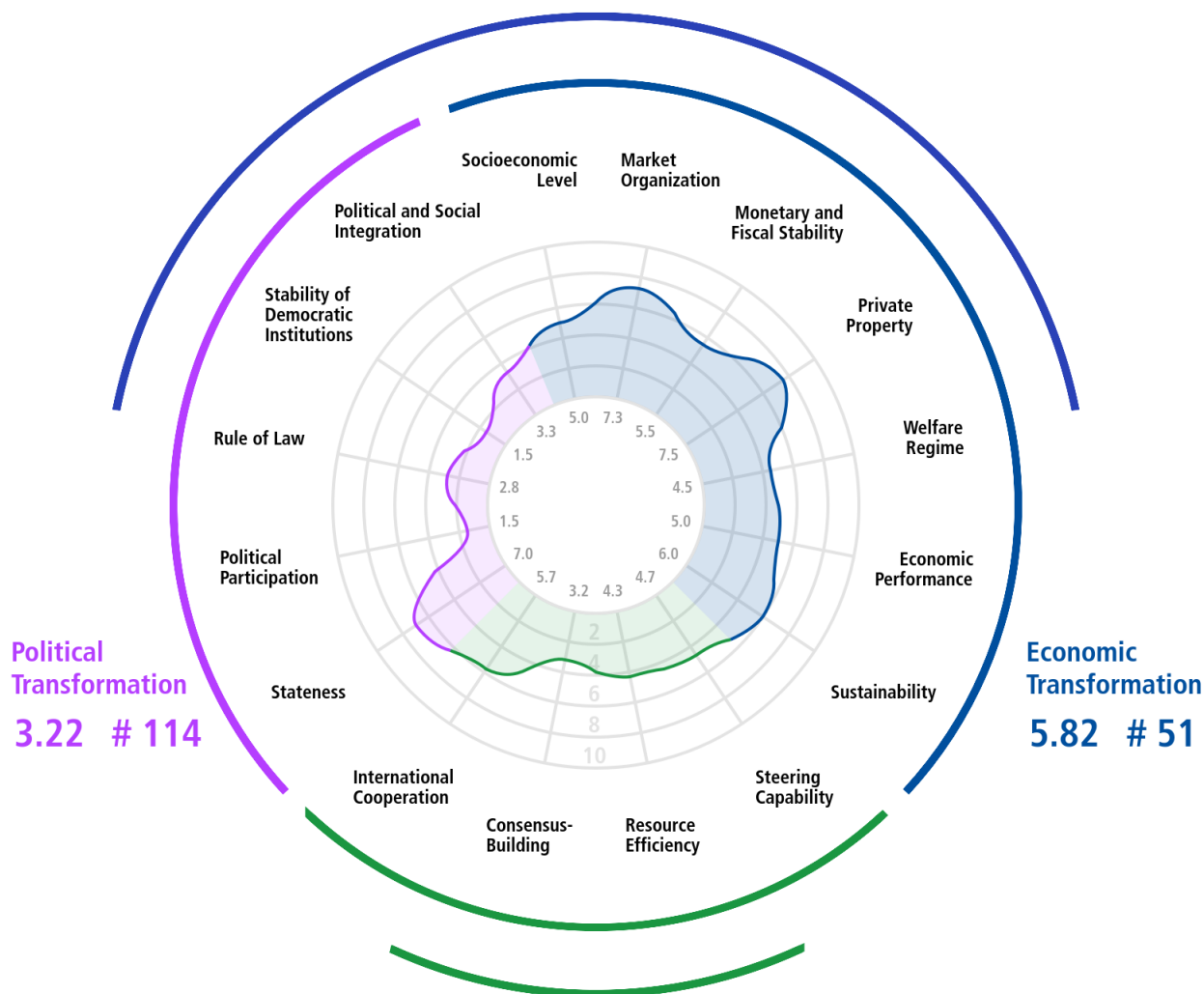


## Bahrain

### Status Index

**4.52 # 88**

on 1-10 scale out of 137



**Political Transformation**  
**3.22 # 114**

**Economic Transformation**  
**5.82 # 51**

### Governance Index

**3.87 # 99**

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	<b>1.5</b>	HDI	<b>0.875</b>	GDP p.c., PPP \$	<b>61228</b>
Pop. growth <sup>1</sup>	% p.a.	<b>0.6</b>	HDI rank of 189	<b>35</b>	Gini Index	-
Life expectancy	years	<b>78.8</b>	UN Education Index	<b>0.821</b>	Poverty <sup>3</sup>	% -
Urban population	%	<b>89.7</b>	Gender inequality <sup>2</sup>	<b>0.181</b>	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

Throughout the period under review, Bahrain's authoritarian regime continued to restrict fundamental freedoms and to surveil social media for posts critical of the government. At the same time, it has continued to attack an unknown number of activists, dissidents, journalists, and parliamentarians with the notorious Pegasus spyware, which it has used since 2019, according to human rights groups. Government authorities also did not take any meaningful steps to achieve reconciliation with outlawed opposition groups during the review period, but they did refrain from violently dispersing anti-government protests. For the first time in years, they appeared to have pursued de-escalation with regard to social unrest. Nonetheless, authorities intensified their attempts to silence dissidents abroad, repeatedly calling on Lebanon to expel members of al-Wefaq and succeeding in pushing Serbia to extradite a Bahraini dissident to the kingdom despite a ruling by the European Court of Human Rights prohibiting such action due to the risk of him being unlawfully detained or tortured upon return to Bahrain. Abuses and ill-treatment of people in police custody and in detention continued, while several inmates in Bahraini prisons went on hunger strikes, calling for adequate medical care, a retrial or the right to practice their religion.

Meanwhile, after a 2022 motion in the British Parliament expressed concerns about ongoing human rights violations in Bahrain, the U.N. Human Rights Council's 2022 Universal Periodic Review on Bahrain facilitated calls for the authorities to abolish the death penalty, strengthen national oversight bodies, amend the citizenship law, and lift restrictions on freedom of assembly and the press. In addition, the European Parliament adopted two resolutions regarding human rights in Bahrain in 2021 and 2022, demanding the immediate release of Danish-Bahraini human rights defender Abdulhadi al-Khawaja, who has been incarcerated since 2011, the repeal of the Political Isolation Law, and the adoption of an EU-wide ban on exports of security equipment to the kingdom.

Although Pope Francis also emphasized the urgent need to release political prisoners, to stop discrimination on sectarian grounds, and to end the use of the death penalty, the 2022 Manama visit of the Vatican's head of state has been deemed a diplomatic success for the Bahraini government. The political rapprochement between Bahrain and its GCC allies, especially Qatar, made further progress, whereas the 2020 normalization deal with Israel was consolidated during the review period as high-level state visits by political and military representatives were held in 2022. Economic and trade cooperation between the kingdom and Israel has yet to take off but is expected to further evolve in the near future as both governments have deemed negotiations on fostering trade between their nations to be a political and economic priority.

Additionally, the regime's reformist wing, led by King Hamad and the Crown Prince and Prime Minister Salman bin Hamad Al Khalifa, appeared to have gained further ground against the ruling class's hard-liners during the review period. A 2022 major cabinet reshuffle has underscored the crown prince's growing influence in the kingdom's political affairs after the hard-liners were gradually marginalized following the 2020 death of former Prime Minister Khalifa bin Salman Al Khalifa, the figurehead of the Khawalids. This partial power shift within the ruling class is said to be the driving force behind the recent de-escalation of policies regarding the Shi'i opposition, although this apparent decrease in conflict intensity has not been formalized by official announcements or political initiatives. Meanwhile, Bahrain's economy recovered from the COVID-19 crisis as foreign reserves increased and stalled infrastructure projects were relaunched. However, debt rates rose significantly, as did the kingdom's dependency on external support, illustrating Bahrain's ongoing need for fiscal and financial aid.

## History and Characteristics of Transformation

Since their conquest of Bahrain in 1783, the Al Khalifa family has established dynastic and absolute rule. From the outset, this led to a deeply antagonistic relationship between the Sunni ruling family and their supporters, on one side, and the large majority of the population, who see themselves as native Shi'a (Baharna), on the other. In the twentieth century in particular, conflicts between Sunni and Shi'a became more intense and found political expression, either in waves of strikes and petitions (1938, 1943 and 1956) or in social unrest (in the 1990s). The British played a crucial role in institutionalizing minority Sunni rule, propping up the pro-British Al Khalifa monarchy. In 1820, Bahrain became a protectorate of the British Empire. During that period, police forces were recruited from British India. The strategy of importing foreign mercenaries to control local dissent and maintain Al Khalifa rule continues, and Bahrain has significantly expanded its use of mercenaries from Sunni countries since 2011 (an unknown number of mercenaries from Jordan, Pakistan, Syria and Yemen have been integrated into Bahrain's security apparatus).

After British forces withdrew from the Gulf in 1971, the monarchy's reliance on external military assistance to protect itself from domestic unrest and neighboring Iran led to a strong alliance with both the United States and the United Kingdom. The U.S. Fifth Fleet is stationed in Bahrain, while a British navy base, which was initially established in 2016, was further expanded in 2018 to incorporate a naval support facility.

The monarchy's reliance on external support is bolstered by Bahrain's geopolitical location. The nation has a small population, with 1.7 million people in 2021, with migrant workers accounting for 55% of the total. Additionally, Bahrain possesses limited natural resources, including oil, fossil gas and aluminum. The only access to the country is via the King Fahd Causeway, which connects Bahrain to Saudi Arabia. Bahrain also shares its sole significant oil field, Abu Safah, with Saudi Arabia. The exploitation and extraction of this oil field are overseen by ARAMCO, the state-controlled company of Saudi Arabia. Revenue from the country's natural wealth has been extensively invested in modern infrastructure and welfare programs, such as free education and health care. Bahrain remains heavily reliant on oil revenues, and its efforts to diversify its economy have experienced setbacks due to rent-seeking practices and external crises like COVID-19, which have undermined structural economic reforms.

The Bahraini and Saudi monarchies share an interest in Sunni hegemony in the region – this has become more pronounced since the 1979 Revolution in Iran, given the latter country's equally hegemonic Shi'a ambitions. Saudi Arabia is interested in maintaining the status quo in Bahrain to oppose Iran gaining influence in the region. Saudi Arabia was the driving force behind the Gulf Cooperation Council's (GCC) 2011 military intervention in Bahrain. Saudi and UAE forces entered the country to support the regime in dispersing pro-democracy protests and maintaining Al Khalifa rule. As tensions between the regime and the Shi'a opposition continue, Riyadh has sustained the deployment of troops in Bahrain.

In the meantime, the power struggle between Saudi Arabia and Iran has resulted in significant cooperation between Bahrain, its Western allies, and the GCC. Bahrain has become increasingly involved in proxy conflicts. In 2014, it joined the U.S.-led coalition against the so-called Islamic State (IS) in Syria and Iraq. In 2015, Bahrain also participated in the Saudi-led war in Yemen. In 2017, it joined the Saudi-launched initiative to isolate Qatar. However, tensions between Saudi Arabia, the GCC, and Qatar have eased significantly since 2020, leading to a substantial rapprochement between the GCC and Qatar.

Bahrain's political and economic transformation over the past 20 years is strongly linked to King Hamad bin Isa Al Khalifa, who assumed power in 1999 and swiftly implemented a comprehensive political system reform that included cautious democratization in response to the civil unrest of the 1990s. This approach was formalized through the approval of the National Action Charter in a 2001 referendum, leading to the establishment of a constitutional kingdom. The 2002 constitution reintroduced a parliamentary system for the first time since the 1970s, although the newly formed National Assembly's authority remains limited. This semi-democratic reform encompassed the legalization of political societies (effectively parties) and efforts to liberalize, but it gradually proved to be more of a façade for democratization, a pattern that persisted throughout the period under review. Over time, public dissatisfaction grew and reached its peak with the mass uprising on February 14, 2011, coinciding with the 10th anniversary of the referendum. This revolt was subsequently met with the reinstatement of an oppressive political system and an ongoing crackdown on the Shi'a opposition, resulting in their marginalization in the political and civic realm.

