

BTI 2008 | Turkmenistan Country Report

Status Index	1-10	3.34	# 115 of 125	
Democracy	1-10	2.78	# 117 of 125	➔
Market Economy	1-10	3.89	# 103 of 125	➔
Management Index	1-10	2.02	# 121 of 125	

scale: 1 (lowest) to 10 (highest) score rank trend

This report is part of the Bertelsmann Transformation Index (BTI) 2008. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 125 transformation and developing countries are evaluated.

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Key Indicators

Population	mn.	4.8	HDI	0.72	GDP p.c.	\$	1,283
Pop. growth ¹	% p.a.	1.4	HDI rank of 177	105	Gini Index		40.8
Life expectancy	years	63	UN Education Index	0.91	Poverty ³	%	-
Urban population	%	46.2	Gender equality ²	-	Aid per capita	\$	6.0

Sources: UNDP, Human Development Report 2006 | The World Bank, World Development Indicators 2007 | OECD Development Assistance Committee 2006 | European Bank for Reconstruction and Development, Transition report update 2007. Footnotes: (1) Average annual growth rate 1990-2005. (2) Gender Empowerment Measure (GEM). (3) Percentage of population living on less than \$2 a day.

Executive Summary

In 2005 and 2006, ruling dictator Saparmurat Niyazov, known as “Turkmenbashy” (meaning Father of the Turkmen), continued his policy of hiring and firing top administrators within the state and security apparatus. This arbitrariness rendered both domestic and foreign policies unpredictable and supported highly corrupt government practices within his administration. Niyazov died unexpectedly, reportedly on 21 December 2006 from heart failure, without having secured a political successor. Since then insiders of the presidential security apparatus seem to have taken political initiative and unconstitutionally approved former Vice-Prime Minister Gurbangly Berdimukhamedov as acting president. Only five days after the dictator’s death, the 2,507 members of the People’s Council supported a constitutional amendment that enabled the acting president’s candidacy for the presidential election on 11 February 2007, and nominated five other highly unknown presidential candidates loyal to the acting president. Oppositional politicians inside and outside of the country were prevented from participating in these elections.

This assessment of the status of democratic and market-economic transformation during 2005 and 2006 concludes that the president’s arbitrary use of power impeded any progress toward democratic transformation, despite the low starting level. Although Turkmenistan reached almost double-digit GNP growth rate during the observation period, indicators of human development deteriorated and Turkmenistan’s HDI-ranking fell from 86 to 105. However, considering the absence and inadequacy of basic data, these indicators should be interpreted with caution. Economic growth was achieved almost solely by increasing revenues from the export of natural gas and by investing in the processing of cotton and petrochemical products. For the most part, these profits were invested off-budget. Investments have often been ineffective and did not support the deteriorating education and health services. The population’s income situation remains tense, although some improvements were reported, such as the increase of the average nominal monthly wage from \$60 in 2003 to \$90 in 2005.

History and Characteristics of Transformation

Turkmenistan was one of the 15 republics that achieved independence upon the breakup of the Soviet Union in 1991, despite the fact that it was neither politically nor economically prepared for autonomy. Saparmurat Niyazov, appointed first secretary of the Turkmen Communist Party by Mikhail Gorbachev in 1985, led the republic into independence by usurping Moscow's decision-making powers for human resources and issue-related policies. He had himself elected president of the republic by direct election in October 1990, confirmed in the presidential election of 21 June 1992 as well as the subsequent referendum on 15 January 1994.

In May 1992, Turkmenistan promulgated a constitution declaring the country a constitutional, democratic, presidential republic based on the separation of powers. Formally, the constitution guaranteed basic political rights to all citizens. In reality, however, all forms of political activity were suppressed, and an autocratic regime was established that became increasingly dependent on its domestic secret service and security forces. To shore up domestic political legitimacy, a personality cult was created around the president, giving him a larger-than-life public presence as Turkmenbashi (father of Turkmen). When the failure of the August putsch sealed the fate of Marxism/Leninism as a ruling ideology in 1991, sociopolitical organization moved to an ethnic/national level, and the "Turkmenization" of government and educational institutions accelerated.

At the start of the 1990s, Turkmenistan found itself under strong pressure to adapt after the loss of state control and planning from Moscow and the disintegration of the Soviet planned economy. Turkmenistan was able to compensate partially for the diminishing of budget revenue transfers for the state sector from Moscow by gaining control over the sinking export profits from the sale of natural gas and cotton. By 1996, the collapse of entire branches of the economy, low state wages and the discharge of labor in health care, science, education and culture increased employment in the primary agricultural sector to 46% of the employable population. However, according to ADB estimates, this sector generated only 13% of GDP (\$2.003 billion). High inflation, approaching 3,000% in 1993, impoverished the population. The government cushioned this to some extent by providing free water, gas and electricity, and by subsidizing staple foods and gasoline prices.

