since Kuwait does not allow the formation of political parties, all candidates run as independents and officially only form blocs and coalitions in parliament. In reality, many groups operate similarly to parties. The unicameral National Assembly (majlis al-umma) consists of 65 seats: 50 members are directly elected from five multi-seat constituencies by simple majority vote, and there are 15 ex-officio members (cabinet members appointed by the emir). In theory, members of parliament serve four-year terms, but the body is often dissolved before the term ends.

The assembly, which was regularly elected in 2020, was temporarily suspended in 2021 and formally dissolved in August 2022 by the crown prince. In light of upcoming elections, the emir enforced a decision to reorganize the voting system. His decree declared that voters could only register in the electoral districts corresponding to the residential addresses on their IDs. Previously, transferring voters to other districts to increase the chances of certain candidates' winning occurred occasionally. The decree was seen as an important action to solve this problem.

Furthermore, prior to the elections on September 29, 2022, a small number of candidates were detained for organizing vote-buying. No further infringements were reported on election day. Opposition forces made considerable gains in that parliamentary election. Two female candidates were also elected in the 50-seat assembly.

In May 2022, Kuwait carried out its 13th municipal council elections. Ten members were elected to the 16-seat council to serve for four years. The remaining six members were later appointed by the government.

The emir is the country's head of state and head of the executive. Despite the fact that the majority of members of parliament are elected in largely free, open procedures, the role of the parliament is limited, since up to one-third of its members, notably the ministers that serve in the majlis ex-officio, are handpicked by the emir. Hence, the government often does not require a majority of elected members in parliament to adopt new legislation. The parliament approves the annual budget but, for instance, has no oversight over the Kuwait Investment Authority (KIA), which administers the government's major financial reserves.

The relationship between the executive and parliament is usually tense, especially due to parliament's ability to interpellate members of the cabinet and to hold votes of (no) confidence for individual ministers. Between February 2021 and January 2023, the cabinet resigned five times, making effective governance very difficult. The frequent resignations were a consequence of growing opposition in parliament seeking stronger influence through questioning ("grilling") individual ministers, submitting no-confidence votes against ministers and delaying approvals of the state budget. With the latest assembly election, the political feud and deadlock persist.

Effective power to govern

3

'06 '24 10



Kuwait's constitution guarantees the right to freedom of assembly for Kuwaiti citizens (Article 44), but this right is restricted in practice. Large demonstrations that happened in the wake of the Arab uprisings in 2011 and the opposition's movement against state corruption and over austerity measures were appeased with money (i.e., cash handouts) or crushed through force (i.e., police violence). In recent years, small gatherings and protests against COVID-19 pandemic mismanagement, corruption or Israel happened and were permitted by the authorities.

Many civic associations exist, including trade unions, professional groups and cooperative societies. The majority of non-citizen migrant workers, civil servants (who constitute the majority of the Kuwaiti workforce), and household workers do not enjoy the right to form labor unions or strike actively. However, since March 2019, migrant workers have been able to seek advice on and assistance with legal disputes from a special office of the Kuwait Trade Union Federation.

In general, the government controls the activity of non-governmental organizations by monitoring their registration and licensing. In contrast to its neighbors, Kuwait has granted licenses to non-governmental human rights groups, including the Kuwait Human Rights Society (2004) and the Kuwait Association for the Basic Evaluators of Human Rights (2005). In contrast to neighboring countries, Kuwait allows groups like Human Rights Watch (HRW) access to the country and maintains dialogue with them.

Public meetings and protests need to be announced to officials. Otherwise, protesters can be imprisoned or deported (non-citizens). Especially since the period of heightened activism between 2011 and 2014, political protests and street demonstrations, which used to be frequent, have become rare. Yet, traditional semi-public gatherings run by families or tribes, called diwanias, continue to be held frequently. During the COVID-19 pandemic, a ministerial decision prohibited all public and private gatherings. The restrictions were lifted for vaccinated people in October 2021.

The Kuwaiti constitution guarantees freedom of expression (Article 36), but amendments to Kuwait's Press and Publication Law in 2006 explicitly criminalized defamation and insults of religion, political leaders and the constitution. A comparatively liberal local press serves as a major forum for political debate and allows substantial dissent. In practice, however, many journalists exercise a degree of self-censorship, and the authorities have persecuted dozens of critics who have spoken out on sensitive subjects. Over the last decade, freedom of expression and comparatively high degree of public criticism have gradually decreased. Thousands of books have been banned and new legislation and regulations have resulted in stricter (self-) censorship. There has been an increase in reports of arrests and convictions of journalists and online activists, as well as the shutdown of media outlets. Under the new Emir Nawaf al-Sabah, the government has imposed considerable control over news and information. According to the 2022 World Press

Association /
assembly rights

4

'06 _____ '24 10



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Freedom of
expression

3

'06 _____ '24 10



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Freedom Index, Kuwait dropped 53 places to 158th out of 180 countries. Despite legal frameworks to protect the work of the press, the censorship law of 2020 and the cybercrime law of 2016 significantly constrain news and information.

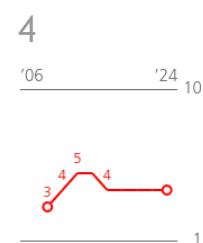
3 | Rule of Law

There is a formally established separation of powers, which is enshrined in Article 50 of the constitution. In practice, however, considerable power is dedicated to the executive branch, exercised by the emir through appointing both the Council of Ministers (cabinet) and the prime minister, who leads the cabinet. The emir and the constitutional court have the power to dissolve parliament, but new elections are supposed to be called within two months. However, this has not always been enforced in the past. In a speech by the crown prince delivered in 2022, he assertively highlighted his role as above the legislature, as well as executive and judicial power. While the parliament has legislative power, the emir is able to reject laws and send them back to the parliament for further revision. If the latter has a two-thirds majority, however, the emir is obliged to sign the legislation. Given the composition of parliament, in which only one-fourth of members (the cabinet) are directly appointed by the emir, negotiations form a fundamental part of any lawmaking process. Additionally, as the resignation of the cabinet in 2021 and 2022 has highlighted, the parliament is able to put a considerable amount of pressure on the government. Thus, checks and balances against the executive in Kuwait are more effective than in other Gulf states.

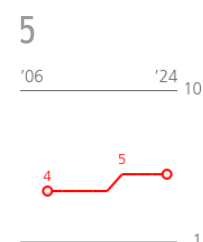
The independence of the judiciary is expressed in Chapter V of the constitution, which does not, however, offer many details on how to achieve that independence. While the Supreme Judicial Council has some autonomy in managing the judiciary, its members – senior judiciary personnel – are appointed by the emir (upon the council’s advisement). The Ministry of Justice also has significant influence on issues like budgets, promotions, dismissals and procedures. The executive’s influence over the judiciary is considerable.

Prosecutors are usually appointed by the Ministry of Justice and the Supreme Judicial Council. The selection process includes a written exam and in-person interviews, as well as enrollment in a one-year program at the Judicial College. In recent years, members of parliament and civil society organizations have demanded the removal of non-Kuwaitis from the judiciary. Policies working to “nationalize” the judiciary have also enabled women to become judges.

Separation of powers



Independent judiciary



The lack of transparency and accountability by officials remains a concern. For years, the opposition has demanded significant steps be taken to fight nepotism and endemic corruption. The resignation of the government in November 2019 highlighted the issues. A political crisis erupted when lawmakers started to question the interior minister, Sheikh Khaled al-Jarrah al-Sabah, over alleged mismanagement and misuse of public funds.

When the parliament called for a no-confidence vote, the entire cabinet resigned. Soon afterwards, Sheikh Nasser Sabah al-Ahmad al-Sabah (the son of the then-emir) temporarily filled Sheikh Khaled's vacant position and reiterated the claims of corruption against Sheikh Khaled. He claimed that he discovered embezzlements of KWD 240 million from the Kuwaiti army fund when Sheikh Khaled was defense minister (2013 – 2017). The Justice Ministry declared that the case would be further investigated and handled by the courts but banned media discussion of the matter. In summer 2020, it was reported that Sheikh Khaled was involved in a lawsuit in California over a fraudulent property sale, which again raised questions over the source of money for one of the world's most expensive properties.

