

# BTI 2016 | Kuwait Country Report

<b>Status Index</b>	1-10	<b>5.85</b>	# 57 of 129	
Political Transformation	1-10	4.38	# 84 of 129	➔
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	scale	score	rank	trend

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

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**Key Indicators**

Population	M	3.8	HDI	0.814	GDP p.c., PPP \$	-
Pop. growth <sup>1</sup>	% p.a.	4.3	HDI rank of 187	46	Gini Index	-
Life expectancy	years	74.5	UN Education Index	0.646	Poverty <sup>3</sup>	% -
Urban population	%	98.3	Gender inequality <sup>2</sup>	0.288	Aid per capita \$	-

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

## Executive Summary

Kuwait has, again, seen two turbulent political years. In the period under review the National Assembly was dissolved, an election and a special election took place, two cabinets were installed and an alleged coup plan by a member of the ruling family was hotly debated.

The year 2013 started with a newly elected National Assembly, which severely lacked popular support due to the widespread election boycott following a controversial electoral system change in October 2012. In addition, a ruling by the constitutional court on the legality of the electoral changes and therefore on the December 2012 elections was expected in 2013. The changes to the electoral system by the emir's decree was deemed legal by the court in June 2013, but parliament was nonetheless dissolved on that grounds that there were technical flaws in the electoral law. The subsequent election in July 2013 divided the newly formed broad opposition coalition on the question of whether to take part or again boycott the elections. Only a few candidates boycotted in the end, and parliament was elected with an increased turnout of 50%, despite the high summer heat and the election being scheduled during the holy month of Ramadan. The vote produced a more diverse parliament than the previous one, with the generally pro-government Shi'a bloc suffering most; their number of members of parliament was reduced from 17 to eight. After a period of uneasy calm following the July 2013 National Assembly election, revelations of an alleged coup plot involving senior members of the ruling family shook the nation in April 2014. The nephew of the emir, Sheikh Ahmad Fahad al-Sabah, presented videotapes accusing the former prime minister, Sheikh Nasser Mohammad al-Ahmad al-Sabah, also a nephew of the emir, and ex-parliament speaker Jassem al-Khorafi of corruption and planning a coup. Whether true or not, the allegations – publicly – symbolized the ongoing fight and deepening rift among members of the ruling family over the succession of the aging Emir Sabah al-Ahmad al-Sabah. The stepping down of five members of the National Assembly in protest against denial of a request to question the prime minister about political corruption allegations further destabilized Kuwait. The success of pro-government candidates in the following special election in June 2014, on the one hand,

strengthened the government's backing in parliament, but, on the other, it signified a return to the polarization of the political climate of 2012. The atmosphere became even tenser when, a few days later, on 2 July 2014 the opposition figurehead, Musallam al-Barrak, was arrested due to public claims of official corruption. Protests by thousands of supporters were violently dispersed by riot police with tear gas and stun grenades.

The period under review was also characterized by a growing crackdown by government on dissent. Dozens were arrested on charges of insulting the emir or other gulf rulers and the Prophet Muhammad. In 2014, a plan to offer the large group of bidoons, stateless Arab residents with no rights, "economic citizenship" in the Union of the Comoros with residency rights in Kuwait sparked an outcry among activists and human rights groups. The marginalization of Muslim Brotherhood supporters and the disbanding of the Social Reform Society, the local charity arm of the Brotherhood which has existed since the 1950s, in the context of the Egyptian coup against the Muslim Brothers, signified a further destabilization of Kuwaiti society. On the regional and international level, GCC relations improved slightly with the settlement of the conflict over Qatar's support for the Muslim Brotherhood and the need to cooperate considering the growing threat of the Islamic State (IS) group in Syria and Iraq.

Economically, Kuwait continues to profit from its immense oil income even though oil prices have slumped. Periods of political backing of the government by parliament allowed Kuwait to progress on projects such as the privatization of Kuwait Airways and the al-Zour Independent Power and Water Project.

Substantially, nothing has changed in the country's long-term struggle between the democratic principle embodied in competitive elections for most of the National Assembly and the quasi-monarchic principle of emiri rule, resulting in serious blockages in policy-making. In the reporting period, the latter has been used in a more repressive manner. The question of succession is likely to undermine stability in the future.

## History and Characteristics of Transformation

Kuwait has been ruled by the Al Sabah dynasty since the mid-18th century and became fully independent from Great Britain on 19 June 1961. From early on, the authority of Al Sabah family members has been founded on an accord with local tribesmen and merchants and was based on mutual interest and exchange. The position of the Al Sabah changed fundamentally with the discovery of oil in 1938 and the first exports in 1946. Abdullah al-Salim al-Sabah, who became the first emir of Kuwait with independence, used the wealth to create a comprehensive welfare state with extensive education and health facilities and initiated infrastructure projects. Today, the country is one of the largest oil exporters globally, possessing about 8% of the world's known oil reserves. The combination of large oil revenues and a small native population has unleashed tremendous economic development and allows citizens to lead a comfortable life. Kuwait's history has been characterized by rapid population growth due to the import of foreign labor: between 1950 and 2013, the population grew twenty-fold, increasing from 150,000 to over 3,000,000.

Kuwait has the oldest elected parliament of all Arab Gulf countries; the National Assembly was established in 1963. The parliament has never been a “rubber-stamp” body, and openly discusses vital issues. In particular, it has often pressed for more democracy, transparency as regards state financial matters, a greater role for itself in defining oil policies, and more parliamentary oversight over foreign defense contracts. However, women have been discriminated against in politics for a long time. Only in May 2005 did the parliament finally approve the emir’s request of granting women the right to vote and run for election.

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

Sunni-Shi’a relations have been less contentious than in other Gulf states, but tensions still exist. The conflict between Iran and the Arab Gulf states, as well as the crises in Bahrain and Syria, have furthermore sparked a divide, with some Kuwaitis staunchly supporting the protesters in Bahrain and others seeing them as Iranian cronies. This sectarianism is used by sectarian identity-entrepreneurs to further their interests.

The successor to the emir is a hot topic in Kuwait, as it is determined not by primogeniture but by consensus of the ruling family. Tradition in the Sabah ruling dynasty stipulates that the position of emir should alternate between the two main branches of the family – the Jaber and the Salem branch. However, in 2006 that rule was skipped when Sheikh Sabah al-Ahmad became the successor of the late Sheikh Jaber al-Ahmad, because the designated heir, Sheikh Saad al-Abdullah, was deemed too ill. Since 2003, the crown prince can no longer serve as prime minister, which has improved accountability. In 2006, following the death of Sheikh Jaber in January of that year, the National Assembly introduced a new electoral system – against the emir’s wishes – and played a decisive role in the succession crisis. In 2009, the emir agreed for the first time to allow a member of the executive branch – in this case, the prime minister – to stand before a parliamentary inquiry, which built up the pressure for the prime minister to step down in November 2011. At the same time, the executive-legislature relationship has grown increasingly tense in the last years, a situation that has led to the dissolving of parliament six times (in 2006, 2008, 2009, 2011, 2012 and 2013) during the reign of the current emir. The unilateral changes to the electoral law in 2012 by the emir profoundly destabilized the delicate executive-legislative balance and led to increasing extra-parliamentary protests and electoral boycotts.