No serious structural reforms occurred in Turkmenistan before the start of the observation period. Privatization remained limited to small businesses in the service sector and unprofitable state-owned enterprises. As Turkmenistan imported a great deal of industrially produced foodstuffs during the Soviet era, some joint ventures were subsequently established in the food industry to satisfy domestic demand, mostly in

cooperation with Turkish business partners. Expansion of the area under cultivation for grain crops reduced Turkmenistan's initial dependence on imported food. This, though, did not guarantee against the bad harvests that led to the dissolution of the Soviet-era collective farms (kolkhozy) and the foundation of leasehold-based farm cooperatives in 1996. The agricultural land use and the purchasing monopoly for grain and cotton remain state-controlled and keep agricultural profits low for farmers without access to fertile soils and subsidized benefits and services. Whereas cotton production remained low, (in 2003 714,000 tons were said to be produced), increases in the production of wheat, rice and potato production have been reported since 1995.

Increasing profits from the export of natural gas and petrochemical product and low wages in the state sector have secured a balanced budget since 1999. Due to this low wage level, domestic purchasing power remains low. However, due to the lack of reported and reliable data, information content of Turkmen statistics is highly suspect.

The unexpected death of president Niyazov put an end to this regime. Although the acting president Gurbanguly Berdymukhamedov, who was confirmed in office by the presidential election on 11 Feb 2007, initially emphasized his commitment to Niyazov's policies, he is highly likely to change domestic policies in the health and education sector and to end the discrimination against Turkmen business and labor. Whether he will be able to fill the political vacuum of the deceased president remains to be seen. The power transition process after Niyazov's death does not indicate an increase in political liberalization.

Transformation Status

I. Democracy

Turkmenistan did not make progress in the transformation of its political system in any of the areas assessed. It continued to lose ground in some areas like education, despite low starting levels. Transformation deficiencies persist in the areas of stateness, political participation, rule of law, institutional stability and political and social integration.

1 | Stateness

The president's dominant position has enabled Turkmenistan to maintain the state's monopoly on the use of force. Regional encroachment from informal political alliances such as clans recurs periodically, but rarely during the observation period, even in the 6 weeks after the unexpected death of ruling president Niyazov.

Monopoly on the use of force

Formally, all citizens have the same civil rights. In practice, members of national minorities such as Russians, Uzbeks and Kazakhs are discriminated against in education and the civil service. They also do not have the right of eligibility in parliamentary elections.

State identity

Religion and state are largely separate. Religious dogmas have no noteworthy influence on politics or law. Nevertheless, the state does not respect the autonomy of the religious sphere. It maintains tight control on Sunnite Islam and tends to suppress all non-Sunnite and non-Russian orthodox religious groups.

No interference of religious dogmas

The state's fundamental infrastructure extends to the entire territory of the country, but its operation is extremely deficient due to the inconsistency of the president's directives and the personal interests of public officials. It is not yet clear whether the new president will support more enduring forms of government.

Basic administration

2 | Political Participation

Parliamentary and presidential elections occur on the basis of universal suffrage. Former president Niyazov had been appointed for life, but his successor was

Free and fair elections

elected on 11 February 2007, renewing the electoral process. The right to run for office is tightly restricted, however. None of the exiled opposition politicians is even allowed to enter the country. Due to a constitutional amendment, acting President Berdymukhamedov was permitted to run for presidency. Five contenders were nominated. All of them are members of the acting president's Democratic Party and loyal to the acting head of state.

Up to December 2006 the president had complete power to govern. No veto groups were able to establish themselves. In late 2003, a new constitutional law was adopted, reducing the power of the Mejlis and making the People's Council (Halk Maslahaty) the supreme legislative organ. It consists of up to 2,500 delegates and meets once a year at least. Like his predecessor, acting president Berdymukhamedov continued to orchestrate the People's Council during an emergency sitting in order to prepare his presidential candidacy and also became Chairman of the Cabinet of Ministers. It is not visible yet whether there are veto players within the government and security apparatus.

Effective power
to govern

Although formally anchored in the constitution, actual freedoms of assembly or association for political and civil groups do not exist. Politically oriented civil society organizations are generally suppressed, while security forces always immediately disperse the occasional rallies that break out as to protest against individual measures of the regime.

Association /
assembly rights

The state controls the dissemination of information and shaping of public opinion, often through tremendous propaganda and manipulation. The government systematically used the media to strengthen the president's personality cult, publicize the "Turkmen Golden Age" and state ideology of "Ruhnama" everywhere and anywhere. The new acting president uses state-controlled mass media to prepare his campaign for the presidential election.