In October 2020, the Anti-Corruption Authority (Nazaha) announced it would investigate a potential corruption scandal at the Ministry of Finance. These examples reveal the scale of the problem and government involvement that hampers efficient progress in anti-corruption measures. In spring 2021, a court ordered the detention of former Prime Minister Sheikh Jaber al-Mubarak al-Sabah and former Minister of Defense Sheikh Khalid al-Jarrah al-Sabah on charges of corruption. In March 2022, a Kuwaiti court acquitted former Prime Minister Sheikh Jaber al-Mubarak al-Sabah and his ally, former Interior Minister Sheikh Khalid al-Jarrah al-Sabah, along with other officials. The decision marked the final episode of charges against corruption, which included embezzlement of \$790 million that had gone missing from a military aid fund years prior. The event was described as unprecedented in Kuwaiti history, as it was the first time that a former premier was detained by authorities. In January 2022, another potentially massive corruption scandal was revealed by the Kuwaiti Anti-Corruption Authority, which announced an investigation of two senior military officers over their alleged misuse of public funds when purchasing 28 Eurofighter Typhoon jets. The regular disclosure of corruption cases indicates that the implemented measures are mostly effective. At the same time, it also reveals how deeply entrenched mechanisms of corruption are in the country.

While civil rights in Kuwait are guaranteed by law, in practice, these rights are differently applied to citizens and non-citizens, as well as gender and social minorities. Some articles of the constitution, such as the prohibition against illegal deportation and compulsory free education, are explicitly addressed to Kuwaiti nationals. Kuwaiti residents generally enjoy human rights and freedoms. Migrant workers are disproportionately disadvantaged by the existence of the kafala (sponsorship) system in Kuwait.

Prosecution of office abuse

5

'06 '24 10



1

Civil rights

5

'06 '24 10



1

The constitution has allowed for capital punishment since the mid-1960s, but death penalties are rarely enforced. In 2013, the government hanged five persons convicted of murder and abduction. In 2017, seven other people, including a member of the royal family, were executed after being convicted of various offenses, including murder, kidnapping and rape. In November 2022, the government carried out capital punishment by executing seven people despite harsh international condemnation.

By law, torture and other forms of cruel and unusual punishment are prohibited in Kuwait, but there are reports that Bidoon, especially, have been tortured and beaten in police custody.

As in other Gulf states, same-sex relationships are seen as immoral and prohibited by law. In June 2022, the Kuwaiti government unveiled an initiative to censor LGBTQ+ symbols such as the rainbow flag. This was also accompanied by several anti-LGBTQ+ campaigns in various segments of society. Amid criticism by lawmakers and clerics, Kuwaiti authorities recently shut down a women's gym hosting belly dancing classes and canceled a women's yoga retreat. Incidents like these show the growing opposition against a burgeoning feminist movement.

4 | Stability of Democratic Institutions

Kuwait is a semi-constitutional, hereditary state ruled by the monarchy of the Al-Sabah family, which is named in the 1962 constitution. While Kuwait's constitutionally enshrined parliamentary tradition features elements of political pluralism and grassroots movements, the political system remains under monarchical control, which makes it a partly free authoritarian system. The constitution outlines that it is a hereditary emirate held in succession by the descendants of Mubarak Al-Sabah. The emir is head of the state and chosen by the Al-Sabah family council. Unique among the Gulf monarchies, the Kuwaiti parliament has a veto right in the succession process. In late September 2020, the 91-year-old Sheikh Sabah al-Ahmed al-Jaber al-Sabah, who ruled from 2006 to 2020, died of natural causes. Power was smoothly shifted to his half-brother, the 83-year-old former crown prince, Sheikh Nawaf al-Ahmad al-Jaber al-Sabah. Despite the fact that the constitution predicts it should take a year to name the crown prince, Sheikh Nawaf filled the vacant position within 10 days by appointing 80-year-old Sheikh Meshaal al-Ahmad al-Jaber al-Sabah, a paternal brother of both the current and late emir. Due to allegedly increasing health problems, the emir temporarily handed over some of his main rulership duties to the crown prince as designated successor in November 2021. Kuwait experienced a number of parliamentary dissolutions between 2006 and 2016. Despite an ongoing gridlock between the parliament and the cabinet amid alleged threats by the emir to dissolve the parliament, the quasi-democratic institution has proven to be stable.

Performance of democratic institutions

3

'06 '24 10



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As in other Gulf states, the emir exercises wide-ranging power over the country's affairs and remains unchallenged in this regard. The long intra-family tensions between the two family lines of Jaber and Salem do not constitute an imminent threat that could destabilize the regime. Despite growing opposition in the National Assembly, parliamentarians and other potential veto players like the clergy, military or civil society organizations feel committed to existing political institutions. Also, the latest attempt by the royal ruler to reconcile between the parliament and cabinet should be seen as a pledge to the country's semi-democratic institutions.

Lively public debate suggests general support for democratic institutions and a desire for a gradual, peaceful process toward a constitutional monarchy. However, a lack of pluralism (e.g., exclusion of Bidoon and the social and political marginalization of women and Shi'a Muslims) remains a concern. Moreover, corruption in state institutions paralyzes politics.

5 | Political and Social Integration

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

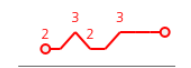
Kuwait's diverse spectrum of interest groups largely reflects most social interests. It comprises women's organizations, Islamic associations, environmental groups, cultural clubs, charities, trade unions and diverse professional associations, including those for journalists and lawyers. Usually, individual interest groups act in a rather isolated fashion. Particularly through informal meetings and social gatherings (diwaniya), these groups regularly engage in the political process, express their wishes to the government and shape public opinion. In addition to this, Kuwait's labor unions are powerful and shape the political discourse considerably.

Kuwaiti citizens and decisionmakers are proud of their tradition of political bargaining and a comparatively high degree of articulation and aggregation of interests that is vividly apparent in the country's vibrant civil society and lively parliamentary sessions. Both make it distinct from other Gulf Cooperation Council (GCC) members. Kuwait is constantly defending its unique political culture against foreign influence seeking to curtail public freedom and (limited) pluralism. However, regular periods of suspension of parliament and cabinet resignations have resulted in a loss of trust in politics, which pairs with growing frustration over stalled

Commitment to democratic institutions

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'06 '24 10



Party system

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Interest groups

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'06 '24 10



Approval of democracy

n/a

development and reform processes. This is particularly reflected in the gradual decrease in election turnout in parliamentary elections from around 70% in 2016 to 65% in 2020 and only 50% in 2022. The current standstill in political processes reflects the weak political legitimacy and fragmentation of relevant stakeholders.

Most people seem to have a positive view of democracy in general and are proud of Kuwait's parliamentary tradition but, simultaneously, consider monarchism legitimate and as an important national symbol. While there are constant demands to limit the emir's power and dedicate more competences to the assembly, there are no public voices calling for an end to the monarchical system or the rule of the Al-Sabah (such calls would cross the red lines of permitted activism.).

Simultaneously, there are growing anti-democratic sentiments among some amid the constant political gridlock that also express admiration for the development path of other, more authoritarian Gulf peers, like Qatar and the United Arab Emirates. The halfway nature of democratic rule – a directly elected parliament with little influence in policy formulation and governance, thus playing a mainly negative role – makes people identify democracy with gridlock.

Given the country's highly heterogeneous social strata that comprise sectarian lines (Sunni/Shi'a), origin-linguistic (Arab/Persian), social background (membership in a certain family, tribe, urban/rural), time of naturalization in Kuwait, and religious and political views (Islamist/liberal), mutual mistrust exists among different groups of society to some degree.

The frequent disputes between the cabinet and assembly have affected social capital and decreased the level of trust between certain groups. Also, the unprecedented move by the emir to call for a "national dialogue" was ineffective in uniting the nation. There are a limited number of people who voluntarily become involved in cultural, environmental or social associations and activities. Examples include the Trashtag Kuwait Day or infrequent beach cleanup campaigns.

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Social capital

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II. Economic Transformation

6 | Level of Socioeconomic Development

Kuwait boasts immense wealth and achieves high levels of socioeconomic and human development due to its abundant reserves of crude oil – holding 6% to 8% of the world’s supplies. The country’s economy heavily relies on oil, with approximately 80% to 90% of state income stemming from the export of oil and oil products. The wealth derived from oil revenues has facilitated notable advancements in critical sectors of human development. Poverty is minimized, and gender equality exists in education. The UNDP Human Development Index, ranking Kuwait 54th in 2020 and 50th in 2021 out of 189 countries, categorizes the nation as having “very high human development.” Meanwhile, the Gender Development Index (GDI) increased from 0.204 in 2020 to 0.305 in 2021.

