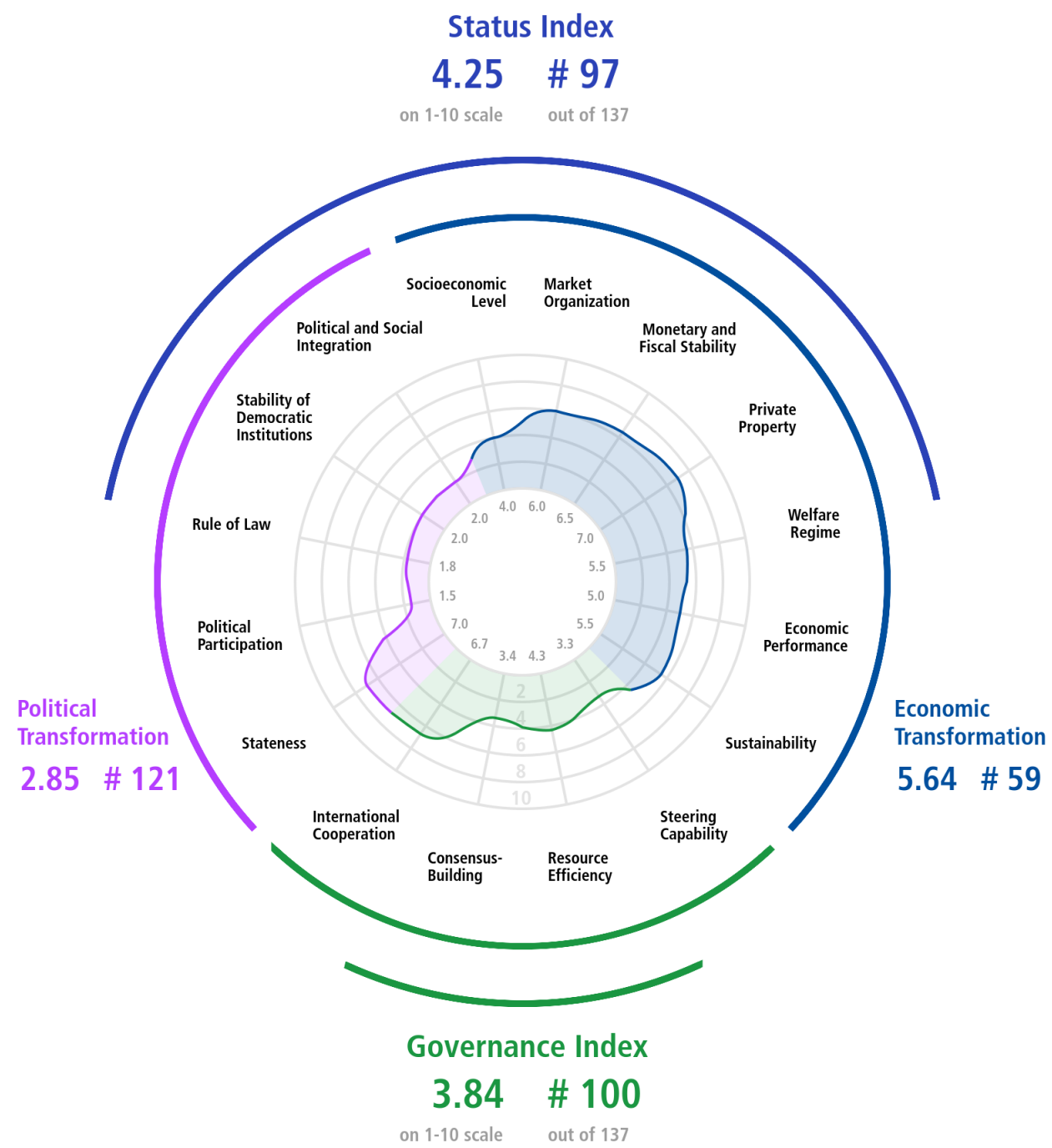


Oman



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>.

Please cite as follows: Bertelsmann Stiftung, BTI 2024 Country Report — Oman. Gütersloh: Bertelsmann Stiftung, 2024.

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Key Indicators

Population	M	4.6	HDI	0.816	GDP p.c., PPP \$	41724
Pop. growth ¹	% p.a.	1.2	HDI rank of 189	54	Gini Index	-
Life expectancy	years	72.5	UN Education Index	0.793	Poverty ³	% -
Urban population	%	87.8	Gender inequality ²	0.300	Aid per capita	\$ -

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

Executive Summary

The review period was marked by the third anniversary on the throne of Sultan Haitham bin Tariq Al Said, who assumed power in January 2020 following the death of his cousin Qaboos, who had ruled Oman since 1970.

Unlike Qaboos, who had retained the roles of prime minister, minister of defense and chief of staff of the armed forces, Haitham has relinquished several ministerial portfolios (foreign affairs and finance) and is no longer head of the country's central bank. However, he has concurrently appointed close relatives to significant positions. His full brother Shihab was named deputy prime minister for defense affairs, while his son Theyazin became minister of culture, sports and youth, and the third most senior member in the administration. On his first anniversary as ruler in January 2021, Sultan Haitham abrogated the existing Basic Law and promulgated a new one, which is substantially similar to the previous version. The new law affirms a paternalistic concept of the state, with the sultan as its guide. The sultan has the authority to promulgate and ratify laws and demand obedience to his orders. The significant addition of the new law pertains to the establishment of the position of crown prince (Article 7) and the institutionalization of male primogeniture, ensuring that Theyazin will succeed his father.

The new Council of Oman Law, promulgated in mid-January 2021, further restricts the already largely consultative role of the bicameral institution composed of an elected lower chamber (Majlis al-Shura) and an upper body that is fully appointed by the sultan (Majlis al-Dawla). In terms of policies concerning internal security and civil liberties, Sultan Haitham has demonstrated strong continuity with his predecessor.

Repression continues to be the regime's favored strategy for suppressing dissent, as evidenced by the arrests that followed the May 2021 popular protests. These protests demanded the transfer of legislative powers to the Majlis al-Shura, as well as the implementation of proactive measures to address issues such as high youth unemployment, escalating prices and economic inequality.

Lower oil prices since mid-2014 and the COVID-19 pandemic have exerted severe pressure on Oman's economy, which is characterized by a persistent unemployment rate of 13% among young nationals (ages 18 to 24) and 26% among young women, according to 2022 figures from the International Labour Organization (ILO). However, the rebound in oil prices since mid-2021 has offered a welcome respite for the country's economy. Although the International Monetary Fund (IMF) expects Oman to post fiscal and external surpluses over the medium term, observers remain cautious. This caution is due to hydrocarbon exports constituting around 40% of Oman's GDP and the risk that Oman record a budget deficit if average oil prices fall below \$80 per barrel.

The year 2021 marked the official launch of Vision 2040, which is intended to serve as "the national reference for economic and social planning for the period from 2021 to 2040" and aims to position Oman among the top 10 countries worldwide by 2040.

In May 2022, four cooperation programs were signed between Oman and Iran. The two countries confirmed their commitment to revive plans for an underwater pipeline to deliver Iranian gas to Oman.

History and Characteristics of Transformation

The story of contemporary Oman officially begins in 1970, when the British forced Sultan Said bin Taimur (r. 1932 – 1970) to abdicate in favor of his son Qaboos. The polity, previously known as Muscat and Oman, became the Sultanate of Oman. Qaboos moved quickly to expand the country's security apparatus by increasing defense expenditures up to 50% of early state budgets. This was primarily in order to end the civil war in the southern province of Dhofar, which had been unfolding since 1962. The fighting was brought to an end in the late 1970s, although sporadic tensions continue to surface in Dhofar to the present day.

The sultan invested a portion of the country's oil income (exploited on a commercial scale since 1967) into development programs in education, health care and agriculture. This helped Qaboos integrate pre-existing social networks – tribal, regional, ethnic and religious – into the framework of the new nation-state and neutralize any potential threat to his rule. The new regime's domestic legitimacy relied on a policy of nation-building and the assimilation of the whole of Oman into the oil rentier state framework. The concept of renaissance (Nahda) was especially significant in this process as it allowed the sultan to portray himself as the embodiment of post-1970 modern Oman.

Oman had very few formal institutions of government until 1996, when Qaboos promulgated the country's first Basic Law. The law established a bicameral body, the Council of Oman, consisting of an appointed upper chamber, the State Council (Majlis al-Dawla), with 85 members and a lower chamber, the Consultative Council (Majlis al-Shura), the 85 members (later increased to 86) of which have been elected for four-year terms via universal suffrage since 2003. The law also ratified a paternalistic conception of a state, which is guided by the sultan, defined as "the symbol of national unity."

After the Arab uprisings of 2011 manifested themselves in Oman with greater calls for democratization and social justice, the sultan removed long-serving ministers perceived as corrupt and marginally increased the prerogatives of the elected Majlis al-Shura. However, this fell far short of expectations that the chamber – which can question ministers but remains largely consultative – would be transformed into a legislative body. By retaining the prerogative of appointing the Majlis al-Dawla and dissolving the Majlis al-Shura, the sultan, as the head of the executive, has strong influence over the legislature as well.

On January 11, 2020, the Oman News Agency announced that Qaboos had died the previous day. A few hours later, in a heavily choreographed ceremony, the Royal Family Council met and opened the sealed envelope in which Qaboos was supposed to have named his cousin, Haitham bin Tariq Al Said, as his successor. This was critical to ensure that the new leader – who enjoyed limited legitimacy among the broader population – benefited from the authority bestowed upon him by Qaboos. Haitham had served as secretary-general in the Ministry of Foreign Affairs before becoming Minister of National Heritage and Culture in 2002. He had also been the head of the committee responsible for developing the long-term national strategy, Oman Vision 2040.

Oman has been, and remains, an absolute monarchy headed by the sultan, who rules and reigns by royal decrees. Although the Council of Ministers, entirely appointed by the monarch, operates as a cabinet and can issue ministerial decrees, the lead on policy comes from the sultan.

The uprisings, which have continued sporadically since 2020 in the face of worsening socioeconomic conditions, underscore the importance of making further changes. In particular, poorer societal segments and unemployed young people suffer from structural weaknesses that have developed as a result of hyper-centralized political decision-making, excessive dependence on migrant labor and the country's reliance on a rentier economy, which is primarily centered on oil and gas.

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

Transformation Status

I. Political Transformation

1 | Stateness

The Omani state possesses a total monopoly on the use of force. The security forces have complete control over the state's entire territory. There are no areas in which any opposition groups infringe on that control.

The sultanate has been fearful of Yemen's ongoing war spilling over into Oman's Dhofar governorate, including weapons smuggling toward the Houthis and infiltration by jihadists affiliated with al-Qaeda in the Arabian Peninsula (AQAP). The governorate of al-Mahra, which borders Dhofar, has been a site of strategic competition between Oman, the UAE and Saudi Arabia for a decade. However, Saudi Arabia's decision to withdraw forces from al-Mahra in November 2021 confirms warming relations between Riyadh and Muscat since 2020.

Oman's control of the Musandam mountainous exclave, bordering the Strait of Hormuz, through which a fifth of the world's oil supplies pass, remains solid and unwavering.