Freedom of
expression

3 | Rule of Law

Although the separation of powers is formally anchored in the constitution, it does not exist in reality. President Niyazov controlled the election of parliamentary deputies and hired and fired the judges and prosecutors. In addition, he appointed all top ministers and officials in the administrative and executive system. Officially, the justice system had been institutionally differentiated at all administrative levels, but it was strongly politicized and remained part of the regime's system of command. The president's personal wishes dictated the enforcement and modification of legal norms. It is not yet clear, how presidential succession will affect the power balance within the state organization.

Separation of
powers

President Niyazov appointed judges to five-year terms and they remained dependent upon him throughout this period. Procedural efficiency is thus very low. No independent judicial monitoring or auditing authorities existed. Trials of government opponents were summary proceedings; the president amended the sentences as he chose. Turkmenistan has no court with constitutional jurisdiction. The degree of corruption emerged recently, when the head of Central Election Commissioner announced to the nation that he would do “everything possible” to ensure that acting president Berdymukhamedov would become president.

Independent
judiciary

Legal punishment of corruption and abuse of authority took place on the president’s orders. Accused officials were prosecuted on the basis of applicable laws, sentenced, and their assets confiscated. Niyazov publicly humiliated many of his former deputy prime ministers and comrades-in-arms and had them sentenced for abuse of authority, even when they were charged with implausible offences. Currently this arbitrary prosecution of officials and ministers seems to have stopped, although corruption within the administration prevails.

Prosecution of
office abuse

Civil rights are systematically violated. Members of the political opposition and their families are subjected to arbitrary arrest and sentenced to long prison terms, like what happened recently to Nurberdy Nurmammedov, the chairman of the opposition Agzybirlik People’s Democratic Movement who disappeared in Ashgabad on 23 December 2006 after leaving his home. Property rights were frequently violated for political reasons — many single-family homeowners whose property was confiscated to build parks, wide exit roads, and showpiece architecture received inadequate compensation or no compensation at all. National minorities such as the Uzbeks, Russians, and Kazakhs are discriminated against as a result of the “Turkmenization” of state, economic and educational institutions. Although the constitution guarantees freedom of religion, only Sunni Islam and the Russian Orthodox Church are officially acknowledged. Other religious communities like Seventh-Day Adventists or Baptist Christians were officially permitted registration, but de facto they are prosecuted under criminal law, and some of their representatives have been sent to prison.

Civil rights

4 | Stability of Democratic Institutions

No functioning democratic institutions exist in Turkmenistan. Although the constitution formally prescribes the division of power, the president ruled the country by decree. Legislation and judiciary were subordinated to the executive power, which is dominated by the arbitrary will and commands of the president. This situation continued during the 6-week observation period of active president Berdymukhamedov.

Performance of
democratic
institutions

Formal democratic institutions are part of the authoritarian regime. No information is available about the acceptance of democratic procedures. An instrumental understanding of democratic procedures seems to be typical for the political elites, however.

Commitment to democratic institutions

5 | Political and Social Integration

There is no independent party system. The observation period saw no improvement of the already minimally established mechanisms for mediation between the society and the political system. The parliaments and assemblies of elders, which are organized on local, regional and national levels as a formal democratization exercise, have only an acclamatory function. There are no independent professional associations or trade unions.

Party system

A demand for the expertise of the educated elite has opened up opportunities for some civil society interests to be introduced into the political system. During the observation period, however, those elites used the new know-how increasingly for the purpose of bolstering their own political legitimacy. Arbitrary dismissal and transfer of ministers and top functionaries together with an emphasis on recruiting elites from the Ahal region continue to limit the possibility even for the informal mediation of regional interests via patronage-based networks. As new strong man behind the acting president and commander of the Presidential Guard Akmurad Redzhepov is from the region Lepap, non-Ahal regional interests might be taken into better consideration in the future.

Interest groups

There is no reliable survey data on the population's attitude toward democracy as a form of government.

Consent to democratic norms

Civic self-organization remains extremely low. State-financed institutions and organizations provide services in education, health care and social work. The farmers' cooperatives founded in 1996 have also been forced into the straitjacket of state regulation. As tenants on state-owned land, they must hand over stipulated amounts of grain and cotton. Self-help groups tend to form in response to specific situations along the lines of informal networks based on personal relationships to provide services formerly taken care of by the state or the collective farms, such as housing construction and maintenance. Independent groups, including unrecognized religious communities, are subjected to state repression. Private institutions financed from abroad, such as Turkish private schools, are only allowed to operate under state control. Trust is low within the society and exists only within networks of personal relationships. Owing to the president's unpredictable staffing policies and the dismissal and/or prosecution of former ministers and top functionaries of the security forces, mistrust and uncertainty remained high throughout the period under review, even within the

Associational activities

administration and security forces. The high percentage of the workforce employed in the state sector prohibits the development of an independent societal stratum for civic self-organization. In his electoral campaign the acting president continued to exclude independent civil society agents from political participation.