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

Bahrain's monopoly on the use of force faces minor challenges due to recurring anti-government protests, predominantly in Shi'a-majority villages and towns. However, during the review period, authorities continued to handle protests in a de-escalating manner and refrained from intervening with force.

Noteworthy protests occurred prior to the 2022 elections, calling for an election boycott. Additionally, there were protests prior to the 2022 visits of Israel's Prime Minister Naftali Bennett and President Isaac Herzog to Bahrain. In 2021, families of Dry Dock Prison inmates on hunger strike staged a series of protests at the Interior Ministry's Ombudsman Office. They called for the release of the prisoners and an end to the alleged contact ban imposed on the hunger-striking inmates.

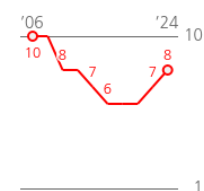
While those protests are not challenging the state itself but the system of government, a series of bomb attacks in 2017 fueled fear about the government's ability to maintain security. No terrorist attack has occurred since, but in 2021, authorities reportedly uncovered a "terrorist cell," arresting several people and seizing weapons and explosives. Nevertheless, foreign military personnel remain deployed in Bahrain, including American and British troops and security forces from Saudi Arabia and the United Arab Emirates (UAE), while mercenaries from Arab countries are continuously integrated into Bahrain's security apparatus, raising doubts about the regime's ability to maintain control without external support.

Questioning the nation-state is uncommon in Bahrain, although significant portions of society challenge the political order and advocate for the democratization of the state. The presence of two national narratives – a Sunni narrative dating back to Al Khalifa's conquest of Bahrain in 1783 and a Shi'ite narrative – undermines the legitimacy of the royal family, which is primarily contested within Shi'a communities. The dominant political role of the royal family, along with political, economic, and social inequality – particularly between Sunni and Shi'a communities – and reinforced by Sunni minority rule, continue to generate significant discontent among the population.

Question  
Score

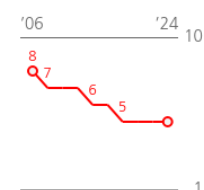
Monopoly on the  
use of force

8



State identity

5



Meanwhile, discussions about national identities are varying, and sectarian identities do not solely reflect religious affiliations. The conflict between privileged Sunnis and marginalized Shi'a is mostly influenced by the politically motivated discrimination against Shi'ites. Consequently, the royal family's approach to maintaining its authority results in a contentious policy concerning citizenship and naturalization. The government encourages Sunni immigrants from abroad and awards Arab citizenship to others after 15 years of residency and to non-Arabs after 25 years of residency.

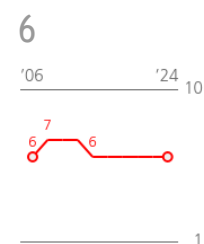
Bahrain has continued to systematically discriminate against Shi'ites in a wide range of areas, including employment, access to services, political or judicial representation, freedom of speech and expression, promotion and representation in the security apparatus, and religious matters (e.g., mosque construction).

Furthermore, the government uses citizenship revocations against Shi'ites as a tool of repression, undermining their ties to the state, deepening rifts within society, and violating international law. Since 2012, at least 990 Bahrainis have been stripped of their citizenship, the vast majority of whom are Shi'ites. The legal basis for this practice is the 2014 amendment of the 1963 Citizenship Law, which allows authorities to revoke citizenship when a person "causes harm to the interests of the kingdom or acts in a way that contravenes his duty of loyalty to it." A 2019 amendment to the law restricts the power to strip Bahrainis of their nationality from the cabinet. However, in practice, citizenship revocations predominantly have a symbolic impact as most revocations issued since 2012 were handed down by courts or the king. After King Hamad reinstated the citizenship of almost 700 people in 2019, about 300 people remain stateless. No citizenship revocation has been issued in the period under review.

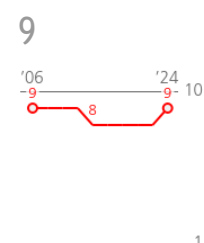
Bahrain's constitution declares Islam as the religion of the state and Shariah as a principle source of law. Although the state does not discriminate between Sunni or Shi'a citizens in principle – religious affiliations are not explicitly mentioned in official documents, including birth certificates – the country's society, as well as the political, social, and economic spheres, are largely divided on sectarian grounds. Discrimination against Shi'ites is widespread in a vast array of political, economic, and social matters. Meanwhile, religious dogmas, particularly Shariah law, play an important role in civic legal matters, such as personal status and inheritance affairs. However, Bahraini courts exhibit significant flexibility in dealing with non-Muslims.

Basic infrastructure for a nationwide supply of water, sanitation, and electricity is well-established and stood at 100% in 2020. According to World Bank data, access to safely managed sanitation facilities reached 91.2% in 2020, while 99% of the population had access to well-managed improved drinking water sources the same year. Administrative civil functions, such as school-level education, primary and secondary health care, and communication infrastructure, are well-developed. Bahrain holds the highest internet and social media penetration in the region, reaching 99% in 2019. In 2020, Bahrain continued to upgrade its internet infrastructure and

No interference of religious dogmas



Basic administration



achieved a 95% coverage of the 5G network. However, villages, towns, and neighborhoods in Manama, which are predominantly inhabited by Shi'a, suffer from less developed infrastructure, as do rural areas.

In the review period, the government continued to upgrade infrastructure but focused on mega projects in the transportation and real estate sectors instead of addressing imbalances in basic services between urban and rural areas. As part of Bahrain's Economic Vision 2030, aimed at diversifying the economy, a \$1.1 billion airport modernization project was launched in 2019 to support the expansion of Bahrain's tourism industry. The government is constructing a \$2 billion metro network that will consist of four lines covering 109 kilometers. The network is expected to be operational by 2055, with two lines, comprising 20 stations, set to be inaugurated by 2027. Additionally, the government continued to address the housing shortage through a governmental program in partnership with the private sector, which aims to build 40,000 housing units. Construction and distribution of housing slots progressed during the review period.

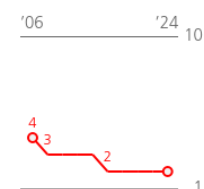
## 2 | Political Participation

After the adoption of the National Action Charter in 2002, Bahrain reintroduced a semi-democratic system and holds parliamentary and municipal elections every four years. Every Bahraini woman and man at the age of 20, as well as citizens of GCC states who own property or are residents in Bahrain, are eligible to vote. However, the elections are neither free nor fair due to deep flaws in the electoral system, with the authorities interfering in the voting process, thereby undermining its legitimacy. In 2012, following the dissolution of the Islamic Action Society (Amal), the authorities proceeded to outlaw two additional opposition parties (al-Wefaq and Wa'ad) in 2016 and 2017, preventing their members from participating in elections. Subsequently, in 2018, the king ratified an amendment to the Exercise of Political Rights Law (often referred to as the Civil and Political Isolation Law), which prohibits members of dissolved societies and individuals previously convicted of a prison sentence lasting six months or more from running for office.

Prior to the 2014 elections for the lower house of parliament, the Council of Representatives (CoR; Majlis al-Nuwwab), authorities had reduced the number of electoral districts from five to four, further decreasing the likelihood of Shi'ite candidates winning a seat due to increased gerrymandering of districts in favor of the Sunni electorate. In 2018, authorities rejected at least 12 candidates from running, claiming that they had been members of al-Wefaq or other outlawed groups and removed thousands of names from voter lists, asserting that those affected had not participated in previous elections. This practice was upheld prior to the most recent elections in 2022 for the three municipal councils and the CoR. Amnesty International and Bahraini human rights groups reported that more than 20% of eligible voters had been removed from voting lists, a noticeable increase compared to 2018.

Free and fair elections

2



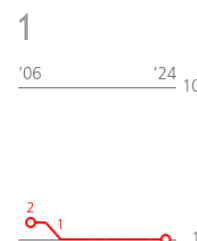


The High Election Commission, responsible for monitoring the vote, lacks independence as it operates under the authority of the Minister of Justice. Furthermore, no independent observers were allowed to monitor the ballot. Additionally, “general” polling stations are in use that are not connected to specific districts, thereby increasing the risk of manipulation. Reports from the 2018 and 2022 elections highlighted further violations, including vote-buying and governmental pressure on voting intentions of public sector workers and military personnel. The official turnout rates of 67% in 2018 and 73% in 2022 are not credible. Opposition forces claim that the turnout did not exceed 30% and 35%, respectively in 2018 and 2022. Prior to the 2022 elections, six opposition societies had called for a boycott. However, in the 2022 CoR election, the number of candidates reached a record high with 334 total candidates, including 73 women, compared to 293 candidates (41 women) in 2018. A total of eight female members of parliament were elected in 2022, setting a new record compared to the six elected in 2018. Political societies in Bahrain continue to decline in influence, as almost all new members of parliament are now independents. Despite this, the Democratic Progressive Tribune, a former ally of al-Wefaq, managed to win three seats in the CoR, while the Salafist al-Asalah Society failed to win a single seat for the first time since 2002.

Bahrain’s legislative system consists of two chambers: the elected lower house of parliament, known as the Council of Representatives (CoR), and the upper house, known as the Consultative Council. The Consultative Council is entirely appointed by the king. Established in 1992 with advisory powers, the Consultative Council was designated as the parliament’s upper house in the 2002 constitution, which also created the CoR to be elected through a popular vote. Together, the CoR and the Consultative Council, each with 40 members, form the bicameral National Assembly. However, the CoR has limited authority over legislation and government oversight, as both chambers can only vote on draft laws proposed by the government.

Both chambers can amend, approve, or reject draft legislation and propose laws to the government, but are barred from voting on legislation drafted without the government’s approval. The CoR can submit written questions (information requests with limited accountability of the government) to the cabinet and call ministers for interpellations. A 2022 decree amending the parliament’s bylaws further limited the CoR’s authority as intuitive powers have been retracted from members of parliament, and time allocated for speeches in general debates shortened. For the removal of a minister through a vote of no confidence, a two-thirds majority in the CoR is required. The chamber does not have the authority to raise the subject of confidence in the prime minister but can declare its “non-cooperation” with him by a two-thirds majority. In this case, the king has to decide if he sacks the prime minister or dissolves the CoR. Final authority regarding legislation is exclusively held by the king, who holds veto powers. The CoR is not designed to counterbalance the power of the government or the king.

Effective power to govern



Bahrain's constitution provides for the right to assemble and establish associations as long as they do not violate the official religion or public order. However, in reality, freedom of assembly and association is heavily restricted. The 1989 Law of Associations allows authorities to monitor and control NGO funding, while strictly prohibiting NGO involvement in politics. Although religious associations exist, NGOs affiliated with Shi'a clerics face governmental pressure. A 2018 law amendment, commonly known as the Civil and Political Isolation Law, prohibits members of outlawed parties and individuals with prison sentences exceeding six months from holding leadership positions in civil society organizations. Since 2020, authorities have increasingly utilized this law, vetoing numerous candidates in board elections for at least four NGOs, including the Bilad al-Qadeem Charity, the Bahrain Women Union, and the Bahraini Society for Resisting Normalization – an organization that opposes normalizing relations with Israel. Delays in forming new boards enable the government to suspend access to bank accounts and appoint board members, sparking concerns that positions may be filled with government loyalists.

