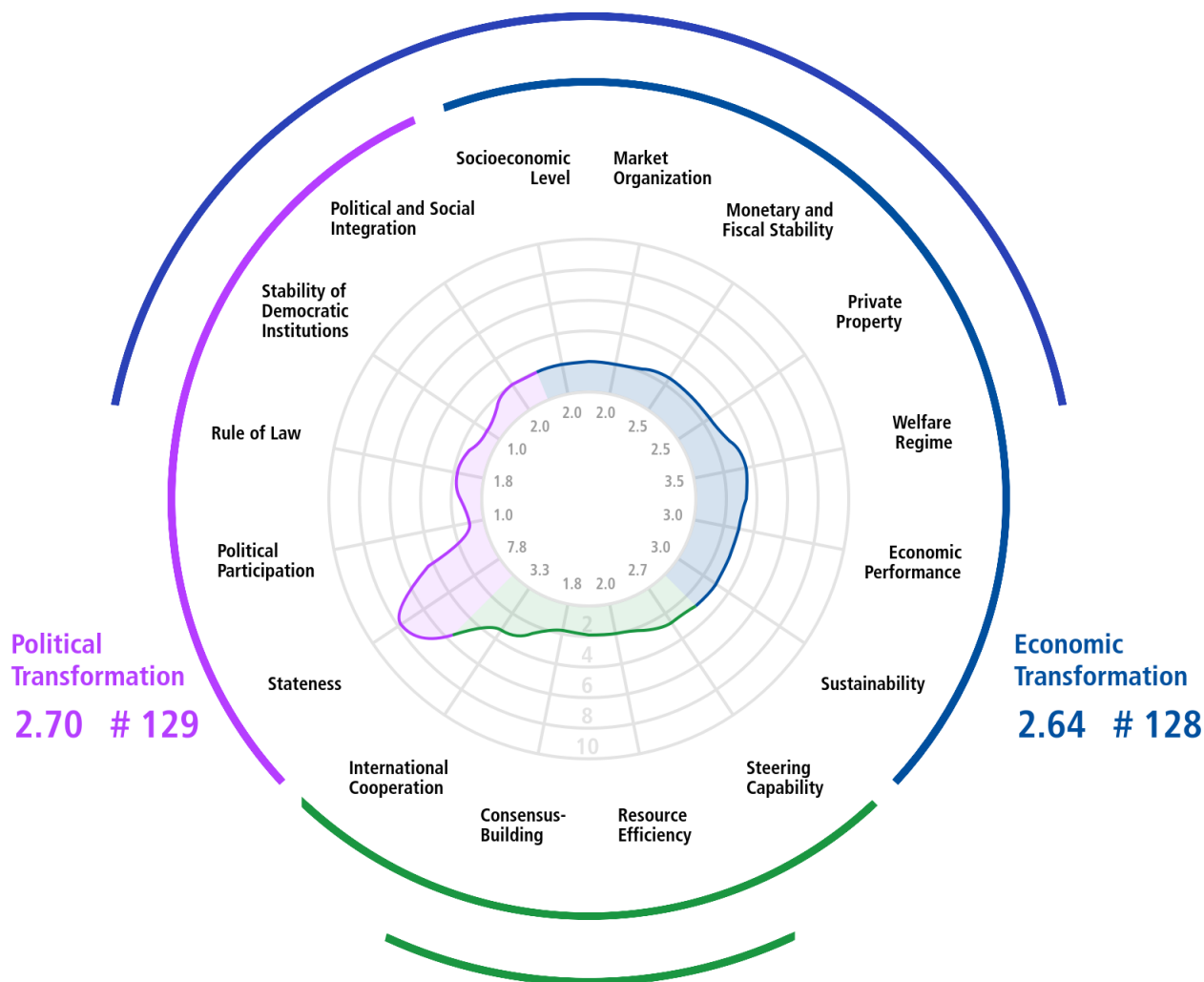


Turkmenistan

Status Index

2.67 # 128

on 1-10 scale out of 137



Governance Index

2.19 # 130

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2022 Country Report – Turkmenistan. Gütersloh: Bertelsmann Stiftung, 2022.

This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Claudia Härterich

Phone +49 5241 81 81263
claudia.haerterich@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	6.0	HDI	0.715	GDP p.c., PPP \$	-
Pop. growth ¹	% p.a.	1.5	HDI rank of 189	111	Gini Index	-
Life expectancy	years	68.2	UN Education Index	0.653	Poverty ³	% -
Urban population	%	52.5	Gender inequality ²	-	Aid per capita \$	4.3

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. 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

Along with the People's Republic of Korea, Turkmenistan is considered to have one of the most restrictive political systems in the world. Under its ultra-centralized regime, human rights and civil liberties are not respected and every noteworthy project requires direct personal contact with and approval from the president, his deputy prime ministers or ministers.