II. Market Economy

Turkmenistan has made no progress toward transforming its economy. Deficiencies persist in the organization of the market and competition, monetary policy, privatization, protection of property rights and the sustainability of education and infrastructure policy. Higher prices in the export-oriented gas and petrochemical sectors increased hard currency revenues, but they remain under the personal control of the president.

6 | Level of Socioeconomic Development

The key indicators show a low to medium level of development. The country's limited development does not allow its citizens adequate freedom of choice. Russian, Uzbek and Kazakh minorities experience social exclusion due to poverty and ethnic discrimination. The Human Development Index (2004) slightly deteriorated despite high economic growth rates. Nevertheless, the situation is difficult to judge decisively, as many indicators are not available and reported statistics are probably unreliable. Figures for 2005's GDP vary between the ADB's estimate of \$12.5 billion and the World Bank's considerably lower estimate of \$6.77 billion. Population figures for 2005 are between 6.52 and 4.8 million. These figures do not reflect the high activity of the shadow economy or incomes from household plots used for agricultural production, which are often the basic source of income for whole families. The Gini Index shows a diminishing level of inequality, which may be linked to the rising wage level (from very low to low). Poverty indices are not reported. The health and education sectors seem to have deteriorated, but there is no reliable statistical data. The government continued to cut state subsidies for hospitals; Niyazov even ordered the closing of hospitals in the provinces so that accessibility to medical aid became even more difficult for poor people and the rural areas outside of the Ahal region. The inclusion of per capita GDP as a development indicator is also problematic, as GDP growth depends on the export sector, with low returns for the population. Official figures say that in 2005, the state monopoly on the export of raw materials and textiles comprised around 80% of Turkmenistan's exports.

Socioeconomic
barriers

Economic indicators		2002	2003	2004	2005
GDP	\$ mn.	4,462	5,978	6,741	8,067
Growth of GDP	%	15.8	17.1	17.2	9.6
Inflation (CPI)	%	8.8	5.6	5.9	10.7
Unemployment	%	29.3	29.8	30.2	-
Foreign direct investment	% of GDP	2.2	1.7	-0.2	0.8
Export growth	%	7.1	20.9	13.2	25
Import growth	%	-12.3	42	20.3	-4.9
Current account balance	\$ mn.	583	305	84	616
Public debt	\$ mn.	1,586.1	1,363.1	1,184.9	911.9
External debt	\$ mn.	1,978.0	1,703.8	1,480.7	1,092.1
External debt service	% of GNI	12.9	8.2	6.1	4.1
Cash surplus or deficit	% of GDP	-	-	-	-
Tax Revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	11.1	12.1	12.9	13.3
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	2.7	3.1	3.3	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	-	-

Sources: The World Bank, World Development Indicators 2007 | UNESCO Institute for Statistics | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security | European Bank for Reconstruction and Development, Transition report update 2007

7 | Organization of the Market and Competition

The foundations of market-based competition are not secure. The state continues to control almost all aspects of the economy: state companies carry out all production and export of oil, natural gas and other raw materials. The state also enforces purchasing and trade monopolies on cotton and grain at prices well below world market levels. There is no currency convertibility and street market exchange rates are more than four times higher than the fixed official dollar exchange rate of 5,200 manat. The IMF is withholding foreign currency loans

Market-based
competition

until Turkmenistan exhibits readiness for reform. Both the European Bank for Reconstruction and Development (EBRD) and Asian Development Bank (ADB) refused to grant loans to Turkmenistan's public sector because of the high degree of state control over the economy and the slow pace of structural reform. Nevertheless, Turkmenistan's informal bazaar market for non-strategic goods like vegetables, fruits and handicrafts is regulated by free price formation.

The state monopolizes all strategically important economic resources like gas, petrochemical products, cotton and grain. In other areas, such as the import and trade of goods, it does not impede monopolies.

Anti-monopoly
policy

Freedom of trade is strictly limited. Foreign business people, primarily from Turkey, are given preferential treatment if they grant concessions to the government. Repatriation of profits is difficult and tied to re-investment, with the result that financially less powerful investors or investors without personal business relations with the president avoid investments in Turkmenistan.

Liberalization of
foreign trade

Foreign trade is state-controlled to a great extent. After the regional financial crisis caused by the devaluation of the Russian ruble in August 1998, the banking sector was restructured by presidential decree and the state's share increased. At least eight of the twelve domestic banks are state-owned or state-controlled. Domestic banks are subject to presidential influence. Presidential directives, such as the abolition of the debts of certain ministries, limit their business practices. There are no figures available for foreign debt during the observation period.