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

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

Question  
Score

Kuwaiti government authorities exercise complete control over the country. Kuwait has not witnessed any major violent conflicts within its territory since the 1990 – 1991 war with Iraq. However, since 2011 Kuwait has seen the largest demonstrations in its history, with tens of thousands of Kuwaitis taking to the streets, protesting against corruption and a growing authoritarianism. Occasionally, the police ended these demonstrations violently.

Monopoly on the  
use of force

10

The advance of IS in Syria and Iraq poses a potential security threat to Kuwait, both internally and externally. Consequently, Kuwait has deployed troops to the Iraqi border. Internally, there are elements in Kuwaiti society supporting extremist Sunni jihadi groups in Syria. Reports in September 2014 stated that at least 60 suspected sympathizers of IS have been identified in Kuwait and five suspected members arrested. However, their activism does not essentially affect the state's monopoly on the use of force within Kuwait's borders.

The constitution, which defines the political system and the leading role of the Al Sabah family, is widely respected as a cornerstone of stability. While the ruling family's position is principally not up for debate, voices calling for a constitutional democracy, including a party system – Kuwaiti law does not recognize political parties – are becoming louder. The Shi'a, which make up about 30% of Kuwait's national population, are comparatively well-integrated into society. However, prejudice that the Shi'a are steered by Iran – particularly in light of the ongoing rebellion in Bahrain – is regularly voiced.

State identity

6

Bidoons, who are denied full citizenship rights, represent about 10% of the population. These stateless Arab residents are regularly suspected in public discourse to unjustly seek citizenship to profit from subsequent material benefits. In 2014, the government's suggestion to offer the Bidoons Comoros nationality, with permanent residence rights in Kuwait, sparked outcry from Bidoon activists, human rights

groups and international media. The government's move to strip Kuwaiti nationals of their citizenship for undermining national security and stability has likewise produced harsh criticism.

The largest group, which does not come into the equation, is the expatriate community. These blue- and white-collar migrant workers have no access to citizenship at all. Despite harsh living conditions and limited legal protection for workers in the low-wage sector, there have been no reports of major organized workers' protests in the period under review.

According to article two of the constitution, Islam is state religion and Islamic Sharia is a main source of legislation. Nevertheless, the country generally functions along modern principles with secular institutions.

No interference of religious dogmas  
6

Parts of the National Assembly, namely the Salafi bloc and the Islamic Constitutional Movement (Hadas), which is affiliated with the Muslim Brotherhood, are in favor of giving religious dogma a bigger role in the state. In general, the emir blocks fundamental Islamist policies. Islamic law holds the most significance in relation to personal matters. In the beginning of 2014, the National Assembly's legal and legislative committee approved a draft law forbidding banks from taking interest, as it is regarded as un-Islamic and usury. In the period under review, convictions for criticizing the prophet on Twitter increased. Article 111 of the penal code stipulates sentences of up to one year for anyone who "mocks God, the prophets and messengers, or the honor of his messengers and their wives," according to Human Rights Watch.

Kuwait is administratively divided into six governorates, al-Ahmadi, al-Asima (in Arabic "the capital," including the area around Kuwait City in which approximately 96% of the total population resides), al-Farwaniyya, al-Jahra, Hawalli and Mubarak al-Kabir. The state bureaucracy is functional but bloated; many positions were created to provide employment for Kuwaiti citizens without focusing on merit or needs.

Basic administration  
8

Kuwaiti nationals are entitled to free social services such as healthcare and education, the quality of which are somewhat deficient. The basic infrastructure in Kuwait is fairly advanced, but power cuts are common during the hot summer season due to the increased use of air conditioning. Housing is becoming an ever more hotly debated subject with the waiting list for government-subsidized housing having grown to more than 100,000 applicants. Implementation of plans to revamp Kuwait's infrastructure is regularly delayed. Thus, in its new development plan for 2015 – 2019, the government integrated infrastructure projects from prior years.

## 2 | Political Participation

The reporting period saw another election, after earlier polls to the National Assembly in 2011 and 2012. On 16 June 2013, the constitutional court ordered the dissolution of parliament, which had been elected amidst controversy and widespread boycotts in December 2012. Fresh elections took place on 27 July 2013, with many opposition candidates standing again for office. Electoral turnout consequently recovered to 52% from the record low of 39% in the December 2012 elections. Those who boycotted these elections too disagreed with the electoral system change of 2013. The result was an Assembly which is largely pro-government, but more diverse than the December 2012 Assembly. Already in May 2014, it lost five members, when they resigned in protest at being denied a request to question the prime minister. The subsequent special elections were boycotted by opposition forces.

Free and fair elections

3

Parliament (majlis al-umma) consists of 50 directly elected members and up to 16 ministers who are directly appointed by the emir. The legal framework for Kuwait's election is largely in line with international standards, with the inequality of the vote being the major flaw, according to Democracy Reporting International. The lack of parties poses structural difficulties and the limited powers of parliament are inconsistent with international obligations. Elections only have very limited influence on who governs. Limitations to the right to vote are in place for soldiers and naturalized citizens, who are barred from participating in elections for 20 years after naturalization.

The role of the partly elected parliament is limited by the fact that the government does not require a majority backing in parliament. In other words, the power of the royal family and its handpicked cabinet is unrestricted. However, even with its little actual legislative power, the Kuwaiti parliament has traditionally focused on controlling the executive and questioning government initiatives through the interpellation, or "grilling," of ministers.

Effective power to govern

2

The adversarial relationship between the government and the parliament is exemplified by the fact that parliament was dissolved six times since 2006 in the reign of Emir Sabah al-Ahmad al-Sabah. Given that there are no organized political parties, no structured legislative program of any majority exists in parliament. Legislative initiatives in parliament are based on ad-hoc coalitions of parliamentarians. There were calls for an elected government and the legalization of parties in 2014, to which the government reacted with arrests and stripping the citizenship of dissenters, according to Human Rights Watch.

The military remains under tight control by the emir and his family. With increasing intra-family conflicts over succession and the growing size of the army, the army could play a bigger role in politics in future, according to some observers.

There are frequent political demonstrations as well as open and free semi-public discussions in diwanias (gathering places run by families or tribes), or other traditional gatherings. The legal framework for assembly rights had relaxed in May 2006 after the constitutional court declared parts of the law on public gatherings unconstitutional. Since 2011, however, the government has increasingly used measures to suppress public displays of dissent. The arrest of the central opposition figure, Musallam al-Barrak, in April 2013 triggered public protests by thousands of Kuwaitis. The verdict was overturned by the court of appeals in May, but Mr. Barrak again made allegations about high-level corruption in the Kuwaiti judiciary in June 2014. His subsequent detention on 2 July sparked off violent clashes with the police using tear gas and stun grenades. Peaceful protests by bidoons have been violently dispersed by riot police, and individuals were arrested in the period under review. With the government stripping critics of their citizenship in the second half of 2014 and a general crackdown on dissent, the right to assemble in Kuwait is fundamentally disturbed.

Association /  
assembly rights  
4

The Kuwaiti government regularly restricts the registration and licensing of NGOs and thus the freedom of forming organizations is limited.