During the period under review, there have been no signs of any democratic development or improvement in human rights. The economy operates within a very tight corset of state regulation and influence that is thoroughly intertwined with large-scale corruption. Reforms in all areas of society are primarily cosmetic.

Gas-rich Turkmenistan has been in a severe economic crisis since 2015. Misguided economic policies, especially those pertaining to monetary and foreign exchange, have led to a further worsening of the already-difficult socioeconomic situation in the country during the reporting period. A massive shrinking of purchasing power, the rationing of basic foodstuffs at state-supported prices, restricted access to personal bank accounts and a significant increase in poverty are clear indicators. Scarce employment opportunities have dwindled further, while corruption has become even more rampant.

The dire situation has been exacerbated by the COVID-19 crisis – and the government's total denial of it. There are only a handful of U.N. member states, including Turkmenistan, that have failed to report any cases of COVID-19. Nevertheless, the pandemic puts additional strains on the health system and the economy.

People's growing discontent with the deterioration of living conditions is reflected in an increasing number of protest actions, including the distribution of leaflets, the hanging of posters and the labeling of banknotes with slogans directed against the president or the government. Despite restrictive travel regulations, an increasing number of people have made the decision to emigrate for economic and/or political reasons. The government is countering the population's visibly

growing dissatisfaction with an even stronger denial of fundamental rights and freedoms, as well as threats of punishment for even the most negligible offenses against the state.

A number of major projects in the natural gas and gas processing sectors, as well as with respect to transport corridors have brought the country attention. At first glance, Turkmenistan's cooperation with foreign governments has developed positively during the reporting period. The country has hosted an unprecedented number of international meetings and is participating in international events. However, these activities are intended to simulate cooperation and do not indicate an increasing openness or trend toward democratization. There are only two tangible reasons behind the increase in foreign contacts: first, the government wants to enhance the country's reputation in the interest of financing badly needed international natural gas and industrial projects and, second, to demonstrate to the population that the country's policies enjoy the esteem of the international community.

The personality cult around President Gurbanguly Berdymukhamedov intensified during the reporting period and took on more bizarre features. Expressions of devotion to the "Arkadag" (protector) entail new hymns of praise, page-long poems of dedication, generous gifts and the erection of new golden statues. In 2020, for instance, Berdymukhamedov's favorite dog, the Central Asian herding dog Alabai, received a tribute in the form of a six-meter-high golden statue. At the turn of the year 2020/21 many employees in public institutions had to dig especially deep into their pockets for the renewal of portraits with the president's face. The new portrait, with a gold-colored frame, is to be placed on what is now a 2.2- by 1.5-meter hand-knotted tapestry.

A detailed assessment of Turkmenistan's political and economic situation is complicated by scattered and even falsified information and data put out by the government. Official success stories reflected in economic statistics, in particular, are nowhere to be found in reality. Data published by international institutions are equally exaggerated, since they are predominantly based on figures from Turkmenistan statistics, due to the lack of other available data.

History and Characteristics of Transformation

Turkmenistan gained independence in 1991 with the collapse of the Soviet Union, a situation it was neither politically nor economically prepared. Saparmurat Niyazov, who was the first party secretary of the Communist Party of the Turkmen Soviet Socialist Republic, usurped Moscow's prerogative in decision-making and had himself elected president of the newly independent state in direct elections held in October 1990. He retained his role as president until his death in 2006.

Turkmenistan's first constitution of May 1992 declared the country a presidential republic based on democratic principles and the rule of law. It guaranteed the separation of powers and fundamental civil and political rights for its citizens. In reality, however, any form of political activity was suppressed, and an autocratic regime was established that relied on the intelligence services and security apparatus to maintain its hold on power.

Domestic legitimacy was established through a cult of personality surrounding President Niyazov that imbued him with a larger-than-life public presence as the chief of all Turkmen

(Turkmenbashi). When the failed August coup in 1991 sealed the fate of Marxism-Leninism as a ruling ideology, ethnic nationalism formed the foundation of the new sociopolitical order, and the “Turkmenization” of state and educational institutions was aggressively pursued.

Turkmenistan faced considerable pressure to adapt to the new situation in the 1990s as central planning by Moscow and Soviet-era producer and consumer relations dissolved. Export revenues from gas, oil and cotton, over which the state now had control, were not enough to compensate for the loss of Moscow’s budgetary financial transfers. As a result of declining shares in the Russian pipeline network, outstanding payments from the country’s top customer (Ukraine) and a lack of investment in infrastructural maintenance and improvements, gas production fell by 85% from 87 billion cubic meters to 13 billion cubic meters between 1990 and 1998. Many factories were closed. In 1993, the government introduced free water, gas and electricity to households and started to subsidize basic foodstuffs and petrol in an attempt to cushion the high inflation and impoverishment of the population.