Banking system

8 | Currency and Price Stability

Hyperinflation rose above 1,000% in the first half of the 1990s, and Turkmenistan continued to make progress in fighting that inflation during the observation period. The central bank is not independent. The central bank's restrictive credit policy and the freezing of the average civil service wage at \$20 per month helped reduce inflation from 16.8% in 1998 to 6% in 2001. The doubling of state salaries in January 2003 and another increase of 50% in January 2005 could have had an impact on inflation. However, the reduction of employment in the state sector neutralized this effect and inflation remained moderate. For 2005 and 2006 the inflation rate is estimated at around 10%.

Anti-inflation /
forex policy

There is no currency convertibility. Despite inflation, the exchange rate has remained officially fixed at 5,200 manats to the dollar since 1999, less than one quarter of the black market value in 2006. This ratio has remained stable for the last two years. Turkmenistan has managed to avoid a budget crisis because of profits from its exports. However, the president continued to spend a large portion of the export earnings off-budget, placing it in special funds for infrastructure projects and showpiece architecture.

Macrostability

9 | Private Property

The law formally enshrines property rights and the regulation of the acquisition of property, but these rights are very much subject to the arbitrary use of state power. Private property was established by way of small-scale privatization, but this process has also caused expropriation and dispossession without adequate compensation, and was really only meant to facilitate infrastructure and showpiece projects. During the observation period, the political leadership persisted in interfering in the property rights of the regime's opponents and dismissing senior officials.

Property rights

Bigger businesses were privatized only if they were unprofitable and equipped with obsolete technology. Share packages were frequently used to preserve state influence. However, the tenancy system practiced in the agricultural sector since 1996 might lead to the prospect of the establishment of private land ownership. During the observation period, tenants were able to claim new desert land through irrigation and by not carrying out unprofitable cotton cultivation in established irrigational zones. Private businesses are primarily permitted to operate in the textile, construction, and trade sectors, with a greater deal of foreign (i. e., Turkish) investment. On the president's orders the property of successful Turkmen entrepreneurs could easily be confiscated for "illegal business practices."

Private enterprise

10 | Welfare Regime

During the observation period Turkmenistan continued to preserve some aspects of the old Soviet welfare regime, including free natural gas, water and electricity, as well as subsidies for basic foodstuffs. The state social security system provides very low levels of basic assistance. Therefore, the old, sick, unemployed and unemployable in Turkmenistan must rely on their networks of friends and relatives. Further cutbacks on education and health subsidies and the fact that people are obliged to pay for these services reduced access for the rural and urban poor alike. Easy access to drugs has made drug addiction a serious problem in Turkmenistan.

Social safety nets

Equality of opportunity did not improve during the period under review. Previous university enrollment cuts have limited access to a college education to the children of elite functionaries. Indeed, university education has been de facto abolished, since secondary schooling has been reduced to nine years and university studies to two years. Graduate-level training is eliminated. The income gap between the ever-wealthier government elite, businessmen and successful tenant farmers and the impoverished population of Turkmenistan has not closed.

Equal opportunity

Cutbacks in health care institutions in the provinces have made the gradient between rural and urban areas steeper. Moreover, the concentration of public investment in the capital (Ashkhabad) created jobs there and nowhere else. The multiple burdens borne by mothers remained heavy: women's working hours have increased, and they must also accept the traditional Turkmen gender roles (i.e., bear the burden of domestic responsibilities). Women's access to educational institutions remained fundamentally guaranteed, but women are underrepresented in governmental and administrative institutions and occupy few management positions. In recent years President Niyazov recruited women into top positions, as he regards them to be less predisposed to corruption and embezzlement of money. In addition, ethnic minorities like Uzbeks, Kazakhs and Russians have low career chances due to the Turkmenization of the education and administrative system.

11 | Economic Performance

Turkmenistan's economic performance is highly dependent on the production and processing of natural gas, oil and cotton. Those sectors accounted for over 80% of exports and over 50% of GDP in 2005. An economic recovery began in 1996 but practically ground to a halt as a result of the near complete stoppage of natural gas exports in 1998 and the low export level in 1999. However, increased export revenues spurred a recovery. As a result, the balance of trade became clearly positive, comprising one-third of total exports in 2005. Rising oil prices and investments in petrochemical and cotton processing resulted in economic growth estimated at 5% in 2004 and 9.6% in 2005, much lower than the overstated Turkmen official estimates. Nevertheless, higher prices of gas exports alone drive and determine economic growth. In 2006 president Niyazov raised natural gas export prices to Turkmenistan's main customer, Russia, from \$66 per thousand cubic meters to \$100. Although agricultural production doubled after the switch to a tenancy system, low, state-controlled retailer prices and ineffective management induced poor cotton harvests in 2005 and 2006. Economic growth remained limited to export sectors and scarcely affected the hidden unemployment and poverty suffered by large portions of the population.