Kuwaiti citizens enjoy a very high per capita income, with a gross salary of around KWD 20,610 or approximately \$47,500 in 2021. However, this figure encompasses a significant number of individuals who are employed in the public sector. Approximately 70% of Kuwaiti citizens work in the public sector due to favorable salaries, benefits, working conditions and job security. In contrast, only 4.5% of Kuwaitis are employed in the private sector.

Due to the outbreak of the coronavirus pandemic, unemployment rose from around 2.2% between 2015 and 2019 to 3.7% in 2021. This increase is a direct consequence of the health crisis. The pandemic has particularly affected the young workforce, specifically those aged 15 to 24 years old. They have faced significant challenges due to the pandemic and its economic repercussions. Many startups, as well as small and medium enterprises (SMEs), were severely impacted by national lockdowns, curfews, quarantines and other related restrictions. Those businesses, unlike larger business conglomerates controlled by the state or powerful oligarchic families, did not receive substantial financial assistance from the government.

Kuwait has also made gradual attempts to replace foreign workers with Kuwaitis in the private and public sectors (“Kuwaitization”). The country’s population includes approximately 3.3 million migrant workers, who represent roughly 70% of the workforce and are frequently socially excluded and economically exploited. They experience discrimination due to xenophobic rhetoric from certain officials and are systematically marginalized through labor, migration and citizenship policies. The economic consequences of the coronavirus pandemic significantly affected members of this workforce. Unlike public employees, who continued to receive their salaries, migrant workers, who largely work in the private sector (about 96%), did not enjoy

Question
Score

Socioeconomic
barriers

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such privileges. Many either lost their jobs or had their wages suspended temporarily. Studies have also indicated that migrant workers were inordinately affected by the coronavirus, which spread in their overcrowded residential districts with inadequate municipal services.

Economic indicators		2019	2020	2021	2022
GDP	\$ M	136191.8	105948.8	136797.4	184558.3
GDP growth	%	-0.6	-8.9	1.3	8.2
Inflation (CPI)	%	1.1	2.1	3.4	4.0
Unemployment	%	2.2	3.3	2.8	2.5
Foreign direct investment	% of GDP	0.4	-0.5	-0.2	0.4
Export growth	%	-10.1	-	-	-
Import growth	%	-10.4	-	-	-
Current account balance	\$ M	30254.9	22029.7	34943.3	63077.6
Public debt	% of GDP	11.6	11.7	8.6	3.1
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	25.2	-	-	-
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	4.7	5.7	-	-
R&D expenditure	% of GDP	0.2	0.2	-	-
Military expenditure	% of GDP	5.4	6.6	6.6	4.5

Sources (as of December 2023): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

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

Despite growing calls for more privatization and providing incentives to attract foreign direct investments (FDI), there are still structural market barriers. For example, foreign investors are hesitant to invest because 51% of any business must be Kuwaiti-owned, except in certain fields like infrastructure, tourism, medical services and information technology. What is even more troubling is that many industries are primarily controlled by the country's well-established business elites, who have strong connections to the political sphere. As a result, new players, whether local or international, find it difficult to establish themselves.

Still, as a consequence of implementing a reform agenda aligned with its development plan, Kuwait has made gradual progress in its business environment. According to the Heritage Foundation's Index of Economic Freedom, Kuwait falls below the world's average in terms of economic freedom performance. Nevertheless, the country has shown improvement in terms of the rule of law and regulatory frameworks for business freedom. These improvements include the removal of barriers to starting a business, simplified registration and licensing processes and strengthened property rights. However, challenges persist in the areas of labor and monetary freedom, judicial effectiveness and reducing public spending.

In terms of FDIs, Kuwait is also underperforming. In fact, the government has taken certain measures to open the economy in accordance with the latest national development plan, which lays out the goal of tripling the country's FDIs by 2035. Even so, in reality, Kuwait remains a protectionist business environment in which diversification is only favored by a small, liberal segment of society. Consequently, FDI plays a relatively small role in Kuwait's economy. Data from the World Bank illustrated a drop in FDI net inflows from 0.4% of GDP in 2019 to -0.5% in 2020.

While Kuwait has long been characterized by monopolistic structures controlled by the ruling family and influential oligarchic families, efforts have been made to address monopolies in Kuwait. In 2020, the parliament approved a draft for a new competition law that grants broad powers to the Competition Protection Authority (the CPA), which has been effective since 2015. This legislation is part of a broad economic reform program that aligns with long-term development plans. Its main aim is to enhance a competitive business environment, promote accountability in commercial relations and reduce corrupt patterns. The Kuwaiti Competition Protection Law came into force in September 2021. Furthermore, in 2021 and 2022, Kuwait hosted several conferences aimed at developing competition, improving the business environment, attracting more investment and enhancing economic performance. However, there have been no reported major achievements or activities by the CPA thus far.

Market organization

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Competition policy

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Kuwait's foreign trade is considerably liberal. In 1995, Kuwait became a member of the WTO, relatively early compared to other countries. Additionally, in 2003, the GCC implemented a customs union. The country relies heavily on foreign trade and has a key objective of attracting foreign direct investments (FDIs). However, there is a 4% general tariff on most imports, along with additional non-tariff barriers such as licensing requirements and quality test certificates.

The bulk of exports stems from selling oil and (to a lesser extent) petroleum-related gases to mostly Asian countries, such as China, South Korea, India and Japan. At the same time, Kuwait is highly dependent on the import of food, consumer goods and other manufactured products. During the period under review, Kuwait's major suppliers include China, the United Arab Emirates, India, the United States and Saudi Arabia, followed by Japan.

After a delay of several years, the completion of phase I of Kuwait's new deep-seawater port, Mubarak al-Kabir, occurred in 2021. As part of the China-led Belt and Road Initiative, the port is expected to be fully operational beginning in 2024.

Besides the supervisory role of the Central Bank of Kuwait (CBK), there are several commercial banks – largely private – that are generally well-managed and stable. Starting in 2004, international banks began operations in Kuwait, resulting in the current mix of local, Islamic and other foreign banks. Since 2015, foreign banks have been permitted to open more than one branch in the country. However, Kuwait's banking system remains largely protected by a strong central bank that regulates and intervenes in the system.

The banking sector was significantly affected by the coronavirus pandemic and the CBK implemented various stimulus measures to mitigate its negative impact. These measures consisted of relaxing banks' liquidity requirements, reducing discount rates and strengthening maximum credit limits while decreasing risk weighting, particularly for small and medium enterprises. As a result, Kuwait's banking system remained both profitable and stable. However, due to the ongoing political standstill and the parliament's not authorizing government borrowing until 2022, there is a potential for liquidity risks.

Boursa Kuwait, the privately managed stock exchange, signed a collaboration agreement with its Saudi Arabian counterpart, Tadawul, in December 2022 to achieve synergies through joint activities and knowledge transfers.

Liberalization of foreign trade

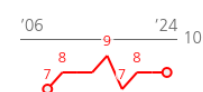
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Banking system

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8 | Monetary and fiscal stability

After a period of the lowest inflation rate in decades, with an annual average of 0.5% in 2018, Kuwait has experienced a steady rise in inflation – first to 1.1% in 2019, then over 2.1% in 2020 and 3.4% in 2021. This surge is the highest in a decade and reflects the long-term implications of the coronavirus pandemic, which had a negative impact on the country’s fiscal health.

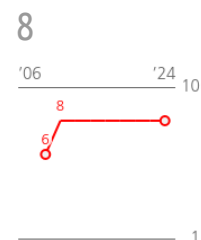
Regarding exchange-rate policies, the Kuwaiti dinar (KWD) has been pegged to an undisclosed weighted basket of international currencies from among Kuwait’s major trading and financial partner countries. Like other Gulf countries, the Central Bank of Kuwait (CBK) has emulated the Federal Reserve’s monetary policy during and after the coronavirus pandemic, but with a smaller adjustment of 25 basis points instead of 75.

Despite a short recovery in the price of oil after 2014 and the assets of one of the largest sovereign wealth funds worldwide, with holdings totaling over \$590 billion, Kuwait has experienced growing budget deficits in recent years. The budget deficit for fiscal year 2019/2020 rose by KWD 1.2 billion, surpassing the shortfall budgeted for the previous year. The economic recovery measures implemented to mitigate the dual economic shock caused by the loss in financial revenues and the need for economic stimulus measures due to the coronavirus pandemic have further diminished the state’s assets. However, in 2022, amid Russia’s full-scale invasion of Ukraine that created a global energy crisis and rising oil and gas revenues, Kuwait managed to reduce its deficits for the first time since fiscal year 2018/19. Consequently, the rate of public debt decreased, and the country’s total reserves did not dwindle as significantly as previously anticipated. Additionally, in January 2022, Kuwait received the final reparation payment from Iraq in response to the Gulf War, which took place from 1990 to 1991.