Turkmenistan passed several laws (e.g., On Joint Stock Companies, On Entrepreneurial Activity and On Denationalization and Privatization of Property) after gaining independence to pave the way for a gradual transformation of the economy. However, the reforms stalled in the first years of Niyazov’s tenure and came to a complete halt in the second half of his presidency. Denationalization of the economy was limited to small actors in the retail and service sectors and to the most unprofitable enterprises in other sectors. Collective farms (*kolkhozy*) were dissolved in the mid-1990s, and peasant cooperatives emerged on the basis of lease contracts. However, the state continued to maintain its control over land use and holds a purchasing monopoly on grain and cotton. As a result, agricultural incomes for farmers without access to good land and subsidized goods and services are still very low. The restructuring of the agricultural sector has been hampered further by the ecological degradation caused by decades of extensive cotton cultivation, which has rendered hundreds of thousands of hectares of land unusable.

When President Berdymukhamedov took office in early 2007, a wave of hope swept through the country for progress toward a transparent, pluralistic and market-oriented state. However, the euphoria soon faded, and real progress has been marginal. The decision-making process is premised on the private interests of the leadership. Informal patronage networks and deeply rooted corruption are the mainstays of the current order. Berdymukhamedov’s “state network” is based on an inner circle that consists of approximately 80 to 100 close supporters and relatives, mainly from his home region in the Ahal Province near the cities of Baharly and Gökdepe. Members of the president’s family and his inner circle, who occupy all significant positions in politics, business (including trade) and education, use their rank as a source of private income. In addition, the proceeds from the export of hydrocarbons, mainly natural gas, provide a solid source of funding for the repressive apparatus, despite the recent decline in revenues. The president and his henchmen benefit from a deliberately low level of education, political apathy and the complete lack of press and information freedoms.

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 the entire territory of 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 steering domestic and foreign policy are firmly enshrined in the constitution.

There is only a small circle of officials and advisers close to the president who are privy to policymaking.

Rudimentary opposition groups can only be found at the regional level (above all in the province of Mary and the capital, Ashgabat) and abroad, primarily in Turkey. They mostly come from the entrepreneurial community and are severely repressed by the police and security services. Consequently, there is little chance for them to develop themselves.

The population at large supports state unity and the legitimacy of the nation-state, but would certainly like to see many more freedoms, democracy and justice in the country. The constitution formally guarantees equal rights, protection and development opportunities to all citizens (Articles 4, 5 and 25 to 65). In practice, these constitutional guarantees are not upheld. The rights of people without direct access to decision-makers and/or the financial resources required to pay bribes are regularly curtailed.

There are substantial restrictions on people's freedoms. There is no freedom of movement or settlement in the country. Citizens with registered residency in regions outside the capital Ashgabat usually have no chance to rent or purchase a flat in the country's metropolis. People from the regions who seek employment in Ashgabat have to go through a bureaucratic permit procedure; such permits are granted only in individual cases.

Question
Score

Monopoly on the
use of force

10



State identity

7



Critics of the regime, disgraced officials, members of religious communities, the family members of exiled dissidents, many journalists, cultural workers and academics, and often their families, are not allowed to leave the country. Young people (up to 40 years of age) are equally often denied travel abroad because of fears they will not return to Turkmenistan.

There is no equal access to employment opportunities in public institutions (administrative bodies, schools and health care, services or production facilities). This also applies to the use of public social services, including education. The right to a fair trial is not upheld in practice. Respect for and protection of private and family life, and protection of the privacy of correspondence and telecommunications does not exist.

Turkmenistan is a secular state. Religion and state are formally separated in this predominantly Sunni Muslim society. Religious dogmas have little influence on politics and legislation. However, for the majority of the population, Islam is an integral part of their traditional culture and serves to maintain their moral values. Most of the urban population is only formally religious, and there is very little religious militancy.

The president uses Islam as a pillar of his dictatorial power. Imams are appointed and controlled by the state and are often called upon to provide the opinions on political and social issues of their believers. The state imposes strict limits on the guaranteed right to freedom of religion through its control of religious activities by the councils for Religious Affairs, which operate at all levels of state administration. With the enactment of the Law on Religious Practice and Religious Organizations in March 2016 and a regulation on the control of religious organizations adopted in September 2020, it has become even more difficult to practice a religion in the country than it was previously. Fears of growing influence on religion and politics by Turkmen jihadists operating abroad, as well as the difficult social and economic situation in the country, which is increasingly criticized by many ordinary believers, has led the state to intensify its control of Muslim religious communities.