While official historiography under Sultan Qaboos identified the Omani nation-state with the figure of the ruler, represented as the embodiment of Oman ("nahda" = renaissance ideology), this has been adapted during the reign of Haitham bin Tariq ("nahda mutajaddida" = renewed renaissance). Ibadism, which holds a special position of prominence in Oman, has been more intimately associated with national identity in official historiography since the 2010s.

The state is considered legitimate by the majority of Omanis. However, the official narrative is increasingly challenged by Omani activists and bloggers who differentiate between the current regime and the Omani nation. They question the ruler's decisions and exercise of power under the banner of Oman, expressing concerns regarding the future of the country.

Question Score

Monopoly on the
use of force

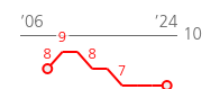
10



1

State identity

7



1

The 2014 Nationality Law grants (articles 7 and 8) the sultan the power to confer and rescind citizenship by royal decree. For instance, Article 20 stipulates that if a citizen works “for a foreign country at any capacity whatsoever, whether inside or outside Oman,” without having acquired clearance from the government, their citizenship can be rescinded. Article 21 goes a step further, stating that if an Omani is convicted of “any crime against the security of the country,” their citizenship can be withdrawn. What constitutes a crime against the security of the country remains subject to broad interpretation, which offers security agencies considerable latitude to use the threat of revoking one’s citizenship as a tool of policing.

The strong economic influence of the UAE in northern Oman (North Batinah, Buraimi, Musandam) – with many residents of northern Oman working in Abu Dhabi, al-Ayn and Dubai – has raised concerns in Muscat about the allegiance of these regions over the long term. In the Dhofar governorate, recent history suggests that most forms of resistance to the state stem more from a desire to see policy change than from separatist ambitions.

The Omani legal order and political architecture cannot be separated from religion. Islam is the state religion, and Shariah is the basis of the legal code.

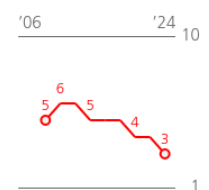
Public policy is influenced by religious ideas on several levels. The Oman Vision 2040 states the objective of “an effective national system that nurtures scientific research, innovation, and creativity to build a knowledge-based economy and society.” However, at the same time, the vision reasserts the centrality of “value-enforcing curricula that incorporate Islamic principles and Omani identity.” This calls into question the seriousness with which Omani decision-makers claim to be pursuing development in line with the vision. Moreover, teaching evolution in schools and publishing material in support of it are currently banned in Oman due to religious opposition.

Religious dogmas also strongly influence the 2018 Penal Code, in which blasphemy, apostasy and acts deemed to have insulted Islam are punishable by prison sentences of between three and 10 years. Similarly, anyone found to have established or organized an association that challenges Islam or is interpreted as “harming the foundations on which the Islamic religion is based or promoting or making propaganda for another religion” will face a prison sentence of between three and seven years. In June 2022, two social media activists, who had been arrested following online discussions about the right to hold atheistic views and to criticize Oman’s Islamic heritage, were sentenced to jail terms (of three and five years, respectively) on charges of blasphemy and misuse of information technology.

The visibility of religious authorities, in particular the Ibadi Mufti of Oman, in the public space (e.g., on social media and intervening in internal and foreign matters) is increasing.

No interference of religious dogmas

3



Oman has developed a state administration with broad coverage throughout the country. 100% of Omanis have access to electricity, 99% to at least basic sanitation, 92.2% to a basic water source and 90.6% to an improved water source. Internet penetration stood at 95% in 2021. Between 1970 and 2022, the number of public schools increased from three to 1,203, while private education has similarly expanded to encompass more than 880 schools.

However, these figures cannot obscure the difficulty the central state faces in delivering on its promises and the uneven development of the territory. While still providing a basic level of universal care, the health care system is under strain due to major geographical disparities (most advanced health care institutions are concentrated in Muscat) and a structural lack of public investment (especially in R&D) to meet the growing population. Consequently, many middle-class Omanis prefer to travel to Thailand or India for health care, whereas wealthy Omanis go to Europe to access health care services.

These deficiencies were exposed during the COVID-19 pandemic. By January 2023, Oman had recorded 4,628 deaths related to COVID-19 – the highest death rate per million among the Gulf monarchies. Only 60% of adult Omanis are fully vaccinated, compared to 70% in Iran, 73% in Saudi Arabia and 99% in the UAE.

Basic
administration

8



10

1

2 | Political Participation

Oman remains an absolute monarchy in which the sultan reigns and rules. The extent to which political representatives are selected via elections is minimal.

The 86 members of Oman's Consultative Council (the Majlis al-Shura), the lower house, are elected every four years by Omanis (women and men) over the age of 21. Each of the country's wilayats has at least one representative seat allocated to them. Wilayats with a population of 30,000 or more are assigned two seats.

The most recent Majlis al-Shura elections took place in October 2019, with a 49% turnout, down from 57% in 2015 and 76% in 2011. Parties are prohibited, and independent candidates require prior approval by an election committee to run. Out of 637 candidates, 40 were women, of whom two won a seat. The 2019 election campaign was marked by the excitement created by Basma Mubarak, a lawyer who was a candidate in Bawshar (Muscat governorate) and who had been sentenced to six months in prison in August 2012. A few days before the elections, she was charged by the public prosecutor with "disrupting public order." The next general elections are scheduled for October 2023.

The 85 members of the State Council (the Majlis al-Dawla) act as an upper chamber and are all appointed by the sultan a few days after the Majlis al-Shura elections.

Free and fair
elections

2



10

1

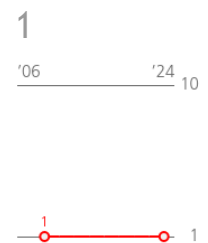
Municipal elections were first introduced by royal decree in 2011 across all governorates. Municipal councils are composed of members elected by universal suffrage who represent provinces (wilayas), in addition to ex officio members representing ministries. The elections scheduled for 2020 were postponed due to the COVID-19 pandemic and finally took place in December 2022. Even though all the votes were cast via the Intakheb mobile phone app – in a trial run for the Majlis al-Shura elections scheduled for 2023 – the turnout remained low (39.5%). As with previous Majlis al-Shura and municipal elections, because of the absence of political societies, key determinants of voter choices in 2022 included clientelism, tribal and ethnic affiliations, and money offered by candidates.

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

Although eligible voters within wilayats are able to elect members to their municipal councils, the councils themselves include centrally appointed members and are chaired by the head of the governorate, who is appointed by the sultan. Thus, central authority is present even at the municipal level, and decisions over budgets and priority areas of expenditure are not unilaterally determined at the local level.

All members of the Council of Ministers are appointed by the sultan, who is also the prime minister. In contrast to his predecessor's practice, the first full cabinet formed by Sultan Haitham in 2020 involved the conspicuous appointment of close relatives to senior positions. In addition to Deputy Prime Minister Fahd bin Mahmoud Al Said, who had held the same position under Qaboos, Haitham's full-brother Shihab bin Tariq Al Said was appointed deputy prime minister for defense affairs. Meanwhile, Haitham's son Theyazin bin Haitham was appointed culture, sports and youth minister and made the third-most senior member of the cabinet. The new Basic Law promulgated in 2021 formalized the principle of male primogeniture as the rule of succession to the throne (Article 7), making Theyazin de facto the crown prince.

Effective power to govern



Oman's Basic Law guarantees the right to assemble "in the manner prescribed by the Law" (Article 39) and to establish associations "on national foundations [...] in accordance with the conditions and circumstances prescribed by the law," as long as their activities are not "hostile to social order" (Article 40). In practice, though, associations' scope for activity remains severely restricted and individuals exercising basic rights to assembly continue to face suppression. All proposed organizations and their by-laws must obtain approval from the Ministry of Social Development. Political associations are banned, and independent civil society associations, including independent workers' unions and human rights organizations, are not allowed to operate.

The 2018 Penal Code formalized severe restrictions on freedom of association and assembly. Article 116 states that anyone who "establishes, organizes, administers or finances an association, party, body, organization, [or] center," which is "aimed at combating the political, economic, social or security principles of the state," can be sentenced to prison for three to 10 years. Similarly, anyone calling for or participating in a gathering of 10 or more persons, which is seen to breach security or public order, can be sentenced to prison for up to one year (Article 121).

In scenes reminiscent of the protests of 2011/12, Omanis across the whole country, including the normally peaceable interior, took to the streets in May 2021. The protesters' demands revolved around proactive measures to curb high youth unemployment, rising prices and economic inequality while granting legislative powers to the elected Majlis al-Shura. Several dozen protesters and online activists were arrested before being released within the week. In early June, security forces barricaded a number of royal palaces, major roads and the central districts of several towns to prevent protesters from gathering again.

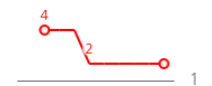
COVID-19 restrictions had a profound effect on the ability of Omanis to assemble in public. Drones were deployed along with police and military personnel to monitor compliance, and citizens were arrested in summer 2020 for breaking COVID-19 protocols. In May 2022, all remaining measures were lifted, including the requirement to wear face masks in public.

Freedom of opinion and the press is guaranteed by the Basic Law, provided that it does not "lead to discord or harm the security of the state" (articles 35 and 37). Eight daily newspapers, four in Arabic and four in English, are currently published. The Ministry of Information censors all domestic and imported publications and can take legal action against any material it regards as politically, culturally or sexually offensive. The government influences the privately owned press through subsidies. In practice, these restrictions promote self-censorship. Since the forced closure of al-Zaman and al-Balad newspapers in 2015 and 2016, there is currently no independent media in Oman. The Press and Publications Law explicitly forbids any publications that offend the state, the sultan, religion (particularly Islam), or harm public order and/or morals.

Association / assembly rights

2

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Freedom of expression

1

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As a result of the surge in the number of citizens arrested for criticizing the lifestyle of the sultan's family and the use of public funds for private advantage on social media, Sultan Haitham amended Article 97 of the Penal Code by royal decree in October 2022. Anyone who “commits, publicly or through publication, a challenge to the rights of the Sultan, His prerogatives, or disgraces His person” or publishes similar content about “the wife of the Sultan, His crown prince, and His children” faces imprisonment for a period of three to seven years.

Similar to assembly rights, the COVID-19 pandemic was used to enact new laws related to the expression of opinion that remain enforceable, despite the severity of the COVID-19 pandemic receding. In June 2020, Sultan Haitham established the Cyber Defence Centre (CDC) by royal decree. Affiliated with the Internal Security Service, the CDC has complete control over information systems and communication networks in Oman. It has the power not only to monitor networks but also to isolate them and shut them down – in effect leading to the suppression of dissenting opinions.

3 | Rule of Law

Owing to the highly centralized exercise of political authority in the sultanate, there is no real separation of powers in Oman. Although the bicameral Council of Oman does have limited de jure legislative powers, Oman has no system of checks and balances, meaning that the sultan dominates the executive and the legislative branches of government. Both chambers, including the elected Majlis al-Shura, have rather consultative and approving functions. The chairman of Majlis al-Shura, formerly a royal appointee, has been elected by the members of the council since 2011.