Output strength

12 | Sustainability

Legislative and executive environmental consciousness is low. Although the Turkmen government signed a number of international environmental agreements assuring its commitment to the protection of the environment, pollution has not decreased. Traffic and the petrochemical industry keep air pollution levels high. Drinking water quality has reached health-threatening levels, and the irrigation and drainage systems are in poor condition, endangering the groundwater supply.

Environmental policy

In addition, over-cropping and lack of crop rotation damage the soil quality. However, ecological concerns receive only sporadic consideration, especially if they effect economic growth. The Golden Lake project, which aims to secure irrigational needs in northern Turkmenistan, is being executed without proper consideration of the ecological consequences, especially for neighboring Uzbekistan. There is a long-term political effort to reduce economic dependence on raw materials by promoting a domestic textile industry, although it remains insignificant compared to the export market.

Turkmenistan inherited an education system with comparatively high standards from the Soviet Union, and one that was quite accessible for all social and regional strata of the society. After the dissolution of the Soviet Union, this education system suffered as a result of the emigration of Russian specialists and professionals who had anchored it. In addition, the president's education policy led to the de facto destruction of higher education: he abolished the Academy of Science, post-graduate and doctoral studies and reduced university studies to two years. In addition, he reduced high school education to nine years and introduced an entrance requirement of two years of compulsory practical work instead of an exam for university. Thus, solid institutions for advanced education are no longer available in Turkmenistan, and as a result, many parents sent their children to Russia.

Education policy
/ R&D

Transformation Management

I. Level of Difficulty

The medium-range economic and societal development level, the population's relatively high level of education, the effective state monopoly on the use of force, and the separation of church and state all provided certain basic preconditions for the transformation of the Turkmen economy and society. However, such complicating factors as the 25% of national minorities in the total population, strong regionalism and particularism, the lack of efficient constitutional structures and the president's patrimonial control over government revenues and state apparatus have impeded the transformation process. The structural socioeconomic conditions affecting the political process render the difficulty of transformation extremely high. There is no consensus on democracy and no accepted democratic rules of the game. However, rising oil prices at least provide an economic base that could facilitate better management of eventual transformation.

Structural
constraints

In the absence of civil society traditions, preferences for regionalism and informal networks of trust and cooperation formed along lines of tribal descent are prevalent. These traditions of networks date back to pre-colonial history. Severe state control has prevented the emergence of independent social, economic or cultural groups up to today. On the contrary, the authoritarian leadership has promoted a subject culture in Turkmenistan which is in fact atypical for the Turkmen, who lived as a people "without a father" in pre-colonial times.

Civil society
traditions

The structure of Turkmenistan's society, which is split into regions identified with major tribal descent groups, has not been politically exploited yet. Nevertheless, these divisions threaten political stability, as Niyazov's rule left inter-regional relations unbalanced and promoted Ahal interests with evident bias. The ethnic policy of the Turkmen government has exposed ethnic minorities like the Uzbeks and Kazakhs to the increased pressure of assimilation. Discrimination in the economic and political sphere might incite ethnic unrest. Conflict based on Salafist interpretations of Islam are unlikely in Turkmenistan, as Turkmen society – unlike the Uzbek or Tajik one – has no scholarly tradition of Islamic law (sharia) or education.

Conflict intensity

II. Management Performance

14 | Steering Capability

In Turkmenistan, the ruling president set all strategic political and economic aims were set. Niyazov's rule was highly arbitrary, lacking in legal restrictions, and characterized by a selective sense of reality. He ruled by decree and officials immediately implemented his commands. Frequently, this behavior resulted in contradictory political directives and goals. Even though Niyazov's political decisions and statements were self-serving, there is a recognizable political strategy aimed at strengthening the export sector and holding labor costs low in order to increase revenues for public investments in infrastructure and prestige buildings.

Prioritization

Turkmenistan is not making efforts to introduce a free market democracy. Instead, President Niyazov was attempting to create a traditionalistic, atomized, "Turkmenized" society, sealed off from the outside world, regulated by state monopoly and completely subject to his orders. Whether the reform agenda proposed by acting president Berdymukhamedov in his electoral campaign will materialize remains to be seen.