There are far fewer registered religious communities today compared to the pre-2016 period. Registered communities include congregations of the Russian Orthodox, Roman Catholic, Armenian Apostolic Churches and the Evangelical Free Church of Greater Grace (Greater Grace Church), as well as congregations of the Hare Krishna movement. Activities by unregistered religious groups and congregations are strictly prohibited. Violators can be severely punished.

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 2019 and 2020, it placed Turkmenistan among the 25 countries where Christians are most persecuted by police, secret services, local authorities and Islamic communities. The difficult environment for non-Muslims has worsened in recent years, according to Open Doors.

No interference of religious dogmas

9

'06 -9 '22 10



1

Basic administrative infrastructure exists throughout Turkmenistan. However, it is underdeveloped, especially outside of the capital. In 2015 to 2020, according to official figures, \$7.5 billion was spent on developing infrastructure in the provinces, including rural areas. However, many of the constructed objects do not meet the needs of the population but are rather regional prestige buildings. For example, there are only two small universities and hardly any modern and well-equipped hospitals. Well over half of the population has no access to a reliable supply of tap water.

The traditionally weak quality of infrastructure in Turkmenistan, including both administrative and social and supply infrastructure, has further deteriorated during the reporting period. The expected effects of the country's development have largely failed to materialize. The lack of technical skills in the state administration and state companies has inevitably led to losses in the effectiveness of the public and business sectors. Further reasons for a poorly functioning administrative infrastructure include an increase in official arbitrariness and the rotation of civil servants by the president, mostly without justification. Nepotism and clientelism remain widespread.

During the global pandemic, the population has had to endure significant cuts in medical care due to the massive hospitalization of patients suffering from COVID-19. Patients with other serious illnesses were discharged from hospitals in many places. Planned surgeries, including major surgical procedures, were canceled. Medical care for COVID-19 patients was extremely poor and particularly precarious outside the capital. There is a massive lack of medical equipment, protective gear, medicines and medical staff.

2 | Political Participation

Universal suffrage is guaranteed but the electoral process is neither free nor fair. Former President Niyazov was appointed for life on December 28, 1999, by a decision of the highest legislative body, the Halk Maslahaty (People's Council). Following his death, President Gurbanguly Berdymukhamedov was elected in February 2007 with 89.1% of the vote, confirmed in office for five years in the February 2012 presidential election with 97.1% of the vote, and elected for another seven-year term in the February 2017 presidential election with 97.7% of the vote.

In the 2017 elections, for the first time, candidates from three parties ran for the top office: in addition to the dominant Democratic Party, the Party of Industrialists and Entrepreneurs and the Agrarian Party also fielded candidates. The latter two parties do not pursue independent policies but rather act as an extension of the Democratic Party.

According to the constitution and the current electoral law, only candidates who have lived in Turkmenistan for at least 15 years and are active in state institutions, civil society organizations, businesses and other organizations are entitled to run in

Basic
administration

5

'06 _____ '22 10



1

Free and fair
elections

1

'06 _____ '22 10



1

presidential elections. These provisions exclude potential candidates from the ranks of the political opposition abroad. There is no opposition at home due to the repressive treatment of dissenters.

Election observers from the Organization for Security and Cooperation in Europe (OSCE) harshly criticized the 2017 elections, noting that they were characterized by an absence of pluralism, a lack of independent reporting and serious irregularities. The final report by the OSCE Office for Democracy and Human Rights on the parliamentary elections held on 25 March 2018 was no less critical.

The pre-selection of all candidates does not allow for genuine competition. In the new bicameral parliament that will exist from 2021, members of the upper house will only be appointed by the president or indirectly elected by his henchmen in the provinces.

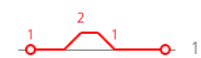
President Berdymukhamedov continues to control public life with an iron fist. He appoints all key positions at the national, regional and local levels, including the heads of all ministries and state committees, in addition to all of Turkmenistan's representatives in international organizations. Berdymukhamedov is head of state (president), chairman of the cabinet of ministers, commander-in-chief of the armed forces and chairman of the State Security Council.

The president approves and signs off on all political, economic, social and cultural programs. He determines the basic directions and strategies in domestic and foreign policy. The president also appoints the editors-in-chief of all mass media outlets. In sum, Berdymukhamedov has concentrated all state power in his hands. Independent political groups have no chance to participate in, contradict or challenge the existing power structures.

Freedom of assembly is formally guaranteed in the constitution of October 2016 and in the Law on Assemblies that came into force in July 2015. The law allows for peaceful (private) assemblies, provided they are authorized in advance and do not take place near government buildings and other locations specified by the state. Due to the repressive atmosphere in the country, however, holding any assembly without unpleasant consequences for the participants is impossible. The COVID-19 pandemic did not affect this situation.