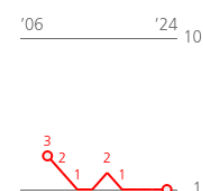
The sultan is also the prime minister, minister of defense and chief of staff of the armed forces. Since 1970, all legislation has been promulgated through the sultan's decrees, including the 2021 Basic Law. The sultan appoints judges and has the right to grant pardons or commute sentences. The person of the sultan is inviolable, and the sultan expects total subordination to his will. The Majlis al-Shura cannot question the heads of sovereign ministries, and the opinion of the two chambers is not binding on the sultan, who can dissolve both chambers.

Similarly, municipal politics is at the very least observed by centrally appointed members within the municipal councils.

Though the Basic Law stipulates judicial independence, the sultan's authority extends to the judiciary. The sultan not only chairs the Supreme Judicial Council, Oman's highest judicial body, but also makes all judicial appointments to Oman's courts. The Supreme Court of Oman presides above the courts of first instance and accompanying courts of appeal. The Judicial Authority Law defines the conditions required to be judge. These conditions include being a Muslim Omani national, holding a degree in law or Shariah law from a recognized university or institution, having no prior criminal or disciplinary convictions related to trust or honor, and having passed the required interviews and examinations.

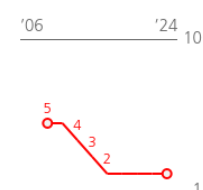
Separation of powers

1



Independent judiciary

2



Court proceedings are not always easily accessible. In particular, Article 249 of the Omani Penal Code criminalizes disclosing information about cases the court has prohibited from publication. On this basis, in March 2022, criminal charges were filed against journalist Mukhtar al-Hinai for disclosing information about a corruption case involving officials found guilty of embezzlement and falsifying documents.

In June 2022, a sultan's decree amending the general structure of the judiciary confirmed the ruler's primacy and control over all competent authorities. It placed the Administrative Court, which handles all complaints regarding decisions and actions undertaken by the state's administrative apparatus, the Administrative Affairs Council for the Judiciary and the Public Prosecution Department under the Supreme Judicial Council.

During the 2011/12 protests, activists called for the establishment of a constitutional court. These calls were ignored by the late Qaboos, and his successor has shown no interest in reopening the issue to date.

The regime has attempted to demonstrate a willingness to fight endemic corruption within the state apparatus. In 2014, Oman signed the United Nations Convention Against Corruption (UNCAC), which imposes obligations on ratifying members to adopt policies and procedures to prevent corrupt practices. The State Financial and Administrative Audit Institution (SAI) is tasked with detecting financial and administrative irregularities, ensuring transparency in financial and administrative transactions, and providing recommendations to ensure the avoidance of conflict of interests.

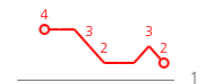
While several government officials and businessmen were convicted of office abuse, money laundering and corruption in the mid-2010s, such convictions have become less common. However, this is not because corruption has drastically decreased. The majority of cabinet members, senior officeholders and some prominent members of the ruling family are still directly involved in businesses that benefit from public contracts. As of January 2023, two of Oman's largest business groups (SABCO and Al Yousef Group) were controlled by the minister of foreign affairs and the minister of commerce, either personally or through their close relatives (brothers and children). Royal family members, including Sultan Haitham and his brothers, have also developed and consolidated business positions. Shihab bin Tariq owns and chairs the Seven Seas group of companies, which has invested worldwide in petroleum, mutual funds, properties and medical supplies. Meanwhile, his brother Asad runs several companies, including Asad Investment Company, which operates as his personal investment vehicle.

At the same time, newspapers and activists publishing informed articles on corruption have suffered harsh repression and criminal sentences. For example, the independent al-Zaman newspaper and Muwatin magazine were forced to close in 2016, while criminal charges were filed against journalist Mukhtar al-Hinai in March 2022 in

Prosecution of
office abuse

2

'06 '24 10



reprisal for disclosing information about a case involving officials convicted of embezzlement. After international organizations referred the case to the U.N. Special Rapporteur for Freedom of Opinion and Expression, al-Hinai was acquitted in July 2022.

Although Article 21 of the Basic Law prohibits discrimination on the basis of “sex, origin, color, language, religion, sect, domicile, or social status,” the authority to enact and enforce protection lies within the legislative process and laws. The Nationality Law openly discriminates against women by not allowing them to transfer their citizenship to their children automatically, as is the case for their male counterparts regardless of marital status. Women are able to pass their citizenship to their children with a foreign national only after divorce, becoming a widow, or if the father/husband abandons the family for a period of at least 10 consecutive years.

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

The sultanate is yet to put forth legislation to combat domestic violence. Although Article 37 of the Personal Status Law offers some legal protection to women, Article 44 of the Omani Penal Code allows parents to use physical punishment on children for disciplinary purposes. Women who report being raped outside of marriage may find themselves prosecuted if authorities do not believe the woman’s testimony.

Female genital mutilation is another area where redress is difficult to achieve. In a 2014 study by Habiba al-Hinai, 78% of women reported having had the procedure. In 2013, the current Grand Mufti of Oman justified the practice, explaining that “it does not violate women’s bodily integrity but rather preserves good relations between them and their husbands.”

The 2018 Penal Code punishes consensual sexual intercourse between men with a jail term of between six months and three years and even criminalizes non-normative gender expressions.

Article 23 of the Basic Law states that “personal freedom shall be guaranteed in accordance with the law. It is not permitted to arrest, search, detain, or imprison a human, determine his residence, or limit his freedom of residence and movement except in accordance with the provisions of the law.” Hence, as long as a relevant law allows the above actions to be undertaken, there is little recourse for citizens to appeal.

Civil rights

2

'06 '24 10



In June 2020, Oman signed the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, and the International Convention for the Protection of All Persons from Enforced Disappearance (with reservations, including regarding the resolution of disputes concerning the convention's application). However, prisons in the sultanate are inaccessible to local and international independent monitors. Public prosecutors can arrest individuals without an arrest warrant and hold them for up to 30 days "for crimes related to national security or mentioned in the antiterrorism law." Since 2020, there have been numerous testimonies of torture and other inhumane treatments or punishments of detainees (e.g., police beatings, forced confessions, incommunicado detention, sleep deprivation and virginity tests for female detainees).

Members of the National Human Rights Commission, created in 2008, are appointed by royal decree, which means that the commission's agenda is not truly independent of the regime.

4 | Stability of Democratic Institutions

Oman is a highly centralized sultanate. There are no inherently democratic institutions in the country. Those that do exist, such as municipal councils and the Majlis al-Shura, do not possess the independence to unilaterally put the interests of the constituents they represent into legislation, regulation or policy without interference from the central regime.

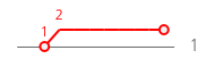
The new Council of Oman Law, which was promulgated in January 2021, further restricts the already largely consultative role of the bicameral institution. The Council of Oman can propose laws, which must be referred to the Council of Ministers, but the latter has the right to reject them. Draft legislation prepared by the Council of Ministers should be referred to the Council of Oman (for approval or amendment only) before being submitted to the ruler for promulgation. Laws "which the public interest requires" must be submitted directly to the sultan by the Council of Ministers, and the Majlis al-Shura is permitted only to provide recommendations (which the Council of Ministers is free to ignore) concerning development projects and the annual state budget.

Likewise, the new Municipal Councils Law, issued by sultan's decree in November 2020, confirms that municipal councils primarily serve as a means to gather opinions and only possess advisory powers. They can provide suggestions and recommendations on the development of systems and municipal services in the governorate (e.g., infrastructure, health care, environment and local taxes), but they do not have the authority to make a final decision on these matters.

Performance of
democratic
institutions

2

'06 '24 10



There is widespread popular support within Oman for an empowered Majlis al-Shura. This support was evident in May 2021 when Omanis took to the streets calling, among other demands, for the granting of legislative powers to the elected Council of Oman's lower chamber. However, since ascending to the throne in 2020, Sultan Haitham bin Tariq appears to be as unwilling as his predecessor, Qaboos, to empower the sultanate's partially democratic institutions.

Sultan Haitham has relinquished a number of ministerial portfolios (foreign affairs and finance) and the position of head of the country's central bank. However, unlike Qaboos, who had largely excluded his family from office, Haitham has appointed close relatives to key positions. In January 2021, Haitham promulgated the new Basic Law by sultan's decree. The major contribution of the new text, which is substantially similar to the 1996 Basic Law, relates to the creation of the position of crown prince (Article 7) and the succession process. The principle of male primogeniture has been codified into law, ensuring Haitham's elder son will succeed him. Coupled with the appointment of Al Said members in key positions, this marks the further concentration of power in Haitham's close family circle.

Commitment to democratic institutions

2

'06 '24 10



5 | Political and Social Integration

Political parties and associated organizations are prohibited in Oman. Therefore, societal interests and expectations are channeled through familial, tribal and professional frameworks, while lobby groups (e.g., for education, engineering and health care) try to make themselves heard in the Majlis al-Shura and municipal councils.

However, the politically motivated ban on candidates, including incumbent council members, from participating in the 2015 and 2019 Majlis al-Shura elections and the charge of "disrupting public order" filed by the public prosecutor against a leading human rights activist and candidate in the 2019 elections are strong signals that the regime remains unwilling to allow alternative voices any space in state institutions. This was confirmed in December 2021, when the All Questions talk show on private radio station Hala FM was suspended after Majlis al-Shura member Muhammad al-Zadjali criticized the council's president on the program. The same month, the Ministry of Information informed media outlets that the hosting of Majlis al-Shura members required prior approval from the authorities.

Party system

1

'06 '24 10



There are a range of civil associations that cover a broad spectrum of interests, including the environment, education, health care and development. These civil associations, which must obtain approval from the Ministry of Social Development, exist alongside more familial, tribal and clan networks. These informal channels are usually perceived as better positioned to mediate between society and the state and to articulate societal interests in the political sphere.

The regime's strategy has been to co-opt the most powerful societal elites (religious leaders, tribal and ethnic figures, and business leaders) into the system of state patronage networks.

Since 2006, Oman has allowed private sector workers to form trade unions, although they are monitored by the state. They have the right to stage peaceful strikes, but the latter are banned at establishments that provide "essential public services," particularly oil processing facilities, and infrastructure sites such as ports and airports.

While the sustained suppression of dissenting voices aims to undermine the development of an independent civil society, a "youthful and agile citizen journalism" (Carnegie Endowment, 2021) has emerged, utilizing online platforms to inform criticism of policies and official narratives and mobilize collective actions. This development has facilitated the accretion of social interests.

No opinion polls in Oman have assessed the popularity of the executive, the sultan or other sensitive elements of the political system. However, the various calls to empower the Majlis al-Shura since 2011 suggest widespread support for strengthening representational institutions in the sultanate. In particular, the crackdown on activists since 2020 and the suppression of popular protests across the country in May 2021, which advocated for legislative powers to be granted to the elected Consultative Council, demonstrate the sensitivity of this issue. The state's use of coercive practices to disincentivize citizens from criticizing the status quo conveys concern regarding the increasing presence of such calls in Oman.