Implementation

As a collective body, Turkmenistan's government was not capable of carrying out long-term oriented reforms because it was completely dependent on President Niyazov during the assessment period and subject to an extremely high degree of fluctuation. All political decisions depended on the president's approval and goodwill, which greatly constrained the government's ability to make decisions and solve problems. The president's practice of recruiting inexperienced young officials into top positions and periodically purging the administrative and security forces intended to nip potential opposition in the bud. As political leadership depended on the will and ideas of the president, reform agendas were linked to the political perception and available information of the president. Serious economic and political reforms had not been undertaken, however. Niyazov was eager to ensure an unchallenged power position, despite the discontent among administrative elites and the population about obviously mistaken policies like those in the health and education system. The political future of acting President Berdymukhamedov will depend largely on his ability to undo Niyazov's harmful policies in areas like health and education.

Policy learning

15 | Resource Efficiency

The government did not make efficient use of available human and economic resources. Personnel expenses relative to services offered were not well balanced. A relatively high number of government employees, who officially receive extremely low wages, offer little service to the population. Top officials hired and fired arbitrarily by presidential decree in turn hire their subordinates on the basis of loyalty and patronage consideration without publicly advertising the positions. The government wastes a great deal of its resources on the construction of representational objects. Human resource development in the education and health care sectors was seriously neglected during the assessment period.

Efficient use of assets

Due to increasing earnings from natural gas export, the government would have economic resources to improve access to health and education. Instead, the building of showpiece architecture in Ashgabad had top priority during Niyazov's rule. Social welfare expenditures were gradually reduced.

Policy coordination

There are no effective independent auditing controls. The administrative organization and the implementation of laws leave ambiguity in some areas because of overlapping authority among ministries and state agencies as well as between deputy prime ministers and other ministers with portfolios. There is no indication of any decentralization of administrative processes. Local self-governing institutions enjoy very little legal and financial autonomy. The implementation of most laws intended to strengthen the market economy was either partial and or abandoned altogether. Government resources are distributed on the basis of patronage-based networks. Increasingly shorter appointments and increasingly frequent dismissals of ministers and top officials are exacerbating the situation. Investments in the export economy and functional infrastructure, such as roads, pipelines and railroads, are not always coordinated and have inappropriate priorities, such as capital intensive railway construction to destinations where roads are in a desperate state. Due to the dominant position of the president, different state institutions fight out their rivalries by denouncing the "corruptive practices" of competing institutions like the security apparatus, judiciary and ministries. President Niyazov used these investigative reports to fuel his policy of "hire and fire." The president controlled large proportions of the state directly. His need to control saddled him with a heavy burden. Because he understood himself as the only "honest" broker of the state, Niyazov personally supervised the performance of top officials and made officeholders accountable for embezzlements. As he respected neither formal nor informal rules of authority, officeholders were aware of the impermanence of their jobs and thus used them for making money by collecting gifts and cash from

Anti-corruption policy

subordinated officeholders in exchange for protecting their jobs. As a consequence, most state employees had to pay a part of their salary to superiors, and demanded money from citizens who wanted services like health care or education. Niyazov's personal control of top office holders was not only highly inefficient, but also contributed to the "corruption" which he tried to overcome. In a culture of "gift giving," agents and analysts often could not determine the difference between gifts and corruption.

16 | Consensus-Building

No consensus exists among the political actors about building a market-based democracy. Such a political consensus would be meaningless at this time, as it is unclear whether the acting President Berdimukhamedov and his political supporters will strive for a free market democracy. By preventing oppositional leaders in and outside of Turkmenistan from participating in the presidential elections of 11 February 07, the acting president has demonstrated his unwillingness to accept democratic rules for the use of power.

Consensus on goals

At the moment, it is unclear who the important political actors able to advise the president and advance democratic and economic reforms will be.

Anti-democratic veto actors

Cleavages exist along regional, ethnic, social and religious lines in Turkmenistan, but the personalist rule of Niyazov and the extensive control mechanisms of the security apparatus kept dissent limited. Most non-Ahal Turkmen perceive political change under Niyazov as the "Ahalisation" of the republic, which provides jobs and investment to residents of the Ahal-region and leaves other regions in a desperate state. It will be an important task of the new president to balance regional influence in central state structures.

Cleavage / conflict management

The political leadership suppresses and excludes civil society actors from the political process. A 2003 law on public associations curtailed or suspended of many groups' activities and financial assistance from international donors, and also led to the co-opting of some independent groups into state-backed bodies. Not being able to open bank accounts, rent space, or install internet connections make the operation of independent NGOs difficult inside the country. Only pro-governmental organizations, such as the Women's Union, Turkmenistan Democratic Party (the only political party in the country) and the Turkmenistan Youth Union are registered.

