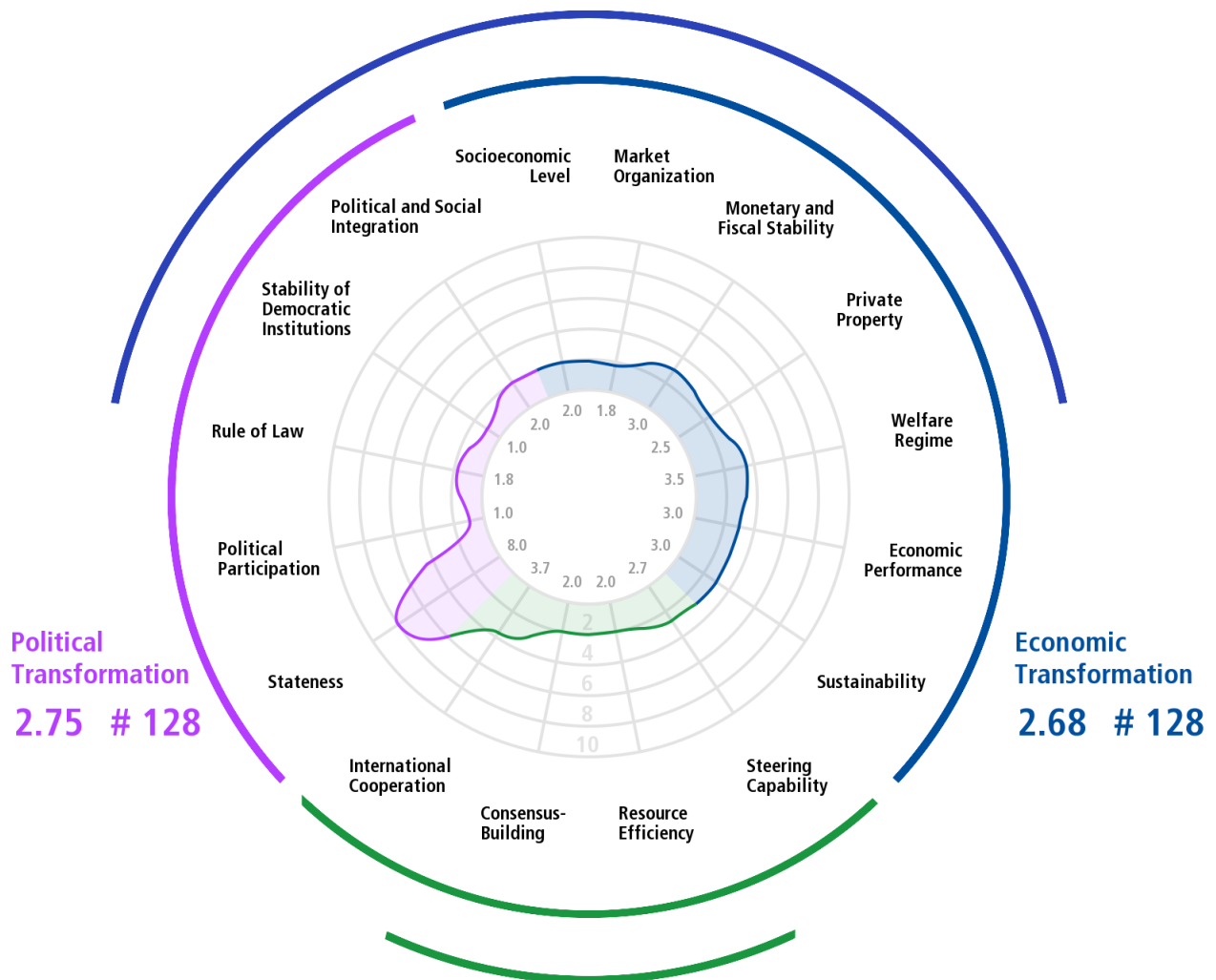


Turkmenistan

Status Index

2.71 # 129

on 1-10 scale out of 137



Governance Index

2.32 # 128

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	5.9	HDI	0.710	GDP p.c., PPP \$	19270
Pop. growth ¹	% p.a.	1.6	HDI rank of 189	108	Gini Index	-
Life expectancy	years	68.0	UN Education Index	0.628	Poverty ³	% -
Urban population	%	51.6	Gender inequality ²	-	Aid per capita \$	5.0

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

In 2017 and 2018, Turkmenistan made further adjustments to its legislation in line with international legal norms. These are of a formal nature and do not meet the standards of democratic rule or the rule of law. On the contrary, the dictatorial policies of President Gurbanguly Berdimukhamedov has intensified in all areas of society.

Since 2015, the country has experienced an economic and social crisis that has intensified from one year to the next. Turkmenistani people have suffered enormous losses of purchasing power and jobs. In addition, they suffer from poor medical care and rampant corruption. The population articulated, albeit quietly, its growing dissatisfaction with the social and economic situation. With tighter controls, further restrictions on the rights and freedoms of the population and threats of punishment for even the smallest offenses and infringements against the state, the government is a possible threat to social and political stability in the country. A growing number of people are emigrating for economic and political reasons.

There was progress in the country's cooperation with other countries during the review period. The number of international conferences held in the capital Ashgabat, visits by Turkmen political and economic delegations and appearances of Turkmen government representatives abroad demonstrate a measure of dynamism on the part of the government. However, these activities do not provide any impetus for the cultivation of democracy in the country and are only intended to give the world the impression that Turkmenistan is an open and cooperative member of the international community. There are also setbacks in the country's relations with its neighbors. For political reasons, borders have been temporarily closed or shipping companies have been prevented from entering the country. Turkmenistan has become ever more dependent on foreign financing for the implementation of industrial and infrastructure projects, thereby requiring business and government representatives to travel abroad.

When President Gurbanguly Berdymukhamedov took office at the beginning of 2007, there were great expectations that society and the economy would be revitalized. Berdymukhamedov enacted more liberal economic laws, promoted private business and introduced a formal multiparty system. To some extent, Turkmenistan freed itself from its reputation as a closed and internationally isolated country, insofar as there are four dozen government-level bilateral commissions and working groups that meet with foreign partners on a regular basis. Large projects in the sectors of natural gas, gas chemistry and international transport corridors helped the country attract more attention from the international community. Other examples include initiating Japanese- and Chinese-language studies, the deployment of seconded German teachers (from Germany) and the opening of trading houses and representative offices of the Association of Entrepreneurs and Industrialists Abroad.

Yet, the results of this gradual opening up have fallen well below expectations. The hope that Turkmenistan would turn away from state control over society in favor of the development of democratic norms and a market economy have not been fulfilled. Most of the reforms that have been initiated are merely cosmetic in nature.

The cult of personality surrounding President Berdymukhamedov reached grotesque proportions in the reporting period. The expressions of allegiance to the “Arkadag” (protector) extend to hymns of praise for him, to pages of poems dedicated to him in the rare print media and to many “gifts.” Public institutions such as schools must regularly renew the portraits of the president at the expense of their employees. The president composes hymns, wins horse races and is the fastest cyclist in the country.

More than ever, the president determines political, economic and cultural developments. Every project worth mentioning requires a presidential decree. Without direct personal contact with the president, his vice-premiers or ministers, nothing can be done in the country.

A detailed description of the political and economic situation and an assessment of Turkmenistan’s future development is difficult, due to scarce and often distorted official data. This also applies to information published by international financial institutions, which is usually based on these poor and biased official statistics.

History and Characteristics of Transformation

Turkmenistan gained independence in 1991 with the collapse of the Soviet Union. The country was neither economically nor politically prepared for this major development. Saparmurat Niyazov, the first secretary of the Central Committee of the Communist Party of the Turkmen SSR, came to power by staging a direct presidential election in October 1990 that was later confirmed.

Turkmenistan's first constitution of May 1992 declared the country a democratic presidential republic under the rule of law, based on the separation of powers and formally assuring citizens of political and civil fundamental rights. In fact, every form of political activity was suppressed and an autocratic regime based on domestic intelligence and the security apparatus was established.

The domestic legitimacy of this state structure was flanked by a boundless cult of personality around the president. Niyazov generated unparalleled public homage as head of all Turkmen (Turkmenbashi). After the failed August coup of 1991, Marxism-Leninism was disbanded as a state ideology. The political and social order was based on an ethnic nationalism and the Turkmenization of state and educational institutions proceeded.

The abolition of Moscow's central planning and the disruption of the Soviet supply system in the 1990s put Turkmenistan under great pressure to adapt. Gaining control over the proceeds from exports of gas, oil and cotton did not compensate for the earlier financial inflow from Moscow. As the result of declining access to the Russian pipeline network, lack of payments for gas exports to Ukraine and a lack of modernization of infrastructure, gas production shrank from 87 billion cubic meters in 1990 to 13 cubic meters in 1998. Many plants were closed down. The government tried to cushion the resulting high inflation and impoverishment of the population by supplying water, gas and electricity free to households and subsidizing basic foodstuffs and petrol, beginning in 1993.

After gaining independence, Turkmenistan adopted laws that should have paved the way for a gradual transformation of the economy (e.g., the various laws on enterprises, joint stock companies, foreign investments, entrepreneurial activities and denationalization and privatization of property, among others). Real structural reforms failed to materialize until the death of the first Turkmen President Niyazov at the end of 2006.

Denationalization of the economy was limited to small players in the retail and service sectors and to some unprofitable companies in other sectors. The collective farms were dissolved in the mid-1990s. Farmers' cooperatives were formed on the basis of lease agreements. However, state control over land use and a monopoly on the purchase of grain and cotton have remained in place to this day. As a result, agricultural incomes for farmers without access to good soil and subsidized inputs are at very low. Restructuring the agricultural sector is hampered by the ecological

consequences of years of extensive cotton cultivation. Hundreds of thousands of hectares of land are unusable due to ruthless land use under Soviet rule and long-term mismanagement.