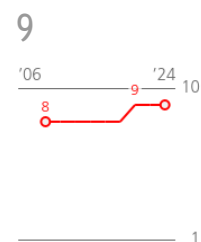
9 | Private Property

Kuwait’s property rights are clearly defined in the constitution. In recent years, Kuwait has made significant progress in terms of the procedures, time and cost necessary to register property. According to the 2022 International Property Rights Index, Kuwait ranks 51st among 129 countries and holds a middle ranking in the Middle East, North Africa, and Pakistan group. The report indicates a slight decrease in the country’s performance in terms of the perception of physical property rights, while it remained stable in the intellectual property rights subindex.

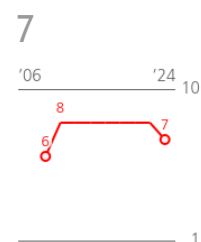
Monetary stability



Fiscal stability



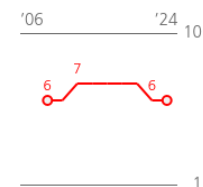
Property rights



Kuwait is eager to strengthen its private sector. To achieve this goal, the government has announced several new bodies and reforms in recent years, including the establishment of a special fund to support small and medium-sized enterprises (SMEs). In response to the economic crisis caused by the COVID-19 pandemic, the government has also implemented measures to prevent SMEs from declaring bankruptcy. For example, the central bank has instructed other banks to provide financing to private enterprises at a maximum interest rate of 2.5% reducing the risk weights for SMEs. However, reports indicate that the already-struggling private sector was particularly hard hit by the economic consequences of the pandemic. A survey of 500 businesses conducted in summer 2020 revealed that 45% of respondents had suspended or closed their businesses, while another 26% were on the brink of collapse. Although the number of SMEs in Kuwait is high, their overall contribution to the economy is small, accounting for only about 3% of GDP and employing approximately 7% of the national workforce. This is due to factors such as the bloated public sector, the dominance of large enterprises controlled by a few oligarchic families and a lack of incentives and government support for entrepreneurship. Despite these challenges, the government remains committed to advancing privatization. There are plans to privatize the postal sector, the fiber network and the state-owned airline company, Kuwait Airways, in coming years. Additionally, there is ongoing debate about dismantling the Ministry of Electricity, Water and Renewable Energy and turning it into a corporation.

Private enterprise

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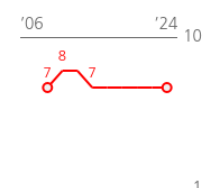


10 | Welfare Regime

Like other Gulf states, Kuwait operates as a rentier-based welfare regime, in which the state takes the primary responsibility for the wellbeing of its citizens. The majority of the revenue generated from oil exports is channeled into the payroll of public sector employees, including salaries, public transfer payments and pensions. Additionally, these funds are used to provide subsidies for basic utilities, support domestic public investments, such as health care and education, and facilitate government-backed housing initiatives. Various state entities oversee the distribution of social welfare benefits. For example, the Ministry of Social Affairs offers a housing program, the Ministry of Commerce and Industry provides social allowances, and the Ministry of Commerce and Industry administers food subsidies. Kuwait has the lowest retirement age in the Gulf, well below international standards. In 2020, the retirement age was raised to 50 for women (previously 49) and 55 for men (previously 54). Moreover, the average pension in Kuwait significantly exceeds typical international ratios; although there is no available data for the current year, the average pension was KD 1,264 in 2016. Furthermore, Kuwait introduced a mandatory unemployment insurance system for its citizens in 2013. Lastly, the emir occasionally provides financial “gifts” to the population. Historically, these impromptu transfers have often been issued during times of political instability or periods of high oil revenues.

Social safety nets

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Due to increasing budget deficits, there have been attempts to introduce austerity measures and cut subsidies in recent years. Parliament has challenged the new tariffs, prompting the government to partially reverse them in response to public anger. Consequently, subsidies on fossil fuels have been reduced, but the cuts to the electricity and water subsidy system only impact expatriates, as well as commercial and industrial enterprises.

In light of the COVID-19 pandemic, the government has focused more on providing social welfare benefits than implementing austerity measures to prevent social unrest. For example, the government implemented a comprehensive emergency response program that involved purchasing masks, testing kits, medical supplies and ventilators. Additionally, it bolstered its already well-established health care system by increasing the number of beds in intensive care units. The rise in oil prices following Russia's conflict with Ukraine, which the government heavily relies on, temporarily supported its unsustainable welfare system.

Notably, despite Article 11 of the constitution, which ensures the provision of social services, aid and medical care equally to all citizens, not all benefit from Kuwait's generous social welfare. In 1985, the government revoked the provision of many welfare benefits to the marginalized group of Bidoons. Only recently has the government started to grant citizenship to some Bidoons, which also allows them access to social services. However, this only includes a small group and many Bidoon families face risk of deportation.

More women than men are enrolled in both public and private schools, particularly in higher education. However, in the job market, women are significantly under-represented, with their labor force participation rate only reaching around 25%. This percentage falls well below the global average of 40.3%. The inequality between women and men also becomes evident in fields such as politics, law and the economy. Although women gained the right to vote and run for office in 2005, constraints such as entrenched social attitudes hinder their participation. Additionally, women often lack access to male-dominated forums like diwaniya and are rarely promoted by political groups or tribes.

In the latest election in September 2022, a record number of 116 candidates, but only eight women, registered for the 50 seats in the assembly. At least two female candidates were elected, which is a slight improvement from the election in 2020, where 16 female candidates ran and none were elected. Amid strong conservative forces in politics, especially visible in the latest parliamentary elections, women's rights have increasingly eroded. Public attacks on women, as well as the shutdown of several women's sports activities, have become more common in recent months.

Similarly, the Shi'ite Muslim minority, which comprises about 30% of society, lacks adequate representation in the political system. Inequity is even more pronounced for non-citizens, such as Bidoon and low-wage migrant workers. The latter group, in particular, has faced escalating xenophobia in recent years, which intensified

Equal opportunity

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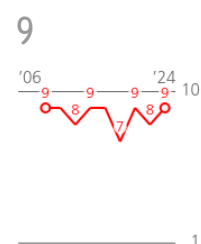
significantly during the pandemic. According to data from the Ministry of Interior, Kuwait deported nearly 150,000 expatriates (mainly Indians, Egyptians and Bangladeshis) between 2013 and 2019 due to violations of residency and labor laws. More recent figures indicate that Kuwait continues to maintain strict policies toward expatriates. Simultaneously, the government is making efforts to replace expatriates employed in the private sector with members of the Bidoon group.

11 | Economic Performance

After a period of falling oil prices between 2014 and 2017, GDP performance recovered slightly but was initially heavily impacted by the dual shock of the coronavirus pandemic and a renewed oil price slump. However, in 2022, an unexpected windfall occurred with the global energy crisis after Russia initiated a full-fledged invasion of Ukraine, leading to new revenues and economic opportunities. Kuwait, with its large deposits in the country's wealth funds and a historically robust banking system, was able to mitigate the effects of the low prices to some extent. Nevertheless, the country's economic performance has suffered due to a combination of ongoing high dependence on fossil fuels in a world that is transitioning away from carbon, the economic repercussions of the COVID-19 pandemic and highly dysfunctional politics. As a result, necessary development projects outlined in Vision 2035 and price reforms, such as the introduction of a value-added tax, which were already approved in 2017, have been delayed or postponed.

With an average GDP per capita of \$47,303 in 2020, a very low public debt of 8.7% of GDP and estimated total reserves of \$44.9 billion in 2021, Kuwait is one of the richest countries in the world. However, its economic output is drastically sinking. In 2020 (more recent data is not available), the country's GDP decreased by -8.9% (compared to -0.6% in 2019), and the GDP per capita growth shrank by -10.2% (compared to 2.2%). Similarly, the percentage of foreign direct investment dropped to -0.5% in 2021 (from 0.4% in 2020), and the gross capital formation remained on a plateau of around 25% in 2019 (more recent data is not available). In 2020, Kuwait's current account balance encompassed \$22.0 billion (compared to \$30.3 billion in 2019). Inflation increased to 3.4% in 2021 from 2.1% in 2020, as did the unemployment rate, which rose from 3.5% in 2020 to 3.7% in 2021.