No public opinion surveys assessing solidarity and trust among citizens have been made available. However, the Legatum Prosperity Index – which measures social capital in terms of the "strength of personal and social relationships, institutional trust, social norms, and civic participation in a country" – ranks Oman 88th out of 167 countries (and fifth in the Middle East and North Africa region). Within the index, Oman's ranking regarding social tolerance has dropped massively over the last 10 years, from 110th globally to 141st in 2023.

Most social capital is concentrated within familial and tribal networks. This stems from the authorities' persistent manipulation of local identities and tribal concerns to channel claims and demands, using a divide-and-rule technique, and prevent the emergence of autonomous, nationwide mobilizations. Independent initiatives are disincentivized by the requirement to obtain approval from the Ministry of Social Development, which unfailingly rejects any application deemed too progressive or innovative.

Interest groups

2

'06 '24 10



Approval of democracy

n/a

'06 '24 10



Social capital

3

'06 '24 10



In the face of worsening socioeconomic conditions in the country, the salience of ethnolinguistic, sectarian and regional affiliations is increasing. Employment opportunities are often accessed through family or kinship connections. Class is an increasingly important factor, as individuals who do not belong to prominent families and clans find it difficult to overcome barriers to economic mobility.

II. Economic Transformation

6 | Level of Socioeconomic Development

Structurally induced barriers remain a concern in Oman, particularly in relation to gender, race, citizenship status and region. Women and other groups, such as descendants of tribes considered of inferior origin or of low social status (including former slave groups and descendants brought from Africa), still face significant barriers to participating in formal economic activities. The female labor force accounted for 12.6% of the total labor force in 2021, according to World Bank data, representing one of the lowest rates worldwide. Contributing factors include social norms, particularly men's lack of support for women working outside the home, as well as poor working conditions, such as limited job opportunities outside Muscat, inadequate maternity leave and childcare. In the UNDP Gender Inequality Index, Oman achieved a score of 0.3 in 2021 and was ranked 72nd out of 187 countries, standing ninth in the MENA region.

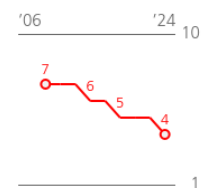
While the sultanate acceded to the International Covenant on Economic, Social, and Cultural Rights (ICESCR) in June 2020, it is yet to become a signatory to the International Covenant on Civil and Political Rights (ICCPR). In November 2010, UNADP stated that Oman had made the fastest progress in the HDI between 1970 and 2010. The state's exploitation of oil rent enabled this economic and social development. However, this golden age has long passed. In 2021, Oman was ranked 54th in the HDI (its worst ranking since 2012), with an HDI score that has been declining since 2015. The three pre-eminent causes of poverty in Oman, namely high unemployment (upward of 40%), employee underpayment and a lack of economic diversification, are linked to the economy's over-reliance on rent income from hydrocarbon resources, which exposes the economy to volatility in global prices.

The government's stated policy is to widen the scope of socioeconomic development, especially in border towns and remote areas, in an attempt to safeguard the allegiance of local populations by awarding them senior public positions and by directing both public and private investments toward them. However, income disparities among regions and social groups were one of the determinants of the popular protests in Sohar and Salalah between 2011 and 2012. Since the mid-2010s, the reduction of

Question
Score

Socioeconomic
barriers

4



state subsidies (for utilities and food) has put many sectors of society under increasing financial pressure and resulted in increased inequalities. In scenes reminiscent of the 2011/2012 protests, Omanis took to the streets again in May 2021, a month after the government had further reduced subsidies on water and electricity and introduced a value-added tax of 5% on most goods and services. Protests quickly spread across the country, including the normally peaceful interior.

Economic indicators		2019	2020	2021	2022
GDP	\$ M	88060.9	75909.4	88192.0	114667.4
GDP growth	%	-1.1	-3.4	3.1	4.3
Inflation (CPI)	%	0.1	-0.9	1.5	2.8
Unemployment	%	1.9	2.9	2.5	2.3
Foreign direct investment	% of GDP	4.8	3.8	4.6	3.2
Export growth	%	1.9	-14.6	14.2	-
Import growth	%	-3.4	-8.9	2.7	-
Current account balance	\$ M	-4020.3	-12306.6	-4288.2	-
Public debt	% of GDP	52.5	67.9	61.3	40.0
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	23.1	26.1	22.1	-
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	3.8	4.8	-	-
R&D expenditure	% of GDP	0.3	0.3	0.3	-
Military expenditure	% of GDP	7.4	8.0	6.6	5.2

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

The fundamentals of a market-based economy have been present in Oman for several decades. As in neighboring Gulf states, decision-makers in Oman have engaged in a long-term strategy of shifting economic output away from over-reliance on gas and oil commodities. The key sectors associated with this shift are logistics and shipping, tourism, manufacturing, fishing, and mining.

Since 2019, Oman's government has issued laws to encourage and facilitate foreign investment and to offer incentives for both private and foreign investors. These include the Foreign Capital Investment Law (FCIL, Royal Decree 50/2019), the updated Privatization Law (Royal Decree 51/2019), the Public-Private Partnership Law (Royal Decree 52/2019), the Bankruptcy Law and the Commercial Companies Law (Royal Decree 18/2019). The FCIL removed minimum share capital requirements, allowing foreign investors to acquire 100% ownership of companies in various sectors, except in 70 activities in which the Ministry of Commerce and Industry (MOCI) has prohibited foreign investment. In March 2022, the Muscat Stock Exchange eliminated restrictions on foreign ownership of listed companies, meaning they no longer need to be partially owned by Omani entities.

Established in 2011, the Public Authority for Consumer Protection (PACP) is charged with monitoring market prices and censuring unlawful increases by private companies. This means that the state is a key player in setting and controlling prices, as illustrated by administered prices and subsidies on selected fuels, water, electricity, wheat and flour.

Rules regulating the employment of expatriate labor, such as the kafala sponsorship system, and policies aimed at reducing reliance on foreign labor (known as the "Omanization" of the workforce), remain in effect. In an apparent attempt to "improve the business climate," the sultan has ordered a reduction in the fees charged for issuing and renewing non-Omani manpower licenses, starting in July 2022. Additionally, companies that meet the required Omanization percentage will receive an extra 30% discount. This policy contradicts previous announcements made in January 2021, which stated that fees for hiring senior and specialized positions would be increased to discourage the practice. In July, a ban on non-Omanis working in 207 job categories was also implemented. After a significant decrease in the number of foreign workers in 2020, the numbers rebounded in 2021 and 2022, surpassing pre-pandemic levels. In January 2023, there were 1.73 million individuals, compared to 1.44 million in November 2020. This inconsistency highlights the enduring conflict of interest between politics and business in Oman, which concerns many Omanis. Many Omanis perceive politically connected business owners, who control vital sectors of the economy and benefit from affordable yet skilled foreign labor, as a hindrance to genuine Omanization efforts.

Market
organization

6

'06 '24 10



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Oman's first Competition Protection and Monopoly Prevention (CPMP) Law, enacted in 2014, set the maximum market share that an individual or conglomerate can own at 35%. Exceptions to this limit can be granted, allowing for a 50% market share, but only with permission from the Public Authority for Consumer Protection (PACP). In 2021, the minister of commerce, industry and investment promotion issued Ministerial Decision 18/2021, which clarified the terms governing the CPMP law. This regulation excluded state-run public utility entities, as well as public and private research and development entities. In February 2022, the state's investment arm, OIA, issued the Code of Governance of State-Owned Enterprises (SOEs), stating that OIA's stake in new projects is restricted to 40%.

In March 2021, the sultan announced a five-year tax exemption for new businesses that begin operating between January 2021 and December 2022. This exemption applies to businesses involved in six sectors related to economic diversification: industry, tourism, logistics, fisheries, agriculture and mining.

The PACP attempted to combat anti-competitive behaviors and price gouging during the COVID-19 pandemic. However, the enforcement of the Competition Law in relation to anti-competitive practices is restricted. As of early 2023, Oman lacks an active, independent competition commission to oversee the implementation of the applicable legal framework.

One of the most common public grievances expressed since 2011 relates to the intermingling of political and business interests among top political incumbents. Cabinet reshuffles implemented since 2020 have not altered this situation, nor has the involvement of royal family members, including the sultan and his brothers, in business. As of January 2023, three of Oman's largest business groups were controlled by the minister of foreign affairs, the minister of commerce and the chair of the Majlis al-Dawla, either personally or through their close relatives, such as brothers, children and first cousins.

Oman has liberalized and extensively deregulated foreign trade. After joining the World Trade Organization (WTO) in 2000, Oman became a member of the Gulf Cooperation Council (GCC) customs union agreement in 2003, which came into effect in 2015. Currently, the sultanate has 29 bilateral investment treaties (BITs) in force with various countries, including Algeria, Austria, Belarus, Bulgaria, China, Egypt, Finland, France, Germany, Hungary, Iran, Italy, Japan, Jordan, Republic of Korea, Lebanon, Morocco, Netherlands, Pakistan, Singapore, Sudan, Sweden, Switzerland, Tunisia, Türkiye, the United Kingdom, Ukraine, Uzbekistan and Yemen.

Foreign companies interested in importing products into Oman are required to register with the Ministry of Commerce and Industry via the online "Bayan" system. Oman generally has few non-tariff barriers to trade. Sensitive products, including alcohol, firearms, explosives, medicinal narcotics and livestock, require a special

Competition policy

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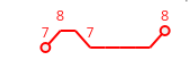


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Liberalization of foreign trade

8

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license. Imported media items must pass through the Ministry of Heritage and Culture in order to censor material that is considered politically or morally sensitive. Licensing can be a prolonged experience, adding significant time to schedules. In order to protect domestic producers, seasonal bans are placed on the import of certain fruits and vegetables that are grown locally.

In 2021, the average most-favored nation applied tariff rate (MFN) was 5.6% overall, increasing to 27.7% on agricultural products and 11.6% on non-agricultural products (WTO). The new Foreign Capital Investment Law, which went into effect in January 2020, removed minimum capital requirements and increased the number of sectors in which 100% foreign ownership is allowed. Privileges that were previously available to U.S. nationals under the U.S.-Oman Free Trade Agreement (FTA) have now been extended to all foreign investors.

Oman's banking system comprises eight local and nine international banks, including both conventional and Islamic banks. Foreign banks face no restrictions on establishing operations as long as they adhere to directives from the Central Bank of Oman (CBO). The CBO oversees the operations of all banks, while the Banking Law and Capital Market Law establish the basis for daily procedures. The Muscat Securities Market, where all listed stocks are traded, is supervised by the Capital Market Authority (CMA). In June 2022, a new Securities Law was implemented, specifically aimed at supporting SMEs in raising funds from the public. According to the new law, any service or product related to securities must be licensed in advance.

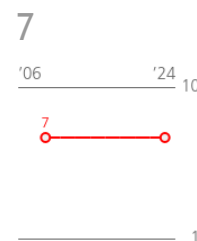
Oman's banks display stable, low levels of non-performing loans (4.3% in September 2022) and bank capital to assets ratio (15% in June 2022), as well as stable funding portfolios.

IMF data shows that Oman's banking system has weathered the COVID-19 shock relatively well. Financial soundness indicators appear healthy, benefiting from prudent oversight of the CBO and strong buffers before entering the crisis. However, private-sector credit growth has remained subdued.