Kuwaiti journalists are among the freest and most outspoken in the region, although there are some “red lines” that are not to be crossed, such as subjects that may cause religious offence or criticism of the emir. According to Article 54 of the constitution, the person of the emir is immune and inviolable. Apart from leading to journalists exercising a degree of self-censorship, the authorities have – according to Reporters Without Borders – persecuted critics on those two sensitive subjects – the emir and religion. The criticisms have mostly been published through online media such as Twitter or Facebook by journalists, politicians, activists – in one case a female teacher. Human Rights Watch reported at least 29 such cases of persecution in 2013. All of the convicted facing multiple-year jail sentences for having criticized the emir received royal pardons in July 2013 during Ramadan. However, article 25 of the penal code, which specifies up to five years in prison for anyone who publicly objects to the rights and authorities of the emir or faults him, is still valid. In April 2014, two newspapers, al-Watan and Alam al-Yawm, were suspended for two weeks for not abiding by the media gag on reporting about video tapes that allegedly reveal plans to stage a coup d’état involving a member from the emir’s family.

Freedom of  
expression  
5

Furthermore, in May 2014 a new telecommunications law, according to Human Rights Watch, “gives the government sweeping powers to block content, deny access to the Internet, and revoke licenses without giving reasons.”

Reporters Without Borders harshly downgraded Kuwait in its 2014 World Press Freedom Index, to 91st from 77th in 2013. However, Kuwait still heads the list of Arab states by a significant margin.

### 3 | Rule of Law

There is a degree of separation between the legislature and the executive, but it is weakened by the fact that emir-appointed ministers, as well as the prime minister, are ex officio members of the parliament. Hence, roughly one-third (up to 16) of the members of parliament is not elected. Given that the parliament can conduct inquiries into government actions and pass motions of no confidence, and that it is in fact often openly at odds with the executive, checks and balances in Kuwait are more robust than in other Gulf monarchies.

Separation of powers

4

The emir can dissolve parliament – as was done in October 2012 – but has to organize new elections within 60 days, although in the past this obligation was not always honored.

Lawmaking power rests with parliament, but the emir can demand that a bill be reconsidered, in which case the assembly must affirm it by a two-thirds majority. As up to a third of parliamentary members (the government) are directly appointed by the emir, the cabinet has almost a blocking majority in parliament.

A fundamental structural problem for effective checks and balances is the lack of parties, and thus organized political forces, in the National Assembly. This opens the door for corruption and vote-buying by the government to back its policies.

In May 2014, five members of parliament stepped down when their requests to question the prime minister were turned down by a majority in the National Assembly.

The constitution provides for judicial independence, but the judiciary can yield to pressure from the emir. In practice, the emir appoints all judges, thus wielding considerable power over the judiciary. However, the World Economic Forum's 2014-2015 Global Competitiveness Index considers Kuwait's judicial independence fairly good, at 4.9 (of 7), ranking the country 37th out of 144 considered states. But, its criteria do not catch selective political influence by the executive branch.

Independent judiciary

4

As in 2012, in 2013 the constitutional court ruled that parliament be dissolved. While the opposition was mainly concerned with the 2012 changes to the electoral system, the constitutional court ordered parliament to be dissolved on other, more technical grounds. When the court dissolved parliament in 2012 for being critical of the government, the court was widely criticized. Dissolving a more government-friendly

parliament in 2013 cleared the court's reputation so that it is now seen as independent in the eyes of many.

The accountability of officeholders remains limited. Nevertheless, some officeholders, including cabinet members who abuse their positions, can face legal or political penalties.

Prosecution of  
office abuse  
5

In the period under review, corruption allegations have surfaced in a few instances. The development minister, the minister responsible for electricity and water and public works and the health minister were questioned over irregularities. One event in June 2014 attracted attention, when former Oil Minister Sheikh Ahmed al-Sabah announced that he possessed material evidence that senior former officials had stolen tens of billions of dollars of public funds. He further personally accused former Prime Minister Sheikh Nasser al-Sabah and former Speaker of Parliament Jassem al-Kharafi of corruption and of plotting a coup against the current government. The public prosecutor questioned both individuals, but there was no result by the end of the period under review. Behind these accusations also lies a conflict over who will succeed the ageing emir. In another instance, also in June 2014, opposition figure Musallam al-Barrak claimed that corrupt officials had transferred \$50 billion to foreign accounts.

Kuwaiti citizens generally enjoy rights and freedoms, but the reporting period has seen a deterioration in political and civil rights. While not systematic and widespread, there have been targeted violations, in particular the revocation of the citizenship of government critics. Amnesty International expressed the concern that these were “a politically motivated form of harassment to silence people.” These decisions cannot be challenged in court. Limitations to the role of parliament violate the right to political participation and to vote in elections.

Civil rights  
6

The largest human rights problem by far is the treatment of, as well as the lack of legal protection for, foreign and unskilled domestic workers. Similar problems exist for bidoons, who are excluded from full citizenship, despite their long history in Kuwait. There was sharp criticism by human rights groups in November 2014 for Kuwait's move to offer tens of thousands stateless people “economic citizenship” in the Union of the Comoros – a similar deal had been struck in 2012 in the United Arab Emirates which apparently paid \$200 million to the Comorian government to issue Comorian passports to around 8,000 UAE bidoons, the media reported. According to an interior ministry official, those who accepted the Comoros citizenship would receive residence permits and were eligible for free education and healthcare. A proposal put forward in October 2013 by the Kuwaiti Ministry of Health, suggested that medical tests should be applied to arriving migrant workers, rejecting entry should they be deemed homosexual, transgender and/or cross-dressers.

In April, as well as in June 2013, the first executions since 2007 were carried out. In 2013, more than 44 people were on death row, according to Amnesty International.

Women in Kuwait still face legal discrimination. Kuwaiti nationality law does not stipulate that a child of a Kuwaiti woman and a foreign father should receive citizenship. On a positive note, women were given the right to apply to the post of prosecutors in 2013.

#### 4 | Stability of Democratic Institutions

Kuwait's government is not legitimized by democratic elections involving a majority vote within the unicameral National Assembly. The National Assembly has certain monitoring rights over the executive. It can overturn decrees made by the emir when the National Assembly is not in session and can veto the appointment of the prime minister. Furthermore, it can remove ministers by a majority vote. These control mechanisms are however mitigated by the fact that government ministers are, by office, members of parliament and entitled to vote.

Kuwait's constitutional setup creates a conflict-prone relationship between the government and National Assembly, as the latter has mainly negative powers. In the period under review, parliament was dissolved once, and elections and special elections were held, after five members of parliament stepped down. On a municipal level, there exists the municipal council, which is in its 11th session since 2013. Voter turnout to the municipal council elections has declined in previous years and the council regularly faces corruption allegations.

The question of the successor of the aging emir has become ever more pressing. There are no agreed succession procedures, opening the scope for political maneuvering among different branches of the al-Sabah, and leading to instability. A scandal rocked Kuwait in 2014 when members of the ruling family accused each other publicly of corruption and a planned coup d'état.

On the whole, Kuwaitis are proud of their tradition of active political participation, and the country stands out among all GCC members in terms of stability and performance, particularly of its parliament. At the same time, there is a growing dissatisfaction with the performance of state institutions, in particular the paralysis that has resulted from tension between the executive and the legislative branches of power. These are due to constitutional design that limits parliament to a largely negative role, with no right of government formation. In 2013, electoral turnout rose again to about 50%, despite the fact that the election took place in the hot summer season during the holy month Ramadan. However, most opposition politicians and voters abstained from voting during the special election in June 2014, after five members of parliament resigned.

Performance of  
democratic  
institutions

3

Commitment to  
democratic  
institutions

2

Calls for a constitutional monarchy, an elected government – including the prime minister – and the introduction of political parties have become louder within the opposition.