After President Berdymukhamedov took office at the beginning of 2007, the country experienced a wave of hope that political, economic and social life would gravitate toward transparency, pluralism and market reforms. The expected changes have largely failed to materialize over the past 12 years. Turkmenistan is far from a market economy.

The reasons for maintaining the status quo are to be found in traditional, informal social structures, escalating clientelism, nepotism and corruption, as well as in the national tradition of highly personalized political culture. Berdymukhamedov's "state network" is based on his approximately 80 to 100 followers and relatives, including mainly the Ahal Clan in his native region near the cities of Baharly and Gökdepe. Family members and followers use their high positions in politics, education and the economy to generate private income. Regime maintenance benefits from low levels of education among the citizenry, the apolitical attitude of most residents, limited access to independent information, and a lack of support for potential reformers. In addition, there is the population's terror, since any criticism of the president can be punished with reprisals against one's own person and family.

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 dominant position of President Gurbanguly Berdimukhamedov forms the foundation for the state's monopoly on the use of force, which functions and is secured throughout Turkmenistan. The exercise of state administration in the form of a presidential republic and the overriding role of the president as head of state in directing and steering domestic and foreign policy, legislation and economic, social and cultural development are firmly enshrined in the constitution of August 2016 (Articles 1 and 68–72).

Informal networks close to the president and his closest confidants are the decisive stabilizing factor in the country's political and security apparatus. The separation of powers is nonexistent in Turkmenistan. Rudimentary opposition groups, mainly at the regional level, are hardly visible due to their massive persecution by the dictatorial state (security and police apparatuses) and the omnipotence of the president and his closest confidants. They have no real chance of development.

The constitution formally guarantees all citizens equal rights, protection and opportunities (Articles 4, 5 and 25–65). In practice, these constitutional provisions are not guaranteed. The rights of people without direct access to decision-makers and/or good finances to draw upon for bribery, of socially disadvantaged people, dissenters, members of national minorities and non-elite Turkmen tribes are regularly curtailed. In Turkmenistan, there are significant non-Turkmen ethnic groups, including Uzbeks, Russians, Kazakhs, Tatars, Azerbaijanis and Kurds.

There are substantial restrictions on freedom of movement and settlement within the country, travel abroad, access to regional and local administrative bodies, access to social services and education, the right to a fair trial, respect for and protection of private and family life, and protection of the privacy of correspondence and telecommunications. The Migration Service, in conjunction with the Ministry of National Security, employs a number of unofficial measures to prevent free travel,

Question
Score

Monopoly on the
use of force

10



1

State identity

7



1

such as the arbitrary confiscation of passports and the creation of an extensive blacklist of persons who are prohibited from entering or exiting the country. The blacklist has grown as the economic crisis deepened and record numbers of residents have attempted to emigrate with their goods and capital. These people include regime critics, disgraced officials, members of religious communities, family members of dissidents who are already living in exile, journalists, cultural workers, scientists and graduates from foreign universities. Young people (up to 40 years of age) are often denied travel abroad because of fears they will not return to Turkmenistan.

Generally, citizens with registered residence in regions of the country outside the capital of Ashgabat have no chance of renting or acquiring an apartment in the metropolis. As a rule, they are not allowed to register their residence in the city. If they seek employment in Ashgabat, they must undergo a bureaucratic approval procedure. Such authorizations are granted only in individual cases.

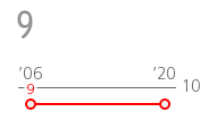
Turkmenistan is a secular state. Religion and state are formally separated in this predominantly Sunni-Muslim society. Religious dogmas have no significant influence on politics and legislation. Islam is part of the population's traditional national culture and history. It serves to maintain their moral values, customs and traditions. Officially, more than 90% of the inhabitants are Sunni Muslims of the Hanafi School. The majority of the urban population is not religious or is only formally religious.

Islam in the country has no established traditions. Religious fanaticism is exceedingly rare. The president uses Islam as a pillar of his power and national identity. The state limits the guaranteed right to religious freedom and creed to a narrow margin and exercises control over religion through the Council for Religious Affairs (CRA).

Religious media are subject to censorship by the CRA. The activities of unregistered religious groups and communities are prohibited. Participation in such activities is punishable by long prison sentences. Active members of religious communities are monitored. Strict believers who cultivate a faith beyond that accepted by the state must reckon with severe punishments. Pressure on ethnic Turkmen Christians to change their faith further intensified during the reporting period. The World Persecution Index (WVI) compiled by the non-denominational Christian relief organization, Open Doors, confirms that non-Muslim believers find themselves in a difficult environment in Turkmenistan. In the WVI rankings for 2017 and 2018, the country is among the 20 countries in the world where Christians are most persecuted by the police, secret services, local authorities and Islamic faith communities.

The Law on Religious Practice and Religious Organizations of March 2016 tightened the conditions for practicing religion. Only religious organizations with at least 50 adult members can be registered. Previously, the requirement was a minimum of five members. All religious activities approved before the new law came into force were banned, affecting more than 100 communities. Only about 20 religious communities,

No interference of religious dogmas



1

including Shiites, the Russian Orthodox Church, the Roman Catholic and Armenian Apostolic Churches, the Protestant Free Church of Greater Grace, as well as communities of Bahai and the Hare Krishna movement, have received official registration under the new regulations.

The financing of religious organizations from abroad is strictly controlled. The main reason is a fear of the increasing influence of foreign Turkmen jihadists on religion and politics. For this reason and in the interest of maintaining the power of the elite, the control of religious communities increasingly extends to Muslim Turkmen. Many mosques in Ashgabat were demolished or closed between 2015 and 2017.

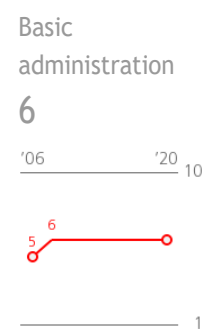
Basic administrative infrastructure exists throughout Turkmenistan (administrative institutions on the level of the capital with five districts/etrap, five regions/welayat with 43 districts/etrap, offices of ministries, state agencies in the capital and all regions, court system).

New, often contradictory and ambiguous presidential decrees, the self-serving interests of the central and regional leadership, the great political and financial dependence of local administrations on central government, as well as arbitrary decision-making and corruption all serve to undermine the efficient functioning of the administrative infrastructure.

Decision-making processes are highly centralized. Policy is made by President and Head of Government Berdymukhamedov, as well as the officials directly subordinate to him, such as the head of the Presidential Office and the deputy prime ministers responsible for relevant political and economic sectors. This practice deepened in the years 2017 to 2019. The deputy prime ministers are now, by presidential decree and supplementary legal norms, the only officials in charge of implementation of all regional development programs.

The administration suffers from permanent rotations in the bureaucracy, which are of an arbitrary nature. The reasons given for dismissals often include mention of projects not been completed in a timely manner or reputedly poor work results. These rotations form a breeding ground for bribe-taking. The provision of well-endowed posts is a key element of widespread nepotism and favoritism.

In 2015, a wave of layoffs began in public authorities and state-owned enterprises, which continued unabated. At the end of 2018, the government announced further massive job cuts in the public sector. Between 2015 and early 2019, more than one in three employees lost his or her job. The wave of redundancies primarily affected qualified specialists without good connections to the top decision-makers. The current lack of technical skills in the state administration and state companies inevitably leads to further loss in effectiveness in the public and business sectors.



2 | Political Participation

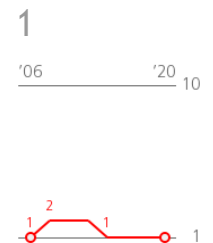
Universal suffrage is guaranteed by the constitution; but the electoral process is neither democratic nor free and fair. Former President Niyazov was appointed for life on December 28, 1999, by the highest legislative body, the Halk Maslahaty (People's Council). New elections took place after his death. The current incumbent, Berdymukhamedov, was elected in February 2007 with 89.1% of the vote, re-elected for five more years in the presidential elections in February 2012 with 97.1% of the vote and re-elected for a further seven-year term in the presidential election in February 2017 with 97.7%.

In the most recent elections, candidates from three parties ran for president for the first time: from the leading Democratic Party, the Party of Industrialists and Entrepreneurs and the Agrarian Party. As an extended arm of the Democratic Party, the last two parties do not pursue independent policies. Both the representatives from these two parties, as well as the six candidates of various initiative groups of social associations (heads of local administrations and directors of state-owned enterprises), were only running for decorative purposes.

The possibility of nominating candidates from other parties and groups of social associations, which was introduced in 2011 and specified at the beginning of 2012, is intended to give the appearance of freedom to vote and party pluralism. According to the constitution and electoral law, only candidates who have lived in Turkmenistan for at least 15 years and who are active in state institutions, civil society organizations, companies and other organizations may run in presidential elections. These provisions exclude potential candidates from the political opposition operating from abroad. There is no domestic opposition due to the repression of dissent.

The Election Observation Mission of the Organization for Security and Cooperation in Europe (OSCE) gave a highly critical review of the 2017 elections: They were characterized by the absence of pluralism, a lack of independent reporting and serious irregularities. The final report of the OSCE Office for Democracy and Human Rights regarding the parliamentary elections held in Turkmenistan on March 25, 2018, was no less critical. Voters could only choose between handpicked party members and independent citizen groups loyal to Berdymukhamedov. The central election commission organized a uniform "election campaign" for all candidates. This included the publication of short biographies of the candidates and their contributions that contained unconditional approval of the president's policy. This procedure is at odds with the legal provisions according to which each candidate may promote himself and his electoral program individually.

Free and fair elections



President Berdymukhamedov controls government and society with a firm hand. He appoints all key post-holders at the national, regional and local levels, including all ministers, governors and judges. He appoints all representatives of Turkmenistan to international organizations and bodies. Berdymukhamedov holds the offices of Head of State (President), Chairman of the Cabinet of Ministers, Chairman of the People's Council (whose laws supersede those of parliament), Commander-in-Chief of the Armed Forces and Chairman of the State Security Council.