Local protests as an expression of dissatisfaction with central and local decisions occur only sporadically. During the reporting period, people mainly protested the lack of subsidized food supplies, overdue wages and pension payments, lack of assistance in dealing with natural disasters, restricted access to their own bank accounts, forced resettlements without or with insufficient compensation, and the reduction of places in schools for children studying in the Russian language. Such protests are immediately broken up by security authorities, frequently with violence. Critics must expect punishment. Arrests are frequent.

Effective power to govern



Association / assembly rights



The right to establish and register social organizations is enshrined in the constitution, the Law on Political Parties and the Law on Social Organizations. However, civil society organizations without official sanction wishing to register face insurmountable obstacles, and officially registered non-governmental organizations (NGOs) hardly exist. The few NGOs active in the country are subject to strict state control. In its medium-term human rights action plan (2016 to 2020), Turkmenistan committed to creating favorable conditions for NGO registration, development and activity, although with no visible follow-through.

Open and critical reporting in the national media is not possible due to restrictive state censorship and fear of reprisals by the security apparatus.

Reporters without Borders places the country, together with North Korea, at the bottom of all 180 nations surveyed in its current press freedom ranking for 2020. Turkmenistan's 27 small-circulation newspapers, each with only a few pages, and seven magazines are almost exclusively filled with speeches by the president, summaries of these speeches, official announcements and success stories of state and state-related institutions. All newspapers except the weekly *Zaman Turkmenistan* are official state entities; 15 were founded by cabinet ministers while the others are concerned with regional governments or unions. All media outlets are controlled by the Committee for the Protection of State Secrets in the Mass Media. There is no press with real political and economic content, let alone critical reports.

The population has hardly any access to foreign press or other printed matter. The state monopoly on opinion and state control of the media includes the book market, as well as radio, television and the internet.

There were several cases during the reporting period in which journalists writing critically were fined and/or imprisoned on trumped-up charges. Officially, only 24 representatives of foreign mass media held accreditation as of January 1, 2020.

Free access to the internet, provided by law since 2014, is not guaranteed. Internet traffic in the country is strictly controlled by the state. All foreign websites and social media networks, messenger services and cloud storage and file sharing services (Dropbox, ZippyShare, WeTransfer and others) that the state does not like are blocked. People who use VPNs on computers to bypass blocked sites face punishment and/or confiscation of their devices.

High internet costs make the net unaffordable for many users. Only about one-fifth of the population had access to the internet (fixed or mobile) in 2020. The only channels through which the population can inform itself freely about international events are foreign television channels that can be received via satellite dishes.

The lack of freedom of expression became grotesque during the COVID-19 pandemic. Turkmenistan officially does not have any COVID-19 cases, although official reports in the first months after the outbreak of the pandemic warned of potentially harmful effects from "dust" in the air and advised people to wear masks. However, anecdotal evidence suggests that the virus is rapidly spreading throughout the country.

Freedom of expression



3 | Rule of Law

The separation of powers is enshrined in the constitution but is not upheld in practice. The president and head of government, Gurbanguly Berdimukhamedov, rules the country by decree. The legislative and judicial branches are dominated by the executive. The judiciary, which lacks independence, engages in politically motivated abuses of its power. The president appoints and dismisses all senior civil servants at will. Only he may officially criticize the work of ministries, state agencies and enterprises and make changes in their management.

A constitutional amendment of September 25, 2020, sealed the creation of a bicameral parliament in Turkmenistan, the Milli Gengesh (National Council). The National Council will consist of the upper chamber, the Halk Maslahaty (People's Council), and the lower chamber, the Mejlis. The election of the new members of the People's Council is scheduled for March 28, 2021.

The upper house, consisting of 56 members, is not directly elected. Eight members each, carefully selected and loyal to the president, are elected by secret ballot during relevant sessions of the Halk Maslahaty of the five provinces and the capital Ashgabat for five-year terms. A further eight members are appointed by the president. Members must be at least 30 years old, have a university degree and have resided in Turkmenistan for at least 10 years. In addition, each former president is guaranteed a seat on the People's Council.

The Halk Maslahaty confirms laws passed by the lower house (Article 831 of the constitution). It can propose and hold referenda. Its members also confirm the president's proposals for the appointment of the chairman of the Supreme Court, the attorney general, the minister of Internal Affairs and the minister of Justice from 2021 (paragraph 5 of Article 802 of the constitution).

The Lower House continues to consist of 125 pre-vetted MPs. With these constitutional amendments, the president not only further expands his powers, but also prepares the ground for a later transfer of power to his son Serdar Berdimukhamedov or, if necessary, another close confidant.

All measures to contain the coronavirus pandemic in the country, including restrictions on border crossings, quarantines and domestic isolation, the closure of shops, markets, public utility facilities and other objects, are based on decrees and orders issued by the president, bypassing parliament.