Civil society participation

Former President Niyazov cared little about the moral and political consequences of his decisions on his thousands of countrymen. The acting president will have to deal with this heritage of political prisoners, as well as disowned citizens and former officials. His first six weeks in office sent mixed

Reconciliation

signals. On the one hand, he is unwilling to share power with opposition politicians, but on the other he has begun to move arrested former state officials like former vice-prime ministers Yolly Gurbanmyradov and Dortguly Aydogdyev out of the Ovodan-depe prison to house arrest.

17 | International Cooperation

Turkmenistan is a member of the United Nations and a number of other international organizations that provide aid programs for economic and social development. However, the influence of these external actors remains relatively low. Despite formal declarations to the contrary, Turkmenistan has frequently opposed the implementation of reforms intended to strengthen democracy and the market economy. During the observation period, the IMF did not grant Turkmenistan any loans to support the Turkmen currency because of the country's lack of interest in reforms. For similar reasons, the EBRD stopped all additional loans to Turkmenistan for public sector development in April 2000. Subsequently, Turkmenistan joined the ADB in August 2000. But the ADB is also showing restraint in issuing loans to Turkmenistan and did not increase the amount. The Organization for Security and Cooperation in Europe (OSCE) has maintained a mission in Ashgabad since May 1999, but its influence on political developments is extremely limited. International NGOs' activities in the country are extremely limited as well.

Effective use of support

Turkmenistan is not regarded as a credible and reliable partner for reform policies aiming toward democracy and a market economy.

Credibility

The government seeks to present itself as a reliable partner for international organizations. However, it is not considered very credible due to its restrictions on freedom of action. During the assessment period, Turkmenistan continued to avoid the CIS organizations' multilateralism and sought economically advantageous cooperation alliances, primarily on a bilateral level. While relations with Afghanistan and Iran remained good, relations with Azerbaijan are still tense due to disputes over oil fields in the Caspian Sea. Relations with Uzbekistan have improved in the last two years, after Uzbekistan had been accused of supporting former Minister of Foreign Affairs Boris Shikmuradov, who was arrested on December 25, 2002 as the main organizer of an alleged assassination attempt on the president. Relations with Kazakhstan and Russia have developed on the basis of mutual benefits and intensified cooperation in the export of Turkmen gas. Nevertheless, Turkmenistan's readiness to participate in regional cooperation partnerships, e.g. in the area of sustainable utilization of the environment and of water resources, remains low.

Regional cooperation

Strategic Outlook

Having faced increasing dissent from leading officials of the government and security apparatus, President Niyazov used the alleged assassination attempt in November 2002 to curb intra-governmental opposition. Specifically, this crackdown led to the arrest and sentencing of former foreign minister Boris Shikhmuradov and other top officials. Since then, Niyazov has aggravated border control regimes, abolished the double citizenship of Russian residents and increased control over foreigners living in Turkmenistan. He has continued to circulate elites in and out of office quickly and to make short-term appointments. His sudden death on 21 December 2006 left a power vacuum in Turkmenistan that was quickly filled by leading officials of the security apparatus who unconstitutionally proposed Vice-Prime Minister Berdymukhamedov as acting president. Since then, the acting president and his supporters have prepared for his victory in the presidential elections of 11 February 2007. As Niyazov did not regulate his political succession, the ban of opposition politicians from the presidential campaign seems also to fit the security needs of the current leadership change. The reform policy of the new president cannot be assessed until he has consolidated his political power base.

Democratic transformation has yet to be initiated in Turkmenistan. The democratic deficits are enormous in most areas and did not decrease during the observation period. Under the current political conditions, a fast democratization of the political system would have very destabilizing effects and could lead to a regionalization of the republic and the breakdown of state unity. Thus the new president will have to start with legal and administrative reforms of the political system before more enduring forms of political liberalization can be institutionalized.

In the realm of economic transformation, reorganization occurred in several areas prior to the observation period. By breaking up the Soviet-era collective farms and introducing a tenancy system with the prospect of property acquisition, Turkmenistan had been able to partially increase agricultural productivity and income. Investment in the export sector and an increase of gas exports boosted revenues enormously and caused up to double-digit GDP growth rates. Important structural reforms for a market economy system – such as the protection of property rights, free trade, the elimination of market entry barriers and supply-and-demand-based pricing – have yet to take place.

Overall, Turkmenistan's transformation direction is negative. In the political arena, the separation of powers stipulated in the constitution has been

completely overturned by the president's unlimited power. How successful the new president will be at revitalizing political institutions remains uncertain. No immediate measures for democratizing the society are to be expected. Niyazov's successor is much more likely to attempt to diversify the economy to make Turkmenistan less dependent on fluctuations in the export markets. Undoing Niyazov's dismantling of public health care and secondary, university, and research institutions should also be among Berdymukhamedov's priorities.