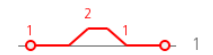
The president ratifies all political, economic, social and cultural development programs in the country, including changes to those programs. He confirms the basic directions and strategies in domestic and foreign policy. The president appoints the directors (chief editors) and deputies of all mass media. Berdymukhamedov thus concentrates all power in his hands. Alternative political groups have no chance whatsoever.

The constitution of October 2016 and the Act on Assemblies, which came into force for the first time in July 2015, formally guarantee freedom of assembly. The law allows peaceful (private) gatherings, provided they are pre-approved and do not take place near government buildings and certain other locations designated by the state. Due to the repressive atmosphere in the country, it is practically impossible to hold meetings without unpleasant consequences for the participants. Occasional local protests against unpaid wages and forced resettlement have immediately been dispersed by security authorities, often by violent means. Critics must expect punishment (including arrest and/or loss of employment).

The constitution, the Law on Political Parties and the Law on Social Organizations enshrine the right to establish and register social organizations. However, implementation of the principles of freedom of association contained in these instruments is hardly forthcoming. This is partly due to the high bureaucratic hurdles for the foundation of organizations. Independent organizations exist only in rudimentary form. Politically active civil society organizations are de facto prohibited and registered non-governmental organizations (NGOs) hardly present.

The few NGOs active in the country are subject to strict state control. In a medium-term human rights action plan adopted for the first time in January 2016 (2016 to 2020), Turkmenistan undertook to create favorable conditions for the registration, development and operation of NGOs and to involve social organizations and the media in state projects. Apart from a few prestige events at which government representatives disseminated success stories about the new legal regulations with their supposedly democratic elements and at which the newly created Ombudsman for Human Rights introduced himself, the plan remained paper waste during the reporting period.

Effective power to govern



Association / assembly rights



Independent reporting and freedom of expression are guaranteed by a media law that was passed for the first time in 2013. However, these rights exist only on paper. Turkmenistan is one of the worst states in the world with regard to freedom of the press and media. In Reporters Without Borders' press freedom index, the country has for years ranked 178 out of 180 nations surveyed. This concerns all categories (pluralism, media independence, journalistic environment and self-censorship, legal framework, institutional transparency and production infrastructure).

There are about 20 newspapers and magazines in small editions, often only a few pages long. They print almost without exception the self-congratulatory speeches of the president, official announcements and chronicles as well as "advertising editorials" from state institutions and enterprises. The founders of Turkmenistan's print media are the president, the Cabinet of Ministers and some ministries. There is no such thing as a publication with real political and economic content, let alone critical reporting. The mouthpiece of the Union of Industrialists and Entrepreneurs, which is the only nominally private newspaper in the country, does not differ from the state print media in its reporting. The population has hardly any access to foreign press. Journalists who resist coercion to engage in uncritical reporting are subject to severe harassment and punishment. During the reporting period, there were several cases in which journalists were sentenced to prison for fictitious offenses. Officially, only 22 representatives of foreign mass media were accredited in Turkmenistan as of January 1, 2019. Most applications for accreditation are rejected.

The state monopoly on opinion covers the book market, as well as radio, television and the internet. The Law on the Legal Regulation of the Development of the Internet and the Provision of Internet Services in Turkmenistan of 2014 formally guarantees free access to the network. In reality, this right does not exist. The internet is strictly controlled by the state monopoly Turkmentelekom. The monthly cost for a private internet connection is deliberately kept unaffordably high for most citizens in the interest of sealing off information from abroad. Hardly more than 15% of the population have access to the network (the International Telecommunication Union put the figure in 2017 at 21.25%, which is far too high). Critical international websites and access to social networks are blocked.

Some allegedly independent internet information portals with information exclusively about Turkmenistan mainly provide official information in an easily readable and summarized form. Information about the publishers of the portals does not exist. Turkmentelekom's already small number of public internet access points shrank sharply in the reporting period. At these access points, the surfers must present their identity card or passport. The only way the population can obtain relatively uncensored information about international events are foreign television channels that can be received via satellite.

Freedom of expression



3 | Rule of Law

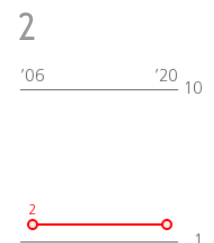
The separation of powers is formally anchored in the constitution. In practice, however, there is a wide gap between constitutional provisions and reality. President and Head of Government Berdymukhamedov rules the country by decree. The legislative and judicial branches are dominated by the executive branch. The non-independent judiciary offers great scope for abuse of power for political purposes. Berdymukhamedov's presidential decrees determine what happens in politics, the economy and all spheres of social life. The president appoints all senior civil servants and reassigns them to other posts at his discretion. Only he may officially criticize the work of the ministries and other state agencies and make personnel changes at the management level in government offices and state enterprises. The effective power to govern thus remains exclusively with the president.

An amendment to the constitution adopted in 2017 made the People's Council as the highest representative body in the interest of the people, reviving the People's Council, which was active until 2008. The new People's Council has replaced the Council of Elders, which consisted of 600 pensioners, as Berdymukhamedov's advisory body. It may make decisions of national importance and adopt legislative acts. The only competence left to parliament is approving these acts. The council consists of persons sympathetic to the president, including all members of parliament, senior officials, heads of administrative units and hand-picked representatives from political parties and social associations. The primary function of the council is to provide unconditional and nationwide support for the president and his decisions. The People's Council's existence underscores the absence of a separation of powers.

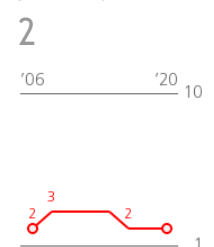
On paper, the judiciary is institutionally differentiated, independent and established at all administrative levels. In practice, however, it is highly politicized and an integral part of the administrative command structure. Enforcement and changes to legal norms ultimately depend upon the president. Judgments are corrected by the president "as needed." In the judiciary, bribery, arbitrariness and clientelism are widespread. Access to one of the rare openings to study law, passing one's examinations and employment as a judge or lawyer are hardly possible without proper financial "grants." The cost of a "successful" university admission amount to tens of thousands of U.S. dollars.

Not only the prosecutor general, but judges are also appointed by the president, for a term of only five years. They remain dependent on him for the duration of their time of office. The Ministry of Justice issues permits for lawyers. This practice is not transparent. There is no independent judicial control or inspection. Even international audit firms are obliged to cooperate with government institutions and have very limited access to facts and data. There is still no constitutional jurisdiction and, since Turkmenistan gained independence in 1991, no law on the legal status and activities of lawyers. In 2016, the president announced a reform of the judiciary and the police, but nothing has changed.

Separation of powers



Independent judiciary



In Turkmenistan, abuse of office is an integral part of the system of rule. The current practice of the state buying the loyalty of its civil servants by granting “additional earnings” (albeit not openly) did not change during the reporting period. The official press often provides highly filtered information, in which the president criticizes corruption, names corrupt officials, punishes them on the basis of “current law” and often confiscates their assets. These activities do not aim to combat corruption in a truly comprehensive manner. The motives of the president and his followers are rather to get rid of servants who have fallen out of favor, and to present the regime to foreign countries as a corruption fighter. Punishments usually affect people who are critical of the “state,” who have made decisions without consultation with the president or his closest confidants, or whose posts are to be filled by more favored officials.

Sectors particularly affected by corruption include public education, health, customs, taxes, justice, including prisons, security and police forces, and the oil and gas industry. Corruption incidents are pursued in line with intra-elite politics and clientelistic infighting, and thus appear arbitrary and sporadic to an outside observer. The country’s political, economic and legal system, which is based on a corrupt network, leaves no room for systematic punishment of abuse of office.

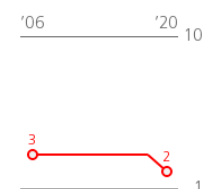
Civil rights are systematically violated. The constitutional protection of privacy and access to justice for all citizens, including the right to effective legal assistance and a fair trial as basic conditions for the realization of fundamental and human rights, are not guaranteed in practice. Private property rights are often disregarded for political reasons. Women only sporadically receive access to high positions in politics and business. Same-sex relationships between adults are criminalized and sexual acts can be punished with a prison sentence of two to five years. The current practice of forcing public servants, including teachers and doctors, to harvest cotton did not change during the reporting period. Employers continue to regularly violate labor law regulations related to wage payments and compliance with working hours and health and safety regulations.

Members of national minorities are discriminated against in the exercise of their civil rights by the growing Turkmenization of all spheres of life. After Berdymukhamedov took office, there was neither a revival of Russian-language schools nor a reopening of schools with Kazakh and Uzbek as the language of instruction. Schools still teaching in Russian are hopelessly overcrowded, and paying a bribe is the usual requirement to obtain a place for one’s child. Students of non-Turkmen origin are often obliged to wear Turkmen national clothing. Otherwise, they face discrimination. Members of national minorities are excluded from public service more than previously.

Since 2016, Turkmenistan and Russia recognize dual citizenship, provided this was granted to citizens of Russian nationality before July 2003. Nevertheless, these citizens still face difficulties when traveling to Russia or applying for a new

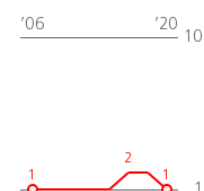
Prosecution of office abuse

2



Civil rights

1



Turkmenistan passport. The migration authority requires applicants to renounce Russian or Turkmenistan citizenship.

Members of the political opposition and their families are observed, bullied and harassed by the National Security Service. The majority of political prisoners sentenced during Saparmurat Niyazov's tenure are still in prison, often in inhumane conditions. Nothing is known about the fate of the people convicted in connection with the failed assassination attempt on the former president in 2002. Prison inmates are generally deprived of their constitutional rights. Prisoners of non-Turkmen nationality often face systematic discrimination. In prisons, penal camps and police stations, there are high levels of corruption and physical and psychological torture, such as mistreatment and humiliation. Prison inmates suffer from catastrophic hygienic conditions, chronic overcrowding, poor medical care and inadequate nutrition. For fear of reprisals, the prison inmates very rarely report their tormentors, even to family members living outside prison.