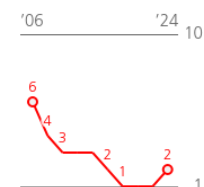
The 1973 Public Gatherings Law and its 2013 amendment prohibit public gatherings of more than five people without a permit and ban “protests, rallies, gatherings or sit-ins in Manama,” which turned the city into a de jure protest-free zone. Authorities continue to arrest, prosecute, and sentence protesters on such charges but increasingly refer to the Anti-Terrorism Law and its 2015 amendment in trials of people arrested during protests. In the review period, more small-scale protests have been staged compared to previous years, but authorities have handled non-authorized marches in an increasingly de-escalating manner and refrained from cracking down on them. Overall, public mobilization remains low compared to the post-2011 period, but peaceful small-scale protests were regularly staged in Shi'a-majority towns such as Sitra and Sanabis, calling for the release of political prisoners and an end to the discrimination against Shi'a.

Freedom of the press and scientific research, as well as freedom of speech in word and writing, are guaranteed by the constitution, while freedom of postal, telegraphic, telephonic, and electronic communication is “safeguarded” and its confidentiality is guaranteed. The censorship of communication is prohibited in principle. However, in reality, the government systematically uses vaguely worded legislation to restrict and crack down on freedom of speech and freedom of the press. It also monitors online content and prosecutes individuals for criticizing authorities.

Under the Press Law, the state has the authority to prosecute anyone who criticizes or insults the king or threatens national security. In 2016, the government expanded its oversight of electronic media, and since 2019, it has increasingly widened online surveillance and prosecuted cases of free speech on social media. During the review period, authorities continued to arrest, summon, or prosecute individuals for exercising their free speech rights online, although the number of such incidents decreased compared to previous years.

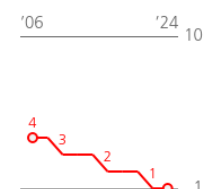
## Association / assembly rights

2



## Freedom of expression

1



However, authorities interrogated citizens and journalists for criticizing the normalization deal with Israel. They also summoned individuals for opposing COVID-19-related policies and imposed stricter detention conditions on political prisoners who criticized the government from within prisons.

Meanwhile, freedom of the press is significantly restricted. After authorities closed down the last remaining independent newspaper in 2017 (al-Wasat), Bahrain's media is entirely composed of state-controlled or pro-regime outlets. As of December 2022, five journalists were detained in Bahrain, according to the Committee to Protect Journalists, while Reporters Without Borders reports about ten imprisoned journalists in 2023 (also counting bloggers and human rights defenders). In 2022, Bahrain rose one rank in Reporter Without Borders' press freedom index and is now listed at 167th place out of 180 countries. Several human rights defenders and dissidents remain detained on charges related to free speech, while authorities increasingly targeted dissidents based abroad in the review period. In 2022, Serbia extradited dissident Ahmed Jafaar to Bahrain despite a European Court of Human Rights ruling against such action due to the imminent risk of Jafaar being tortured and unlawfully detained, as he was sentenced to life imprisonment after unfair trials in absentia. In addition, Bahraini authorities had called on Lebanon to expel members of al-Wefaq after the opposition party held events and press conferences in Beirut, slamming Bahrain's human rights abuses. However, so far, Lebanon has refused to extradite al-Wefaq members, but appears to make it harder for the Bahraini opposition to operate in Lebanon.

### 3 | Rule of Law

Bahrain's constitution asserts that the system of government is founded on a separation of legislative, executive, and judicial authorities, but, in reality, there is no genuine separation of power. The king wields extensive legislative, executive and judicial power and has the power to appoint the prime minister, deputies, judges, and all members of the upper house of parliament. Additionally, as the commander-in-chief of the armed forces, the king can call for a referendum, dissolve the elected lower house of parliament, and call for early elections. Effectively, the king can rule by decree. Parliament lacks the authority to hold the king or the prime minister accountable but does possess limited means to express its disagreement with the cabinet or question ministers. The government heavily relies on the king, although the prime minister is able to propose cabinet members; however, the king has the final say in their approval.

Meanwhile, oversight bodies in Bahrain, such as the Interior Ministry's Ombudsman Office, the Special Investigations Unit, and the National Institute for Human Rights, are neither independent nor effective in their ability to investigate abuses of power and violations of international law by Bahrain's security services. These bodies also fail to maintain a minimum of checks and balances and uphold the separation of powers.

Separation of powers

2

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The judiciary system in Bahrain is neither independent nor free, although the constitution stipulates otherwise. All judges, including the members of the Constitutional Court, are directly appointed by the king, who also chairs the High Judicial Council. Therefore, the king holds authority over administrative matters of the judiciary. Once a judge is appointed, accountability is largely limited because the law does not allow for the impeachment of judges.

In 2017, the king ratified a constitutional amendment that grants military courts the authority to trial civilians “accused of threatening the security of the state.” By doing so, the amendment further downgraded the rule of law in Bahrain. Defendants in military court have fewer guarantees for a fair trial compared to civilian courts. Both military and civilian courts regularly issue controversial sentences against journalists, human rights defenders, and opposition figures, demonstrating that the judiciary largely acts on behalf of the regime.

Members of the royal family also have representation within the judiciary. Despite repeated court losses by officials, the royal family effectively enjoys impunity. However, during the review period, Bahraini business representatives called for a more effective judicial system with regards to economic matters in order to not discourage investors.

Consistent and transparent procedures to efficiently prosecute office abuses are absent in Bahrain, especially regarding torture, ill-treatment, and other violations by security forces. Oversight mechanisms, as recommended by the Bahrain Independent Commission of Inquiry (BICI), were established in 2011, including the Interior Ministry’s Ombudsman Office and the Special Investigations Unit. However, security officials are not held accountable for crimes or misconduct. Apart from a few first-instance convictions of low-ranking police officials, who were later acquitted or given light sentences on appeal, those mechanisms failed to effectively investigate and prosecute office abuses by Bahrain’s security forces.

Authorities continue to occasionally prosecute the misuse of power by government employees; however, only low-level officials have been affected by such investigations. In the period under review, the number of these investigations seems to have dropped even further compared to previous years. Nonetheless, in 2022, the Ministry of Interior suspended a police officer after arresting him on charges of administrative and financial violations and referring him to the Public Prosecution. Consequently, Bahrain’s overall performance in prosecuting office abuses remains flawed, as high-ranking officials, the security apparatus, and the royal family are not adequately investigated or prosecuted.

### Independent judiciary

2

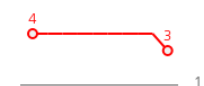
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### Prosecution of office abuse

3

'06 '24 10



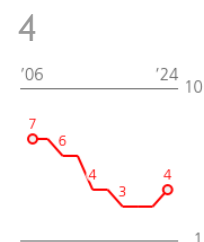
Bahrain's constitution provides for equality of citizens "before the law in public rights and duties," prohibits discrimination based on sex, origin, language, religion, or creed, and explicitly forbids "physical or mental torture" and "undignified treatment." However, authorities systematically violate those stipulations. Torture and mistreatment during investigations or in detention are widespread, while officials regularly refuse defendants or detainees access to lawyers or medical care. Despite the authorities' expanded use of the alternative penal code and the open prison program, the situation in detention facilities remained tense. Prisoners staged several hunger strikes in the review period, calling for adequate health care, their retrial, or the right to exercise their religion. Authorities also continue to summon, arrest, and prosecute children. Human Rights Watch documented cases of abuse and torture of minors in police custody in 2021, accusing Bahrain's judiciary of enabling abuses.

Meanwhile, women and migrant workers encounter both legal and practical discrimination in political, economic, and social spheres. The 2009 Family Law solely governs personal status matters in Sunni Shariah courts, leaving Shi'ite women in legal uncertainty as Shi'a courts make case-specific judgments. The 2017 Personal Status Law has extended its reach to include Shi'ite courts, representing a modest improvement. Nevertheless, women still experience unequal treatment with regard to personal status matters, such as divorce. In 2018, an amendment to the labor law brought about a legal improvement by prohibiting discrimination based on sex, origin, language, or creed. It also criminalizes workplace sexual harassment and imposes fines for violations. While the labor law grants the right to strike and form trade unions, there are considerable restrictions. Both collective bargaining and the establishment of trade unions are illegal in the public sector and the hydrocarbon industry. Unions are compelled to affiliate with either the General Federation of Bahrain Trade Union or the Bahrain Free Trade Union Federation. Despite being active participants in civil society leading up to and during the 2011 uprising, trade unions have adopted a less confrontational approach due to repression and mass dismissals following the strikes. Migrant workers continue to endure forced labor, low wages, abuse, exploitation, and a lack of access to social insurance.

In 2022, the U.N. Committee on the Elimination of Racial Discrimination highlighted that Bahraini women married to foreigners cannot pass on their nationality to their children, making them vulnerable to statelessness. The committee also expressed concern about the practice of citizenship revocations and exploitative labor conditions for migrant workers. Authorities had launched a legalization scheme for undocumented migrants from Bangladesh in 2020; however, thousands of expatriates remain in legal limbo due to irregular statuses.

Shi'ite Muslims, in particular, continue to be subjected to state interference and face restrictions on the exercise of their religion. The government oversees religious textbooks and preaching and monitors mosques and prayer halls. While there is no systematic interference at Shi'ite places of worship, authorities frequently intervene

#### Civil rights



based on suspicions of political activity, resulting in the arrest or summoning of religious figures and limitations on Ashura festivities. Since 2019, however, previously imposed restrictions on Ashura have been lifted and now only entail occasional removal of banners and minor interventions by security forces during Ashura events. Authorities have taken a de-escalating approach by employing social service police, rather than riot police, during Ashura festivities. In 2022, authorities permitted the resumption of Friday prayers at the Iman al-Sadiq mosque in Diraz after they had been prevented for years following a 2016 solidarity sit-in with exiled Shi'a cleric Sheikh Isa Qassim, which was forcefully dispersed by police, resulting in the deaths of five protesters. Meanwhile, imprisoned Shi'ites still face limitations in practicing their religion, as access to religious books remains scarce and the commemoration of Ashura while in detention is occasionally obstructed.

Additionally, non-Muslims enjoy a relatively high degree of freedom in practicing their religion, and the government permits freedom of worship. Both non-Muslim and Muslim organizations are required to register with the government. Currently, there are 19 registered non-Muslim groups in Bahrain, which encompass Christian churches, as well as Hindu and Sikh communities. In 2019, a Jewish prayer service took place in a synagogue in Manama for the first time in more than 70 years. Furthermore, in 2021, Bahrain's largest Catholic church in the Gulf region was inaugurated, marking an important development.

#### 4 | Stability of Democratic Institutions

Bahrain is a constitutional monarchy, as stipulated in the 2002 constitution and its 2012 amendment, but the king holds absolute power. The kingdom's administrative structure consists of a central government, four governorates, and 12 municipalities. However, it remains largely centralized, as neither the governorates nor the municipalities have essential autonomy from the central government. The elected lower house of parliament (CoR) and the three municipal councils representing the 12 municipalities have limited authority over the government and no power to hold the king or the prime minister accountable. Though the CoR has some power over individual ministers, its ability to perform is very limited, as the king appoints all 40 members of the upper house of parliament, the Consultative Council. Consequently, the CoR is unable to win a vote in a joint session with the Consultative Council within the National Assembly, which only convenes when a disagreement between both chambers occurs (e.g., the Consultative Council approves a law, but the CoR rejects it). Thus, draft laws can be formally sent back to the cabinet, but in reality, the king repeatedly intervenes and demands that the government and the CoR negotiate matters. If negotiations fail, however, the king can rule by decree, effectively reducing the CoR to a mere rubber-stamp body.