## 5 | Political and Social Integration

Legally, there exist no political parties in Kuwait, but members of the National Assembly are organized along political blocs, which include groupings such as secular and leftist nationalists, the Shiite bloc, Salafi Islamists and the Islamic Constitutional Movement affiliated with the Muslim Brotherhood. These blocs act as quasi-parties and are perceived as such by the population, as they partly run own TV stations and print media.

Party system  
2

In a much-criticized move, the emir amended the electoral law by decree in October 2012, reducing the number of votes per voter from four to one. Many in the opposition described this an attempt to favor pro-government politicians, although it is difficult to state with certainty how these electoral system choices played out. As mentioned above, calls for a party system are becoming more widespread.

Kuwait has long stood out for its robust public sphere and active civil society. It comprises trade unions, women's organizations, Islamic associations, cultural clubs and diverse professional associations, including those for journalists and lawyers. These groups regularly engage in the political process and express their wishes. In addition, tribal and family networks of an informal nature have kept their strong ties to parliament and have crucial importance for conflict mediation between their members and the state institutions. Diwanias, family- or tribe-run gathering places, play a significant role in Kuwait by providing for consultations and semi-public spaces for civic and political activism.

Interest groups  
5

Many NGOs work in a semi-legal environment and are thus careful in voicing political opinions. Political youth activists have faced the heavy hand of the state.

Most people seem to have a positive view of democracy in general, though many Kuwaitis are not satisfied by the regular standoff between parliament and the government and the high number of elections in recent years. Regular turnout over 50% and lively public debate suggest support for democratic institutions.

Approval of  
democracy  
n/a

Kuwaitis – and particularly youth who make up a majority of the population – are increasingly wary of the corrupt realities of their parliament and the authoritarian style of government. The growing public protests and calls for reform by Kuwaitis in light of the Arab Spring can be interpreted as calls for a more direct democracy.

The World Economic Forum's Global Competitiveness Report for 2014-2015 rates "public trust in politicians" at 3.2 out of 7, ranking it 56th out of 144 countries.

Being judged a "low trust" country in a Pew Global Attitudes Study in 2008, tensions and occasionally mistrust indeed exist among different groups of society such as rich merchants, Islamists, bidoons, Shiites, et cetera.

Social capital  
4

Charitable religious endowments are active and well-supported. In addition, non-governmental and civil society initiatives and organizations exist but – according to one observer – the most active are not legally registered. By avoiding the licensing by the ministry of social affairs and labor, the organizations aim at retaining more liberty in their work.

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Question  
Score

The state of Kuwait has an abundance of oil reserves and is thus – even with the currently declining oil prices – a very wealthy country. Among Kuwaiti nationals, absolute poverty does not exist. According to UNDP Kuwait, the consumption expenditure of the Kuwaiti poor is eight times the international poverty line (\$1.25). For the 80% of Kuwaiti nationals who are public servants, the average wage equaled \$4,500. There exist no official data from the World Bank on poverty or the Gini coefficient, but generally, one can say that wealth is very unevenly distributed. Literacy is high at 95.5% and access to education is fairly good and equal from a gender perspective. Kuwait ranks 46th out of 187 countries in the UNDP Human Development Index 2014.

Socioeconomic  
barriers  
8

Having said this, it is important to mention, that Kuwait's population, about 3.5 million in 2014, is highly segmented. Kuwaiti citizens make up around 35% of the country's residents, while most of the remaining residents are temporary foreign workers from South Asia and the Arab world, who are often socially excluded and economically exploited. Among the country's total workforce, foreigners represent 81.2%, according to latest official numbers from 2011. Kuwaiti nationals generally work in the already overcrowded public sector – which employs over 80% of the Kuwaiti workforce – and have little incentive to seek employment in the private sector, due to lower salaries and longer work hours. To reduce Kuwaiti nationals' dependence on public-sector employment, the government has introduced a plan to "Kuwaitize" private companies, which would establish a rule that all companies are forced to maintain a fixed percentage of Kuwaiti nationals in their workforce. However, this process has brought only very limited results so far, also because women in the labor force have not been fully promoted.

Economic indicators		2005	2010	2013	2014
GDP	\$ M	80797.9	115416.4	175826.7	-
GDP growth	%	10.1	-2.4	1.5	-
Inflation (CPI)	%	4.1	4.5	2.7	<b>2.9</b>
Unemployment	%	2.0	1.8	3.1	-
Foreign direct investment	% of GDP	0.3	1.1	0.8	-
Export growth	%	-	-	-2.5	-
Import growth	%	-	-	0.8	-
Current account balance	\$ M	30070.5	36726.8	71266.6	<b>53204.5</b>
Public debt	% of GDP	14.1	11.3	6.4	<b>6.9</b>
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Cash surplus or deficit	% of GDP	29.1	18.8	-	-
Tax revenue	% of GDP	1.0	1.0	-	-
Government consumption	% of GDP	15.7	17.1	16.8	-
Public expnd. on education	% of GDP	4.7	-	-	-
Public expnd. on health	% of GDP	1.9	2.2	2.4	-
R&D expenditure	% of GDP	0.10	0.10	-	-
Military expenditure	% of GDP	4.3	3.8	3.3	-

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

## 7 | Organization of the Market and Competition

With the exception of the state monopoly in the oil and petrochemical industries, there is in principle little state intervention. However, it should be noted that these industries generate around half the country's GDP. Foreign investments are restricted, that is, a local Kuwaiti share of 51% is necessary, except for a few sectors such as telecommunications, housing and tourism. In January 2014, a new FDI law came into force, establishing the Kuwait Direct Investment Promotion Authority. This new authority is supposed to remodel the business environment for local and foreign investors, for instance, through the creation of a "one-stop shop." In the Global Competitiveness Report 2014 – 2015 by the World Economic Forum, Kuwait

Market-based  
competition

7

ranks overall 40th out of 144 countries, mainly thanks to its good macroeconomic position. The World Bank's Ease of Doing Business, which focuses on the microeconomic side, puts Kuwait at the rather mediocre position 86th out of 189 rated countries.

Despite its ambitious development strategy "Kuwait Vision 2035" and the new five-year National Development Plan 2015 – 2019 (announced in 2014), which among other goals foresees the growing privatization of the national economy, Kuwait has again not moved significantly forward throughout the period under review. Most projects have been stalled because of political stalemates. Informal economic activities are very limited, as virtually all businesses are officially registered and taxes are low.

In terms of administered pricing, subsidies make up around 20% of government spending. The government intends to lower the level of subsidies, which are supplied for fuel, food and housing. Kuwait's currency is pegged to an undisclosed currency basket and according to the IMF "maintains an exchange system free of restrictions on payments and transfers for current international transactions." A few influential, big, private, family-owned companies dominate the economy and thus new players – be they local or international – find it hard to establish themselves.

The ruling family and a few long-established merchant families control key economic activities and sectors. Informal monopolies and oligopolies do exist, while connections between the administration and private businesses result in uneven market competition. Decisions by the administration related to market activity can be arbitrary and sometimes involve corruption. Different political actors protect their economic interests by blocking privatization plans. The IMF in its article IV consultations with Kuwait in 2014 suggested a review of the competition policy law, that in its current form was established only in 2007 (in effect since 9 August 2009), and its implementation to increase competition. The 2014-2015 Global Competitiveness Index places Kuwait only at rank 131 in its effectiveness of anti-monopoly policy.