4 | Stability of Democratic Institutions

The question of the stability of democratic institutions is not applicable to Turkmenistan, since there are no democratic institutions in the country. At best, there are only very rudimentary "signs of democracy." The constitution formally postulates the separation of powers, but the political situation diametrically contradicts this. The president governs the country autocratically by decree and makes decisions that are actually within the competence of the government. The legislative and judicial branches are subordinate to the executive branch, which is fully dominated by the presidential administration.

Strong presidential power leaves no room for political competition. Political parties lack independence. Formally democratic institutions only operate as a component of the autocratic presidential regime. This also applies to the Institute of State, Law and Democracy, which was founded in July 2018. It unites two previously separate institutes, the National Institute of Democracy and Human Rights and the Institute of State and Law. The new institute is to analyze legislation and democratic processes in the country and promote the implementation of national programs for the protection of human rights. The fact that the institute is located in the Office of the President implies that it is highly dependent on the president and therefore neither objective analysis nor real progress can be expected in the sphere of human rights protection.

In order to deepen its relations with Europe, with a particular focus on the delivery of natural gas to European customers, Turkmenistan maintains a dialog on human rights with the European Union that was launched in 2008. After the 10th round of these meetings in 2018, no improvement in the human rights situation in the country can be detected.

Performance of democratic institutions



Commitment to democratic institutions



On the basis of the new constitution of September 2016 and the Law on the Ombudsman adopted in November 2016, Turkmenistan introduced for the first time on January 1, 2017, the office of an Ombudsperson for the Protection of Human Rights and the Protection of Citizens against Illegal State Action. In March 2017, parliament elected the first ombudsman from a list of candidates submitted by the president. International observers perceive the introduction of an ombudsman directed by the president as without real powers to improve the protection of human rights. The ombudsman's first activity report for 2017, presented in mid-2018, is sobering. The document tries to convey the impression of an intensive examination of issues relating to the protection of human rights. Yet, it is largely plagiarism of a scholarly work by a Kazakh candidate for a Master's degree. Of the total of 254 complaints submitted in writing during the course of the year, only 25 were positively answered, mainly on administrative procedures (allocation of housing and land or issuing passports).

5 | Political and Social Integration

With the passing of the Law on Political Parties on January 15, 2012, the president paved the way for the introduction of a multiparty system. The act defines the legal framework for establishing parties, their rights and obligations, and regulates their relations with state bodies. In March 2012, the Union of Industrialists and Entrepreneurs of Turkmenistan founded the Party of Industrialists and Entrepreneurs. In September 2014, the Agrarian Party was founded.

These alternatives to the absolutely dominant state party, the Democratic Party of Turkmenistan (former Communist Party of the Turkmen Socialist Soviet Republic), are neither independent nor opposition parties. They constitute a pretense of officially propagated party pluralism and perform the state management and control of the emerging private sector (Party of Industrialists and Entrepreneurs) and the implementation of government programs for the development of rural regions and food production (Agrarian Party). The chairmen of both parties are close confidants of Berdymukhamedov.

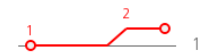
Theoretically, there is a chance that the Party of Industrialists and Entrepreneurs could gain some independence from the state and the government because of its growing attachment to an emerging class of private entrepreneurs and their interests. But such a trend is unlikely in the short and medium term due to the close ties of both the leadership of the Industrialists and Entrepreneurs Association and the party with the president and his closest confidants.

The rudimentary mediation mechanisms between society and the political system did not improve during the reporting period. The institutions set up to simulate democratization, such as the parliament and the People's Council, perform only acclamations. There are no independent professional and trade union federations.

Party system

2

'06 _____ '20 10



Only state-controlled social associations and the three parties are allowed to propose candidates for parliamentary elections.

Civil society interests are clearly underrepresented in Turkmenistan's political system. In addition, they are limited to only a few areas. Demands for expertise from the educational and cultural elite represent the only sphere in which civil society interests are fed into the political system. As in the past, expert knowhow was used to obtain political legitimacy. The same applies to sports NGOs. The continuous arbitrary dismissal and transfer of ministers and other senior officials and the continued strong preference for recruiting elites from the Ahal administrative region have further narrowed the scope for the informal mediation of regional interests via patronage networks.

There are no reliable surveys in Turkmenistan on attitudes of the population to democracy. Talks between foreigners and Turkmen citizens on the fringes of international forums, congresses and sports events, as well as comments by Turkmen citizens published on the internet clearly show that a small but growing portion of the population articulates their desire for more democracy in their home country.

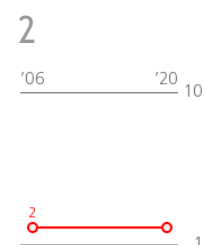
The desire for change in society is expressed mainly by people with a high level of education and citizens who have come to know democracies while traveling or staying abroad. Many people in Turkmenistan, including members of the lower classes, refrain from expressing discontent for the sole reason that they rightly fear severe repression against their own persons and family members. At the same time, it is beyond doubt that a large portion of the population, especially in the regions outside the capital, is simply not informed about democratic processes and practices, as a result of the cockeyed information dictated by the state.

Civil society self-organization remained very low in the period under review. It is not welcomed by the state and strictly controlled. Educational, health and social services are almost entirely provided by state-funded institutions and organizations. The Farmers' Cooperative and the Union of Industrialists and Entrepreneurs exists into a tight web of state regulation at both central and local levels.

Self-help groups mostly exist as informal personal networks for the provision of services once provided by the state or collective farms (e.g., for the construction or maintenance of housing).

Independent groups are subject to state repressions ranging from outright prohibition to strict surveillance and constant control. Private institutions backed by foreign sources of finance are only allowed to operate under strict state control. Social trust is weak and exists only in personal relationships. The president's unpredictable personnel policy, which intensified during the reporting period, has led to a noticeable increase in mistrust, insecurity and fear in the administrative and security apparatus.

Interest groups



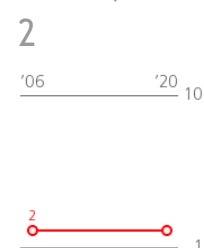
Approval of democracy



n/a

Year	Score
'06	n/a
'20	n/a

Social capital



II. Economic Transformation

6 | Level of Socioeconomic Development

Ethnic minorities and members of non-Muslim faiths are targets of discrimination in Turkmenistan. Owing to extensive corruption in the education and health sectors, these population groups have little opportunity to receive a solid secondary school education or good medical care. Public spending on health and education is at a very low level, well below 2% of GDP.

Turkmenistan's status as a country with medium development (as indicated by the United Nations Human Development Index, HDI) remained relatively stable until 2015, but is likely to have declined since then, and in particular during the reporting period, because of a serious deterioration in the country's economic and social performance. Contrary to official statistics, the population's monetary income, including wages, has declined sharply since 2015. The official data only marginally consider the sharp rise in prices for imported consumer goods and other products that Turkmenistan does not produce. The majority of goods are now imported at a parallel exchange rate, which is several times higher than the official exchange rate. In this context one should note that all international indices, whether HDI, Gini or GII, are notoriously unreliable when it comes to Turkmenistan since they are based on forged official data.

The large exchange rate differences, the considerable increase in the price of domestic consumer goods and the extremely tense situation on the labor market led to a considerable widening of the already large income gap during the reporting period. The growing inequality is difficult to quantify due to a lack of data and transparency regarding incomes, but it is clearly visible in the country.

On the one hand, an increasing number of people can no longer afford to buy decent food with their small incomes. On the other, the wealthy (state) elite and high-income earners are taking advantage of the favorable black-market rate to make massive investments in real estate. According to unofficial data from the 2012 census, only 4% of the population owned 45% of total assets (tangible assets) at that time. This has most probably grown to more than 50%. The decision of January 1, 2019, to abolish the previously free supply of electricity, gas and water to households will further widen the gap between rich and poor.

Question
Score

Socioeconomic
barriers

2

'06 '20 10



Economic indicators		2015	2016	2017	2018
GDP	\$ M	35799.7	36180.0	37926.3	40761.1
GDP growth	%	6.5	6.2	6.5	6.2
Inflation (CPI)	%	-	-	-	-
Unemployment	%	3.8	3.8	3.7	3.8
Foreign direct investment	% of GDP	8.5	6.2	5.5	4.9
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ M	-	-	-	-
Public debt	% of GDP	21.8	24.1	28.8	29.1
External debt	\$ M	367.0	507.7	783.7	907.3
Total debt service	\$ M	55.0	41.4	47.4	54.2
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	7.4	7.4	7.8	-
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	1.5	1.2	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	-	-

Sources (as of December 2019): 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 foundations for fair market competition are not in place in Turkmenistan. Central administration, planning and command shape the economic system. There are seeds of economic competition in the small and medium-sized private enterprise sectors and among individual entrepreneurs and tradesmen. But even these economic actors can only develop within the strictures dictated by the state-run Union of Industrialists and Entrepreneurs and with the aid of highly placed contacts. Companies are subject to strict state regulations and are dependent on the benevolent support of the association management and local state administration. Bazaars continue to be administered by the state and the traders operating in them are strictly controlled. There are pricing guidelines and controls for many products.

The state continues to control all key sectors of the economy in addition to exports and imports. This applies to oil and gas, electricity, cotton (production and gutting) and telecommunications, as well as to most manufacturing industries. In the cases of cotton and cereals, the state enforces purchase and trade monopolies at prices below the world market level.

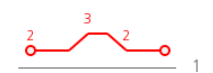
In state tenders, real competition is not even legally envisaged. The tenders are usually awarded to companies that have been active in the country for some time, maintain good contacts with the government and relevant agencies and provide considerable additional services. Such services include paying bribes, often in considerable amounts, both to decision-makers in the tendering authorities and employees of local companies and banks involved in the projects, financing public buildings and social infrastructure and co-financing state prestige events.