Performance of democratic institutions

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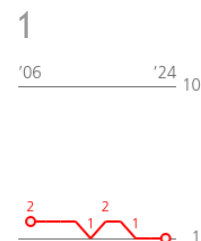
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The legitimacy of Bahrain’s semi-democratic institutions has been substantially undermined among both the Shi’a opposition and the ruling class. The 2018 and 2022 elections clearly showed that Bahrain’s democratic institutions are no longer capable of absorbing and managing political conflicts. The crackdown on opposition forces that represent the Shi’a majority, as well as the liberal or left-wing segments of society, demonstrates that the regime has partly abandoned its policies aimed at achieving political reconciliation within the framework of the country’s democratic institutions. Nonetheless, the regime still insists that it remains committed to the semi-democratic model and urges society to actively participate in elections.

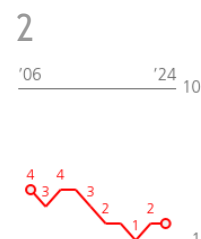
Commitment to democratic institutions



## 5 | Political and Social Integration

Bahraini law imposes extensive restrictions on political interest groups and prohibits political parties. However, so-called political societies, which function as de facto parties, are deemed legal and permitted to establish parliamentary blocs, conduct internal elections, and engage in public campaigning. Electoral gatherings are prohibited at places of worship, universities, and public institutions, and it is against the law to simultaneously belong to political societies while participating in any form of religious preaching, guidance, or speeches. In 2022, new regulations with vague wording were enacted, which outlaw electoral content that “infringes on the Islamic creed or the unity of the people,” as well as electioneering speech or activities that “violate public security, public morals, or religious beliefs.” When political societies meet with foreign diplomatic missions, representatives from Bahrain’s Ministry of Foreign Affairs must be present. Political societies that are based on sectarian, ethnic, or geographic foundations are prohibited, although religious affiliations hold significant importance for Bahrain’s political societies.

Party system

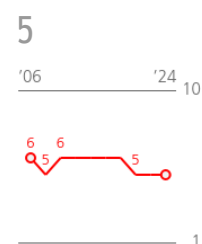


Bahrain’s party system is diverse, but parties’ ability to operate is increasingly limited as the government tightens restrictions on their activities and bans political societies. Over the past decade, authorities have dissolved the Islamic Action Society (Amal) in 2012 due to alleged campaigning in a house of worship, banned the largest opposition party, the al-Wefaq National Islamic Society, in 2016, which has a predominantly Shi’ite voter base, and liquidated its assets while prosecuting party officials. Additionally, in 2017, the secular National Democratic Action Society (Wa’ad), which includes both Sunni and Shi’a members, was dissolved and had its assets seized on charges of supporting terrorism.

Today, the party system is comprised mainly of small conservative Sunni societies, including the moderate Arab-Islamic Wasat Society, the Islamic Shura Society, or the National Islamic Platform Society (al-Minbar) – the political arm of Bahrain’s Muslim Brotherhood. Also gaining importance in the country’s party landscape are the nationalist and pro-governmental National Unity Assembly, the ultra-conservative Salafist al-Asalah Society, and the Democratic Progressive Tribune, which is an ally of al-Wefaq.

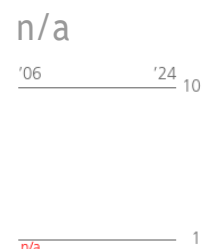
Despite the authoritarian rule in Bahrain, the kingdom hosts a comparatively wide range of civil society organizations, such as charities, women’s rights groups, and cultural clubs. The number of political societies (de facto parties) and trade unions is noteworthy, although the crackdown against opposition parties significantly diminished their ability to operate. Human rights groups primarily operate from abroad. Trade unions have adopted a less confrontational approach since 2011 but returned to a more outspoken stance during the COVID-19 crisis, persistently urging authorities to expand social safety nets and protect workers’ rights. Bahrain’s Muslim Brotherhood continues to be a major interest group, with a political arm, the al-Minbar society, and charitable organizations. However, Shi’a communities face significant restrictions regarding the right to engage in civic organizations. Recent legal amendments, such as the Political Isolation Law, allow authorities to veto candidates in NGO board elections. These provisions have been used against at least four associations during the period under review, including one charity and one women’s rights group. The vetoing of candidates causes significant delays in forming boards, which, in turn, can effectively silence affected NGOs. Authorities are now legally permitted to block access to bank accounts or appoint board members themselves in case of delays in board elections. Therefore, the ability of civic groups to mediate between society and the ruling class remains seriously hindered.

Interest groups



Reliable data, such as opinion surveys or polling, on public approval or rejection of democratic norms and procedures are not available in Bahrain. The voter turnout in the 2018 and 2022 elections could have been an indicator of citizens’ approval of Bahrain’s semi-democratic system. However, the official turnout of 67% and 73%, respectively, is not credible due to the systematic exclusion of opposition groups representing the country’s Shi’a from the formal political sphere. The banned al-Wefaq claimed that the turnout did not exceed 30% and 35%, respectively, in the 2018 and 2022 elections. The opposition’s calls to boycott both elections are another indication of a decline in popular support for the current political system. Thus, an overall assessment of society’s approval of the semi-democratic system is not feasible.

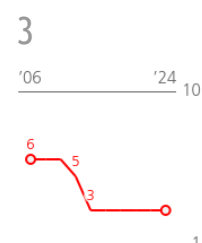
Approval of democracy



However, although the acceptance of Bahrain’s democratic institutions has strongly declined in large parts of the Shi’a communities, most political societies – including those that are banned – continue to lobby for democratic reforms.

Bahrain’s society is divided along sectarian and religious affiliation lines, a fact that has been accelerated by the government’s politically motivated marginalization of Shi’ites. The Sunni strata of society receive more support from authorities, while Shi’a communities and neighborhoods, predominantly inhabited by Shi’ites, rely more on informal and autonomous self-organization. The crackdown against the Shi’a opposition prior to the review period included the closure of civil society organizations, such as religious charities. Additionally, the government actively

Social capital





undermined the operations of at least four NGOs in the review period by vetoing the election of dozens of board members. As a result, existing formal and informal non-governmental social safety nets were dismantled, increasing the need for the autonomous self-organized sphere to fill the gap.

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

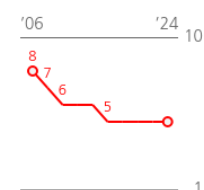
Although Bahrain's natural resources provide for a relatively high overall living standard, vast portions of its population are effectively excluded from the kingdom's wealth, particularly women, Shi'ites, and migrant workers. According to the Gender Inequality Index, Bahrain has seen steady improvement since 2013, with its score rising from 0.242 that year to 0.181 in 2021. The country's Human Development Index score has consistently increased over the past decade but experienced a slight decline from its peak rate of 0.882 in 2019 to 0.875 in 2021. In the same year, the U.N. Development Program ranked Bahrain 35th out of 191 countries, compared to its 50th ranking in 2011. Although there is no reliable data on Bahrain's poverty rate and the extent of relative inequality, the unequal distribution of wealth remains a major concern. Significant socioeconomic barriers exist for both Shi'ites and women. Women have significantly less access to management positions in the public and private sectors and face wage discrimination and underrepresentation in the labor market (according to the trade union federation GFBTU, approximately 75% of unemployed workers are women), politics, and the judiciary. The government also provides preferential treatment to Sunni Bahrainis in the public sector and politics, while Shi'ites encounter significant discrimination in accessing public jobs. Additionally, the COVID-19 pandemic has disproportionately affected already marginalized Shi'a communities and migrant workers, exacerbating socioeconomic barriers for both groups and amplifying the existing inequalities prevalent in Bahraini society.

Economic indicators		2019	2020	2021	2022
GDP	\$ M	38653.3	34621.8	39303.4	<b>44390.8</b>
GDP growth	%	2.2	-4.6	2.7	<b>4.9</b>
Inflation (CPI)	%	1.0	-2.3	-0.6	<b>3.6</b>
Unemployment	%	1.2	1.7	1.5	<b>1.4</b>

Question  
Score

Socioeconomic  
barriers

5



Economic indicators		2019	2020	2021	2022
Foreign direct investment	% of GDP	4.0	3.0	4.5	<b>4.4</b>
Export growth	%	0.4	-2.5	29.5	-
Import growth	%	-5.6	-0.7	15.2	-
Current account balance	\$ M	-	-	-	-
Public debt	% of GDP	101.6	130.1	127.1	<b>117.6</b>
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	15.7	17.1	15.8	-
Public education spending	% of GDP	2.4	2.6	2.2	<b>2.0</b>
Public health spending	% of GDP	2.3	3.0	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	4.0	4.0	3.6	<b>3.2</b>

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.

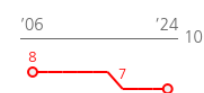
## 7 | Organization of the Market and Competition

Bahrain boasts a relatively small market, with its economy heavily reliant on the hydrocarbon sector. Oil revenues make up 70% to 80% of the state's income, depending on the annual average world market prices for fossil fuels. Due to this dependence, the government provides strong protection to the oil and gas sector along with other key industries, such as aluminum. Meanwhile, other significant sectors of the economy, including finances, banking, tourism, real estate, and ICT, continue to attract substantial foreign investments and are well-regulated.

Bahrain is generally enthusiastic about attracting foreign investments and permits 100% foreign ownership in various sectors. The barriers for entry and exit of goods and services are low, and since 1973, Bahrain has maintained a currency convertibility regime without any limitations. However, the informal sector remains a notable feature, accounting for approximately one-third of Bahrain's total labor force. Despite this, recent government data from 2021 suggests significantly lower

Market organization

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numbers of irregular foreign workers employed in Bahrain, estimating that only 12% of the total labor force consists of informally employed workers. While the majority of informal workers are migrants, the public sector also includes informal jobs, such as temporary contracts in nurseries and kindergartens, which lack insurance coverage due to their temporary nature.

Despite a well-regulated business environment, Bahrain lacks a comprehensive framework for competition, as well as regulations to prevent monopolization and cartels. Since 2018, however, the government has increasingly addressed the absence of relevant legislation in line with the country's Economic Vision 2030 and has ratified several laws to enhance foreign investments and improve the business environment. Regulations concerning competition are already embedded in existing laws, such as the Consumer Protection Law and the Commercial Code. However, in 2018, the government also adopted a Personal Data Protection Law (intended to facilitate effective data transfer across borders), a Competition Law (aimed at preventing monopolies and anti-competitive behavior), and a Bankruptcy Law (establishing rules for bankruptcies in accordance with Chapter 11 insolvency rules in the United States). These laws do not establish an independent competition authority. Meanwhile, the 2021 Execution Law in Civil and Commercial Matters came into effect in 2022, providing mechanisms for the reconciliation of existing files, one concerning civil debtors and one concerning commercial entities.

Bahrain has largely liberalized its foreign trade policies since the country joined the World Trade Organization (WTO) in 1995 and the Gulf Cooperation Council's (GCC) Unified Customs Union in 2003 (entering into force in 2015). This union eliminated tariffs for GCC members on numerous items and lowered duties on all other goods to 5%. In 2021, the simple average most-favored nation (MFN) applied tariff rate was 4.8% (5.9% for agricultural products and 4.6% for non-agricultural goods). Bahrain's imports of goods and services were valued at \$12.6 billion, with \$1.8 billion attributed to agricultural goods and \$10.9 billion to non-agricultural products. These figures decreased from \$14.8 billion in 2019. Notably, tobacco and beverages face significant import barriers, with tariffs set at 200%. In 2020, the United Arab Emirates (UAE) was Bahrain's largest trading partner, followed by Saudi Arabia, the European Union (EU), Malaysia, and the United States. Bahrain's trade policy includes free trade agreements (FTA) with the European Free Trade Association and Singapore. However, the most significant agreement remains the FTA with the United States, which came into effect in 2006. Since 2022, Bahrain has been engaged in negotiations with the United Kingdom and Israel regarding free trade agreements. Noteworthy non-tariff trade barriers exist for animals, vegetables and food products, as well as, to lesser extent, machinery and electronics.