Anti-monopoly  
policy  
5

In the past, the import of foreign goods and their distribution in Kuwait were allowed only through arrangements with a local dealer, but regulatory laws are changing and loosening. In 2013, Kuwait's import tariffs compared very favorably even to some of the most developed economies with an average tariff of 4.66%, according to the WTO, of which it has been a member since 1995. Regional trade was further liberalized on 1 January 2008, through the launch of the common market of Gulf Cooperation Council (GCC) members, which by law removed all barriers to trade, investments and services within the GCC. However, with the exception of the free flow of capital and free right of establishment, the common market has not yet been put into practice. The customs union became fully operational on 1 January 2015. Plans for a common currency and taxes have been postponed.

Liberalization of  
foreign trade  
8

According to the IMF, Kuwaiti banks are amply capitalized and liquid, with stable profits. Kuwait's central bank plays a supervisory role. There are several commercial banks, largely private, that are generally well-managed and stable. Kuwait's banking system suffered somewhat as a result of the financial crisis (the Gulf Bank had to be rescued by Kuwait's central bank), but has again stabilized. Nonperforming loans have consistently decreased from an 11.5% high in 2009 to 4.6% in 2013. The adoption of the Basel III criteria in February 2014 has enhanced financial sector stability. The rating agency Fitch announced in late 2014 that Kuwait is keeping its AA rating.

Banking system  
9

Foreign banks have been allowed to set up operations in Kuwait since 2004, which has resulted in the current mix of local, Islamic and foreign banks. The latter's activities are confined to investment banking, however. Overall, Kuwait's banking system must be described as protected, with a strong central bank using regulating and intervening means.

## 8 | Currency and Price Stability

Inflation was low in 2012 and 2013, at 2.9% and 2.6%, respectively. Inflation has decreased immensely since peaking in 2008 at 10.6%, mainly due to falling global food prices. With no domestic agriculture, Kuwait is highly dependent on the world food market. Revisions to the subsidy system, rising wages and debt relief pose potential inflationary risks.

Anti-inflation /  
forex policy  
8

In 2007, the Kuwaiti dinar was un-pegged from the U.S. dollar and re-pegged to a basket of foreign currencies, mostly to diffuse the risks of external economic shocks and to limit imported inflation. The Kuwaiti dinar is fully convertible and profits can be repatriated. The Central Bank of Kuwait can rely on a huge stock of foreign currency assets to support the Kuwaiti dinar, as well as Kuwait's large current account surpluses.

Kuwait has posted successive budget surpluses for nearly two decades owing to high oil income, as well as a tendency to spend below budget. In the first quarter of the fiscal year 2014-2015, Kuwait recorded a budget surplus of \$21 billion. Oil income makes up over 90% of state revenues. Another factor leading to high surpluses is that Kuwait plans using conservative oil price projections and calculated an average oil price of \$75 per barrel for the 2014-2015 budget before the plummeting of oil prices in autumn 2014.

Macrostability  
8

The government of Kuwait transfers 25% of revenues to the Future Generations Fund – established in 1976 to secure Kuwait's future generations' well-being in the post-oil era.

## 9 | Private Property

Property rights and basic commercial laws are reasonably clear. Kuwait ranks 51st (out of 144) in the 2014-2015 Global Competitiveness Index for property rights. In terms of days and procedures necessary to register property, Kuwait is average, with 47 days and eight procedures, according to the World Bank.

Property rights  
8

The constitution forbids foreign ownership of the country's natural resources. However, lawmakers in parliament have the right to pass laws that allow for foreign companies to invest in the country's natural resources. Oil and petrochemicals, two strategic sectors, are entirely state-controlled. Most other sectors are largely privately owned. Non-citizens can own stocks, but are not allowed to own real estate. During the period under review, the government indicated that it intends to rearrange property laws to allow limited foreign ownership of real estate in designated areas. Until now, the common mode for foreign investors is a build-operate-transfer arrangement.

Kuwait protects intellectual property rights with a number of different laws. It has been member of, among others, the World Intellectual Property Organization (WIPO) since 1998 and most recently, since 2014, a signatory of the Bern Convention for the Protection of Literary and Artistic Works and the Paris Convention for the Protection of Industrial Property. There is concern over Kuwait's "lack of sustained enforcement action against trademark infringement and the lack of progress in passage of updates to Kuwait's copyright legislation" by the United States Trade Representative (USTR) in 2014. Thus, the USTR downgraded Kuwait from the Special 301 watch list to the "priority watch list."

In the period under review, Kuwait made starting a business more difficult by increasing the fee for a commercial license. As a result, the country ranks 150th out of 189 states in the World Bank's Ease of Doing Business 2015 in terms of starting a business.

Private enterprise  
7

The privatization of state companies is proceeding slowly. Even when the government proposes to privatize certain assets, it usually faces opposition from parliament, which either accuses the government of harboring "hidden interests" or expresses concern regarding employment for Kuwaiti citizens. However, in 2008, Kuwait established the Partnerships Technical Bureau (PTB), which is responsible for and intends to boost public-private partnerships (PPP) projects in the country. In December 2013, the PTB signed Kuwait's first-ever PPP for the construction of the al-Zour North Independent Water and Power Project worth \$1.8 billion.

In May 2010, the parliament approved a privatization law that allows the government to sell certain state-owned companies (excepting health, education and energy

sectors) under certain conditions, such as providing a “golden” government share (the government retains a significant share of the company’s stocks) and five-year job guarantees for Kuwaiti employees. This helped pave the way for a long-stalled plan to privatize the Kuwait Airways Corporation, which was approved by parliament in early 2013, and is still in process. The introduction of a telecom regulator, which parliament approved in April 2014, is seen as a step towards privatization of the telecom sector.

## 10 | Welfare Regime

Kuwait is an oil-funded welfare state. The state assumes primary responsibility for the welfare of its citizens, who are provided with free medical care, government-supported housing (though a growing shortage of housing units poses a big problem to the Kuwaiti government), interest-free loans, free education until graduation from university, guaranteed employment, and even generous financial assistance to defray the (sometimes exorbitant) cost of weddings. In addition, various services, including electricity, water and telecommunications, are heavily subsidized. In April 2013, Kuwait’s parliament approved much a debated bill, which foresees a \$2.6 billion debt-relief plan for its citizens, buying their personal loans, writing-off interest and rescheduling payments. Conversely, in light of growing pressure on the budget, the government is aiming at reducing subsidies for foreigners and locals. In October 2014, the government removed subsidies for kerosene and diesel, causing prices to triple. Furthermore, the standard of the healthcare sector, for example, lags behind, with a low 2.1% of GDP spent on health, at best.

Still, there are very few cases of poverty among Kuwaiti citizens. This does not however apply to the bidoons, who do not carry Kuwaiti citizenship. Also, foreign blue-collar workers and housekeepers, especially women, are often exploited, and live and work under unacceptable conditions. However, migrant workers have seen a few improvements, such as the introduction of a minimum wage. For some time now, the government has considered abolishing the controversial yet traditional sponsorship (kafala) system, which gives an employer full legal and economic responsibility over an employee.

The constitution declares men and women to have equal rights. And although Kuwait is essentially a patrimonial society, women are increasingly enjoying more rights and freedoms. A big milestone in Kuwait’s history for women’s rights was the introduction of women’s suffrage in 2005. Currently, there are no elected female representatives in parliament (only two female ministers), putting Kuwait at the bottom of global rankings of women’s representation. The U.N.’s Committee on the Elimination of Discrimination against Women (CEDAW) recommended the introduction of temporary special measures (such as quotas).