With the exception of oil and gas production (mainly production-sharing agreements in capital-intensive and technologically demanding offshore production), foreign direct investment is very limited and confined to the textile, food and electronics industries. There is no freedom of investment, highly curtailed freedom of enterprise and no legal security. Other obstacles include extreme corruption, a large informal sector (the size of which is – informally – estimated at 50% by Turkmen economists), the heavy-handed, constant interference of the state in corporate affairs, and massive problems in currency conversion during the reporting period (conversion of the Turkmenistan manat into foreign currency).

Market
organization

2

'06 '20 10



There is no anti-monopoly legislation in Turkmenistan. There is also no evidence that the government intends to introduce competition rules. The Act on State Support for Small and Medium-Sized Enterprises of August 15, 2009, amended on May 1, 2016, contains provisions prohibiting restrictions to rights and legal interests, anti-competitive agreements regarding prices and market shares, and restrictions to market access. These rules, enshrined in Article 17 of the law, are declaratory in nature. They are not incorporated in any other act and there are no provisions for procedures to be followed in the event of non-compliance.

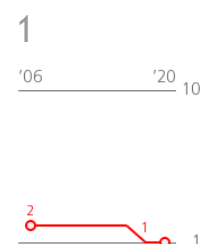
All strategic and virtually all profitable activities are firmly in the hands of the state or strictly controlled by the state. The lucrative trade in luxury goods, consumer electronics, household technology, many building materials and tobacco is wholly or largely controlled by the families of the highest officials. Trade in other consumer goods and a large number of capital goods proceeds relatively freely, but in many respects is regulated and controlled by the state.

The scope of tariff barriers (tariffs and duties) and non-tariff and protectionist barriers (technical regulations, trade quotas and bans) is comparatively limited. However, there are other significant obstacles to free foreign trade. These include massive state controls, lengthy and sometimes cost-intensive bureaucratic procedures for export and import transactions, nontransparent customs clearance and difficult and often time-consuming visa applications for business trips to Turkmenistan. Via the State Commodity Raw Material Exchange of Turkmenistan, the government has a state monopoly on foreign trade as well as control over a considerable part of the flow of goods (the volume and price level of many raw materials, semi-finished goods and intermediate products).

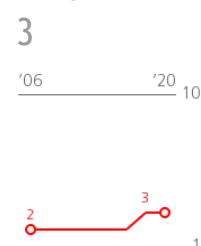
The significant opening of the market to imported consumer goods, building materials and various machinery and equipment after President Berdymukhamedov took office was undermined in the period under review by nontransparent currency and foreign exchange policies. This is a consequence of the sharp decline in the state's foreign exchange earnings from hydrocarbon exports since 2015. Importers suffer from severe restrictions on converting currency.

An interministerial commission set up by the government in 2013 is supposed to examine Turkmenistan's possible membership of the World Trade Organization. Turkmenistan has shown no real willingness to transform its trade regime, financial and banking system or legislation governing international trade (customs, taxes, insurance, export financing) to bring them in line with market economy standards. In the reporting period, it became very quiet about possible preparations for WTO membership. For the foreseeable future, accession to the WTO is very unlikely.

Competition policy



Liberalization of foreign trade



Turkmenistan formally has a two-tier banking system. Three state-owned banks, the TurkmenVnesheconombank (focus: foreign trade and project financing), the Dayhanbank (focus: agriculture) and the Turkmenbashi Bank (focus: development and heavy industry, transport/telecommunications, construction and trade) comprise more than 80% of the country's banking business. The State Development Bank of Turkmenistan finances large-scale government projects. The private Turkmen credit union, Rysgal, which operates under the auspices of the Union of Industrialists and Entrepreneurs in Turkmenistan, is ultimately also controlled by the state in accordance with regulations in force in the banking sector.

Since 2012, commercial banks have published their audited balance sheets in accordance with international standards (IFRS). However, these balance sheets are hardly credible. Total assets have been declining or stagnating for years. The share of assets in gross domestic products is very small compared to the international average. The central bank is far from independent. It performs the functions of a commercial bank and manages the accounts of the main state actors in the oil and gas sector. Ultimately, the president himself determines the central bank's guidelines and the activities.

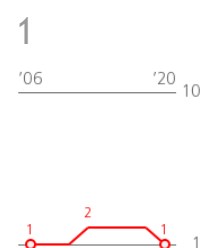
The weak and nontransparent banking system suffered from a large and growing shortage of cash and foreign currency during the reporting period. Improvement is not in sight. Quite a few companies, which have to procure raw materials from abroad, have ceased production in Turkmenistan or are about to close down due to massively increased currency problems. Free access for companies and natural persons to their accounts is not guaranteed. For example, the state predominantly transfers wages, pensions and social benefits to money cards, from which cardholders can only draw very limited amounts of cash. Moreover, shops have only a limited number of card readers.

8 | Monetary and fiscal stability

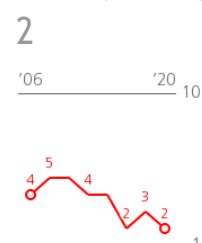
Turkmenistan's currency (the manat/TMM) is not freely convertible. As of 1 January 2015, the central bank devalued the manat to the rate of 1 U.S. dollar = 3.50 manat as a result of turbulence in the international oil and gas markets and the massive depreciation of the Russian ruble (Russia imports one-fifth of Turkmen exports). This rate was still valid in the period under review, although general economic conditions should have occasioned a further devaluation long ago.

Real annual inflation has been well above officially reported price increases for years. In reality, it is in excess of 100%, which is several times higher than the officially reported rate (2016: 3.7%, 2017: 8.0%, 2018: 9.5%, year on year). The basket of goods used to determine the inflation rate does not correspond to the needs of the population. It includes too few services and imported consumer goods.

Banking system



Monetary stability



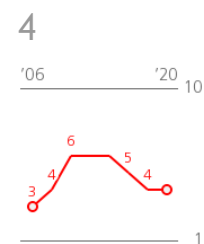
The shortage of foreign currency in the Turkmenistan financial market, which began in 2014 as a result of falling revenues from oil and gas exports and continued in subsequent years, has led to considerable restrictions on currency conversion. In addition to state-owned companies that carry out major projects or erect prestigious buildings, only companies that are sympathetic to the president can now exchange foreign currencies at the official rate. The population is subject to massive restrictions on currency exchange.

The great shortage of foreign exchange ability gave rise to a gray foreign exchange market with an exchange ratio far above the official rate. Consequently, the prices for many goods skyrocketed. The country has to import most of its consumer goods and inputs for its own production. For a large part of the population, many everyday commodities are no longer affordable. The presidential family and the president's closest networks benefit from the current foreign exchange policy. They can cover their foreign exchange needs with the favorable official exchange rate.

Macroeconomically (budget balance and debt), Turkmenistan was in a comfortable position until the economic and financial crisis in 2015, thanks to high revenues from exports of oil, gas and oil products. Surpluses were accumulated in a Stabilization Fund established in 2008. The fund could have developed into a solid basis for a balanced and sustainable investment policy in the interest of economic diversification. However, there is no credible information regarding how it has been used.

From 2016 to 2018, the economic situation in Turkmenistan deteriorated drastically as a result of massive export failures (lower world market prices for hydrocarbons and halted gas purchases by Russia and Iran). Economic indicators such as the balance of payments slipped significantly into the red. The pre-tax profits of the public sector in 2017 were only \$792 million, less than one-fifth of the pre-crisis levels of 2013 and 2014. Gas and oil production, which is the country's major industry, recorded losses in 2016 and 2017. In 2018, the economic situation of state-owned enterprises, the state's most important source of income, improved only marginally. A large part of the expenditures planned for that year continued to flow into urban development projects and prestige buildings. State expenditures for co-financing projects to diversify the economy remained low. There is no evidence that the government wants to invest in sustainable economic development.

Fiscal stability



9 | Private Property

The guarantee and protection of property rights and the acquisition of property are formally enshrined in the constitution and other laws. Reality, however, looks different. Even minor offenses such as missing tax payments or not having valid licenses and permits are often punished with the confiscation of personal property. Forced relocations and expropriations in the “state interest” of entire settlements or streets, mostly without any justification, advance notice or compensation, are not uncommon. Several hundred houses in Ashgabat had to give way for the construction of an Olympic village. Many former residents were not compensated.

It is estimated that far more than 100,000 inhabitants have been affected by forced resettlement in the capital to date. The demolition of settlements takes place on the orders of the president. He wants to push ahead with the costly and economically unviable expansion of Ashgabat into a showcase city with the greatest number of marble buildings in the world. In many residential areas, the state administration regularly removes satellite dishes and outdoor air conditioning systems without prior notice. It justifies this practice by claiming it is improving the unattractive cityscape. With regard to the satellite dishes, the state is more likely to seek to block foreign broadcasts.

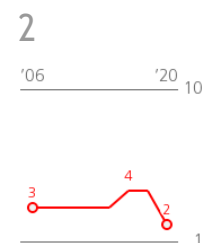
As a rule, domestic and foreign investors have to be aware that their assets may be expropriated without compensation at any time due to the political conditions in the country. This risk is also reflected in the Property Rights Index, which is calculated annually by the Heritage Foundation, where Turkmenistan has one of the lowest values for the protection of property rights.

The situation is also critical with regard to the protection of copyrights. Turkmenistan has comparatively solid legislation, largely based on analogous international provisions. In practice, however, these rights are often ignored.