In 2021, the CMA announced that it was developing new regulations aiming to ease the processes of issuing bonds and sukuk as financing instruments, although as of January 2023, they had not yet been issued.

Oman does not comply with Basel III banking standards.

Banking system



8 | Monetary and fiscal stability

The CBO is the pre-eminent monetary authority in Oman. Its seven-member board is appointed by the sultan and currently sits under the chairmanship of Taimur bin Asad, the son of Sultan Haitham's half-brother. The local currency, the Omani Rial (OMR), is freely convertible and currently trades at \$2.60 per OMR 1. It has been pegged to the U.S. dollar since 1986, which means that interest rates generally follow those in the United States. This commitment was reiterated by the Ministry of Finance in December 2020, despite the pressure exerted by low oil prices on state finances during the COVID-19 pandemic.

The Public Authority for Consumer Protection is responsible for monitoring market prices and censuring unlawful increases by private companies, which makes the state a key player in price setting. Despite some subsidy cuts contributing to rising prices and the introduction of VAT in April 2021, inflation (CPI) has remained low at 1.5% in 2021, according to the World Bank. The IMF predicts that global inflationary pressures will not push inflation beyond 2.5% in 2023, citing price caps on selected fuels, wheat and flour, as well as the strength of the U.S. dollar against the currencies of Oman's main import suppliers, particularly the European Union and the United Arab Emirates.

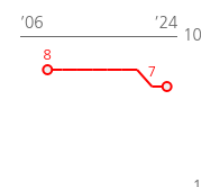
Oman is the largest oil exporter outside of OPEC. Therefore, its fiscal stability remains inextricably tied to the state of global oil and gas markets. In January 2023, oil and gas revenues represented 88% of total public revenues. On top of the fall in oil prices after 2014, the COVID-19 pandemic had a profound negative impact on Oman's macroeconomic situation and fiscal stability. However, the rebound in oil prices in 2021 and their subsequent consolidation enabled Oman to reduce its current account deficit in 2021 to 5% of GDP (compared to 16.6% in 2020) and to run its first budget surplus in 2022 (2.6% of GDP) since 2014.

Part of the 2022 surplus was used to retire some of its outstanding debt early, explaining that the central government debt burden decreased to 62.9% of GDP in 2021 – compared to a historic high of 69.7% in 2020 – and it is expected to decline to 44% of GDP in 2022. Reflecting this cautious optimism, S&P Global very slightly upgraded Oman's long-term sovereign credit rating to BB from BB- in November 2022.

In 2023, Oman intends to run a budget deficit of \$3.4 billion (3% of GDP), even with expenditures 6.4% lower than the 2022 budget, based on an assumed oil price of \$55 per barrel. This conservative basis (considering that oil prices are expected to remain higher in 2023) allows Oman some latitude of action, and the IMF expects Oman to post fiscal and external surpluses over the medium term. However, rating agencies such as Moody's are more cautious and anticipate Oman's budget to slip into a deficit if the average oil price falls below \$80 per barrel.

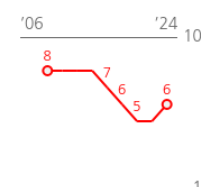
Monetary stability

7



Fiscal stability

6



9 | Private Property

Private property rights are outlined in the 2021 Basic Law, with Article 14 establishing safeguards for private ownership. Private property is protected, inviolable and may not be compromised, as “[n]o one shall be prevented from disposing of property except within the limits of the law, and no one shall have their property expropriated except for the public benefit, in the cases prescribed by the law, and in return for fair compensation.”

Until 2022, non-GCC citizens could only own residential and commercial properties in designated tourism projects. According to a March 2022 decision by the Ministry of Housing and Urban Planning, non-Omanis are allowed to own properties worth over OMR 250,000 (\$650,000). However, this does not apply to the governorates of Dhofar (except Salalah), Musandam, Buraimi, Dhahirah and al-Wusta, nor the provinces of Liwa, Shinas, Masirah, Jebel Akhdar and Jebel Shams. Additionally, this restriction applies to “islands, sites near palaces, security and military installations, as well as archaeological and old heritage sites,” where non-Omanis cannot acquire any property (Royal Decree 29/2018). Moreover, non-nationals who own land cannot use their properties for agricultural purposes anywhere in the country.

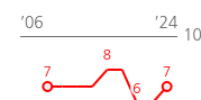
Since the early 2000s, the government has viewed private companies as the primary engines of economic growth. Private enterprise is a key component of the Oman 2040 Vision, which envisions a non-oil share of GDP of more than 90%. The private sector is regarded as “driving a national economy that is competitive and aligned with the global economy.” SMEs are supposed to play an integral part of this strategy, as shown by the creation of the Authority for SME Development (Riyada) in August 2020, responsible for nurturing the SME ecosystem in Oman. In September 2022, it launched a financing program to support SMEs in winning tenders.

Royal Decree 51/2019 established the new Privatization Law, which updated procedures for determining and awarding privatization contracts and outlined the conditions under which the restructuring of government assets can take place. The former Public Authority for Privatization and Partnership, which was responsible for overseeing the application of the law, was abolished in August 2020, and its competencies and obligations were transferred to the Ministry of Finance.

The 2019 Commercial Companies Law removes the minimum share capital requirement of OMR 20,000 (\$52,000) for limited liability companies (LLCs) and allows for the establishment of an LLC with just one shareholder. It also mandates that a holding company must be structured as a joint stock company. Additionally, a company is prohibited from holding more than 51% of the shares of another company and managing it, except when the managed company is structured as a holding company.

Property rights

7



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Private enterprise

7



1

Since 2017, privatization has been a common point of discussion. In June 2020, Royal Decree 61/2020 established the Oman Investment Authority (OIA) as the state's investment arm. Ownership of all government companies and investments, except for Petrol Development Oman, was transferred from the Ministry of Finance and the former State General Reserve Fund to the OIA. In October 2022, the OIA announced plans to privatize more than 30 companies in the energy, manufacturing, education and tourism sectors by 2025. This move aims to raise an estimated \$6.4 billion. However, this announcement has raised concerns among many Omanis regarding the social impact of privatization (particularly in electricity and education), the vital role of energy in the country's economic security and sovereignty, and the timing of these decisions due to the structural deterioration of the international financial markets since 2022. This deterioration is a result of the lack of cash flow caused by high interest rates in the United States and the effects of the war in Ukraine.

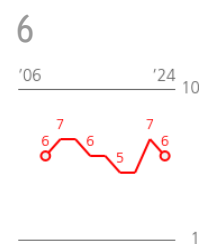
10 | Welfare Regime

The Omani state offers its citizens a variety of social benefits, including pensions and insurance for both private and public sector workers. So far, the funding for the social safety net has relied heavily on oil and gas revenues rather than taxes. However, in 2018, it was announced that all companies in Oman would need to provide health insurance for their employees (through private providers) starting in 2019, thus allowing international health care providers to enter Oman. While citizens of GCC states can utilize the public health care system, foreign workers from other countries must have employer-provided coverage or they will be left without insurance.

Official figures (ILO, 2022) estimated the youth unemployment rate to be 13% in 2021, reaching 26% among young women. In an effort to provide a level of support for unemployed nationals and in response to popular protests over the lack of job opportunities and economic hardship, Sultan Haitham announced in August 2020 the creation of the Employment Security Scheme to be administered by the Public Authority for Social Insurance (PASI). The scheme came into effect in January 2021 and covers all employees across both the government (civil and military) and private sectors. Workers whose contracts are terminated are eligible for a payment of 60% of their average salary (based on the prior 24 months of employment) while they search for a new role. This will be paid for a maximum period of six months, during which the National Employment Centre will support the individual in finding an alternative job.

Nationals employed in the private sector are guaranteed a minimum monthly wage of OMR 325 (approximately \$844), which has not been raised since July 2013. The minimum wage has been de-linked from academic qualifications since September 2020. In March 2023, the Ministry of Labor confirmed that it was considering raising the minimum monthly wage to OMR 360 (\$936). As of January 2023, 47% of nationals employed in the private sector earned a monthly salary of less than OMR 500.

Social safety nets



Foreign workers have no access to the welfare system and are excluded from the guaranteed minimum monthly wage.

According to the Ministry of Social Development, only 72,000 people benefited from social assistance programs in 2021.

Oman's Basic Law prohibits discrimination based on "gender, origin, color, language, religion, sect, domicile or social status." However, legislation is responsible for making these theoretical protections applicable and enforced, which is not always consistently achieved.

For able-bodied Omanis, there are no limitations on primary and secondary education, with access provided to all children. As a percentage, gross enrollment was high in 2022. However, it is concerning to note that it decreases with each progressing level of education, with rates of 104.5% in primary education, 107.1% in secondary education and a significant decline to 45.5% in the tertiary sector. In post-secondary education, girls significantly outnumber boys, as 63% of higher education graduates in 2021 were women. However, this gender disparity does not carry over to the job market, as the female-to-male ratio in the labor force stands at only 12.6% (World Bank, 2021), placing Oman among the poorest global performers.

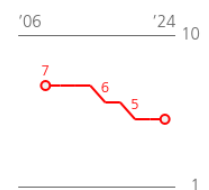
Omanis with disabilities do not have the same ease of access to education or employment. In recent years, Oman has partnered with UNICEF on a project completed in 2019 to enhance the classification system of disabilities in the country and create a nationwide map of existing services for individuals with disabilities.

Managerial opportunities for descendants of tribes considered of inferior origin or of low social status (including former slave groups) in the civil sector are still rare, while the recruitment of individuals on the basis of common tribal or ethnic background is still practiced on a large scale, especially during the current period of high structural unemployment.

Oman is not a signatory to the United Nations' International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families. Migrant workers – the majority of whom come from South and Southeast Asia and East Africa – face structural inequalities that severely impact their quality of life. Omani labor laws offer few, if any, substantial employment protections for migrant workers or their relatives. In particular, they do not require employers to pay migrant employees the minimum wage, and the kafala (sponsorship) system ties domestic workers' visas to their employer. In order to change employers, domestic workers – who are excluded from labor laws – must acquire a "no-objection certificate" from their existing employer.

Equal opportunity

5



11 | Economic Performance

Oman's economic output remains extremely dependent on hydrocarbon price volatility. After the downturn in 2020 (-3.2%), the Omani economy registered 3% growth in 2021 following the rebound in oil prices since mid-2021, and 4.3% growth is projected in 2022. The IMF expects Oman's real GDP growth to continue on this trajectory and reach 4.1% in 2023 and 1.9% in 2024. The oil and natural gas sectors accounted for 82.5% of government revenues in 2022. In 2021, nominal GDP and real GDP per capita amounted to \$85.6 billion and \$37,700, respectively.

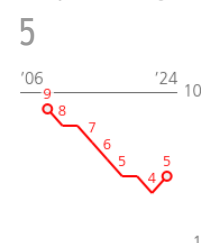
Despite the introduction of a 5% VAT in April 2021, which allowed the state to collect OMR 300 million in 2021, tax revenues only amounted to 3.9% of GDP in 2021 (compared to an average of 3.3% of GDP between 2017 and 2021). This rate is not expected to exceed 3.7% of GDP in 2022 and 2023. Since 2020, Oman has been floating the idea of introducing a personal income tax on high-earners. However, due to the recovery of national accounts, the government confirmed in December 2022 that it has no plans to introduce one in 2023 or raise the VAT rate.