Output strength



12 | Sustainability

Kuwait has a long history of environmental politics. There was small-scale environmental activism in the 1960s and 1970s, which led to the establishment of the first environmental NGO, the Kuwait Environment Protection Society (KEPS). The KEPS was granted a seat on the Environment Protection Council in 1980, which included all the ministers involved in environmental policymaking. After the Gulf War in 1990/1991 and the burning of oil wells, Kuwait experienced a surge in environmental awareness. However, in subsequent years, there has been an unsustainable path of development. Only in the last four to five years has there been a revitalization of interest in environmental issues.

In 2014, the government issued the Environment Protection Law, which included a broad catalogue of eco-friendly regulations for protecting human health, controlling and reducing pollution, enhancing natural resources and biodiversity, and promoting cleaner and more efficient energy. The law also envisioned the establishment of an environmental police force, which has proven successful in certain areas, such as reducing illegal fishing and safeguarding the country's nature reserves. However, it has been ineffective in addressing other environmental risks, including pollution, waste management and water conservation measures.

Moreover, the law paved the way for the launch of the Kuwait Environmental Governance Initiative in 2016, which was incorporated into the country's development plan known as New Kuwait 2035. This initiative emphasizes a "sustainable living environment" as one of seven key pillars and highlights the importance of aligning Kuwait's environmental policy with international environmental standards and agreements. Nevertheless, the plan does not provide clear targets and objectives.

In the latest 2022 Environmental Performance Index, Kuwait received a score of 42.2, ranking it 87th out of 180 countries. Kuwait has struggled to translate its environmental policies into comprehensive and actionable climate measures. In comparison to its Gulf neighbors, Kuwait lags behind in this regard. Meanwhile, Kuwait is among the most vulnerable Gulf states to the impacts of climate change. The country experiences new temperature records almost every year; combined with rising humidity levels, this could render parts of the country uninhabitable by the end of the century. Additionally, natural hazards such as dust and sand storms, as well as unprecedented torrential rainstorms, are becoming increasingly frequent.

One of the biggest challenges is lowering the country's dependence on fossil fuels and transitioning to low-carbon development, as other Gulf neighbors began doing several years ago. The coronavirus pandemic led to the suspension of plans to build a large solar energy plant in the summer of 2020. In 2021, the government resumed plans for the project and also invited investors to finance other energy projects. In

Environmental
policy

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'06 '24 10

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Year	Score
'06	3
'10	4
'24	4

total, three massive projects, operating under a public-private partnership (PPP) umbrella, will meet half of Kuwait's future electricity needs over the next two decades. However, it remains uncertain how quickly these projects will be implemented. At present, there is significant skepticism regarding Kuwait's ability to achieve its net-zero targets by 2050.

Despite Kuwait's long-standing education policy and significant public spending, its quality of education is comparatively low. According to the latest U.N. Education Index, educational quality gradually increased in the last few decades and stabilized between 2019 and 2021 at a solid score of 0.670, slightly above the index's average of 0.629. This is a weak testament for a wealthy country like Kuwait. The country boasts a high literacy rate (96.1% in 2018) and enrollment ratios that surpass the global average. However, the education standards remain very low. National shutdowns and the closure of educational institutions have exacerbated this trend.

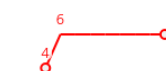
Public educational facilities in Kuwait are gender-segregated from primary education onwards. Additionally, Kuwait has a variety of private foreign schools that may not adhere to the national Kuwaiti curricula but instead follow international models such as British, American or French systems and commonly embrace co-education. Non-Kuwaitis and socially marginalized groups do not have access to the benefits of a free education and are often unable to attend public schools. Bidoon, for example, are prohibited from enrolling in Kuwait's free public schools, but they have the option to attend private educational facilities at reduced costs. Certain groups, including the children of diplomats and the children of Kuwaiti mothers married to non-Kuwaiti men, are granted permission to attend public school. There is no available public data on government expenditures on education after 2006, although this has historically been relatively high, ranging between 11% and 18% of GDP.

As data from the World Bank reveal, expenditures on R&D are much lower in comparison. While these experienced a significant increase in 2014 to 0.4% of GDP, these expenditures quickly declined to only 0.2% of GDP in both 2019 and 2020. This explains why Kuwait lags behind its GCC counterparts in terms of research institutions, innovation and technology. While the development of a knowledge-based society is mentioned in the new development plan, it is not currently a top priority.

Education policy /
R&D

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'06 '24 10



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Governance

I. Level of Difficulty

Kuwait has an advantageous geographical location as part of the Arabian Peninsula, which connects world markets in Europe, America and Asia. However, the micro-state is also surrounded by powerful states with hegemonic ambitions, including Iraq, Saudi Arabia and Iran. The 1990/91 Iraq War, with all its political, economic, social and ecological consequences, still constitutes a trauma for many Kuwaiti citizens. The ongoing conflict between Saudi Arabia and Iran, as well as internal frictions among several Gulf states, have contributed to growing geopolitical risks for Kuwait. This notwithstanding, there have been some positive changes lately. The al-Ula agreement of 2021 that ended the political rift with Qatar and more people-to-people interaction during the FIFA World Cup 2022 in Qatar could spark a new period of Gulf solidarity and cooperation.

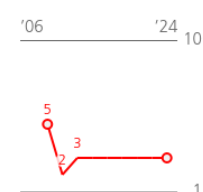
Otherwise, governmental constraints result from domestic specificities. The frequent deadlocks between the government and parliament display some democratic qualities but also hamper policymaking. This conflict becomes aggravated in times of crisis, such as the COVID-19 pandemic when the government's responses were not sufficient in the eyes of many citizens and members of parliament. Much-needed reforms and development projects to diversify the economy away from oil, lower dependence on migrant workers, decrease the bloated public sector, minimize corruption and nepotism, and improve health, education and housing services are paused.

As a result, Kuwait has fallen behind its Gulf peers. In contrast to neighboring countries that have also started to take serious action against climate change and embarked on low-carbon energy transitions, Kuwait's efforts are minimal. The country is still largely dependent on its oil resources and fails to adequately address changing climate and weather patterns that entail a growing number of natural disasters, such as extreme heatwaves in the summer.

Unlike its more authoritarian neighbors, Kuwait has a long history of social activism that dates back to the early 20th century, when the merchant community started establishing the country's first schools to provide public education. Civil society activity further experienced a boost during the spread of the Arab Nationalist Movement in Kuwait in the 1950s and upon the establishment of the Kuwaiti branch of the Muslim Brotherhood in 1947. In the 1970s, the first environmental NGO was created, and Shi'a religious groups started to appear in Kuwait under the influence of Iraqi clerics. Special organizations, such as the Kuwaiti Community Association,

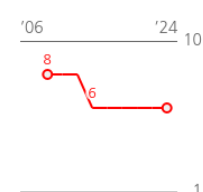
Structural
constraints

3



Civil society
traditions

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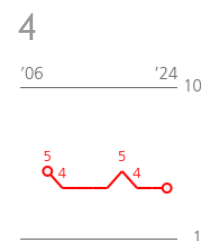
fight for the rights of disadvantaged groups in Kuwait. Additionally, there are other civil organizations, such as the Kuwait Environment Protection Society, which dates back to the 1970s and aims to improve the ecological situation in the country.

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

Kuwait's social cleavages run along confessional, historical, political and national lines, though they are often intertwined. A major historical cleavage is between the badu (Bedouins) and hadhar (i.e., nomads with strong tribal affiliations and urban people). Politically, tensions between liberals and Islamists become apparent primarily in public debates in the assembly. Another often-mentioned religious fault line is that between Sunni and Shi'ite Muslims, although the latter are fairly well integrated in comparison to their situations in other Sunni Arab Gulf states. Nevertheless, the potential for escalation of sectarian tensions in this predominantly Sunni country are a concern. Incidents like the one in May 2022, when Kuwaiti security forces raided the largest Shi'ite mosque in the country, fuel those perceptions. Another long-existing, unresolved societal conflict is the social exclusion of Bidoon, who are largely Shi'ite Muslims.