#### Competition policy

5

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#### Liberalization of foreign trade

9

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The banking sector remains a pillar of Bahrain’s non-oil economy, as assets held by the banking sector continued to grow in the review period while the Bahrain stock exchange’s market capitalization remained strong. The country maintained its reputation as a regional hub for banking and finance businesses, although the pandemic had severely affected the sector. However, this impact was temporary, as the industry’s performance stabilized in late 2020 and has grown substantially ever since. The central bank’s (CBB) total assets declined sharply in 2020, illustrating the sector’s vulnerability to external shocks. By the third quarter of 2022, however, the CBB’s total assets stood at BHD 4.99 billion (up from BHD 4.13 billion in late 2021), a significant rise compared to its BHD 3.27 billion in the first quarter of 2020, according to CBB data.

The market capitalization at Bahrain’s stock exchange stood at BHD 11.41 billion in the fourth quarter of 2022, constituting a significant drop from BHD 12.48 billion in the first quarter of 2022 but still substantially above the former record of BHD 10.13 billion in the fourth quarter of 2019. Additionally, and in line with global trends in 2022, average interest rates on personal loans, business loans, deposits, and short-term treasury bills were gradually raised between the first and fourth quarter of 2022.

Meanwhile, the GCC remains by far Bahrain’s most important geographical area regarding assets, liabilities, and foreign currency deposits, as Saudi Arabia, the UAE, and Kuwait continue to use Bahraini banks for international and regional business transactions. Additionally, Bahrain has been gradually moving toward implementing Basel III standards for years, although not without explicit objections about applying respective regulations too quickly, including by the central bank regarding Islamic finance instruments.

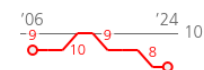
## 8 | Monetary and fiscal stability

Bahrain’s monetary policy is overseen by the Central Bank of Bahrain (CBB), which was established by royal decree in 2006 to replace the Bahrain Monetary Agency. According to the Financial Institutions Law, the CBB is “administratively and financially independent,” but its Board of Directors is entirely appointed by the king. Consequently, the CBB’s oversight functions over banking and the financial markets are limited in terms of independence.

Bahrain’s exchange-rate policy is predictable and reliable as the Bahraini dinar (BHD) has been officially pegged to the U.S. dollar with a static rate of \$1 to BHD 0.376 since 2001, after it had been informally pegged at the same rate since 1980. The COVID-19 crisis, however, led to an outright collapse of foreign currency reserves, temporarily threatening Bahrain’s ability to sustain the currency peg. Yet, successful bond sales, the overall improvement of the economic outlook since 2021, and the rising world market prices for oil and gas restored monetary stability in the kingdom.

### Banking system

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### Monetary stability

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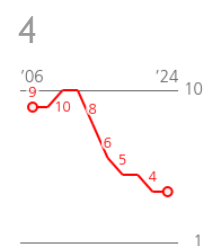
Bahrain's inflation rate has been moderate between 2017 and 2019 but has featured a deflationary trend since the COVID-19 pandemic, reaching -2.3% in 2020 and -0.6% in 2021, according to World Bank data. Mainly due to rising world market prices for hydrocarbons, inflation rates increased in 2022, triggering an inflation response by the CBB, which started to raise key interest rates in 2022. Meanwhile, the kingdom's real effective exchange rate continued to decrease in the review period after it reached a peak of 112.1 in 2019. In 2020, it went down to 108.8 and in 2021 to 103.3. However, rising prices for hydrocarbons will affect the real effective exchange rate in the short term as increases are expected to materialize in 2023.

The COVID-19 crisis and its economic repercussions unequivocally illustrated Bahrain's exceptionally high and structural vulnerability to external shocks. The temporary but sharp decline of oil prices in 2020 seriously affected the kingdom's fiscal stability. However, due to its geopolitical importance for its GCC allies and Western partners, Bahrain quickly ensured external support that mitigated the crisis's fiscal repercussions and is expected to be further supported by its allies in the future as the kingdom is considered "too important to fail."

Prior to the pandemic, Bahrain already faced considerable macroeconomic challenges and had adopted austerity measures, such as cutting public spending, to improve macroeconomic indicators and increase domestic revenues and external capital inflows. While the government doubled the VAT tax introduced in 2019 to 10% as of 2022, the \$10 billion aid package granted by Saudi Arabia, Kuwait, and the UAE in 2018 continued to support Manama's fiscal consolidation program. Bahrain's GCC allies are said to maintain their fiscal support, though they expect the kingdom to limit spending, as did the IMF in 2021 and 2022. Bahrain already announced budget cuts of 20% and 15% for 2023 and 2024, respectively, though it remains unlikely that authorities will be able to maintain such rates as subsidy reforms will not be prioritized due to fear of social unrest.

Prior to the pandemic, Bahrain's budget had been under enormous pressure. The deficit had reached \$2.43 billion in 2018 after a shortfall of \$1.6 billion in 2017 and \$752 million in 2015. Official figures on the account balance since 2019 are scarce, as only estimations appear to be available. Such data indicates a budget deficit of \$4.31 billion in 2020. Meanwhile, public debts strongly increased to 128.5% of GDP in 2021 (down from 129.7% in 2020) after reaching 101.6% in 2019, 94.6% in 2018, and 32.8% in 2011. In anticipation of these growing rates, the government raised the debt ceiling from 13 to 15 billion BHD in 2020 but reportedly surpassed this rate already in 2021, reaching 16.9 billion BHD. While the general government consumption expenditure stood at 17.1% of GDP in 2020 after only reaching 15.7% in 2019, Bahrain's foreign reserves had risen to \$4.7 billion in 2021 after \$2.24 billion in 2020 and \$3.67 billion in 2019. During the pandemic, however, reserves temporarily plummeted to \$772 million (April 2020) but gradually recovered over the course of the year.

Fiscal stability



## 9 | Private Property

Property rights are well regulated and well defined in Bahrain. GCC nationals and companies enjoy the same ownership rights as Bahrainis and are allowed to purchase and own real estate and land without significant limitations. However, the authority for the sale and allocation of public land is held by the king, resulting in opaque procedures for privatizing public land. Non-GCC nationals are permitted to own real estate, but only in specific areas such as high-rise commercial and residential units, as well as property related to tourism, banking, financial, health care, or training projects.

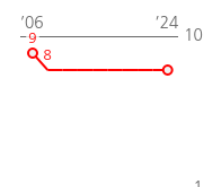
The government allows 100% foreign ownership of companies in certain sectors and permits the establishment of representative offices and local branches of foreign companies without the need for a local sponsor. Meanwhile, the kingdom is increasingly promoting foreign investments in its real estate sector, which is expected to continue booming thanks to large offshore land reclamation projects. The 2018 Bahrain Real Estate Investment Exhibition and the 2022 Cityscape Bahrain Exhibition additionally promoted the country's real estate market as an investment opportunity for foreign investors.

The oil and gas sector, along with affiliated industries, is largely dominated by state-controlled companies. Joint ventures and other private investments in the petroleum sector are only permitted under production-sharing agreements with the state-controlled oil company, Bahrain Petroleum Company (BAPCO), which largely dominates the market. However, sectors such as tourism, banking, finance, real estate, trade, telecommunications and health care are open to private and foreign investors.

An amendment of the 2001 Commercial Companies Law has further improved the business environment in the non-oil sector. It has allowed for 100% foreign ownership in various sectors of the economy, including manufacturing, mining, and water supply. In recent years, the real estate sector has become a major driver of private investments and enterprises. It has continued to substantially grow, reaching a value of 1.1 billion BHD in 2022. The government launched the Land Investment Platform in the same year to boost businesses and strengthen cooperation between the private and public sectors. However, privatization procedures remain opaque.

### Property rights

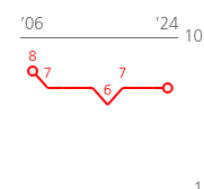
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### Private enterprise

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## 10 | Welfare Regime

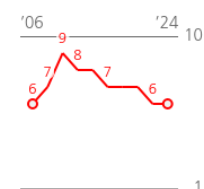
Bahrain's oil revenues have allowed the state to establish a comprehensive welfare regime for its citizens, which includes free education and health care, as well as vast subsidy schemes for fuel, food, and other commodities. The kingdom's public social insurance system dates back to the 1970s and covers citizens employed in Bahrain or any GCC state. It features old-age and disability pensions, death and funeral grants, as well as insurance for unemployment and work injuries, though with restrictions for foreign workers. The life expectancy at birth in Bahrain has risen constantly for years and stood at 77.4 years in 2020, up from 76.1 in 2010. Public expenditure on health decreased from 3.2% of GDP in 2015 to 2.4% in 2019. However, the government had launched reforms of the public health care system's spending schemes aimed at limiting public expenses and externalizing costs to foreigners. In 2018, King Hamed ratified a new Health Insurance Law, which makes it obligatory for foreign workers, visitors, and tourists to subscribe to the insurance and pay fees according to the duration of their stay. Bahrainis and expatriate migrants working as drivers, nurses, housemaids, and gardeners are covered by the state.

Since 2018, subsidies on commodities such as fuel, electricity, water, and meat have been reduced as the government increasingly pursues austerity measures. However, further subsidy cuts have been postponed in 2019 due to the government's fear of socioeconomically motivated unrest and the COVID-19 pandemic in 2020. The state continues to address the housing shortage in the low and middle-income segments, although governmental housing programs for low-income strata of society are significantly behind schedule. Meanwhile, Bahraini pension funds remain under severe pressure and are expected to be depleted in the 2030s if no further reform steps are taken. In 2022, the government faced criticism for withdrawing 700 million BHD from the pension fund to bridge Gulf Air's financing gap, despite the absence of any legal provision supporting such action.

Bahrain's constitution guarantees the equality of its citizens, explicitly prohibits discrimination, and stipulates that citizens are "equal in the assumption of public posts." However, women and Shi'ites face disadvantages in terms of employment opportunities. Shi'ites continue to have restricted access to public posts, predominantly occupying lower-level public offices and being largely excluded from the security services, which are almost entirely composed of local Sunnis or Arab mercenaries. Meanwhile, in 2021, women accounted for only 19.4% of the total labor force (gradually down from 21.7% in 2014) and comprised about 75% of those registered as unemployed in 2022, according to the trade union federation GFBTU. Women remain under-represented in management positions in both the private and public sectors, are not adequately represented in political institutions, and only hold minor posts in the cabinet. However, the 2018 and 2022 elections facilitated an increase in women's representation in both chambers of parliament.

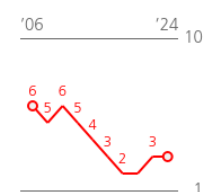
### Social safety nets

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### Equal opportunity

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The overall access to education in Bahrain is well-maintained. The gross enrollment ratio stood at 98% for primary education, 97.1% for secondary education and 60.3% in tertiary education, indicating a well-developed nationwide coverage of the educational system. Meanwhile, women are overrepresented in secondary and tertiary education, as the Gender Parity Index for gross enrollment displays parity between girls and boys in primary education, a moderate advantage for girls at the secondary level, and a large advantage for girls in tertiary education. Bahrain's total literacy rate stood at 91% in 2010, yet it still featured a lower rate for women (92.1% for men and 89% for women in 2010).

Foreign workers face significant discrimination in Bahrain, both de facto and de jure. The kafala system, which mandates that migrant workers have a local sponsor to handle their visa and legal matters, exposes these workers to exploitative practices such as excessive working hours, passport and salary withholding, abusive recruitment fees, and overall lower salaries compared to Bahrainis. Despite the national minimum wage of 300 BHD per month, more than 60% of foreign workers earn less than 200 BHD per month. In 2017, Bahrain introduced the "Flexi-Permit," aiming to partially dismantle the kafala system. This initiative allows irregular migrants to legalize their status, become self-sponsored, and work for multiple employers. However, trade unions and state officials favoring policies that prioritize job opportunities for low-income Bahrainis to mitigate socioeconomic tensions in the country have opposed this approach. Consequently, both the government and the parliament have advocated for labor market reform during the review period. This reform seeks to streamline the labor registration process, replace the Flexi-Permit, restrict the number of foreign workers, and create more employment opportunities for Bahraini citizens.