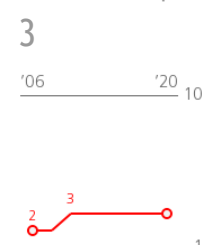
The Turkmenistan economy will remain a centrally managed state economy in the coming years. But the private sector is slowly taking off. In the period under review, small and medium-sized economic entities representing the private sector outside the many small traders in the bazaars and markets continued to increase in terms of numbers and turnover. Private economic entities are usually members of the Union of Industrialists and Entrepreneurs of Turkmenistan. They are mainly active in the trade/distribution, construction and agro-industrial sectors. By mid-2018, the union had about 20,000 members. Its gross fixed capital formation amounted to around \$1.3 billion at the beginning of 2018. Yet, many companies are currently in a difficult economic situation as a result of the deep economic and financial crisis. A number of companies had to cease activities.

The union is officially independent, but in practice coordinated and regulated by the state, by the president and his close relatives, in particular. Business projects are often

Property rights



Private enterprise



politically motivated and require mastering many bureaucratic hurdles. To implement their projects, young entrepreneurs need relatives and/or close friends among the authorities, connections to networks and access to the financial sources of those networks.

The implementation of new privatization programs focuses on the sale of unfinished projects and economically ailing businesses. The vast majority of large manufacturing enterprises are still in state hands.

10 | Welfare Regime

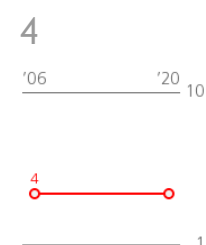
Turkmenistan's welfare system is based on a social security system restructured in 2013, a pension savings system introduced at the same time and several medium-term programs in the areas of health, education, the labor market, childcare, sports activities for children and young people and the promotion of home ownership. Every year, several dozen medical facilities are built or comprehensively modernized. However, many of these are simply showpieces or prestige buildings.

The health situation is unsatisfactory for the majority of the population, especially among those living outside the capital. The main shortcomings in the health sector are poor management of new facilities in Ashgabat, poor health care in rural areas and small towns, an acute shortage of skilled workers, severe corruption and recent, acute shortages in medical tools, such as diagnostics and consumables, due to the country's currency crisis. At the beginning of 2017, there were only 13,800 medical doctors or 2.4 doctors per 1,000 inhabitants. In several fields of medicine, there are no specialists. Annual per capita expenditures for the health care system are as low as \$140.

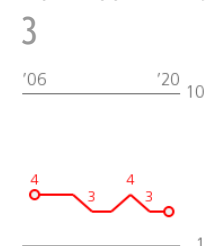
A special feature of Turkmenistan's social system is the high level of subsidies for water, gas and electricity (even after the abolition of the cost-free provision in January 2019, which existed for decades). In conjunction with this, new costs have been introduced, such as a tenfold hike in pre-school fees and tuition fees at subsidized, specialized schools. An effective public safety net for those in need does not exist. People in need rely almost exclusively on family and neighbors' help, support from village communities and informal structures, as well as charity from "better earners."

Equal participation in society as guaranteed by the constitution to all citizens, including people with disabilities and regardless of nationality, creed or social status, does not exist in practice. During the reporting period, the social and economic inequality of the population reached a worrying level for the socioeconomic development of the country. Many people are unable or barely able to cope with everyday life, due to drastic losses in income. A number withdrew from established social relationships for fear of public humiliation.

Social safety nets



Equal opportunity



The already low share of regular employment, estimated at less than 30% of the total workforce in the country, has steadily declined since 2016. The wave of redundancies observed since mid-2015 continued during the period under review. Well-paid jobs are only awarded to those who are part of the informal networks of employers who have contacts with decision-makers and can afford the often lavish financial “expense” of keeping their job. Most people referred to as self-employed earn their living through unprofitable activities in the agricultural sector, in retail trade or transport. They enjoy hardly any social protections. The Committee on Economic, Social and Cultural Rights of the United Nations Economic and Social Council (UNO) estimates the real unemployment rate at up to 60%. Unemployment in rural areas and among young people is worryingly high.

There is also no equal opportunity in education. Regardless of efforts by the government to reform the school system, about three-fifths of secondary school graduates have no real opportunities for further education. The capacities of the 24 state-run higher educational establishments are very low, with around 10,000 new enrollments per year (academic year 2018/2019). This opens the door to corruption. About four-fifths of new study places awarded each year go to students whose parents can afford bribes of up to tens of thousands of dollars. Young people who live outside the capital are particularly unlikely to receive an education. In the country, there are virtually no universities and only a few vocational schools.

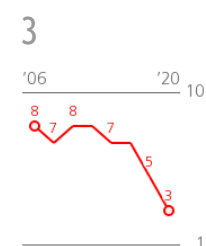
Members of national minorities and non-Muslims find it harder each year to exercise their constitutional rights due to the “Turkmenization” of society. This is particularly relevant in education (higher and vocational education) and in recruitment to public service.

The situation of women in society remains critical. Although women are legally equal to men in all social and economic affairs, women do not have the same opportunities as men, due to cultural prejudices. Women rarely hold high professional positions, are rarely members of the new entrepreneurial class and work jobs that are poorly paid and not demanding.

11 | Economic Performance

During the reporting period, the economic situation in the country deteriorated significantly. In 2017 and 2018, GDP, measured in U.S. dollars against the (unofficial) parallel exchange rate, averaged only slightly less than one-third of the 2014 level. State sector earnings, Turkmenistan’s main source of income, have diminished to a very modest amount. Officially, the government reported real GDP growth of more than 6% for both 2017 and 2018. These growth rates do not correspond to reality, simply because inflation is clearly underreported. GDP is likely to have slipped significantly into the red.

Output strength



GDP per capita in 2017 and 2018, converted at the official exchange rate, was around \$7,400 and \$6,600, respectively. Based on the more realistic parallel exchange rate, GDP per capita for 2017 and 2018 was much lower at almost \$3,000 and \$1,600, respectively.

The hydrocarbons sector and production of cotton fibers and textile products provide Turkmenistan with a steady source of income, although this revenue has considerably declined in recent years. Natural gas, oil and oil products account for nine-tenths of export earnings. According to the World Bank, the country still has a fairly significant amount of currency reserves.

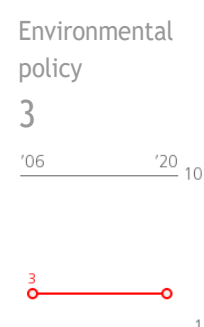
With the commissioning of the Turkmenistan-Uzbekistan-Kazakhstan-China gas pipeline at the end of 2009, Turkmenistan freed itself from its total dependence on trading gas via Russia. But because Russia completely stopped purchasing Turkmenistan gas in 2016 and suspension of the – less important – SWAP gas deal with Iran, the Turkmenistan gas industry has become highly dependent on selling to the People’s Republic of China. In order to diversify its exports geographically and by sector, Turkmenistan has pursued developing gas chemistry and building a gas pipeline to Afghanistan-Pakistan-India (the TAPI project). However, this pipeline project still hangs in the balance.

Also worth mentioning is agriculture (cultivation of cotton, cereals and fruit and vegetables); the food, textile and clothing industries; product groups in the chemical and building materials industries and, particularly, construction. Both agriculture and manufacturing are characterized by low efficiency.

12 | Sustainability

Environmental awareness is increasingly mentioned by the government, but receives little attention in practice. Turkmenistan has formally committed itself to environmental protection by signing numerous international agreements and adopting several new ecological laws (the Law on State Ecological Reports in 2014, the Law on Waste in 2015). However, environmental concerns have been subordinated to economic growth. The level of environmental pollution is high at major industrial sites. Measures implemented or initiated, for example, to improve the ecological situation at the Turkmenbashi oil refinery or the fertilizer factories in Mary are far from sufficient to restore the environment at these sites.

In many cities and settlements, a continuous and high-quality water supply is not guaranteed. Most pipeline networks and pumping stations are worn out. Desalination plants operate poorly. At least two-thirds of the irrigation systems in operation today need renewal. They require improved routing, concrete beds and covers. Only a fraction of the areas earmarked for irrigation (1.4 million hectares) receive efficient irrigation.



There have been no significant activities to implement the National Strategy for Climate Change, drawn up by the Supreme Council for Science and Technology under the president in 2012 and 2013. These plans envisage accelerated introduction of energy-efficient and energy-saving technologies and the use of renewable energies in state industry, public transport and municipal housing.

When it was part of the USSR, Turkmenistan had an education system with relatively high standards accessible to all social classes. As a result of the Soviet Union's collapse and negligence of the education system by former President Niyazov, thousands of Russian and many Turkmen teachers left the country. The school system was reduced to a minimum both in terms of the quality of schools – the only textbook allowed was *Ruhnama*, written by Niyazov himself, and the numbers of years of study, which was nine. President Berdymukhamedov reintroduced the normal standard period in secondary schools. Students now leave school after 10 years to work or complete a total of 12 years of schooling. He increased the length of tertiary study to four years, where Niyazov had reduced the allotted time to just two years, and vocational education. He also undertook the construction of new school facilities.

New vocational and higher education institutions offer training and courses to meet the needs of economic sectors that have recently undergone dynamic development: oil and gas production, geology, oil processing, agriculture, textile and chemical industry, railway transportation, construction and civil engineering, as well as municipal economies. Berdymukhamedov also revived the Academy of Sciences that had been liquidated by his predecessor.

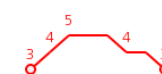
Despite all this, the current situation in education is critical. Turkmenistan has one of the lowest university capacities in the world: only 66 students per 10,000 inhabitants in 2017/18 (by way of comparison, the figure for 1989 was 117 students per 10,000 inhabitants). Most vocational training institutions offer only short training courses between 6 and 18 months. There is an acute shortage of qualified teachers and research-based teaching materials. Study and training programs are overloaded with ideologized “social science” curricula. The education system is exclusively state-run and suffers from abuse of office on all levels. The low number of enrollments at universities and vocational schools is reflected in Turkmenistan's poor performance in the U.N. Education Index. Among all five Central Asian republics, the country has the lowest score in the index (2017: 0.604 points).