A noticeable rise in national sentiments and xenophobia toward expatriates can be detected in public rhetoric, socioeconomic plans such as "Kuwaitization" and legislative changes, such as various proposals to impose a tax on expatriates' remittances. Public figures and officeholders have occasionally called for the deportation of hundreds of thousands of low-wage migrant workers. The coronavirus pandemic further marginalized the already-vulnerable blue-collar expatriate workers. Growing frustration and distress over non-payments of salaries and health risks are potential sources of conflict among this group. Meanwhile, the Kuwaiti government continues its policy of deporting expatriates, especially those accused of crimes such as drug abuse, violence, theft, expiry of residence, alcohol production and other violations of laws.

Conflict intensity



II. Governance Performance

14 | Steering Capability

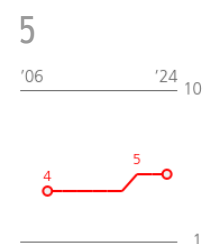
With the assistance of international consulting companies, Kuwait has already unveiled two development plans in the past decade (2010 and 2017). The previous long-term vision included the period from 2015 to 2019. The Kuwaiti government announced a new development plan for 2020 to 2025 in early autumn 2019. Kuwait Vision 2035 / New Kuwait is a key government priority and aims to transform the country into a financial and trade hub regionally and internationally. Core aspects include focuses on public administration, infrastructure, digitalization, sustainability and human capital. Domestic development is closely linked to international goals, including the United Nations Sustainable Development Goals (SDGs) 2030 agenda. According to the 2022 SGD Index, Kuwait remains stable with an index score of around 64.5, ranked 101st out of 163 countries, a low position for a rich country. Challenges remain for many of the 17 goals, except for a few, such as clean water and sanitation, decent work and economic growth, as well as partnerships for the goals. Many Kuwaitis hope that the recent windfall of oil revenues due to the global energy crisis will be strategically used to finally implement much-needed projects and socioeconomic reforms in line with the country's medium- and long-term development plans. The government has thus far rejected growing calls for populist measures like increased subsidies from various members of parliament because they are considered too costly. This ongoing dispute is a core cause of the numerous cabinet resignations.

The years 2015 to 2019 were dedicated to infrastructure development as part of Kuwait's Vision 2035. The construction boom focused on long-delayed infrastructure projects, such as the Sheikh Jaber Causeway, the Kuwait City Metro, a new airport and five new planned cities to resolve housing shortages. Due to the COVID-19 pandemic and an oil price slump, these projects were further postponed. Yet, even with higher oil prices and increased revenues due to Russia's war in Ukraine, the government has not reassumed its economic diversification and development projects to make the country a business and commercial hub, which increasingly troubles Kuwaiti citizens.

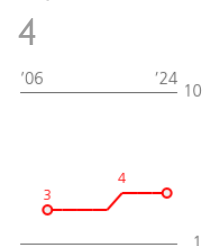
Instead, the conflict between the executive and legislative branches paralyzes policymaking and frequently hampers the implementation of policies. This is especially apparent when these policies disadvantage Kuwaiti citizens. Much-needed economic reforms to reduce the growing budget deficit have generated strong resentment in parliament. Austerity measures, which included cutting state-

Question
Score

Prioritization



Implementation



subsidized utilities, provoked opposition in parliament and the business sector. When these were finally implemented in September 2016, the reforms were only partial. For instance, the government increased the price of diesel for consumers, but cuts to electricity and water subsidies excluded Kuwaiti households, targeting only expatriates and commercial and industrial sectors. The state authorities were equally hesitant to introduce new taxes. The implementation of a VAT, originally planned for 2018, has been repeatedly postponed. Recently, it was announced that it would not be implemented before April 2023.

Another example of delayed implementation refers to efforts to implement energy diversification and sustainability. Previous large-scale decarbonization projects, such as the al-Zour refinery, were implemented with long delays due to parliamentary opposition to high costs. Due to the COVID-19 pandemic, in summer 2020, the Kuwaiti cabinet canceled plans to construct the \$1.4 billion al-Dabdaba solar plant, a 1.5 GW project. The solar-driven facility was supposed to be part of the country's first renewable energy plant, the 3 GW al-Shagaya Complex for Renewable Energy, run by the Kuwait National Petroleum Company (KNPC). The operation was supposed to begin in February 2021. But prior to the COVID-19 crisis, implementation was also delayed due to bureaucratic procedures. In April 2021, the head of the Kuwait Authority for Partnership Projects said that he expected the "financial closing" of the project in 2026.

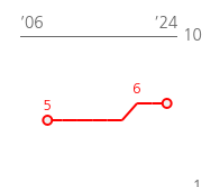
Like other ambitious GCC states, Kuwait tries to put itself on a global map, seeking out modernization based on a knowledge-based economy. Like other states, Kuwait relies on international consultancies. For instance, in order to launch Vision 2035, the Supreme Council for Planning and Development hired the international consultancy business, Tony Blair Associates. Additionally, the government has worked with Ernest & Young and the World Bank to develop strategies to rationalize subsidies and introduce austerity measures as a means to reduce the budget deficit. However, these recommendations often faced resistance from parliament.

There are, however, several policy areas in which the Kuwaiti government adopted best practice models from its neighbors. Although implementation is often delayed due to fractious politics, efforts at economic diversification (including the adaptation of renewable energy sources and decarbonizing oil refinery operations) and expanding digitalization (implementing an integrated 5G network and controversial measures, like increased state surveillance) reveal a convergence process among Kuwait and other small Gulf states, such as the United Arab Emirates, Qatar and Bahrain.

On a domestic level, the government mainly cooperates with the two leading institutions, namely the Kuwait Foundation for the Advancement of Sciences (KFAS) and the Kuwait Institute for Scientific Research (KISR). Furthermore, the government cooperates with academics from Kuwait's universities, but, generally, the academic sphere is more engaged with teaching than research and consultancy.

Policy learning

6



Particularly in the sensitive area of energy diversification and resilience, the state-owned oil companies, with their various institutions and financial capacities, play a critical role in determining policymaking.

15 | Resource Efficiency

The abundance of oil financed the development of a generous welfare state, which provides a broad range of services (such as health care, housing loans, free education) as well as employment or financial assistance to all Kuwaiti citizens. While Kuwait has exploited its hydrocarbon resources relatively efficiently, its growing dependence on just one resource has caused problems. Oil wealth created a bloated public sector that hampers efficient administration. There are attempts to modernize the public administration, implement fiscal reform, and reduce corruption and the bureaucracy's inefficiency by bringing more Kuwaitis into the private sector, for instance. This "Kuwaitization" should promote labor market needs and individuals' merit over "networks of privilege." Yet, there has been a lack of substantial achievements thus far. Transformation toward a "knowledge-based economy" is a gradual, long-term process. The country thus remains highly dependent on its foreign labor force.

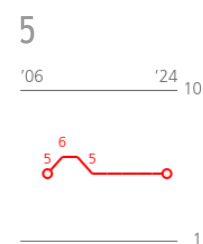
Furthermore, high fluctuations in global oil market prices affect the domestic budget dramatically. In order to ensure long-term financial stability beyond oil, Kuwait created the Future Generation Fund in 1976. Since then, a minimum of 10% of oil revenues have been invested in this special reserve. This fund and the General Reserve Fund as the main government treasury are administered by the Kuwait Investment Authority (KIA). According to the Sovereign Wealth Fund Institute, the KIA is the oldest and one of the wealthiest funds in the world.

The coronavirus has exacerbated Kuwait's increasing budget deficit, and parliament delayed approval of the budget for fiscal year 2022/2023, freezing the government. Yet, due to the unexpected global energy crisis caused by Russia's war against Ukraine, Kuwait's oil-dependent economy experienced an estimated growth of nearly 8% with a surplus of around \$23 billion in the current fiscal year.

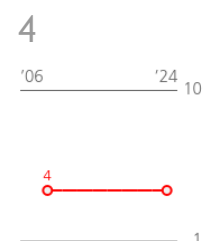
During recent decades, Kuwait's process of policy coordination has often been hampered by an intra-family dispute between the two branches of the al-Jaber and the al-Salem. This, however, appears not to be a key barrier to coordination. Instead, the impasse between the government and the parliament causes problems for coordinating policies.

As in other Gulf states, the inefficient public sector is characterized by a siloed approach of individual departments and governmental bodies with weak policy coordination. The blurry boundaries between the private and political sectors, for instance, when members of influential merchant families also hold political offices, further hinder transparency.