Similarly, consolidated oil prices since mid-2021 have allowed Oman to reduce its current account deficit in 2021 to 5% of GDP, compared to 16.6% in 2020, and to run its first budget surplus in 2022, which amounts to 2.6% of GDP, since 2014. Part of this surplus was used to reduce central government debt, which stood at 62.9% of GDP in 2021 and is expected to decline to 44% of GDP in 2022.

Rebounding economic activity and elevated global inflationary pressures are expected to push up average inflation to 3% in 2022. This conceals higher inflation in food and non-alcoholic beverages, with a rate of 5.1% over the 12 months to February 2023, including 20% for oils and fats and 10% for dairy products. According to World Bank statistics, the foreign direct investment rate was 3.9% of GDP in 2020, down from 5% in 2019 and 6.5% in 2018.

According to the Stockholm International Peace Research Institute (SIPRI), the defense and security sectors accounted for 9.8% of GDP in 2020 and 7.3% in 2021 – the highest rates in the world – and represented 20.6% of total state expenditures in 2020. This has become an increasingly contentious issue in Omani society, as many view it as an unnecessary expense during challenging economic times. According to the International Labour Organization (ILO), based on official figures, the unemployment rate among young people is estimated at 13% in 2021, with young women experiencing a higher rate of 26%. However, these figures fail to recognize the likelihood of significant underemployment, especially in rural areas. In a scene reminiscent of the 2011/12 protests, renewed demonstrations by unemployed Omanis regarding the lack of job opportunities took place in major cities in May 2021.

Output strength



12 | Sustainability

More than 90% of Oman's physical territory is classified as either desert or semi-arid terrain. Irrigation-intensive agriculture in fertile regions, including the Batinah coast, frequently leads to saline intrusion via aquifers. Overgrazing and desertification have been structural problems in the south. Severe pollution caused by industries in Sohar Port has helped trigger popular protests in the Batinah region since 2011.

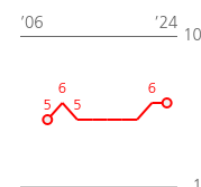
In 2019, Oman became a party to the Paris Climate Agreement. One of the goals of Vision 2040 is for renewable sources to account for 20% of energy consumption by 2030. As part of this effort, a wind farm began operations in Dhofar in 2019, and in 2023, the government unveiled plans for the development of three additional wind-based independent power projects to be completed by 2026. Alongside the two existing solar power projects, Oman has initiated several other projects with the aim of deriving at least 30% of its electricity from renewable sources by 2030. Moreover, Oman has announced plans for large-scale facilities in Duqm and Salalah to produce green hydrogen and ammonia. To guide the country's green hydrogen strategy, a new state-owned company, Hydrom, was launched in 2022. Since May 2021, a feasibility study has been underway to develop one of the world's largest hydrogen projects, powered by wind and solar energy, with full operational capability targeted for 2038. However, the production of blue and green hydrogen requires significant investment in carbon capture and storage, as well as other renewable energy technologies such as solar and wind, which currently remain relatively small in scale.

Moreover, the subsumption of the Ministry of Environment and Climate Affairs into the Environment Authority in August 2020 raises the question of whether Oman's economic priorities will shift away from environmental sustainability and climate action. All climate affairs were transferred to the Civil Aviation Authority, while the Environment Authority oversees environment-related issues. With the Environment Authority lacking representation in the Council of Ministers, environmental concerns may continue to lose out to private interests and the development of tourism, real estate and industrial projects, as has often been the case since 2011.

Education is one of the 13 national priorities outlined in Vision 2040. This entails a significant improvement in the quality of education at all levels, with the aim of having Oman rank among the top 20 countries in UNESCO's Education Development Index by 2030 and among the top 10 countries by 2040. As of 2022, Oman had over 2,100 primary, preparatory and secondary schools, with 56% of schools government-run. Girls comprise 49% of all students enrolled up to the secondary school level. The literacy rate reached 95.7% of the population in 2018. In the U.N. Education Index, Oman achieved a score of 0.793 in 2021.

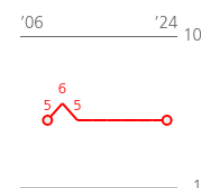
Environmental policy

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Education policy / R&D

5



Although the Omani education system appears healthy from a purely quantitative perspective, there are qualitative structural deficits, and there are important questions to be answered concerning how Vision 2040 will be realized. For example, it is not clear how the desire for “an effective national system that nurtures scientific research, innovation, and creativity” is consistent with a “value-enforcing curricula that incorporate Islamic principles and Omani identity.” Furthermore, as UNESCO commented in 2018, there is no specific data about apprenticeships and other models of technical work-based learning (WBL), making it difficult to see how investment in the sector can improve outcomes. Additionally, there remains high under- and unemployment among young people in the context of the continuous growth in foreign technical labor.

In 2021, Oman invested \$4.9 billion in the education system (22% of total civilian expenditures), which accounted for 5.6% of the country’s GDP. This figure was lower compared to the 6.5% of GDP invested in education in 2019. Despite Vision 2040’s ambition to foster “a diversified and sustainable economy [...] based on technology, knowledge, and innovation,” research and development expenditure only accounted for 0.4% of Oman’s GDP in 2021.

Governance

I. Level of Difficulty

Oman does not have many structural difficulties that constrain the governing capacity of decision-makers. However, those that it does face are significant, including its reliance on international markets to import upwards of 60% of its domestic food consumption needs. The natural environment of the country, with just 0.25% of its land area considered arable, means that self-sufficiency in food production is unlikely. Regionally, Oman navigates treacherous waters, as insecurity from the war in Yemen and attacks against shipping lines in the Straits of Hormuz threaten to disrupt Oman's stability and investment attractiveness should tensions escalate.

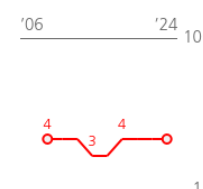
Reliance on oil and gas exports renders the sultanate vulnerable to global commodity markets at a time when, like its neighbors in the Gulf, it is attempting to diversify its economy and revenue streams. The onset of the COVID-19 pandemic has shed more light on this, with supply chains disrupted and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

Oman has a limited civil society tradition and a very limited tradition of civil society engagement in NGOs. The Omani Women's Association, which was established by royal decree in the 1970s, is an outlier in terms of its longevity.

Citizen participation in civil society is heavily monitored, reducing opportunities for independent action and open critique. For the last 50 years, the government has actively worked at erasing the memory of active civil society and political engagement in the 1960s and 1970s (e.g., the Dhofar rebellion). It has also attempted to prevent intergenerational political socialization and the transmission of a culture of political collective action. The government's fear of associations galvanizing public opinion and channeling dissenting voices has prompted it to ban any sort of politically oriented civil society organization or association, only issuing licenses to those deemed apolitical. Despite an increasingly vocal civil society, which has highlighted the economic and political flaws in Oman for years, the government's stance on civil society organizations has continued to tighten since 2011. This is illustrated by the active harassment and repression of peaceful alternative voices and human rights activists, and the massive investment in the security sector. There is

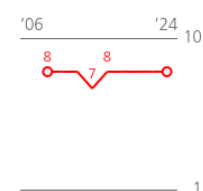
Structural
constraints

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Civil society
traditions

8



significant potential for civil society engagement if the government were to loosen its grip over a society that is eager to express itself autonomously from the state.

Social trust is fairly weak. According to the Legatum Prosperity Index, which measures social capital in terms of the “strength of personal and social relationships, institutional trust, social norms, and civic participation in a country,” Oman’s ranking regarding social tolerance has dropped massively over the last 10 years, from 110th globally to 141st in 2023.

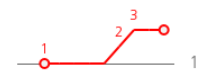
Although Omani society is split along social, ethnic and regional lines, the regime under Qaboos was successful in imposing the idea of an Omani nation as the collective framework of belonging. The state’s power and its insistence on national unity and loyalty to the sultan have long mitigated any potential societal conflict. Possible cleavage points in society around tribal disagreement and historical confrontation, sectarianism, class, and ethnicity were subsumed by loyalty to the nation as embodied by the sultan. Additionally, the economic development allowed by oil rent that occurred at the end of the 20th century ensured that, while development would be inevitably uneven, all Omanis would see an improvement in living standards.

However, 20 years of stubbornly high unemployment and perceptions of entrenched corruption at the top of the state have increased citizen frustrations and contributed to societal polarization and competitive declarations of loyalty to the nation by various subnational groups, including religious ones. Reflecting the increasing concern of the authorities toward social and religious divisions in the country, Article 108 of the 2018 Penal Code states that “anyone who seeks to stir up religious or sectarian unrest or discord, or fosters feelings of resentment, hatred or disunity among the population [...] shall be imprisoned for a term of not less than three years and not more than 10 years.” This competition has not yet reached a level that could threaten national unity, though.

Conflict intensity

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'06 '24 10



II. Governance Performance

14 | Steering Capability

Sultan Haitham has initiated only cosmetic reforms in response to calls for greater political participation from the younger generation since his accession to the throne in 2020. For example, the Council of Oman Law promulgated in 2021 further restricted the already largely consultative role of the bicameral institution and expanded the legislative powers of the cabinet. The political survival of the ruling family remains the pre-eminent priority under Haitham, as it had been the overall objective under Qaboos.

The Oman Vision 2040 is supposed to be “the national reference for economic and social planning for the period from 2021 to 2040, and the source of national sector strategies and five-year development plans.” Approved in 2020 by Haitham, it was formally put into action in January 2021 and consists of three broad pillars: people and society, economy and development, and governance and institutional performance. It is obviously too early to fully assess whether it represents a realistic framework that can allay considerable uncertainties related to the country’s long-term economic and social challenges. However, the first three years of Haitham’s rule showed that long-term strategic priorities can be easily replaced with ad hoc measures for short-term political gains and benefits. COVID-19 necessitated a change in priorities, as the suppression of community transmission had become the pre-eminent priority in 2021 and part of 2022.

More significantly, as a result of the May 2021 popular protests that affected the country’s major cities and subsequent to the introduction of a 5% value-added tax on most goods and services, Haitham, following the example of his predecessor, resorted to traditional arbitrary economic gestures. For example, he promptly ordered the creation of some 32,000 public sector jobs, including in the military. Similarly, the sharp increase in oil prices in 2021 and 2022 bought Oman some precious time to implement structural, potentially painful, reforms. For example, the decision to phase out electricity subsidies by 2025 was adjourned in February 2022. The electricity subsidies are now expected to run for 10 years.

Expectations among the Omani population following the accession to the throne of a new ruler, as well as the May 2021 protests, could have been harnessed to establish a new social contract and initiate political reforms. However, this opportunity was missed. Instead, measures to quell dissonant voices have become more prominent. Power remains heavily concentrated in the hands of Sultan Haitham and his close relatives and protégés. The 2018 Penal Code gives the regime substantial powers to utilize coercion against dissenting voices. The new Basic Law promulgated in 2021,

Question
Score

Prioritization

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'06 '24 10



Implementation

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which guarantees that Haitham's elder son will succeed him, and the 2022 amendment to the Penal Code, which criminalizes any criticism of the sultan and his relatives, illustrate the fact that the ultimate priority for the sultan and his family is their survival and that any loosening of the tight centralized control they currently enjoy over Omani politics is unlikely.