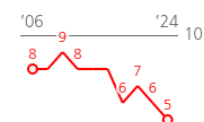
## 11 | Economic Performance

The structural decline of global oil prices since 2014, the corresponding decrease of Bahrain's oil revenues, and the COVID-19 crisis significantly challenged Bahrain's economic performance prior to the review period. Although some indicators have improved since the pandemic and its economic repercussions have eased, Bahrain has continued to struggle macroeconomically in the past years, partly due to the regime's failure to substantially increase non-oil revenues as well as the slowdown in economic diversification.

Bahrain's GDP recovered strongly after the substantial 2020 drop and reached a new all-time high of \$38.9 billion in 2021, slightly up from the \$38.8 billion in 2019 prior to the pandemic. However, GDP per capita has remained far from its all-time record of \$51,494 in 2013 but rose from \$43,821 in 2020 to \$45,411 in 2021. The GDP per capita growth rate remained negative in 2021 for its seventh consecutive year, constituting a -0.5% decrease in 2021 after a staggering -8.3% decline in 2020. World

Output strength

5



1



Bank data indicates an unemployment rate of 1.9% in 2021 and 1.8% in 2020, noticeably higher than the stable 1.2% registered between 2011 and 2019. However, official unemployment rates are challenged by Bahraini trade unions that claim the real figures are significantly higher.

Meanwhile, public debts strongly increased to 128.5% of GDP in 2021 (down from 129.7% in 2020) after reaching 101.6% in 2019, 94.6% in 2018, and 32.8% in 2011. The kingdom's inflation rate decreased from -2.3% in 2020 to -0.6% in 2021, after featuring moderate inflation rates of 1% to 2.1% between 2017 and 2019, according to the World Bank. In 2019 and 2020, foreign direct investments (FDI) went up significantly for the first time in years, reaching 3.9% of GDP and 2.9%, respectively.

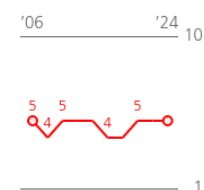
## 12 | Sustainability

Environmental issues such as pollution and soil contamination are still significant challenges in Bahrain. The government's overall performance in terms of implementing and aligning environmental policies and legal measures remains weak. Nonetheless, the government continues to advocate for an energy transition, with the goal of achieving a 5% share of renewable energy in the total energy mix by 2025 and 10% by 2035, while also reaching net zero carbon emissions by 2060. Several private companies already operate small solar power plants, and Bahrain established its first solar panel assembly plant in 2017. A 2019 tender for a 100-megawatt solar power plant was reintroduced in 2022. The government asserts that certain policies, such as bans on specific plastic imports and the production of non-biodegradable plastic, are driven by Bahrain's ratification of the 2016 Paris Climate Accord. In 2021, Bahrain transformed the Oil and Gas Holding Company NOGA from a fossil fuel entity into an energy company, aiming to enhance the company's ability to explore energy resources beyond fossil fuels. However, this state-sponsored shift toward renewable energy sources primarily has fiscal motivations, as authorities strive to decrease local fossil fuel consumption in order to increase oil and gas exports.

Meanwhile, Bahrain expanded its vast land reclamation projects during the review period and announced plans to build five new artificial islands as part of the government's economic recovery plan. However, previous large-scale land reclamation projects over the past decades have caused extensive environmental damage, including the destruction of coral reefs and mangroves, leading to significant losses in biodiversity. This has resulted in a substantial decrease in the number of fish species and the collapse of coastal fish stocks, forcing fishermen to venture further out to sea. Consequently, conflicts regularly arise with neighboring Qatar, as Qatari coast guards have detained over 650 Bahraini fish trawlers in the past decade for encroaching in Qatar's waters.

### Environmental policy

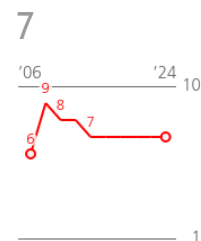
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Bahrain's educational system is well-established and features nationwide primary and secondary public schools, as well as private institutions primarily in tertiary education. According to World Bank data, the literacy rate stood at 91% in 2010. The kingdom's public educational system is considered to provide a reasonable level of education in regional comparison but is mediocre by international standards. Bahrain spent 2.2% of its GDP on education in 2020, following 2.1% in 2019 (down from 3.2% in 2010), but it has shown a steady improvement in the U.N. Education Index rating over the past decade. The rating reached 0.821 in 2021, up from 0.652 in 2011. Additionally, it spent 0.1% of its GDP on research and development in 2014. However, public universities and research institutions in Bahrain continue to face challenges due to funding and expertise limitations.

Meanwhile, large segments of society are effectively excluded from private education, which offers higher-quality tertiary education, as fees for private universities and schools are prohibitively high for a wide portion of society. Moreover, discrimination against Shi'a individuals persists in terms of employment, promotion, and the distribution of scholarships in public education. Furthermore, Bahrain's crackdown on freedom of opinion and expression has had a significant impact on the educational sector, resulting in the detention, forced self-censorship, or termination of hundreds of educators since 2011. In that year alone, 117 academic staff members were dismissed at the University of Bahrain. While the peak of this crackdown on dissent in Bahrain's educational sector has long passed, the entire educational system remains constrained by self-censorship.

Education policy /  
R&D



## Governance

### I. Level of Difficulty

Bahrain's structural constraints are primarily limited to political and economic matters, which are mostly – but not exclusively – determined by its geographical location and natural wealth. The country's colonial past has had a significant impact on its domestic and regional policies, particularly due to the UK's role in establishing minority Sunni rule in Bahrain. This historical relationship has resulted in an enduring alliance between the kingdom's leadership and its Western allies, specifically the UK and the United States.

Furthermore, Bahrain relies heavily on its Gulf Cooperation Council (GCC) neighbors, particularly Saudi Arabia and the UAE. The only land access for Bahrain is through the King Fahd Causeway, connecting it to Saudi Arabia. This connection is crucial, as it is the location of Bahrain's only significant oil field, Abu Safah. The state-controlled Saudi oil company ARAMCO is responsible for the exploitation and extraction of this oil field, further deepening Manama's dependence on Riyadh.

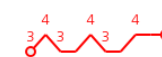
Due to Saudi Arabia's extensive interference in Bahrain's internal affairs, Manama currently lacks the capability to pursue independent and self-determined foreign and regional policies. The country remains tied to Riyadh's confrontational approach toward Iran. Additionally, the recent normalization with Israel has further enhanced Bahrain's role as a strategically positioned proxy for Saudi Arabia and its Western allies.

Bahrain's reliance on oil revenues and its rentier-state model are additional limitations on the regime's maneuverability, and they are undermining efforts to diversify the economy as the government's pursuit of rent-seeking has intensified due to the COVID-19 pandemic and its economic consequences. While the regime strives to bolster non-oil sectors, particularly tourism and real estate, it will not succeed in diminishing the significance of oil revenues for the country's economy, and it will continue to be heavily reliant on income from oil.

Structural  
constraints

4

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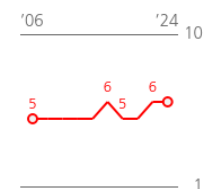


1

Although the kingdom hosts a variety of civic organizations such as associations, charities, cultural clubs, unions, and political societies (de facto parties), long-term civic engagement is only recorded in a few domains. Therefore, civil society traditions in Bahrain are considered mediocre compared to international standards. Independent trade unions trace their roots back to the 1930s struggle of Bahraini workers, while the history of religious charities and networks dates back to the nineteenth century. However, the current performance of civil society is limited by the polarized political environment. Human rights organizations critical of the regime and outlawed oppositional political societies primarily operate from abroad, while Bahrain's trade union scene has experienced tumult since 2011. Authorities increasingly targeted the General Federation of Bahrain Trade Unions (GFBTU) due to its outspoken approach before and during the revolt, leading to the establishment of the Bahrain Free Trade Union Federation in 2012. This effectively divided the trade union landscape and weakened the GFBTU. Since 2019, several trade unions have left the free federation due to its weak and pro-regime performance, joined the GFBTU, and partially reinforced the power of its rival, the GFBTU.

#### Civil society traditions

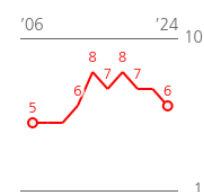
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Tensions between the regime and the Shi'a opposition remain Bahrain's major political and socioeconomic conflict. Governmental repression against opposition groups and activists continues to threaten social cohesion, further polarize the political sphere, and widen rifts in society along sectarian, religious, and socioeconomic lines. The Shi'a opposition is increasingly marginalized in the formal political sphere, though it continues to regularly call for protests and lobby for political reform and reconciliation with the ruling class. Since 2018, tensions between the opposition and the regime have eased on the surface, a trend that continued during the review period as the regime's reformist wing facilitated partially de-escalating policies. While authorities have refrained from dispersing protests by violent means and have increasingly tolerated small-scale marches since 2021, the government has expanded the use of the Alternative Penal Code, thereby reducing prison populations and restoring the civil rights of former prisoners.

#### Conflict intensity

6



However, detention conditions of political prisoners remain concerning, as do repeated incidents of medical neglect leading to the death of at least one prisoner during the period under review and collective hunger strikes of prisoners calling for their retrial or an improvement of detention conditions, particularly regarding detained children. Although the confrontation between the pro-democracy opposition and the regime is not estimated to translate into any significant popular mobilization of regime opponents anytime soon, the government's crackdown against the opposition is still planting the seeds for further unrest. Authorities continued to arrest and prosecute citizen and opposition figures based on flimsy charges in the review period, further exacerbating tensions. Relatives of activists or regime opponents also remain targets for the authorities. Meanwhile, the security apparatus, especially the National Security Agency (NSA), continued to face accusations of abuses and severe

violations of international law. These include coercive interrogations without legal representation, instances of physical and sexual abuses, death threats, and the coerced signing of confessions.

## II. Governance Performance

### 14 | Steering Capability

Bahrain's regime is generally able to establish and uphold strategic priorities and long-term goals regarding political and economic development. However, the primary objective of the regime's various factions is to maintain the overall status quo and, as a result, the monarchy led by the Al Khalifa clan. All relevant factions within the ruling elite share a fundamental interest in preserving their economic and political privileges and avoiding any destabilization of the country, albeit through different means and policies. While the regime's reformers prefer a less confrontational approach toward the Shi'a opposition, the hard-liners reject any reconciliation and have been the primary force behind the crackdown against opposition forces in the past decade. However, the death of former Prime Minister Khalifa bin Salman Al Khalifa (in office since 1971) in 2020 effectively shifted the balance of power within the regime. The appointment of Crown Prince Salman bin Hamad Al Khalifa, a representative of the regime's reformers and the king's son, as the new prime minister solidified this shift, as the reformist faction now controls Bahrain's two most influential positions. Furthermore, a significant cabinet reshuffle in 2022 resulted in 17 out of 22 ministers being replaced, with only three members of the royal family being appointed (the lowest number ever). This indicates the prime minister's growing influence over executive power in Bahrain.

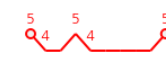
Meanwhile, the regime has increasingly prioritized tackling the structural fiscal and economic crisis prior to COVID-19 and continues to do so today. It is able to agree on economic policies that are considered effective in maintaining the status quo. Rent-seeking, in the form of expanding oil exports, remains the major driver for short-term economic policies (in 2022, two new fossil gas fields have been discovered and are scheduled to be further explored and tested in 2023 and 2024). However, both regime factions generally agree on diversifying the economy and strengthening non-oil sectors such as tourism and real estate. Bahrain's Economic Vision 2030, launched in 2008, remains the most comprehensive policy scheme aimed at facilitating such diversification by modernizing infrastructure and stimulating the private sector. As COVID-19 has slowed down corresponding projects, the government has set up an Economic Recovery Plan to re-boost Vision 2030, strengthen strategic sectors, and foster fiscal sustainability.