At 0.7% (2016), the percentage of GDP invested in education is very low compared to other countries. The amount of investment shrank sharply in the reporting period, compared with previous years, amounting to less than \$150 million in 2018. Total investment in R&D is unlikely to have exceeded \$15 million.

Education policy /
R&D

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Governance

I. Level of Difficulty

Turkmenistan possesses some basic prerequisites for successfully transforming its economy and society into a democratic and economically efficient state. These include the country's natural resource base, a relatively small population and relatively high levels of education (measured by the literacy rate and the proportion of the population with a general school certificate). As a resource-rich country, Turkmenistan can generate substantial foreign exchange revenues and use them to boost sustainable development.

However, progress is made considerably more difficult by government mismanagement, in particular, policies that deter the diversification of its gas export market and impoverish the population. Structural problems include extant nepotism and regionalism and the dearth of well-trained workers to implement new projects in industry (such as gas chemistry and oil processing) and other sectors of the economy (such as IT and animal husbandry). The president's absolute control over all state revenues and the state apparatus, combined with the lack of efficient rule-of-law structures, act as a brake on development. Additional impediments are the vast distances among the country's few large population centers. In addition, transportation and communications infrastructures are underdeveloped. In the interest of future socioeconomic development and secure revenues, Turkmenistan urgently needs to further diversify its economy.

The lack of civil society traditions complicates Turkmenistan's socioeconomic development. Existing regional and informal networks, which have developed according to clan affiliation or patron-client relationships, represent a certain substitute for formally established civil society organizations. Independent networks established in the pre-Soviet period were maintained on a reduced scale under Soviet rule. The majority of non-governmental organizations active in the country are promoted by the government, (i.e., government-organized non-governmental organizations, or GONGOs) and lack independence from the state. Examples include the veterans' association, the Magtymguly Youth Union of Turkmenistan and the Women's Union of Turkmenistan, which were reported to account for more than three-quarters of the list officially registered with the Ministry of Fairness.

Structural constraints

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Civil society traditions

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There is considerable potential for conflict in Turkmenistan. However, as a result of repressive state power, there are relatively few open conflicts. President Berdymukhamedov relies much more on regional and family loyalties to assert his power than his predecessor, with preference in appointment to senior posts given to relatives and people from the president's home region in the western part of the Ahal Province. Politics and business in Turkmenistan are determined by a relatively small number of nomenklatura families.

Members of the titular nation not part of the Ahal-Teke clan have little chance of participating in central decision-making. Members of other ethnic groups are exposed to strong Turkmenization pressure in all spheres of life and systematically deprived of many of their constitutionally guaranteed rights. A noticeable increase in civil rights violations and the abrogation of private property rights, in particular, during the reporting period has led to a growing unease in Turkmenistan's society.

II. Governance Performance

14 | Steering Capability

Strategic political and economic goals in Turkmenistan are set by the president and the presidential administration. The country's permanent neutrality declared in December 1995, as well as its stable political relations with neighboring countries, including Afghanistan and the Caspian Sea states, are regarded as central elements of foreign policy. Berdymukhamedov regularly expresses a wish for increased relations with the EU in the interests of significantly expanding economic contacts with a focus on the energy sector (supplying natural gas, oil and oil products). Turkmenistan's foreign policy has fairly clear objectives and some successes.

The situation of domestic policy is different. The president and his closest confidants do not support political liberalization, including the dismantling of repressive state functions and granting more rights and freedoms to the population. Nevertheless, in the interest of safeguarding national independence, a trend toward promoting greater professionalism in the state administration is emerging. This can be seen, inter alia, in the opening of new educational establishments to meet the needs of public service and state-owned enterprises in priority sectors. However, these efforts are undermined by a high level of corruption, self-serving interests of the elite and strong clientelism.

In the first years after taking office, President Berdymukhamedov passed several laws to reform the economy. Some of these provisions were subsequently developed, particularly in private entrepreneurship. However, no far-reaching reforms to

Conflict intensity

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Question
Score

Prioritization

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promote economic liberalization have occurred. The state wants to maintain its dominance in industry, in many service sectors and in the cotton and grain industries. The state economy suffers from inefficient management, nontransparent personnel policies and a lack of long-term strategies.

After taking office, Berdymukhamedov successfully introduced some elements of a free market economy (development of private enterprise, reduction or abolition of import and export duties, reduction of licensing procedures, expansion of entitlements for private commodity exports). Immature legislation, the lack of an independent judiciary, pervasive state dirigisme in all economic matters and the lack of privatized industry are the main reasons why Turkmenistan has not made significant progress toward economic liberalization. The government pretends to implement market economy principles. In reality this does not happen, so as to maintain power.

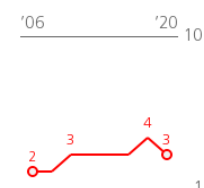
In the annual Index of Economic Freedom published by the Heritage Foundation and the Wall Street Journal, Turkmenistan ranks an inglorious 169th out of 180 countries surveyed (2018). The poor ranking reflects the fact that private firms can barely establish themselves. Turkmenistan is classified as a repressed state and performs well below average in seven out of the 10 categories surveyed: freedom of investment, effective judicial system, financial freedom, freedom of employment, government integrity, property rights and entrepreneurial freedom.

Turkmenistan's government has not shown that it is capable of carrying out long-term reform. The state's problem-solving capacity is weak and decision-making, based almost entirely on the president's will, is capricious. While a cursory analysis suggests President Berdymukhamedov has reformed substantial parts of the economy, little has actually changed. Foreign NGOs cannot operate properly in the country as they are often harassed by the state administration.

Policy learning can only be institutionalized in Turkmenistan if ministers are charged with comprehensive responsibilities, which they never have had. Frequent, mostly arbitrary dismissals and replacements of senior and middle-level state officials, as well as fear of reprisals if the interests of the president are not observed, paralyze the entire state apparatus and prevent learning processes. Limited policy learning potential can be observed in adaptations to international standards demanded by international organizations. For example, the International Labor Organization's international labor and social standards have been incorporated into amendments to labor and social laws.

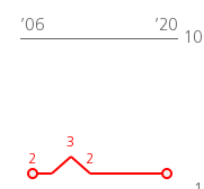
Implementation

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Policy learning

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15 | Resource Efficiency

Turkmenistan, rich in raw materials, is far from effectively making use of its human and economic resources. Nepotism and favoritism, politically motivated staffing, frequent rotations of middle and senior management, bureaucratic administrative procedures and inadequate training of staff are the causes of ineffective public administration. The modern, expensive medical technology installed in new public hospitals and health centers in Ashgabat often remains unused, as there are far too few medical specialists in the country. Plans for accelerated training of physicians are rarely implemented.

Poorly managed state-owned enterprises, which are often in urgent need of restructuring, and an absence of focus on demand-driven production are the causes of very low capacity maximization and missing profits in industrial enterprises.

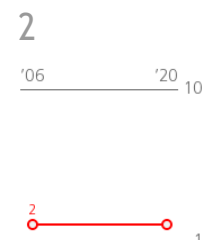
Agriculture suffers from over-regulation by the state, a lack of investment in upstream sectors (especially water supply, irrigation and pasture farming) and a lack of transparency in the provision of fertilizers and technology. Reform of this sector, announced long ago, has not taken place.

Central investment policy regularly misallocates funds, supporting the construction of prestigious buildings, poorly implemented, new industrial projects and oversized transport infrastructure objects (Ashgabat airport, Turkmenbashi seaport). Many billions of U.S. dollars have flowed into expensive and barely used administrative buildings, hotels and cultural objects.

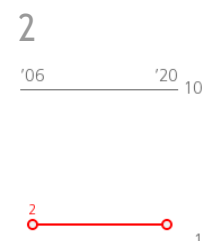
The construction of the Olympic Village, where the 5th Asian Indoor & Martial Games/AIMAG took place in September 2017, amounted to expenses of \$5 to \$6 billion. Today the complex is hardly used. The numerous projects in the Avaza National Tourism Zone on the Caspian Sea have a dubious economic basis. An estimated \$4.5 billion has been invested in constructing numerous properties there to date. There are practically no foreign tourists. Public servants are obliged to spend their holidays there.

Turkmenistan has no serious reform programs. At the meetings of the Cabinet of Ministers, the president pronounces his visions for the country's development and every small legal change as a reform. He instructs the relevant ministers to draw up appropriate proposals, documents and legal amendments. There is practically no cooperation between ministries and authorities at lower levels. The various threads of "reform projects," development programs and strategic documents come together with the deputy prime ministers responsible for the respective economic sector and/or part of the country. Initiatives from the ministries and other authorities are not desired.

Efficient use of assets



Policy coordination



The macroeconomic policy of the president and his government are geared exclusively to publicize growth rates on the basis of new decorative, mostly infrastructural, projects. Urgently needed improvement in the effectiveness of existing production and the basic conditions for economic development are largely ignored. There are no signs of any coordination between the financial sector and growth targets in individual economic sectors. The large difference between official and real exchange rates produce to large distortions in the cost structuring of production.

There has been no change in terms of the rampant corruption in the state administration (including in the realm of tenders), in the judicial and security apparatus or in education or health, even after the adoption of Turkmenistan's first anti-corruption law in March 2014. The president ordered several dozen high-ranking public servants in Ashgabat and regional and local administrative directors to vacate their posts in 2017 and 2018 due to "corrupt behavior." This order was not intended to decrease corruption, which is a fundamental part of the clientelist system and everyday life for Turkmenistan's population. The lack of control over public expenditures by independent auditors is a massive obstacle to the officially declared anti-corruption policy.

Anti-corruption policy

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16 | Consensus-Building

There are no major political actors or interest groups in Turkmenistan willing and in a position to establish democracy or a free market economy. The current president does not allow any opposition group to form that could challenge his authority. Because of the president's dominant position, rivalries among different state institutions, such as the security apparatus, the judiciary and the ministries, take the form of reciprocal denunciations of the rivals' "corrupt practices" but are not related to – or portrayed as – conflicts over basic political goals.