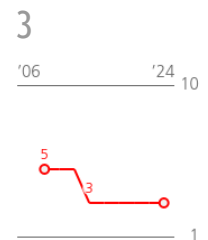
As for its development objectives, the government has had limited success in setting and achieving them. On the one hand, the Omanization objectives require state intervention and regulation, which work against both the principles of a market-based economy and the personal business interests of political decision-makers. On the other hand, intervention of this nature contributes to regime stability by continuing to sustain the image of the state as one that provides for its citizens. This indicates that the Oman Vision 2020 objectives were deemed unattainable by the mid-2000s. Between 2007 and 2017, the number of foreign workers tripled in Oman. In January 2023, Oman's non-citizen workforce had already returned to and surpassed its pre-COVID-19 pandemic level, with 1.73 million individuals compared to 1.44 million in November 2020. The Omanization rate in the private sector reached 17% in January 2023 (the Oman Vision 2020 predicted it would reach 75% by 2020), with a feminization rate of 29%, according to the National Center for Statistics and Information. Moreover, estimates show a structurally high unemployment rate among young Omani nationals.

Omani decision-makers are cautious, conservative and concerned about image in the face of policy setbacks, resulting in a lack of transparency in communication. For example, there has been no public review into why a number of significant objectives outlined in Vision 2020 were not met, nor into the subsequent question of what confidence there is that Vision 2040 will be different. Short-term stabilization appears to take precedence over longer-term development.

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

The response to lower oil prices in 2020/21 has primarily been to reduce state subsidies and government spending and privatize some state-owned enterprises. Displays of indulgence by political and military elites could lead to rising resentment as public spending is scaled back and inequalities and unemployment permeate all regions and communities, as evidenced by the protests in 2021.

Policy learning



15 | Resource Efficiency

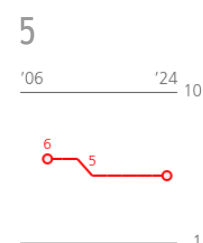
On a historical scale, the effective use of resources by Oman for purposes of development since 1970 cannot be denied. However, in the 21st century, it has become more difficult for decision-makers to manage expenditures efficiently. The state budget has suffered dramatically from low oil prices since the mid-2010s, with the majority of deficits covered by international borrowing. Thanks to the recovery in oil prices after the COVID-19 pandemic, in 2022, Oman recorded its first annual budget surplus since 2014.

Similarly, human resources have proven difficult to manage efficiently, with the Omanization targets in Vision 2020 focusing on lower-skilled positions, ultimately being too ambitious to realize, and therefore being downgraded in Vision 2040. While the COVID-19 pandemic presented a historical opportunity to initiate a shift in this perspective, with the size of the non-citizen workforce decreasing from 1.7 million to 1.44 million individuals between November 2019 and November 2020, their number has since peaked again, surpassing the 2019 record in January 2023.

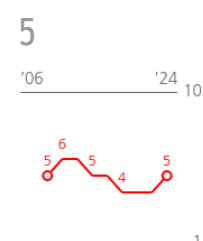
Oman is a highly centralized country, with power tightly held in Muscat. One of the 12 national priorities in Oman Vision 2040 is the “comprehensive socioeconomic development of governorates” through decentralization. In June 2022, a new system of governorates, broadly modeling the previous 2011 one, was issued by royal decree. While it confirms that governorates should manage their own independent budget, primarily funded by allocations from the central state’s budget in return for services provided, the new system falls short of actual decentralization, contrary to the expectations set by Oman Vision 2040 for 2022. Municipal councils remain integrated upward, rather than decision-making powers being relocated to them from the center. As a result, the councils function more as consultation venues than as opportunities for local governance and citizen empowerment.

The beginning of Sultan Haitham’s reign was marked by a recentralization of power around the ruler’s close circle of trusted individuals, including his own family members, as well as a burst of sultan’s decrees and legal texts, which masks a strong continuity with his predecessor’s rule. This continuity was illustrated by the new 2021 Basic Law, which is substantially similar to the previous version. The regime’s failure to anticipate the 2021 popular protests echoes a similar misreading of the 2011 uprisings and illustrates ingrained structural deficiencies in government coordination. The surge in oil prices in 2022 provided a big breath of air for the Omani government after eight consecutive years of deficit. Nevertheless, state budgets and policy goals remain heavily dependent on the variation of global oil prices, so there is some risk that Oman may struggle to coordinate its policy agenda should its fiscal condition worsen again. Such a scenario could produce obstacles for the implementation of the Vision 2040 program. A major test of managing conflicting objectives is the task of

Efficient use of assets



Policy coordination



balancing the need to attract FDI with the necessity to appease Omanis and advance Omanization targets in a context where antagonistic personal and local interests and cleavages, combined with entrenched conflicts of interest between business and politics among top political incumbents, have frequently hindered the implementation of government objectives.

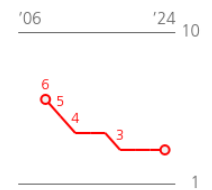
In 2014, the sultanate ratified the U.N. Convention Against Corruption (UNCAC) and, two years later, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. No dedicated or independent anti-corruption investigative agency exists. Instead, alongside the Royal Oman Police, the Internal Security Service (ISS) and the Public Prosecution, anti-corruption efforts in Oman are led by the State Financial and Administrative Audit Institution (SFAAI), established in 2011. Its annual reports are passed on to the Majlis al-Shura, the State Council, the Council of Ministers and the sultan. While its post-investigation results were generally not released publicly, a summary of its activities during the period from 2011 to 2020 was published in February 2022 and attracted widespread public attention. It stated that the SFAAI had dealt with 207 corruption cases and managed to recover OMR 580 million between 2016 and 2020.

This notwithstanding, there remain concerns about a lack of procedural transparency that could open the door to corrupt practices. For example, the SFAAI does not have jurisdiction over the sultan's court or the military. In the defense sector, the public is kept in the dark regarding the process through which military priorities are determined and acted on in the market. Procurement is exempt from public tender, and information is not shared with the Majlis al-Shura, which does not debate defense purchases. Moreover, the corruption cases dealt with by the SFAAI have not involved the high-profile economic and political figures who attracted protesters' wrath in 2011/2012 and again in 2021.

Contrastingly, vocal critics of Oman's handling of corrupt practices seem to find themselves standing before courts more often. In June 2020, a former member of the Majlis al-Shura and a journalist were each sentenced to one year in prison for posting tweets criticizing the approach to corruption in the country. In addition, on the basis of Article 249 of the Omani Penal Code, which criminalizes the disclosure of information about cases the court has prohibited from publication, criminal charges were filed against journalist Mukhtar al-Hinai in March 2022 for disclosing information on a corruption case involving officials found guilty of embezzlement. Moreover, in 2021, the deputy chairman of the Supreme Judicial Council and former governor of Dhofar, Muhammad bin Sultan al-Busaidi, was the subject of citizen complaints regarding the unlawful distribution of lands to influential people in the governorate. Following the dismissal of the case by Dhofar's Administrative Court in February 2022, online activist Ahmad al-Kathiri was arrested and detained incommunicado after a Twitter post stating that "after the court ruling today, it is clear that the political power is still in control of the judiciary."

Anti-corruption
policy

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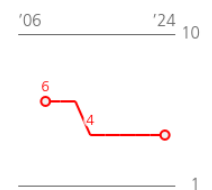
16 | Consensus-Building

In line with the late Qaboos's effort to make the national narrative of development and renaissance synonymous with his personal being, his successor, Sultan Haitham, has presented himself as the embodiment of Oman's renewed renaissance ("nahda mutajaddida") and the sole source of power. Simultaneously, there is a consistent recent history of demonstrations calling for greater democratization, accountability and a loosening of control from the center. Since 2011, there have been broader societal protests against corruption and worsening economic conditions, but they have fallen on deaf ears, even though the protests stopped short of calling for regime change. Expectations raised by Haitham's accession to the throne and the promulgation of the new Basic Law in 2021 have already faded. For example, the 2021 Oman Council Law has further restricted the largely consultative role of the bicameral institution, while the May 2021 popular protests quickly spread across the whole country. Since 2020, policies regarding internal security and civil liberties have shown strong continuity with those of the previous regime, as evidenced by the heightened suppression of human rights activists and dissenting voices. The religious establishment, the business elite and tribal leaders generally support the government's policy of preserving the current authoritarian order.

Further developing the economy along market lines is an integral part of the development goals outlined in the Oman Vision 2040, which replaced the Oman Vision 2020. The Vision 2040 document emphasizes the need to "build a productive and diversified economy, founded on innovation, integration of roles, and equal opportunities; leveraging Oman's competitive advantages, driven by the private sector toward integration into the world economy and active contribution to international trade." In the context of extreme volatility in oil prices and increasing socioeconomic tensions, it remains to be seen what degree of consensus these declarations of intent will command among the various actors. The regime had very limited success in achieving the Vision 2020 goals, in particular relating to structural youth unemployment and the Omanization of private sector jobs. One of the primary challenges to reform stems from conflicts of interest between politics and business at the highest levels in the country. Despite their stated intentions, there is a reluctance among elites to implement a long-term strategy for substituting the current oil-rent-based state economy with economic diversification that can generate a larger number of jobs. Many Omanis see these politically connected business owners, who have benefited from cheap yet skilled migrant labor, as an impediment to Omanization.

Consensus on goals

4



In terms of the balance of influence between reformers and anti-democratic actors, Sultan Haitham's rule shows strong continuity with his predecessor's. Regime control over the limited democratic processes and institutions in the sultanate means that reformers have no effective capacity to co-opt anti-democratic actors. The provisions of the 2018 Penal Code can, by design, be implemented to restrict and repress the activities of civil society and any domestic independent voices that critically question the status quo. Draconian measures against peaceful popular protests and independent voices since 2020, such as the 2022 amendments to the Penal Code that made any criticism of the sultan and his relatives a criminal offense, have clearly signaled to the population that the regime will resort to overt repression to silence dissent and reassert its power. Laws and practices of this nature convey clearly that reform along democratic lines is not on the regime's agenda.

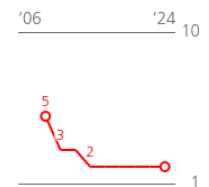
Under Qaboos, in addition to a compelling national narrative of renaissance since 1970, the regime's strategy was to co-opt the most powerful societal elites (religious leaders, tribal and ethnic figures, and business leaders) into the expanding centralized state. Moreover, many tribal sheikhs, who received remuneration as employees of the Ministry of Interior, acted as intermediaries in minor disputes between individuals and the public administration. This policy had long served to pre-empt religious, regional and class cleavages in the political sphere. However, since 2011, increasing evidence of discontent has emerged, suggesting that the established model of conflict mitigation has reached its limit.