Social safety nets

7

Equal opportunity

6

Women still face legal discrimination in different areas. Kuwaiti women married to foreign men cannot pass on their nationality to their children, for example. Furthermore, women encounter difficulties in the job market. Despite high literacy rates and good education levels – topping male enrollment in secondary and tertiary education – women are underrepresented in the Kuwaiti labor market, with only 23.8% of the total workforce being women in 2013. In 1996, conservative lawmakers abandoned co-ed instruction in universities and colleges.

On a positive note, after months of controversial discussions in parliament and delays, the first women were sworn in as public prosecutors in November 2014.

## 11 | Economic Performance

Kuwait's economic performance is – looking at the mere macroeconomic data – excellent, with a GDP of \$175.8 billion in 2013, high budget surpluses and relatively low and stable inflation. The cash surplus in 2012 equaled 27.9% of GDP, which is one of the largest in the world. The Sovereign Wealth Fund Institute ranks the Kuwait Investment Authority 6th out of the wealthiest sovereign wealth funds. However, revenues are volatile: the majority of over 90% of revenue comes from oil exports and is thus – particularly with currently plunging oil prices – highly affected by oil price fluctuation.

Output strength  
9

Unemployment data varies according to the source, ranging from 2% (IMF) to 20% among youth from 15-24 years old (ILO). The government is trying to “Kuwaitize” the private-sector workforce to establish a more sustainable labor market and to accommodate a growing number of young Kuwaitis.

Foreign direct investment (FDI) is traditionally low in Kuwait. However, in recent years FDI inflows have increased significantly reaching a high in 2012 of \$3.9 billion, mainly due to a one-off acquisition deal by Qatar's Qtel of Kuwaiti telecom provider Wataniya. In 2013, FDI inflows were \$2.3 billion.

Tax burdens remain low because the government has no immediate need for tax-generated revenue.

## 12 | Sustainability

In recent years, environmental issues and goals have increasingly been taken into consideration and talked about by the Kuwaiti government and the media. In October 2014, a new environment law took effect, establishing a new environmental police division, as well as introducing very strict penalties for violators.

Environmental  
policy  
4

Kuwait's Environment Public Authority has, together with U.N. institutions, improved the systematic gathering of environmental information and established projects such as the Kuwait Integrated Environmental Information Network and the Environmental Monitoring Information System of Kuwait (eMISK). Kuwait has performed particularly well in protecting its "biodiversity and habitat," as stated by the Environmental Performance Index (EPI). However, in terms of air quality, Kuwait is one of the worst performing countries in the world.

Kuwait has one of the world's highest energy consumption rates. In order to improve its ecological footprint and in a drive for sustainable energy production, it aims at providing 15% of its energy supplies using renewable energy by 2030.

Kuwait's performance in the education sector is mixed. The public education system enrolls around 60% of nearly 600,000 pupils. Kuwait University is the country's only public university but there are plans to establish a second public institution, the Jaber al-Ahmed University. The creation was already approved by parliament in 2012. Furthermore, there exist nine private universities.

Education policy /  
R&D  
6

The quality of education, be it at the primary, secondary or tertiary level, is lower than that of Kuwait's regional peers. In the Global Competitiveness Report 2014-2015, Kuwait ranks 104th out of 144 in quality of primary education and 105th in quality of higher education. Education experts criticize the government for only investing in public school infrastructure, but not in adequately training teachers. Furthermore, there exists a mismatch between education curricula and the qualities required by the labor market. Spending on research and development is low and the focus is largely on teaching rather than research.

Still, Kuwait's literacy rate is one of the highest in the Arab world at a total of 95.5% with almost no difference between the sexes. School enrollment rates are good (106.2% primary, 100.3% secondary education), but university enrollment rates are still underdeveloped (22.3% tertiary education). While girls and boys are almost equally enrolled in school, more than twice as many women are studying at Kuwaiti universities as men (224.1 female-to-male percentage in tertiary education enrollment).

## Transformation Management

### I. Level of Difficulty

As in the previous years, a major structural constraint on governance in Kuwait is the adversarial relationship between the government and parliament, with every project threatened by potential political blockage. Further limitations include the country's continued reliance on foreign labor, extreme climatic conditions in summer, growing unemployment among citizens, the inefficiency of government bureaucracy (which slows potential economic development), and the continued presence of informal patronage networks. However, the country's high level of economic development, lack of poverty and intense ethnic conflicts, as well as an improving level of education among citizens, make governance easier.

Structural  
constraints  
3

The unpredictability of world oil prices makes it difficult to plan the country's economic development. Political instability and security issues in Iraq and Syria with the IS winning ground and rising tensions between the international community and Iran further constrain Kuwait's development. The Iranian issue is of particular importance to Kuwait since blocking the Strait of Hormuz by Iran would cut Kuwait off from international trade.

In comparison with regional peers, Kuwait has a relatively long history of civil society activism dating back to the 1960s, going back to the establishment of the Kuwait Trade Union Federation and the Women's Cultural and Social Society. According to the Legatum Prosperity Index, Kuwait's rank in the social capital index fell from 57th in 2012 to 62nd out of 142 in 2014 – based on indicators such as the willingness of individuals to donate to charitable causes and to volunteer and the ease of individual access to religious and family networks. Generally, Kuwaitis are known to be politically and civically quite active, especially in comparison to other Gulf monarchies. In the period under review, many Kuwaitis took to the streets and publicly called for reforms, organizing themselves with the help of social media. There is also a strong tradition of free debate at semi-public diwanias, the traditional weekly gatherings of male Kuwaitis, where all sorts of topics are discussed.

Civil society  
traditions  
6

There are a number of public interest associations, trade unions, religious charity associations and NGOs in Kuwait. These organizations are facing a challenging legal environment and are dependent on the goodwill of the ministry of social affairs and labor. Many civil society organizations work informally.

Kuwaiti society contains various groups, which can be distinguished along confessional, historical, political and national lines, though they are often intertwined. A major historical cleavage is between the badu (Bedouins) and hadhar, that is, nomads with strong tribal affiliations and urban people. Further differences exist between Sunni and Shi'ite Muslims (although both groups are fairly well-integrated and only recently tensions with Iran have led to more pronounced differences), between liberals and Islamists, and the most obvious, between Kuwaiti nationals and expatriates – with the bidoons (longtime inhabitants without citizenship) somewhere in between. There is little violence and a culture of debate and consultation generally prevails. Significant oil revenues allow the government to respond to most economic demands. However, if extra-parliamentary protests such as those in recent years cannot be reintegrated into the political system, tensions will broaden.

Conflict intensity  
4

## II. Management Performance

### 14 | Steering Capability

Question  
Score

The government has set strategic goals with its new national development plan 2015 – 2019 and its long-term plan, “Kuwait Vision 2035.” Yet, these visions – often developed by foreign consultants – largely remain rhetoric to capture international attention. The current development plan mainly focuses on big business projects such as the metro network, airport, port, the silk city project and other projects, many still dating from the previous development plan.

Prioritization  
5

Generally, a gradual approach to problems is the preferred mode of operation. Because the political leadership does not pursue full democratization, it must conduct broad and inclusive consultations on policy matters, and thereby mitigate calls for more democracy. Part of this process involves the government being compelled to consider various and changing interests, which makes long-term prioritization difficult.

As mentioned above, adversarial relations between government and parliament harm the implementation of government policies. Most urgently, implementation of the “Kuwait Vision 2013” development plan has been hampered in recent years by antagonistic relations between the government and parliament.