Separation of powers

2

'06 '22 10

2

1

The judiciary is officially independent and established at all administrative levels. In practice, however, it is highly politicized and an integral part of the administrative command structure. Enforcement of and changes to legal norms depend on the personal vagaries of the president. Judgments handed down are corrected by the president “when necessary.” In the judiciary, rampant venality, arbitrariness and clientelism are widespread. Obtaining a rare place in law school and procuring employment as a judge or lawyer are not possible without the payment of bribes. The cost of a “successful” matriculation can amount to several tens of thousands of U.S. dollars.

The Attorney General, his deputies and judges are appointed by the president for fixed, five-year terms (with the possibility of reappointment for another five years). Licenses for lawyers are issued by the Ministry of Justice. The allocation is nontransparent, as are procedures in the court system. There is no independent judicial control or auditing. Even international audit firms are obliged to cooperate with government institutions and have very limited access to documents and data. There is still no constitutional judiciary and no new law on the legal status and activities of lawyers. In 2016, the president announced the implementation of judicial and police reforms in the period 2017 to 2021, although these have not yet occurred.

Abuse of office is an integral part of the system of rule in Turkmenistan. The common practice of the state buying the loyalty of its employees by granting them “additional earnings” (even if not openly) has persisted during the reporting period. The official press not infrequently publishes heavily filtered information in which the president criticizes corruption, names corrupt officials and punishes them, often confiscating their assets.

These activities have nothing in common with a true fight against corruption by the president and his entourage. The real motives for denouncing, dismissing and punishing officials who have fallen out of favor are either the failure to share income with the authorities, the need to designate scapegoats for the deterioration of the social and economic situation in the country or as examples that demonstrate the determination of “anti-corruption policy” in Turkmenistan. The punishments mostly affect people who are critical of the “state,” who have made decisions on their own authority or whose position is to be filled by other officials, now in favor.

In sectors particularly affected by corruption (e.g., public education and health, customs, taxation, justice, the security services and police, and the oil and gas industry), incidents of corruption are prosecuted only sporadically and almost exclusively on arbitrary grounds.

Independent judiciary

2

'06 _____ '22 10



Prosecution of office abuse

2

'06 _____ '22 10



Civil rights are systematically violated. Constitutional protection of privacy and citizens' access to justice are not guaranteed in practice. Private property rights are disregarded. Every year, many residents are forced to leave their homes and flats to give way for construction of prestigious public buildings. They receive little or no compensation.

Conscripted young men who refuse to serve in the armed forces for reasons of health, conscience and/or religion are punished with prison sentences of one to three years, even if they have valid health issues. There is no alternative service in Turkmenistan. According to unofficial sources, there are currently (January 2021) about twelve conscientious objectors serving prison sentences.

In Turkmenistan's strongly patriarchal society, women often have no say in arranged marriages and rarely have access to upper-level positions in politics and business. Same-sex relations between adults are heavily criminalized and sexual acts between partners can be punished by imprisonment for two years and up to five years in repeated cases, according to the Criminal Code (Article 135 ff).

The common practice of forcing public servants, including teachers and doctors, but also school-age children, to harvest the cotton crop, plant or maintain green spaces, or clean public prestige roads and squares – under threat of punitive measures in case of refusal – did not change during the reporting period.

Members of national minorities are discriminated against in the exercise of their civil rights through an escalating Turkmenization of all spheres of social life. Pupils and students of non-Turkmen origin are often obliged to wear national Turkmen clothing. If they do not do so, they often have to put up with repercussions. Members of national minorities are marginalized in the civil service more than ever before.

Members of the political opposition and their families are watched, bullied and harassed by the national security service. Nothing is known to date about the fate of the people convicted in connection with the failed assassination attempt on former President Niyazov in 2002. According to the international human rights campaign Prove They Are Alive, there are currently around 120 Turkmen people whose whereabouts in the country and fates are unknown.

Prison inmates are deprived of their constitutionally guaranteed rights. In prisons, penal camps, police stations and security agencies, corruption is rampant and torture widespread. The inmates in the mostly hopelessly overcrowded penal institutions suffer from catastrophic hygienic conditions, inadequate and in some cases completely absent medical care and malnutrition, which increased during the reporting period. Political prisoners often receive new sentences of several years while in prison due to alleged violations of prison rules, unfounded accusations of additional crimes or simply because of the insinuation that they would pose a danger

Civil rights

1

'06 _____ '22 10



to society. Fearing reprisals, including against family members living in freedom, prison inmates do not report their tormentors, or do so very rarely. Prison inmates in almost all detention centers are defenseless against the coronavirus. There is virtually no medical care. Protective equipment and medicines are completely lacking. The spread of the COVID-19 virus has reached alarming proportions in many prisons. There are numerous suspected deaths.