Question  
Score

Prioritization

5

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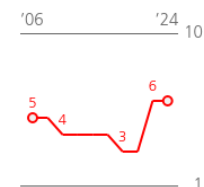
COVID-19 and the temporary but substantial additional drop in oil revenues considerably undermined Bahrain's ability to effectively implement the regime's strategic economic and fiscal priorities. Since 2015, the government's spending policies have been already directly affected by the decline in oil revenues. In a typical rentier-state manner, the government prioritizes sustaining the political status quo and, for this purpose, continues to co-opt vast parts of society through financial means (e.g., free public services, subsidies, public employment). However, it increasingly struggles to finance its welfare regime. The pandemic further accelerated this trend, increased Bahrain's dependence on aid from its GCC allies, and fueled policies aimed at expanding oil rents and revenues from oil-related industries. A \$7 billion modernization program for BAPCO's Sitra oil refinery, launched in 2018, is now scheduled to be finalized in 2024 instead of 2022. Once completed, the refinery's output is expected to increase from 267,000 barrels per day to 400,000. An LNG terminal, including an offshore floating storage unit, had been completed in the review period in cooperation with the private sector but remains idle and is so far only a strategic asset.

Despite such rent-seeking dynamics, however, the regime continues to push for economic diversification and the implementation of infrastructure projects – either considered important for boosting non-oil sectors or for reducing socioeconomic tensions by improving basic services for marginalized strata of society. Though many infrastructure projects in line with the 2030 Economic Vision had been slowed down by the pandemic, authorities increasingly pushed affected projects ahead in the review period, most notably in the tourism, real estate, and infrastructure sectors. Besides the Manama airport modernization and expansion project, the \$3.5 billion King Hamad Causeway, a \$2 billion metro network, and the construction of a new exhibition and convention center, authorities continue to facilitate investments in real estate projects (e.g., the construction of five artificial islands, the King Faisal Corniche, The Avenue-Bahrain project) to increase FDI and foster the tourism sector while upgrading road, electricity, sewage, and water infrastructure, as well as tackling the housing shortage for low-income strata of Bahraini society.

Bahrain's regime is both unwilling and unable to adopt sustainable long-term policies that would consistently democratize the political system or comprehensively reform the rentier-state economy. The government has recently pushed for partial economic diversification and continuously claims that upgrading the non-oil sector is a top priority for the country's medium-term development. However, the ruling class's overall rent-seeking attitude is not expected to translate into a serious commitment to political or economic reform. Nevertheless, authorities are considering economic diversification as a strategic approach to reduce dependency on external shocks, which in recent years have been fueled by the pandemic and increasing pressure from Bahrain's GCC allies to expand non-oil revenues. The government's efforts to attract investors in non-oil businesses, such as tourism and real estate, are therefore seen as significant and indicative of the ruling elite's willingness to learn from past policies.

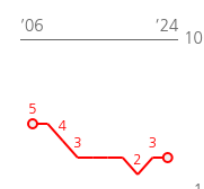
#### Implementation

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#### Policy learning

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## 15 | Resource Efficiency

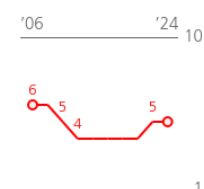
In the typical manner of a rentier state, the state bureaucracy in Bahrain is inefficient and bloated, with the regime using extensive public employment as a tool to co-opt large parts of society by distributing a share of the country's wealth to its citizens. Wages in the public sector remain relatively high compared to the private sector. However, the government is increasingly forced to limit public expenses due to the structural decline of oil revenues, the rising budget deficit, and pressure from external actors such as Bahrain's GCC allies to restrict spending. In 2022, Bahrain's budget deficit narrowed to 3.6% of GDP after reaching 9.6% in 2021, partly due to the recovery of oil prices and increases in state income, particularly from the VAT tax increase to 10%, according to Fitch. However, the rating agency forecasts yet another rise in the budget deficit for 2023 and 2024.

In 2022, the government issued a directive to stop paying overtime wages in all ministries and instead substitute overtime work with days off. Meanwhile, the early retirement program is to date the most significant project regarding limiting the public wage bill, though its implementation triggered resistance by parliament and trade unions when it was first announced. As of 2019, over 8,000 state employees had applied for the program, which aims to decrease the number of public employees to 40,000 and reduce the number of foreign workers in the public sector. In the review period, the government further amended the early retirement law, allowing more flexibility for public servants intending to apply for the scheme. This further illustrates the government's will to implement the law and decrease the wage bill, although Bahrain's budget spending remains only partially in line with the state's need to increase efficiency, as the wage bill is expected to drop gradually over the next few years.

The coordination of policies and objectives within the ruling class effectively materializes behind closed doors, as regime hard-liners and reformers barely clash in public. Policies related to the state's expenses for economic projects or the welfare program are largely dependent on the kingdom's oil revenues and are more likely to be implemented without tensions when global oil prices are high. As oil revenues have substantially declined since 2015, conflicts about the state's spending priorities have been increasing ever since, though they have not and most likely will not lead to any substantial additional division within the ruling class. The death of Bahrain's former prime minister (a staunch regime hard-liner) in November 2020 appears to have facilitated an improvement of policy coordination within the regime. It remains unclear how the 2022 elections for the lower house of parliament will affect agenda-setting and policy coordination. However, a major cabinet reshuffle prior to the elections saw 17 out of 22 ministers changed and only three members of the royal family appointed (the fewest number ever). This largest cabinet reshuffle in Bahrain's history is said to illustrate the crown prince's increasing political power, possibly paving the way for smoother policy coordination between the executive branches of government as now the reformers effectively hold all major offices.

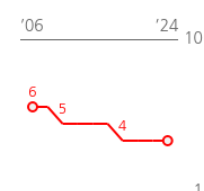
Efficient use of assets

5



Policy coordination

4





The investigation and prosecution of matters such as embezzlement or money laundering is not adequately executed in Bahrain. Embezzlement in the public sector remains widespread, but the ruling elite, including the royal family, enjoys de facto impunity. Although the law provides significant criminal penalties for corruption, law enforcement is weak and high-ranking officials are rarely convicted. Financial disclosure by officials is not required. Moreover, the budgets of several governmental entities (e.g., the army) are nontransparent, and procedures for the privatization of public land are opaque. The National Audit Office (responsible for monitoring and combating governmental corruption), established in 2002, has repeatedly revealed fiscal violations among state entities but lacks the power to adequately investigate corruption and only tackles issues of secondary impact.

In 2020, the king signed into law an amendment to the 2001 decree that regulates the prohibition and combat of money laundering, terrorist financing, and crimes related to financial disclosure. The amendment establishes a prosecution unit, known as the Financial Crimes and Money Laundering Prosecution Office, which is responsible for addressing various financial crimes, such as embezzlement, bribery, appropriation and squandering of public funds, money laundering, and office abuse. Furthermore, in 2020, the king established the Financial Disclosure Examination Authority, which is tasked with receiving and examining complaints. However, it should be noted that this body has only limited authority.

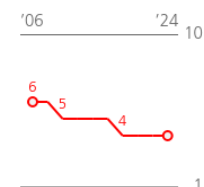
## 16 | Consensus-Building

Bahrain's regime does not intend to transform the political system toward a democratic order. The regime's reformist wing, led by the king and the crown prince, believes in the positive impact of partial democratization and liberalization of the political system to maintain social cohesion and absorb and channel tensions within the opposition. However, opponents within the ruling elite rigidly refuse any concessions that would make the political order more democratic and inclusive. The death of Bahrain's long-serving prime minister in 2020 is considered a significant setback for the regime's hard-liner faction, as he was replaced by the crown prince. However, it remains unlikely that the regime's reformist wing will initiate any significant political liberalization similar to the early 2000s anytime soon. Nevertheless, the crown prince's promotion has facilitated a cautious de-escalating approach toward popular protests and parts of the Shi'a opposition in the review period.

Both regime factions rhetorically agree on transforming the country into a market economy but maintain a significant rent-seeking attitude. The rentier-state characteristics of the kingdom, especially concerning Bahrain's natural oil resources, pose a serious obstacle to a successful transition to a market economy. However, due to the instability of oil revenues in recent years and the fiscal repercussions of the

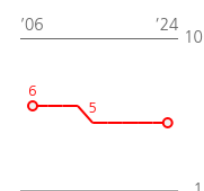
### Anti-corruption policy

4



### Consensus on goals

5





COVID-19 pandemic, the kingdom has expedited its efforts for economic diversification and has gradually made progress in terms of liberalizing the economy. Nonetheless, this progress is anticipated to be limited to specific sectors, primarily tourism and real estate, as the economic instability in recent years has further accentuated the prevalence of rent-seeking.

The regime's hard-liners used their advantageous position within the ruling class until 2020 to substantially revoke the achievements of the liberalization and reconciliation process introduced in 2002. However, the death of their figurehead, former Prime Minister Khalifa bin Salman bin Khalifa, in 2020 is considered a significant setback for the so-called Khawalids. Khalifa's replacement by the crown prince, the regime's leading reformist figure, appears to have translated into an increasing political influence of the reformers and a less confrontational approach by the authorities toward protests and the Shi'a opposition. However, the reformers are unlikely to once again turn toward any significant political liberalization anytime soon. Authorities continue to restrict freedom of assembly and association and maintain an overall authoritarian policy. The Khawalids still hold substantial political power, especially within the security apparatus, after the arrest and investigation powers of the National Security Agency were restored in 2017 and military courts were granted jurisdiction over civilians.

Due to the U.S.- and UK-backed post-colonial order that maintains Sunni minority rule to the detriment of the Shi'a majority, Bahrain's leadership is generally unable to effectively mediate in the kingdom's cleavage-based conflicts. Although Bahrain's sociopolitical polarization is widely portrayed as a sectarian and religious tug-of-war between privileged Sunni strata of society and marginalized Shi'a, the conflict runs deeper and is shaped by politically motivated discrimination of Shi'ites by the Al Khalifa monarchy. The royal family's policy to preserve its power features controversial practices such as citizenship revocations of Shi'ites and the naturalization of Sunni immigrants – practices that further widen rifts in society and fuel cleavage-based conflicts. However, the regime's reformist wing pursues a less confrontational approach to maintaining the current political order and has partially succeeded in de-escalating tensions within society on the surface in recent years, particularly after the Khawalids have lost ground within the ruling elite. Yet, substantial political liberalization remains unlikely to materialize any time soon.

The democratic transformation is nevertheless stagnating, although the advantageous position of the regime's reformers since the Khawalids' loss of executive power had allowed the king and the crown prince to implement some de-escalating policies regarding the authorities' handling of the opposition and popular unrest. While the regime's crackdown against the outlawed Shi'a opposition has continued to a lesser extent than before, protests had not been violently dispersed during the review period.

Anti-democratic actors

3

'06 '24 10



Cleavage / conflict management

2

'06 '24 10



Prior to 2011, state officials regularly held informal meetings with opposition figures to maintain a minimum of dialogue with the political societies (de facto parties) of the kingdom. After the 2011 revolt, King Hamad initiated the “National Dialogue,” an informal and temporary exchange platform involving opposition parties, NGOs, and journalists. The objective was to address popular discontent, but significant opposition forces were excluded from the process. At present, there are no established mechanisms to include civil society in political decision-making, policy formulation, or performance monitoring. However, Bahrain’s elected house of parliament serves as a venue for discussing political matters, although it lacks inclusivity due to the absence of major opposition parties and the close ties most members of parliament have with the ruling elite. While there is limited dialogue and exchange taking place with the country’s trade union federations.