Implementation  
3

The government generally provides ad-hoc solutions to problems. Although economic reforms are often initiated, follow-up is mostly insufficient and poorly managed. Kuwait is regionally known as the big underperformer in the Gulf Cooperation Council. Examples include the inefficient labor market “Kuwaitization”

policy and the sluggish privatization process. Although the right ideas are often debated, the government tends to resort to wide-ranging declarations that pay little attention to details and feasibility. In the 2014-2015 Global Competitiveness Report, 9.3% of respondents claimed policy instability to be the most problematic factor for doing business. Kuwait's social affairs and labor minister announced that, beginning in 2013, the number of migrant workers would be reduced by 100,000 per year – a plan that was not implemented. Many Kuwaitis feel that their country is stagnating – caught up in endless public squabbles over minor issues and, regardless of its potential, not moving forward like the neighboring GCC states.

However, with a currently largely pro-government parliament, projects can move forward. In November 2014, for example, Kuwait awarded a \$4.8 billion contract to a Kuwaiti-Turkish consortium to expand the Kuwait International Airport.

Kuwait's leadership is not very flexible or innovative. The 2014-2015 Global Competitiveness Report downgraded Kuwait's level of innovation to rank 111th out of 144 countries. Although the government sometimes tries to respond to mistakes and failed initiatives with new ideas, old policies frequently repeat themselves. With nations like the United Arab Emirates and Qatar pursuing impressive economic development, Kuwait's government closely watches policies and initiatives in the other Gulf Cooperation Council member countries and sometimes tries to copy them.

There are singular initiatives, such as a technical cooperation program in 2013 between the ministry of social affairs and labor and the World Bank to assess existing social safety net policies and programs and to develop a strategic framework consistent with international practices and grounded in Kuwait's socioeconomic context.

Policy learning  
5

## 15 | Resource Efficiency

The Kuwaiti government uses its available economic resources efficiently, with exceptions, yet lags with regard to the use of human and organizational resources. Large revenues from oil exports have financed the development of a generous welfare state, which provides a broad range of services (such as health care, housing loans, free education) as well as employment or financial assistance to all Kuwaiti citizens. To cope with the foreseeable end of oil revenues, the government has since 1976 been placing 10%, and from 2012, 25% of its revenues in a special reserve fund for future generations. This fund, together with the General Reserve Fund, the main treasurer for the government, totaled in 2014 to around \$548 billion, and is administered by the Kuwait Investment Authority.

Efficient use of  
assets  
5

Administratively, the government does not use its available resources efficiently. Sensitive procedures are rarely transparent, and there is considerable waste in public

procurement. There have been several reports of mismanagement of public funds. In terms of wastefulness of government spending, Kuwait slightly improved in the Global Competitiveness Index from 100th to 92nd (out of 144 countries). Government efficiency also suffers from a lack of professionalism within public administration, as evidenced by favoritism and random selection in hiring. Furthermore, wages and salaries of the bloated public sector eat up most government spending.

The government often has difficulties in forming coherent policy amid conflicting objectives. The most obvious of examples is the stalemate between government and parliament. Conflicting interests between members of parliament (and their constituencies) themselves and between parliament and the government have proven difficult to solve, as an institutional setting for solving conflicts is missing. Another key example is the growing unemployment among young Kuwaitis – an increasingly serious political and social problem – that has continued to rise, while at the same time, hundreds of thousands of foreign workers are hired each year. A policy to nationalize the workforce has not yielded the expected results, as the government is unable to enforce its own laws on the matter. Currently, there are the conflicting objectives of driving economic growth forward, while at the same time reducing the number of migrant workers.

Policy  
coordination  
4

Nevertheless, the cabinet meets regularly on a weekly basis under the prime minister's chairman to discuss and coordinate policies.

Corruption is a big problem in Kuwait with corruption allegations dominating the political sphere and discourse. The National Assembly adopted in January 2013 the Anti-Corruption and Wealth Disclosure Decree. The law includes penalties of up to seven years in prison for crimes including bribery and the manipulation of public tenders and auctions. Ministers, members of parliament and senior civil servants must disclose their wealth before and after taking office.

Anti-corruption  
policy  
5

In 2013, the cabinet established an anti-corruption authority, which became operational in early 2015, according to media reports. However, in the past, the government's commitment to combating corruption has not seemed to transcend its rhetoric.

According to the U.S. Department of State, Kuwait's often-lengthy procurement process occasionally results in accusations of attempted bribery or the offering of other inducements by bidders. Of respondents to the Global Competitiveness Report 2014-2015, 14.3% replied that corruption was the most problematic factor harming business in Kuwait. Abdulrahman al-Ghanim, the secretary general of the Kuwait Trade Union Federation, described the big companies as untouchable when asked about the accountability of sponsors, and the ministry of labor was not willing to approach this.

Apart from prominent allegations of corruption made against politicians, the case of a municipal employee selling the most popular camping spots in the desert for up to a few thousand U.S. dollars for his own profit spread on the news in 2014. Other cases of corruption were reported in the ministry of health and in a citizen service center in the al-Asimah Governorate around the capital.

## 16 | Consensus-Building

There is a general consensus in Kuwait on the prominent position of the emir's family. How far this influence goes, and over what kind of political system the emir presides, is being debated. While Islamist politicians and their supporters in the population ask for a greater role of religion in politics, other opposition politicians such as Musallam al-Barrak call for a constitutional monarchy with political parties and a parliament that appoints the prime minister. The emir and the ruling family accept political participation by the National Assembly, as long as the emir's leading role is not questioned. Kuwait remains a half-democracy: While most of the National Assembly is elected in competitive, genuinely democratic elections (with flaws, such as unequal voting weight among districts), it does not form the government and thus only has limited positive policy-making powers. The country is fundamentally divided on whether it should develop towards more democracy or instead push back the role of the National Assembly.

“Kuwait Vision 2035” defines as its goal to develop the country into a financial and trade center, based on market economy principles. However, the majority of Kuwaitis is employed by the state and would thus only profit indirectly from a growing private sector. The merchant families are strong supporters of a growing market economy – on the premise that their privileges stay untouched. Some Islamists are – for ideological reasons – critical of some aspects of market economy, particularly of banks charging interest. In the beginning of 2014, the National Assembly's legal and legislative committee approved a draft law forbidding charging interest. However, this and previous attempts have not made it through parliament.

There is a wide consensus on the importance of Kuwait's constitution, which is seen as a guarantee – or even the only guarantee – for the political system's stability. Given the often protracted and conflict-prone policy process between the executive and parliament, rumors that the emir may suspend parliament and rule without it are frequently circulated. In the period under review, the emir and the government have taken a tough stance against reformers who have voiced criticism, often through social media such as Twitter or Facebook. Oppositional youth groups, such as the Civil Democratic Movement (Hadam) have become more organized and professional from their experiences and will continue putting pressure on the government despite its rigid response.

Consensus on goals  
5

Anti-democratic  
actors  
3

Islamist politicians have proven to be adverse to some aspects of democracy, as evidenced by their opposition in 2005 to electoral rights for women. However, these politicians have neither tried to reverse these achievements nor have they called upon unconstitutional means to promote their policy programs. Islamist members of parliament periodically propagate changing Article 2 of the constitution from Islam being “a” source to “the” source of legislation. The objection to that request by the opposition coalition in spring 2014 caused the Salafis not to join their ranks.

Overall, the reporting period has not brought significant gains for reformers. Due to the partial boycott of the last elections, some reformers are not represented in the National Assembly. In line with the regional trend of reducing political space, Kuwait has not advanced political reforms.