Several of the measures adopted or practiced during the COVID-19 pandemic by the government, health authorities and state-owned enterprises are disproportionate and discriminatory and thus an expression of disregard for civil rights. Principally, since September 7, 2020, those who refuse medical treatment for a recognized, dangerous infectious disease (epidemic/pandemic) can be punished with a prison sentence of up to two years, and up to five years if they refuse more than once. This is provided for in an amendment to the Criminal Code passed on August 22, 2020 (addition to Article 119). People who refuse to be inoculated against influenza as some protection against the COVID-19 virus have been threatened with dismissal (state institutions and business) and/or criminal liability. Medical professionals who want to resign due to the often-unbearable conditions in medical institutions (overwork, permanent stress, lack of protective equipment, etc.) are threatened with revocation of their academic degrees (diplomas).

4 | Stability of Democratic Institutions

The question of the stability of democratic institutions is not applicable in Turkmenistan, as there are no democratically functioning institutions in the country. At best, there are only very vague “traces of democracy.” The constitution formally postulates the separation of powers, but the president rules the country autocratically by presidential decree. The legislative and judicial branches are subordinate to the executive, which is dominated by the presidential administration.

Dictatorial presidential power leaves no room for the functioning of democratic institutions. The Institute of State, Law and Democracy was created to manage the analysis of legislation and the democratic process but in reality does the bidding of the presidential office.

Similarly, the activities of the ombudsperson for the Protection of Human Rights and the Protection of Citizens from Unlawful State Action, created in 2017, has so far failed to produce any results. Of the total of 1,725 complaints submitted in 2018 and 2019, either in writing or orally, only a very small number were decided in favor of applicants. The bulk of the complaints concerned the resolution of housing and labor issues, court rulings, and the processing of applications by the Migration Board (issuance of passports, residence registration, approval of entry to and exit from the country).

Performance of democratic institutions



Commitment to democratic institutions



5 | Political and Social Integration

The president paved the way for the introduction of a multiparty system by passing the Law on Political Parties on January 15, 2012. On August 21, 2012, the Union of Industrialists and Entrepreneurs of Turkmenistan established the Party of Industrialists and Entrepreneurs. This was followed by the establishment of the Agrarian Party on September 28, 2014. Of the 125 seats in parliament, the Democratic Party of Turkmenistan (DPT), which is close to the president, holds 55 seats and the other two registered parties hold 11 seats each. The remaining 48 seats are held by representatives of “independent” associations and citizens’ groups.

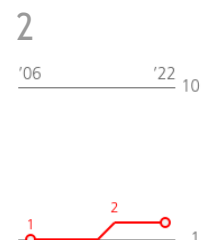
Both the Party of Industrialists and Entrepreneurs and the Agrarian Party do the bidding of the president, who established them to create an image of political pluralism. The former party performs tasks of state management and control for emerging private entrepreneurs, while the latter party implements government programs for the development of rural regions and food production.

The barely functioning mediation mechanisms between society and the political system have not improved during the reporting period. The institutions established as part of the alleged democratization process, such as the new National Council (Milli Gengesh) with its upper and lower houses (Halk Maslahaty and Mejlis), perform only acclamatory functions. Independent professional and trade union associations do not exist. Only the state-controlled social associations (consisting primarily of trade unions and the women’s and youth associations) and the three political parties are allowed to propose candidates for parliamentary elections.

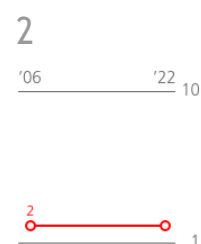
Interest groups are markedly under-represented in Turkmenistan’s political system. The modest number and lack of diversity of such groups reflect the absence of democratic development in the country. The activities of the 10 or so notable interest groups in Turkmenistan are mainly limited to social support and environmental concerns and subject to strict state control. They are often recipients of grants from international donor banks and funds, and are almost exclusively based in the capital, Ashgabat.

Interest groups advocating for improved democratic processes, sustainable economic development and the improvement of working conditions are not permitted to register officially. There are also no business associations in Turkmenistan. The only representative of the interests of the private sector is the state-controlled Union of Industrialists and Enterprises of Turkmenistan, which is immensely influenced by the economic interests of the president and his entourage.

Party system



Interest groups



There are no surveys in Turkmenistan on the attitude of the population toward democracy as a form of government. Private conversations between foreigners and Turkmenistan citizens on the sidelines of international fora, congresses and sports competitions and with longtime business partners, as well as the isolated comments of Turkmenistan citizens published on the internet, show that a small and steadily growing segment of the population is unequivocally expressing the desire for more democracy.