Efficient use of assets



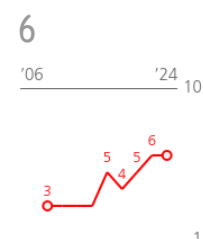
Policy coordination



At the same time, the existing formal channels of coordination between political decision-makers are relatively advanced and transparent. The cabinet holds weekly meetings and frequent exchanges with various parliamentary committees.

Allegations of malfeasance dominate the public discourse and constitute an important lever for societal mobilization against the regime. Since 2016, the Anti-Corruption Authority (Nazaha) has investigated corrupt practices by officials. It implemented the Kuwait Integrity and Anti-Corruption Strategy (2019 – 2024). It is comprised of four primary pillars, divided into the public sector, the private sector, society and specialized bodies. Each pillar is further linked to a number of priorities and initiatives. The Anti-Corruption Authority is the main body responsible for monitoring and evaluating the implementation of the national strategy. Several other institutions assist and ensure the implementation. This includes a high-level committee, which was established by the Council of Ministers and is headed by Nazaha, a technical committee, a monitoring and evaluation committee, and a support office. Nazaha is supervised by the Ministry of Justice but performs its functions and competences with full independence and impartiality. By autumn 2020, it was reported that the authority had investigated over 300 cases, with only some 40 referred for public prosecution.

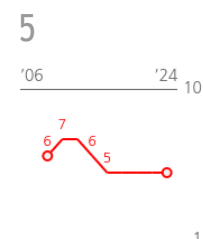
Anti-corruption policy



16 | Consensus-Building

Kuwaiti citizens seem generally supportive of the ruling family, and there is general consensus over their prominent position. Yet, their influence on the political structure and dynamics, as well as the kind of political system, is subject to debate. While some people aspire to the top-down, fast-track and hyper-developmental approach of other small Gulf states without the obstructive and delaying role of a parliament, others argue in favor of equipping the parliament with more power and turning the country toward more democracy (e.g., a constitutional monarchy), with political parties and an elected cabinet.

Consensus on goals



The variety of opinions about and interpretations of the state's organization and future path have featured prominently in the country's DNA. While there is no disagreement concerning the leading role of the al-Sabah family, there is no consensus as to how that should be articulated in relation to the idea of political participation by the population. Attempts at a "national dialogue" have failed.

The long-term development plans point toward transforming the economy from a rather dynamic state capitalist model, based on relatively large and effective government bodies and state-owned firms, to a model based on market economy principles. However, there is little consensus about the concrete direction. The influential merchant elite is generally supportive of the transformation as they see more business opportunities. At the same time, they fundamentally oppose any measures that would reduce their oligarchic privileges. Fearing a greater gap between

the elite and ordinary Kuwaiti citizens, popular voices in the parliament reject developments toward a market economy. Generally, the parliamentary opposition advocates for the generous welfare system and rejects efforts to reduce it.

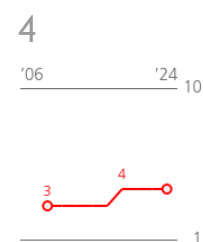
After a long period characterized by several dissolutions of parliament by the emir, the political process has stabilized. Yet, even when the assembly was dissolved, social forces mobilized in favor of parliamentary representation. The latest parliamentary election has reinforced the power of the opposition and strengthened the role of reformers who advocate democratization. As in the previous legislative period, it can be expected that cross-ideological coalitions, for instance, with the strong Islamist fraction in parliament, will be formed to promote anti-corruption measures, transparency and accountability from the pro-government bloc.

Given the heterogenous population, the government has been relatively successful in limiting volatile cleavages and depolarizing structural religious, political ethnic, historical and tribal conflicts. This conflict management is mainly based on patronage power to buy loyalty and reduce tensions, as well as a strategy of divide and rule tactics.

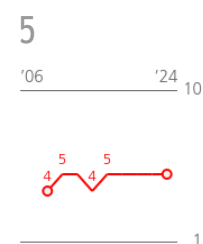
Yet, Bidoon as a social class have been excluded from these inclusionary co-optative techniques, which has created xenophobic sentiments in light of shrinking financial resources. The majority of younger members of parliament tend to reject these undemocratic practices. In 2017, descendants of former Bidoon soldiers were granted access to military service and identity cards, allowing them access to the state health care system. In March 2022, some Bidoon launched a hunger strike seeking more rights. The strike ended after 18 days, sparking significant public attention and calls for concrete attempts to improve the situation. Civil actors and various members of parliament have called for measures to solve the issue of the Bidoon, but concrete steps toward naturalization have not been taken. In November 2022, the speaker of the National Assembly proposed a bill to address Bidoon nationality, which is currently under review.

The ongoing political crisis has deeply divided not only the political camps but also the country's citizens. In response, the emir took the unprecedented step of calling for a national dialogue to bring cabinet ministers and lawmakers together to solve the crisis. The mediation attempts lasted for several weeks behind closed doors but did not produce any solutions to the impasse. Instead, in the following summer, frictions culminated in a sit-in protest by several members of parliament, which ultimately resulted in the suspension of the parliament by the crown prince. As another means of conflict management, in November 2021, the emir acceded to the demands of lawmakers and granted pardons to or reduced the sentences of 35 dissidents who had been convicted of spying activities.

Anti-democratic actors



Cleavage / conflict management



The involvement of civil society actors does not occur in a formal, institutionalized way, but rather informally. A common tool of this informal exchange are meetings (diwanias), where members of parliament and other civil society actors (e.g., professional groups such as a lawyers' society, an economic society, labor unions) deliberate. This is an important steering element to influence public opinion and shape the political decision-making process. After a period of systematic crackdown on civil society participation that began in 2011, journalists and public intellectuals have had more leeway to criticize the government recently. There are, however, clearly defined boundaries. This is particularly true when it comes to allegations of corruption and mismanagement of public spending.

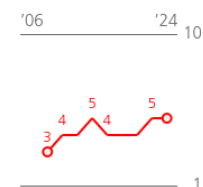
As part of the Strategic Cooperation Framework (2020 – 2025) between Kuwait and the United Nations for sustainable development, a permanent national steering committee, the National Sustainable Development Committee (NSDC), was set up by a ministerial decision. While it was emphasized that the NSDC should include civil society representatives, these seemed to be mainly parastatal organizations like other government-controlled bodies such as the Society for the Protection of the Environment, the Kuwait Society of Engineers and the Kuwait Economic Society.

During the COVID-19 pandemic, the Kuwait Foundation for the Advancement of Sciences (KFAS) opened a call for applications, inviting Kuwait-based civil society organizations (CSOs) and non-profit non-governmental organizations (NGOs) to submit proposals for co-funding of projects, solutions or efforts in direct response to the pandemic. However, this promising sign of an increase in civil society participation has not produced tangible outcomes to date. In light of the politically insecure situation, it seems that the ruling elites aim to curtail civil activism more than they did previously.

To a large extent, there have been no past acts of injustice with which the Kuwaiti government needs to cope. The still-existing trauma from the Iraqi invasion in 1990/1991 is frequently mentioned, but this seems to be aimed mainly at creating collective memory. The largest act of injustice remains the treatment of the Bidoon. They often live in relative poverty and work in the informal economy, but they also make up the main bulk of the Kuwaiti armed forces. Despite the fact that Bidoon have often lived all their lives in Kuwait, the government denies them full citizenship rights (e.g., access to social welfare, favorable employment and voting rights). In the period under review, however, the government has continued to try to reconcile their status, which includes opening up opportunities for employment in the military, issuing some of them national ID cards and finally allowing them access to the state welfare system.

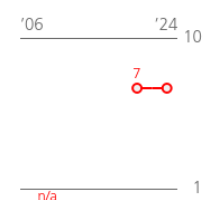
Public consultation

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Reconciliation

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17 | International Cooperation

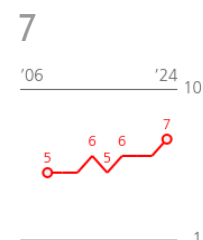
Kuwait is one of the largest donors in the world and became a participant in the Development Assistance Committee (DAC) of the OECD in 2018. However, like other oil- and gas-dependent rentier states with a low industrialized economy, Kuwait needs international assistance to implement its national development plan for a sustainable and knowledge-based economy. It welcomes public and private consultancy and assistance from international organizations, institutions and other entities. International consulting firms help Kuwaiti authorities develop large-scale infrastructure projects such as the new port or the national railway project. According to the Middle East Economic Digest (MEED), the main foreign consultants in various sectors, such as construction, water and power, transportation and oil, include U.S.-based Hill International and Honeywell UOP, Germany's WTE Wassertechnik GmbH, Spanish Ineco, China's Power China, UK-based Amec Foster Wheeler and Turkish Limak Holding. Furthermore, Kuwait continues to receive military assistance from the United States and seeks to improve its health system with assistance from the WHO, which only recently opened a country office in Kuwait.