The ruling family has managed to contain most potential cleavages within the system, including those between Sunni Muslims and Shi’ites, between Islamists and liberals, and between the urban population (hadhar) and those living in outer districts (badu), which are often of tribal orientation. The government’s management of these cleavages partly involves emphasizing some divisions – using the strategy of divide and rule – in order to strengthen its own position. At the same time, the country’s significant wealth is used to reduce tensions by providing all kinds of benefits to Kuwaiti citizens.

Cleavage /  
conflict  
management  
5

In recent years, the political conflict that erupted on the streets of Kuwait can be described as a generational cleavage and a general expression of discontent by Kuwaitis of different backgrounds. The government reacted harshly to the protests and reverted to violence in many cases.

Another conflict which is not sufficiently addressed by the Kuwaiti leadership is the situation of the stateless Kuwaitis. In 2014, the government provoked protest by offering the majority of bidoons a kind of “economic citizenship” of the Union of the Comoros.

The political leadership does not interface with civil society organizations in any institutionalized way. Informal mechanisms of communication, for example, through diwaniya meetings exist but are neither transparent nor open to the public. Despite the deterioration of freedom of expression in the period under review, journalists and public intellectuals can still criticize the government to a certain extent and thus influence public opinion.

Civil society  
participation  
4

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

The political leadership is not tackling the issue over Kuwait's bidoons at its core, but instead resorts to pronouncements and political lip service. Relations with Iraq are related to the perception of the bidoons, as they are sometimes wrongly perceived as being former supporters of Saddam Hussein and thus disloyal to the Kuwaiti state. Relations between Kuwait and Iraq have been problematic, but are improving.

Reconciliation  
n/a

In the absence of a sense of massive past injustice, the grading is not applicable.

## 17 | International Cooperation

Generally open to international cooperation, Kuwait is a member of all major international organizations, including OPEC and the WTO. The government generally submits reports to the U.N.'s reporting bodies, but often leaves recommendations by these bodies unaddressed. The role of outside actors in economic reforms and the democratic process is not directly significant. While Kuwait is often willing to accept international assistance, recommendations are rarely implemented. Examples include the IMF recommendations on state subsidies and tax reforms; the ILO suggestions for changing Kuwait's sponsorship requirement, or the demands made in 2000 by the United Nations' Human Rights Committee that bidoons be granted citizenship on a non-discriminatory basis. In turn, Kuwait offers its financial support to various causes regionally and internationally, which is usually given on a humanitarian basis. In 2014, the secretary general of the U.N. recognized the humanitarian leadership of the Emir of Kuwait for his humanitarian support in the Middle East, as well as in Chad, Ethiopia, Kenya, Nigeria, Somalia and Sudan.

Effective use of  
support  
5

In terms of a long-term strategy for development, there exists the Kuwait Vision 2035, which seems to cater more to outside investors rather than to serve as a guideline for development. On a positive note, the reserve fund for future generations mentioned above, which sets aside 25% of government revenues for the post-oil era, is proof of a farsighted approach to the country's development.

Throughout the period under review, Kuwait has not been in the international limelight, apart from allegations that financing for extremist groups in Syria has come from Kuwait. In March 2014, the U.S. Treasury Department's undersecretary for terrorism and financial intelligence, David Cohen, called Kuwait "the epicenter of fundraising for terrorist groups in Syria." He commented that the measures taken by the government appeared incomplete. Apart from this incident, Kuwait is perceived as a relatively reliable partner, not only by the other GCC states but also by the international community. Even though protesters took to the streets and the country's democratic process stalled, the international focus remained on events in the North African states, Syria, Iraq and Yemen. International NGOs, such as Amnesty International, Human Rights Watch and Transparency International, have continuously criticized Kuwait for its deficiencies in human rights protection and democracy.

Credibility  
6

Kuwait is an active member of regional organizations, especially the Gulf Cooperation Council (GCC). Kuwait's emir is said to have led a mediation effort to bring together Qatar on the one side and Saudi Arabia, the United Arab Emirates and Bahrain on the other after a conflict erupted over Qatar's support of the Egyptian Muslim Brotherhood. The second half of 2014 brought the GCC countries closer together again, when GCC states decided to join the international coalition against IS. Kuwait provides logistical support and allows other countries to use Kuwaiti airbases for operations in Iraq.

Regional  
cooperation  
9

On other issues, such as the over-two-decades-old GCC security pact dealing with internal security, Kuwait – and in particular the National Assembly – has not cooperated with other member states and did not ratify the pact until recently.

On the economic level, relations with Saudi Arabia tensed up in 2014 over shared gas and oil fields and their output, as well as environmental issues.

In June 2014, Emir Sabah al-Ahmad al-Sabah made his first visit to Iran since his inauguration as emir in 2006, against the backdrop of improved relations between Iran and the GCC under new Iranian President Rouhani. Iraqi-Kuwaiti government relations have also improved in the period under review, with economic ties growing.

## Strategic Outlook

Kuwait must gradually reform its political system in order to decrease friction between the legislature and executive, to integrate public dissent into the political arena and to ensure effective and accountable governance. In a first step, the emirate should introduce political parties to facilitate public opinion making. Diverse views are currently being voiced publicly, but need to be channeled in an organized manner. In a second step, a majority of parliament, instead of the emir, should appoint the cabinet. With an empowered legislative branch and a potential for change of government, parliament's role will eventually become more constructive and there will be clear accountability for decisions, in contrast to the current situation, where both sides accuse each other of blocking reforms. Ministers should not automatically be members of parliament, as this undermines the separation of powers. The emir's role should become more that of an arbiter and guarantor of constitutional order.

One of the most pressing factors which affects (and potentially destabilizes) the whole spectrum of political institutions is the question of the emir's successor. The April 2014 episode concerning an alleged coup plan by a ruling family member against the emir caused a considerable amount of tension. The ruling family should find a way, for example, by installing a family council, to deal with intra-family issues and to find a widely acceptable decision on succession in the interests of long-term stability.

Kuwait must find a sustainable solution to the status of the bidoons and integrate them into the political system and society. A comprehensive dialogue should be set up between the government and representatives of the bidoon to find an effective solution. In a similar vein, the government should reverse its policy of revoking critics' citizenship or detaining them.

Economic progress is closely linked to the political sphere. The government needs to find backing for its economic policy in order to proceed with the implementation of the development plan 2015-2019. Infrastructure investments are badly needed, particularly in the energy, housing and health sectors. In order to prepare for reduced revenues from the oil economy in the long term – irrespective of current low oil prices – the government should continue on its path to reduce wide-ranging subsidies for Kuwaiti nationals. Further democratization would facilitate this. Investments in the education sector should focus on the quality of education and, in particular, vocational training should focus on the needs of the Kuwaiti labor market. For vocational training to have a positive impact on the labor market, technical jobs need to be made more attractive to Kuwaiti nationals. Furthermore, labor market policies should be synchronized with immigration policy.

To attract more foreign direct investment, investors need to be assured of a stable and business-friendly environment. As a first step, government should increase its efforts to fight corruption and red tape and improve its bureaucracy's performance.

International governmental and non-governmental actors should support Kuwait's reform path and – particularly non-governmental actors – assist with programs, such as best practices for efficient public services and anti-corruption initiatives.

Overall, few countries have the financial means that Kuwait possess, which should provide more room for maneuvering to enact deeper reforms.