Demonstrations in 2018, 2019 and 2021 over living conditions and the increasing rates of unemployment in the country, especially among young Omanis, are particularly alarming. Growing public frustrations and demands have occasionally been expressed through religious identities, which threaten to open up serious tensions. Sultan Haitham should ensure that these voices are heard and addressed in a structurally sound way.

Civil society organizations (CSOs) typically lack any substantive ability to participate in and influence political decision-making. CSO representatives took part in the committees that formulated the Oman Vision 2040. The vision asserts that an "empowered civil society that participates in all aspects of life, toward higher levels of human development" will be one of the four key "partners" (with the government, individuals and the private sector) responsible for achieving the vision's objectives. However, the political leadership's understanding of legitimate civil society actors is extremely restrictive. CSOs that are granted licenses are only those the regime deems apolitical (i.e., organizations that provide services to women, children, people with disabilities and the elderly) or sufficiently controlled (e.g., the General Federation of Oman Workers). In some cases, the government supports these CSOs financially. When CSOs propose or demand action, the regime sometimes employs coercive methods. The provisions of the 2018 Penal Code related to freedom of opinion and expression are significantly more draconian than in the previous text and further threaten civil society.

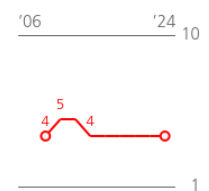
Anti-democratic actors

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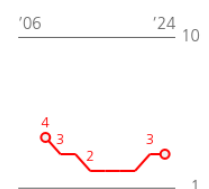
Cleavage / conflict management

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Public consultation

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

The opposition of the authorities to any discussion about the history of the country is reflected in the Penal Code promulgated in January 2018. For example, Article 108 states that "anyone who [...] fosters feelings of resentment, hatred or disunity among the population, or incites others to do so" should be imprisoned for three to 10 years. As such, this article can be used to target authors who critically discuss and evaluate historical events and official narratives.

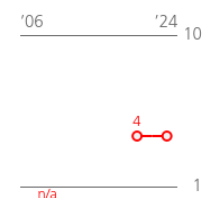
17 | International Cooperation

Oman's Vision 2020 and Vision 2040 offer a blueprint for its publicly articulated plans for long-term development, and international partnerships are integral to any possibility of achieving the ambitious objectives these documents contain. In the sphere of technological infrastructure, for example, Omantel partnered with Huawei to develop 5G and the cloud market in the sultanate. Oman has also signed a cooperation document with China in relation to the latter's Belt and Road Initiative. Since 2018, Oman has held the status of "strategic partner" for China, which is the largest investor in the Special Economic Zone at the port of Duqm. However, the majority of Chinese investment remains locked in the oil sector. In 2022, China purchased close to 82% of Oman's oil exports (compared to 35.2% in 2000). China's key role in Omani national revenues (through oil imports and financial loans) provides Beijing with substantial leverage over Muscat.

Since Haitham's accession to the throne in 2020, Saudi-Omani relations have taken a notable turn. In December 2021, memorandums of understandings in petrochemicals, renewable energy, green hydrogen, real estate, mining and fisheries, valued at a total of \$30 billion, were signed between companies of the two countries. In addition, Qatari and Omani sovereign wealth funds signed a cooperation agreement to favor mutual investments. Oman's leadership anticipates that these might assist Oman in meeting a number of key development goals (outlined in Vision 2040), ranging from diversification to Omanization.

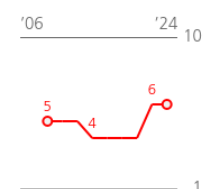
Reconciliation

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Effective use of support

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Oman voted for the March 2022 U.N. General Assembly resolution condemning Russia's invasion of Ukraine and calling for Moscow to withdraw its troops. However, like many leaders of the Non-Aligned Movement, Haitham stressed, on the occasion of Russian Minister of Foreign Affairs Sergei Lavrov's visit to Muscat in May 2022, "the need to intensify efforts to reach political and diplomatic solutions through dialogue" and that Oman did not "want to be dragged into" the imposition of international sanctions on Russia.

Oman is a member of a number of significant international bodies, including the League of Arab States (1971), the United Nations (1971), the Organization of Islamic Cooperation (1972), the GCC (1981), and the WTO (2000), to name a few. The government works closely with international organizations such as the World Bank, the IMF, and regional Arab developmental and financial institutions. For example, in October 2022, the IMF concluded the Article IV consultations in Oman, which permit the surveillance of the country's economic, financial and exchange rate policies.

Oman maintains close relations and strategic partnerships with the United Kingdom, the United States and their Arab allies (especially Egypt and Jordan). The Government Communications Headquarters (GCHQ), part of Britain's intelligence and security agency, bases its Middle East operations in Oman. In 2019, the United Kingdom and Oman signed a historic joint defense agreement. Regular renewals of military cooperation and facility access agreements with the United Kingdom and the United States have confirmed that "Britain's oldest friend on the Arabian Peninsula" (in the words of a Times correspondent in 1974) remains heavily dependent on both countries.

While Oman is perceived as being a reliable partner, domestic concerns around the potential for foreign interference limit its activities and prevent it from openly seeking more aid from abroad to pay for large-scale development projects and from ratifying important components of international agreements. For example, Oman has not ratified the International Covenant on Civil and Political Rights and the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families. Nor has Oman ratified Conventions No. 87, 98, 100 and 111 of the International Labor Organization. Consequently, articles 97, 102, 116, 270 and 169 of the Penal Code, Articles 25–28 of the Press and Publications Law, as well as Articles 16–19 of the Cyber Crime Law, do not align with international human rights standards.

Oman was a founding member of the GCC (established in 1981) and the Peninsula Shield Force and is a member of the League of Arab States. Furthermore, it was a founding member of the Indian Ocean Rim Association in 1997. Oman ratified the GCC security pact, which aims to foster security-related cooperation and mutual assistance, in January 2014. This agreement allows national security apparatuses to support each other in times of security disturbances and unrest.

In order to ensure the regime's internal stability, Oman seeks to establish security through cooperation rather than conflict and strives to maintain good relationships

Credibility

7

'06 '24 10



1

Regional cooperation

7

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with the GCC states Iran, Israel, Pakistan and India. Oman has consistently maintained diplomatic relations with Iran following the Islamic Revolution in 1979 and has avoided presenting Iran as the sole source of regional tensions. Muscat played an important role in facilitating the backchannel communications between the United States and Iran that helped lead to the conclusion of the Iran-P5+1 nuclear agreement in July 2015. Similarly, during the GCC-led blockade of Qatar (2017 – 2021), Oman, like Kuwait, maintained diplomatic relations with the emirate despite being under pressure from Saudi Arabia to suspend ties. Furthermore, Oman assisted Qatar by allowing maritime cargo that had previously transited through the UAE to be rerouted through Sohar and Salalah.

The significant economic influence of the UAE in northern Omani governorates (including Musandam), where many residents work in Abu Dhabi, al-Ayn and Dubai, has raised concerns in Muscat about its potential long-term impact on the allegiance of these regions. Oman-UAE relations have been further impacted by the political situation in eastern Yemen, where Oman, the UAE and Saudi Arabia have been competing for influence for a decade. Oman was the only GCC state not to join Saudi Arabia's military campaign against Yemen's Houthis in March 2015. In 2018, Oman issued a decree prohibiting GCC nationals from owning property in a number of areas (including governorates bordering Saudi Arabia and the UAE), reflecting Oman's concerns about its two neighbors. Since 2021, Saudi-Omani relations have taken a notable turn. In July 2021, Haitham's first official trip abroad since assuming power was to Saudi Arabia, and Saudi Crown Prince Muhammad bin Salman was received in Muscat in December 2021. On this occasion, a direct road link through the Rub al-Khali desert, avoiding the UAE and providing Saudi Arabia with more direct access to the Indian Ocean, was officially opened. A few days later, while in Riyadh, Deputy Prime Minister Fahd bin Mahmoud Al Said commented that "there is no doubt that the GCC has not witnessed such harmony since years ago." Saudi Arabia's decision to withdraw its forces from the governorate of al-Mahrah in November 2021 was welcomed by Oman, which views it as part of its sphere of influence. However, this decision is likely to increase pressure on Muscat to prevent violations of the U.N. arms embargo imposed on the Houthis.

Concomitantly, in May 2022, four cooperation programs were signed between Oman and Iran; the two countries confirmed their commitment to revive plans for an underwater pipeline to deliver Iranian gas to Oman. In March 2023, when Saudi Arabia, Iran and China announced an agreement to resume diplomatic relations between Riyadh and Tehran, it was revealed that Oman, like Iraq, had hosted lower-level direct talks since 2021.

Strategic Outlook

The first years of Sultan Haitham's rule have shown strong continuity with his predecessor's rule. The population's high hopes following the transition of power have already been dashed. Aware of his limited popular legitimacy when accessing the throne, Haitham concentrated on stabilizing and consolidating his power, as illustrated by the promulgation of the new Basic Law and the strengthening of the political role of his close relatives. However, this does not obscure the fact that major reforms are needed to restore popular confidence in the ruler's ability to embody Oman's "renewed renaissance." Since 2021, the current regime has responded to peaceful protests demanding better living conditions, more job opportunities, tougher action to tackle corruption and political reform of repressive measures in line with the approach adopted by the Qaboos regime after 2011. Oman continues to invest more in its security sector than any other country in proportion to its GDP. Instead of being routinely harassed and constantly suppressed, CSOs and associations should be strengthened and encouraged.

Externally, the regime has always perceived political instability in western Asia as a threat to the country's internal stability, which explains Oman's cautious approach to regional tensions. Since 2020, this approach has continued to inform the regime's efforts to maintain a fragile yet crucial *modus vivendi* with major regional actors. Oman will prioritize dialogue and diplomacy as the primary means of ending the war in neighboring Yemen and helping to diffuse regional tensions between Saudi Arabia and Iran.

Oman's primary socioeconomic challenge is to shift from dependence on oil revenues to a diversified economy in which the national workforce plays a complete role in generating wealth. This task is urgent not only because the price of oil has rebounded since mid-2021, which has provided some temporary relief to national accounts, but also to ensure sufficient job opportunities for Omanis. In 2021, 47% of Omani nationals were under the age of 20, with approximately 50,000 individuals graduating from school or university each year. Consequently, the economy must expand to meet their demands and ensure their right to work. Furthermore, as the labor market increasingly demands workers with specialized skillsets, the government must revise the curriculum at the secondary and tertiary levels. The Oman Vision 2040 acts as a road map, although it requires more detailed information concerning how the vision's ambitious goals will be achieved over the next two decades. However, given the regime's track record of delays in implementing reforms and failing to meet targets over the last 20 years, even greater effort will be necessary to fulfill the objectives of Vision 2040.

A further structural obstacle to long-term reform lies in conflicts of interest at the highest levels in the country, which have persisted under Haitham. A substantial number of cabinet members, including royals, have many direct or indirect business interests. These decision-makers often fail to promote key national interests, such as the Omanization policy and the reform agenda, due to their private business interests, which they advance through the influence they wield as statesmen. This situation has become unacceptable for many civil society actors, including many young, educated Omanis, who question the authoritarian political and economic structure of Oman. Direct criticism of the sultan's decisions and practices has become increasingly common among those fearing for the future of the country.