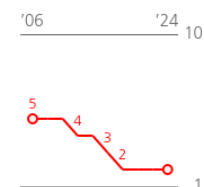
Although the death of former Prime Minister Khalifa bin Salman in 2020 allowed the reformers within the elite to increasingly pursue de-escalating policies, a comprehensive reconciliation with outlawed opposition forces remains stalled. In the review period, authorities refrained from cracking down on protests and expanded the open prison program and the use of the alternative penalty law. This program converts prison sentences into non-custodial sentences, such as house arrest or mandatory participation in rehabilitation programs, to be served in governmental services. According to the government, 3,680 prisoners had benefited from the law as of 2021. Additionally, the king pardoned 105 prisoners in 2021 and 362 in 2022. However, the impact of the Bahrain Independent Commission of Inquiry (BICI), set up after the 2011 revolt, proved to be only transitory, as the regime gradually revoked all significant reforms implemented after the uprising. Authorities do not investigate or prosecute misconduct, arbitrary actions, and systematic abuses by security officers, such as torture and ill-treatment of civilians.

While the crackdown on opposition forces and restrictions on fundamental rights, such as freedom of assembly and freedom of speech, continued to a lesser extent compared to previous years, authorities increasingly targeted major opposition groups and dissidents abroad. In the review period, Manama repeatedly called on Lebanese authorities to prohibit events held by al-Wefaq in Beirut and expel its members. In 2022, Serbia extradited dissident Ahmed Jafaar to Bahrain, despite a European Court of Human Rights ruling that explicitly prohibited this. Human Rights Watch and other human rights groups deemed Jafaar’s deportation as unlawful, as he had been tortured when detained in Bahrain before leaving the country in 2013. There were concerns that he would be ill-treated again after being returned to the kingdom.

Similarly, two resolutions of the European Parliament in 2021 and 2022, regarding human rights in Bahrain, demanded the immediate release of Danish-Bahraini human rights defender Abdulhadi al-Khawaja. Al-Khawaja has been incarcerated since 2011 in Bahrain, following a politically motivated trial. The resolutions also called for the

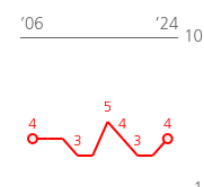
## Public consultation

2



## Reconciliation

4



repeal of the Political Isolation Law and the adoption of an EU-wide ban on exports of security equipment to the kingdom. However, these resolutions have not resulted in any tangible change in the behavior of Bahrain's authorities.

Furthermore, Bahrain's government rejected calls from human rights groups, the EU Parliament, the U.N. Human Rights Council, and the Pope to abolish the death penalty. Between 2017 and 2019, six people were executed in Bahrain after authorities revoked a moratorium on the death penalty. As of 2022, according to Human Rights Watch, at least 26 people are on death row.

## 17 | International Cooperation

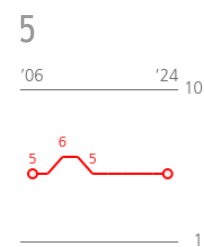
Bahrain's leadership strongly relies on external support, particularly from its GCC allies and Western partners, who continue to provide financial and fiscal aid to the regime. They also offer security assistance in the form of arms and equipment deliveries or capacity-building. During the review period, Bahraini security officers received training from U.S. authorities, while Bahraini officials attended training courses on alternative penalty schemes organized by the UK government and a British university in 2022.

However, the rentier-state model of Bahrain, characterized by rent-seeking behavior from the ruling elite, remains a significant obstacle to the implementation of development schemes like the Economic Vision 2030, which aims to diversify the economy. Consequently, Bahrain's rentier-state model structurally hampers support for expanding non-oil revenues and liberalizing the economy. The regime's long-term development goals are primarily rhetorical, as preserving political power remains their central objective.

Nevertheless, Bahraini authorities do coordinate and exchange on economic, fiscal and monetary policies with international partners such as the World Bank and the IMF. They have received consultancy assistance in these areas. In 2021 and 2022, Bahrain's policy responses to the COVID-19 pandemic and ongoing macroeconomic instability were closely aligned with the IMF's recommendations. These responses included budget cuts, a prompt pandemic response, and domestic revenue generation through a VAT tax increase.

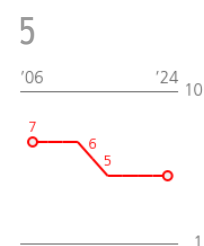
Bahrain is considered a credible partner for economic cooperation and regional alliances, particularly for its GCC allies, the United States and the UK. In light of this, both countries continued to approve arms sales to Bahrain during the review period, which included a \$176 million contract for a Multiple Launch Rocket System to be provided by U.S. companies. Additionally, Washington continues to train Bahraini security forces in counter-terrorism tactics and signed a memorandum of understanding with Manama on cybersecurity in 2019. During the review period, Bahrain's security cooperation with Israel saw concrete progress, with the Israeli

Effective use of support



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Credibility



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chief of staff visiting Manama and discussions held regarding arms sales. It was reported that Israel had agreed to sell unmanned aircraft, radars, and anti-drone systems to Bahrain, as well as signed a memorandum of understanding for military cooperation with Manama. Israel also advocates for the establishment of an air defense pact with Bahrain and the UAE to counter Iran.

Meanwhile, Bahrain is committed to trade agreements (e.g., the U.S.-Bahrain Free Trade Agreement) and has been negotiating a free trade agreement with the UK since 2022. The country also portrays itself as a credible stakeholder in international organizations. In 2018, the U.N. General Assembly approved Bahrain's request for a seat in the U.N. Human Rights Council. However, after facing significant opposition from human rights organizations due to Bahrain's disastrous human rights record, Manama announced its intention to run again for the body in 2022 but ultimately withdrew its candidacy. UK-based human rights groups have continued to lobby against Britain's police cooperation with Bahrain, accusing the government in London of being complicit in human rights violations. As Bahrain still rejects abiding by international human rights law, it cannot be considered a credible partner regarding human rights. Bahrain's engagement in the U.N. Human Rights Council can be seen as an attempt to whitewash its own human rights abuses.

Additionally, Bahrain's funding for international sports events and investments in European sports clubs continued unabated during the review period, despite earlier public outrage about such "sports-washing" policies. Human rights organizations have criticized Formula One for overlooking human rights abuses in Bahrain for years and called for the organizing body of Bahrain's annual F1 race to adopt a human rights policy, though to no avail. In contrast, F1 announced that the Bahrain race will remain on the calendar until 2036, in what is believed to be the longest race contract deal ever signed. Meanwhile, two Bahraini women filed legal action against F1 in the UK, a move linked to their three-year imprisonment, during which they were tortured after criticizing F1 on social media for running events in the kingdom. Bahraini officials and businessmen also continued to invest in sports events and clubs and purchased the British team Wigan Athletic in 2022. The Wigan investment also includes a six-year partnership with the Nasser Vocational Training Center in Bahrain. Despite this, Bahraini human rights groups continued to protest the king's attendance at the UK Royal Windsor Horse Show, which adopted a human rights policy in 2021 after being criticized for receiving funding from Bahrain's royal family. Meanwhile, Salman bin Ibrahim Al Khalifa announced his candidacy for a third term as president of the Asian Football Confederation (AFC), a post he has held since 2013. The election will be held in 2023, and it is worth noting that the AFC statutes require its leaders to "promote and protect human rights."

Tensions between Saudi Arabia and Iran continue to affect alliances in the region and remain key for Bahrain's overall cooperation with neighboring states. The easing tensions between the Gulf Cooperation Council (GCC) and Iran's ally Qatar, as well as Bahrain's normalization of relations with Israel, however, paved the way for a significant improvement in regional cooperation on a political level, as well as regarding economic and trade relations.

In 2017, Bahrain and its GCC allies Saudi Arabia, Kuwait and the UAE cut ties with Qatar and imposed a blockade on the island country. After restoring relations and lifting the blockade in 2021, Bahrain and its GCC allies re-opened their airspace for Qatari planes. Bahrain also removed Qatar from the list of states to which travel is prohibited and restored mutual fishing rights with the neighboring country.

In the past decade, Bahrain and Qatar have repeatedly arrested each other's fishermen for fishing in their territorial waters. However, these incidents have largely diminished during the review period. Nevertheless, a general reconciliation with Qatar has yet to materialize and remains closely linked to how Bahrain's and its GCC allies' conflict with Iran will evolve in the near future. However, since 2022, there have been indications that Iran is increasingly open to a partial rapprochement with Manama and its powerful GCC allies.

Meanwhile, the normalization of relations between the UAE and Bahrain and Israel has significantly improved regional cooperation and prospects for further intensifying political and economic ties among the UAE, Bahrain, and Israel. Although the move was also made with the goal of countering Iran's influence in the region, the deal has already substantially boosted political dialogue and economic exchange. It has also facilitated direct flights between Manama and Tel Aviv, which have been operated by Gulf Air since 2021. Diplomatic high-level meetings have taken place in both Bahrain and Israel. The Israeli prime minister and president visited Bahrain in 2022, while a Bahraini delegation including government officials traveled to Israel to boost trade and hold talks about a free trade agreement during the review period. However, bilateral trade between Israel and Bahrain remained low in 2021 and 2022 but is expected to grow substantially in the upcoming years. Additionally, Bahrain, Israel, and the UAE conducted joint maritime military drills under the leadership of the U.S. Central Command, thereby fostering security cooperation and interoperability in the region.

## Regional cooperation

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## Strategic Outlook

Despite the partial easing of Bahrain's crackdown against opposition forces and social unrest, authorities failed to formulate a distinct road map for reconciliation or to revive the semi-democratic order that had successfully liberalized the political sphere prior to the 2011 revolt. To sustainably channel and absorb political opposition and thereby institutionalize an inclusive political system, the regime should capitalize on the reformer's consolidation of power and use this advantageous position to reintroduce real competition for the country's parliamentary elections. The 2022 election for the lower house of parliament had clearly shown once more that excluding opposition forces from running for office undermines the parliament's legitimacy and the legitimacy of the system of government as a whole, which in turn deepens rifts in society, threatens the kingdom's long-term political stability, and paves the way for further unrest in the future.

Meanwhile, the restoration of ties between Bahrain and its GCC allies and Qatar, as well as Bahrain's progressing normalization with Israel, has relaxed regional tensions and facilitated a substantial improvement of political and economic prospects for Manama. However, the struggle for regional hegemony between Saudi Arabia and Iran continues, which predominantly shapes Bahrain's foreign policy on both a regional and international level. Nevertheless, Bahrain should strive for a more nuanced foreign policy regarding Iran, as any further escalation between the Saudi-led bloc and Tehran could have devastating consequences for the kingdom.

Economically, Bahrain was able to mitigate the severe repercussions of the COVID-19 crisis during the review period, but only superficially. Debt levels increased to worrying rates, while dependencies on foreign fiscal and financial aid further escalated. In a typical rentier-state fashion, the authorities once again turned to rent-seeking to address financing gaps. However, such short-term-oriented economic policies structurally hinder sustainable economic diversification and are expected to reinforce Bahrain's rentier-state model.

Simultaneously, the pandemic clearly highlighted the kingdom's vulnerability to external shocks and the need to shift toward the non-oil sector for comprehensive economic diversification. This approach would also boost local demand for labor and enable significant and sustainable socioeconomic improvement for marginalized segments of society. The government continues to promote tourism, banking and real estate as means to revive diversification efforts, but it has thus far been unsuccessful in fully prioritizing investment in these sectors. Therefore, the government should refocus on its Economic Vision 2030, strengthen the country's non-oil industries and gradually reduce its reliance on rent-seeking activities.