Consensus on goals

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There is also no class of independent Turkmenistan businessmen or financial or industrial groups that strive for an open market economy, as in the case of neighboring Kazakhstan. The ruling president sets the agenda and permits elements of a market economy only if they increase the state's export (i.e., his own) revenues or if they produce import substitution products. Moreover, governmental elites in various ministries and agencies fail to formulate agendas to benefit the country beyond their short periods in office.

The state is fundamentally anti-democratic. President Berdymukhamedov is not committed to liberal democracy and has suppressed almost all activity in support of democratic reform.

Anti-democratic actors



Some cleavages exist along regional, ethnic, social and religious lines, but the personal rule of the president and extensive control by the security apparatus keep dissent to a minimum. For example, non-Ahal Turkmen are often marginalized and generally denied access to high-level political and economic positions. “Ahalization” of the republic has entailed that the government offers jobs and investment opportunities almost exclusively to residents of the western Ahal region. However, as long as the president maintains control over different patronage networks, the prospect of conflict remains low.

Cleavage / conflict management



The political leadership suppresses and excludes civil society actors from the political process. It is almost impossible for independent NGOs to operate legally, unless they are completely loyal to the regime (if not, they are not able to open bank accounts, rent space or install internet connections). Only pro-governmental organizations, such as the Woman’s Union, the Veteran’s Association, the Turkmenistan Youth Union and three political parties are registered. Within Turkmenistan itself, there are several unofficial and informal groups connected through limited social networks (for example, the ecological movement).

Civil society participation



There are still many prisoners incarcerated in connection with an alleged assassination attempt on former President Niyazov in November 2002. In most cases, there has been no information on their fate, whereabouts and health condition for years. Family members are denied information and contact. In 2016, around 60 people, including entrepreneurs and teachers, allegedly connected to the Gülen movement, were sentenced under various pretexts in closed trials to long prison sentences of five to 25 years, some to difficult conditions (solitary confinement). Due to the lack of transparency in Turkmenistan’s judicial system, there is no reliable information on the total number of politically persecuted prisoners.

Reconciliation



An international campaign called Prove They Are Alive was launched in 2013 by international human rights groups. After three years of intensive lobbying, it persuaded the government to provide for the first time information about the fate of people imprisoned under Niyazov’s rule. Due to international pressure, diplomats and representatives of civil society organizations were allowed to visit a prison in Turkmenistan at the end of 2018. However, the visitors only had the opportunity to inspect the premises of the prison. They were not allowed to talk to the inmates.

Arrests and detentions without due process have not waned since Berdymukhamedov became president. Abolishing acts of injustice and reconciliation are not on the government's agenda.

17 | International Cooperation

Turkmenistan is a member of the United Nations, the Non-Aligned Movement and the OSCE. It cooperates with many other international organizations that provide support for economic and social development. As of January 1, 2019, the country had signed more than 150 international treaties and conventions. However, the implementation of democratic reforms, declared by the president and the government in a series of these agreements, have hardly materialized.

Nevertheless, the president and his entourage increasingly feel a need to accede to even more international agreements and to at least partially fulfill contractual obligations entered into to develop democratic and market elements in the country, at least in terms of legislation. This results from increasing integration into the international economy, especially into the global gas and transport market.

International donor banks withdrew from Turkmenistan in the mid-1990s due to over-reaching state regulation of their activities and the government's reluctance to provide information on the state of Turkmenistan's economy. Recently, thanks to Turkmenistan's slight opening and important cross-border regional projects, the Asian Development Bank (ADB), the Islamic Development Bank (IDB) and the European Bank for Reconstruction and Development (EBRD) are envisioning financial support for priority projects.

The government of Turkmenistan endeavors to present itself abroad as a partner and to become involved in international organizations. Foreign policy successes in the reporting period include membership on several U.N. commissions (Population and Development: 2016 to 2020, Science and Technology for Development: 2017 to 2020, Social Development: 2017 to 2021 and Inland Transport Committee of the Economic Commission for Europe: 2019 to 2020), in the Executive Board of UNESCO (2013 to 2017) and in the UNESCO Intergovernmental Committee for Physical Education and Sport (2018 to 2021). Yet, it remains closed to any U.N. monitoring inside the country, which impairs its widely publicized image of a fully integrated member of the international community.

The increasing presence of the country in international organizations must be seen in the light of the country's growing strategic and geopolitical importance as Afghanistan's neighbor (border length: 744 km), as an important supplier of natural gas to the People's Republic of China and as a potentially important transit country on the PRC – Europe route (in the framework of the Chinese Belt-and-Road Initiative). The country has repeatedly declared its willingness to promote intra-Afghanistan dialog under the aegis of the U.N. and maintains close political and economic relations with Afghanistan.

Effective use of support

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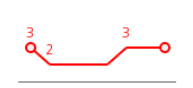
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Credibility

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Turkmenistan's outsized positive self-portrayal as an emerging, opening and reforming country contrasts with reality, but is increasingly being accepted by EU and U.S. decision-makers, due to the country's growing role as a strategic player and source of precious resources in Central Asia. Due to the repressive and secluded nature of the regime, however, the government's credibility as a reliable international partner remains low.

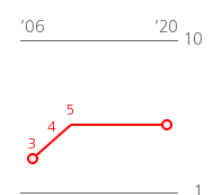
Turkmenistan made efforts to expand its political and economic relations with the countries bordering the Caspian Sea and with other Central Asian and South Caucasian countries during the reporting period. At the microeconomic level, however, cooperation with these partners remains underdeveloped due to the difficult business environment in Turkmenistan. Political relations with these neighbors also suffered renewed setbacks. The triggers are arbitrary border closures by Turkmenistan and imposing entry bans on shipping companies from neighboring countries.

The country is a member of the Economic Cooperation Organization (ECO), an associate member of the CIS and an observer in the Shanghai Cooperation Organization (SCO). President Berdymukhamedov considers China, Turkey, the United States, Russia and the EU to be strategic partners. Relations with neighboring Uzbekistan were particularly active during the reporting period. A significant revival in political contacts with Russia in the years 2015/2016 was apparent, but flattened out in the reporting period. The reasons are the import ban Russia imposed on Turkmenistan natural gas and an unresolved \$750-million investment dispute between the Turkmenistan government and the Russian mobile phone operator MTS, which operates in the Turkmenistan market.

Political and economic relations with Azerbaijan deserve special mention. Behind the increasing number of reciprocal visits at the government level from year to year, there are two projects from which the two economically distressed countries seek to benefit in the future. The first is construction of an approximately 300-kilometer Transcaspian underwater gas pipeline between Turkmenistan and Azerbaijan to transport Turkmenistan natural gas via Azerbaijan, Georgia and Turkey to Europe, which has again moved into focus. The second is the construction and expansion of the more than 3,000-kilometer Lapis Lazuli Eurasian transport corridor from Aqina/Torghundi (Afghanistan) to Istanbul (Turkey) via Turkmenistan, Azerbaijan and Georgia. Turkmenistan and Azerbaijan agreed at the end of 2018 to establish a bilateral government commission for cooperation in the transport and transit sectors.

Regional cooperation

5



Strategic Outlook

Turkmenistan's political and economic situation in the reporting period leave no doubt that no progress has been made. The president has consolidated his power more than before and leaves no room for democratic freedoms. The executive branch completely dominates the legislature and the judiciary. The power of the president is based on control of revenues from hydrocarbons exports, which allows him to finance pervasive security services and patronage networks, new constitutional arrangements, and a network of relations with his former home region (Ahal) and his family clan.

Compared to previous years, there are more formal constitutional and democratic elements in the legislature today. In practice, however, they are hardly implemented and exist only to simulate democratic conditions in the country. Efforts to implement these rules, which can sometimes be observed, are undermined by informal state power mechanisms.

President Berdymukhamedov recognizes an urgent need to introduce a new economic model for the period up to 2025. However, his call for reforms, officially made in December 2018, will almost certainly remain pure rhetoric. Noticeable improvements in democratic structures cannot be expected in the coming years. The authoritarian presidential regime remains marked by arbitrariness, oppression and censorship. To maintain undiminished power, control over all important developments in the country and the preservation of his privileges, Berdymukhamedov can be expected to continue his practice of regular rotations of elites and a tightly controlled security and police apparatus.

The regime can also continue to rely on the sociopolitical characteristics of Turkmenistan's society, such as apoliticalism, a lack of knowledge of democratic processes and a low level of education among most people. For the time being, the great inequality between the poor and the rich parts of the population will not change due to undiminished levels of corruption, the massive, state-sanctioned social exclusion of entire population groups and a lack of willingness to return to a functioning and economically justified monetary exchange rate.

The president, as "Chief Architect of Turkmenistan," will continue to press ahead with the construction of useless prestige properties such as palaces and luxury hotels, organize expensive show events at home and abroad, and invest little or no money in the much-needed diversification of the economy. However, the Turkmenistan government is under great pressure to promote liberalization, at least in some areas of politics and business. The massive loss of revenues from hydrocarbon exports severely restricts the scope for implementing government projects and financing imports. The country is dependent on inflows of money from abroad. Such inflows require at least small improvements in the political and business environment.

The government accepts the continuing economic dry spell and hopes for early export revenues from the 2019/2020 start-up of polyolefins and liquid fuel plants, as well as the announced potential resumption of gas exports to Russia. In addition, medium-term revenues are expected

from gas exports to Southeast Asia (TAPI pipeline) and later to Western Europe. Privatization of larger manufacturing enterprises could stimulate the private sector and exports, but is not under consideration by the government.

In view of the country's increasingly acute economic crisis since 2016, market observers suspect growing protest among the population against Berdymukhamedov's autocratic regime. Discontent certainly exists, but it is not publicly expressed, or barely so. The fear of reprisals by the state and security apparatus is too great. This fear will remain in the years to come. Large protests are unlikely in view of the fact that the police and security apparatus are led with an iron hand.