Kuwait is a member of various regional and international bodies such as the Food and Agriculture Organization, the League of Arab States (LAS), the IMF, Interpol, the Organization of the Islamic Conference, OPEC and the WTO. Kuwait is a member of the United Nations and regularly submits reports to various U.N. bodies. However, given its exceptional political structure and dynamics that paralyze fast-track decision-making, Kuwait frequently lags behind its internationally committed objectives.

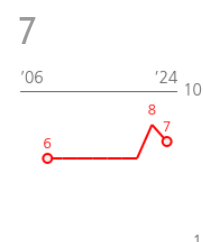
Although the government generally submits reports to the United Nations' reporting bodies, it is often slow to act upon its findings. Examples include efforts and recommendations by the World Bank and the IMF to advance economic and tax reforms, International Labor Organization suggestions for changing Kuwait's sponsorship (kafala) requirement and meeting demands by the United Nations' Human Rights Committee concerning the status of Bidoon. Another example is meeting its climate goals before the United Nations, where the country lags behind its own commitments.

For a small state, Kuwait has considerably high status in the international community and enjoys a global perception as a neutral mediator and decades-long donor of international help. The International Humanitarian Report 2020 listed Kuwait among the 20 largest contributors of international humanitarian assistance and the second largest donor in proportion to its gross national income, two honors the country has lost: the volume of Kuwait's official development aid decreased from 0.52% of official development aid as a share of GNI in 2018 to 0.25% in 2019. The trend continued after the outbreak of COVID-19.

Effective use of support



Credibility



Kuwait was elected a non-permanent member to the Security Council in 2017, serving for a two-year period between January 2018 and December 2019. During this period, it made substantial efforts to adopt resolutions to provide humanitarian aid in several conflict areas in the Middle East, including Syria, Yemen and Iraq. It also advanced a resolution to provide international protections for the Palestinian people. Generally, Kuwait takes a vocal stance in favor of the Palestinian cause, which is why it has not followed other countries in signing normalization agreements with Israel (the Abraham Accords, signed in 2020). In contrast to other Gulf countries, Kuwait has a strong anti-Israeli policy and condemns any relaxation thereof.

Particularly in its region, Kuwait has managed the balancing act of mediating between hostile parties. Despite its close relationship with Saudi Arabia, it has constantly called for a broader and more stable regional arrangement that also includes Saudi Arabia's main adversary, Iran. Even after the withdrawal of the United States from the nuclear deal with Iran (the Joint Comprehensive Plan of Action, JCPOA) in May 2018, Kuwait continued its efforts as a peace broker to bring the parties back to the diplomatic table.

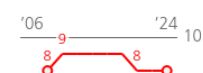
Regional geopolitical tensions occurred in 2015 when Saudi Arabia shut down oil production from the jointly operated oil fields, Khafji and Wafra, in the Saudi-Kuwaiti Neutral Zone. The dispute over oil output in jointly operated fields in the neutral zone ended in 2019, which also included an agreement for joint exploration of the Arash/Durra offshore gas field, bordering Iran, Kuwait and Saudi Arabia. The deal was made without Iranian participation, which claims part of the field. In December 2022, oil companies from Saudi Arabia and Kuwait started to develop the gas-rich field.

A major success in Kuwait's inter-GCC mediating efforts was the GCC summit in January 2021 that resolved the protracted Gulf crisis, especially Saudi Arabia's dispute with Qatar. Kuwait's standing in the region stems from the time of the former emir, Sheikh Sabah al-Ahmad al-Jaber al-Sabah, who was also foreign minister more than 40 years prior to becoming head of state. His successors, the ailing emir and the 82-year-old crown prince, continued his foreign policy approach but have thus far not been able to fill the shoes of the former emir. At the same time, and against preliminary speculations, the death of Sheikh Sabah, under whom Kuwait embraced a moderate foreign policy championing Arab and Gulf unity, has not left the emirate vulnerable to other aspiring Gulf peers such as Saudi Arabia or the UAE.

While Kuwait's long-term development plans of becoming a business and commercial hub by 2035 with improved regional and global connections have not yet materialized, the country is able to engage in international cooperation during crises. For instance, as a result of the latest unprecedented sand storms in the Levant and Gulf in May 2022, Kuwait not only provided help to neighboring Iraq, but also became part of a formed coalition of "sand diplomacy" including Iran, Iraq, Kuwait and Syria.

Regional cooperation

8



1

Strategic Outlook

Between 2021 and 2023, Kuwait's political crisis has once more become acute. The equilibrium between a partly elected legislature and a hereditary executive branch remains problematic. The last two elections have shifted power toward oppositional forces, and lawmakers have started enacting an even more assertive policy toward the executive than before. However, the increase in traditional instruments, such as interpellations and delaying budget approval, as well as unprecedented steps, such as the sit-in protest despite concessions on behalf of the government, may have overstretched the limits of liberalization.

The crown prince's public announcement that he will use "forceful measures" indicates that there is a possibility of violent escalation. Using the financial revenues from the global surge in oil prices to improve services in the areas of health, education and housing, in combination with a gradual political reform course that grants more power to parliament so it can overcome its image as a legislative obstructionist, is one possible way to dissolve the perennial infighting between the executive and the legislature. It is possible, however, that the government will only try to spend its way out of the biggest difficulties with parliament, as has been the practice in the past.

In terms of fighting corruption as an inherent feature of the political system, Kuwait has made progress over the past few years. By launching the Kuwait Integrity and Anti-Corruption Strategy (2019 – 2024), the government established a solid framework for reducing the widespread problem of corruption, which is also a constant subject of friction in state-society relations. Even so, it remains to be seen how effective the implementation of the strategy will be. In the past, a high number of new corruption cases were discovered but only a few were prosecuted. It is likely that this trend will continue.

The latest two elections have strengthened the power of Islamist opposition groups. Specifically, the Islamic Constitutional Movement – the political wing of the Muslim Brotherhood (MB) in Kuwait, which formed in 1991 – constitutes a powerful bloc in Kuwait's National Assembly. While it is doubtful that it will ever win the majority of the seats, it is an influential actor. In the future, it is very likely that an increasing number of conservative and Islamist voices will shape political debate and decision-making processes in the country. There are already growing tensions in gender debates, which will very likely only increase over the next few years. What is needed are legislative changes and incentives, such as introducing quotas and granting equal citizenship rights to women, to effect deep changes in Kuwait's patriarchal society.

In 2022, there has been new momentum and efforts to address the unsolved problem of the disadvantaged Bidoon group. While there are serious attempts by lawmakers, the next few years will show whether these concrete implementation steps will follow. The same political will, however, is not evident in terms of improving the situation of the large number of migrant workers. Kuwait continues its controversial traditional sponsorship (kafala) system. While different international partners and organizations encourage the government to embark on necessary social

and labor reforms, a growing number of deportations are reported. In light of the nationalization of the labor market, this tendency will likely continue without providing substantial improvements to expatriates.

Although Kuwait relatively successfully cushioned the effects of the COVID-19 health crisis due to a well-developed public health system, the pandemic has severely damaged the economy. The missing revenues and growing costs of economic stimulus packages have depleted the country's financial reserves. The pandemic also resulted in the cancellation of many plans for much-needed infrastructure development and urbanization. Russia's invasion of Ukraine and the subsequent global energy crisis generated increased, unexpected hydrocarbon sector income. While this may continue for the next one to two years, Kuwait needs to accelerate efforts to decrease its overreliance on oil. Adopting clean energy resources would help cushion dependence on highly fluctuating oil prices while fulfilling Kuwait's climate commitments. Sustainable development also offers new business opportunities and helps mitigate climate change. At the same time, Kuwait needs to advance its efforts to adapt to climate threats. These threats include climate-related, slow-onset events such as a stark increase in temperature and humidity or a rise in sea level, as well as occasional natural hazards like torrential rainstorms and sand and dust storms that threaten the country and leave it vulnerable. Over the next few years, Kuwait must transform its well-established environmental and climate regulatory frameworks into concrete policy action and implementation.