During the reporting period, silent protests by the population against government policies increased. These include the labeling of banknotes, the distribution of leaflets and the hanging of small posters with slogans directed against the president and his repressive policies. Turkmenistan citizens living abroad have also protested the tense economic and social situation in Turkmenistan, in the United States, the Turkish Republic of Northern Cyprus and Turkey. In particular, they have criticized the failure of the state to help mitigate economic and environmental damage caused by natural disasters that hit the country in 2019 and 2020.

The desire for change in society is mainly expressed by people with high levels of education and experience abroad. While the real potential for protest is indisputably greater, most people in Turkmenistan still do not dare to make critical statements out of a justified fear of severe reprisals against themselves and their family members. In addition, a large part of the population, especially in rural areas, remains uneducated regarding democratic processes as a result of the one-sided information produced by the state.

The self-organization of civil society remained at a very low level during the reporting period. It is suppressed en masse and controlled by the state with virtually no room for self-organization. The farmers' cooperatives and the Union of Industrialists and Entrepreneurs are also squeezed into a tight web of state regulation, both at the central and local levels.

Self-help groups, which are almost always informal personal networks, exist for the provision of services once provided by the state or collective farms (e.g., the construction and maintenance of housing or support for the vulnerable). Groups that operate independently of the state are subject to repression in the form of surveillance, constant monitoring and bans. Private institutions backed by foreign funding are only allowed to operate under state control. Trust among citizens is weak and generally exists only within personal relationships.

Approval of
democracy

n/a

'06 _____ '22 10

n/a

1

Social capital

2

'06 _____ '22 10

2

1

II. Economic Transformation

6 | Level of Socioeconomic Development

The United Nations Human Development Index (HDI) classifies Turkmenistan as a country with a high level of human development, thereby vastly overstating the actual situation on the ground. Even the Inequality-Adjusted Human Development Index (IHDI, 2019), which factors in the large inequalities in education, health and income among the population, is inflated for Turkmenistan, although it more accurately reflects the real level of human development. The HDI/IHDI are based on highly unrealistic data provided by the national statistics agency. The Gini index, which indicates the degree of inequality of income distribution in a country, has not been reported for Turkmenistan for many years due to a lack of accessible data.

Large-scale poverty and unequal opportunities for social participation are widely present in Turkmenistan society. This is especially true for large segments of the minority and rural populations and members of the titular nation who do not belong to the leading Turkmenistan tribes. In all regions outside the capital, Ashgabat, where five-sixths of the population lives, there are hardly any regular jobs, virtually no universities, only a few secondary schools for vocational training and hardly any functioning medical facilities. Wages in the rural provinces are more than a third lower than they are in the cities. In the villages, every second inhabitant is considered poor; in the cities, it is about every third inhabitant.

Public spending on health and education accounts for significantly less than 2% of GDP – far lower than the international average. The majority of the population cannot afford the high bribes required for employment in the public sector and for many medical services. Access to universities, most vocational schools and “elite” general education schools is not possible without the payment of large bribes, often in addition to tuition fees.

During the reporting period, Turkmenistan adopted a number of normative acts to comply with the Beijing Declaration and Platform for Action on Strengthening Women’s Rights and Gender Equality (1995) and the National Plan of Action on Gender Equality for 2015 to 2020. In practice, however, almost all the new regulations are declarative in nature. Women are often exposed to domestic violence, subjugation, prostitution, as well as discrimination from the security forces. Women are also disproportionately affected by the difficult social conditions and the weak labor market: according to current official figures, nearly one-third (unofficially, more than half) of women outside the agricultural sector earn their living in the informal sector of the economy. For men, these rates are 18% and 30%, respectively.

Question
Score

Socioeconomic
barriers

2

'06 '22 10



Only one in four senior positions are held by women, who constitute only 25% of parliamentary deputies and 20% of members of national councils in the provinces and the capital.

Poverty levels and opportunities for participation in society deteriorated significantly during the reporting period, including during the COVID-19 pandemic, due to the severely exacerbated socioeconomic situation. People experiencing poverty (less than 50% of the median income) accounted for an unrealistically low 7.2% of the population in 2018, according to Turkmenistan's statistics. In real terms, this rate is likely to have risen above 30% as of 2020, according to unofficial estimates.

The already-low share of regularly employed persons further decreased in the reporting period and is unlikely to exceed 25% of the total workforce in 2020. Most self-employed earn their livings from low-income jobs in agriculture, retail or transport and have little social security. The Committee on Economic, Social and Cultural Rights of the Economic and Social Council of the United Nations (U.N.) estimates the real unemployment rate at up to 60%, although Turkmenistan's leadership has declared an unrealistic rate of 4 to 5% for years. Youth unemployment in the countryside is a cause for serious concern.

Turkmenistan's small elite, which profits heavily from state-financed prestige projects, is the main beneficiary of the considerable difference between the official and unofficial currency exchange rates of the Turkmenistan manat against the U.S. dollar and is the only population group to have unfettered access to its "own" foreign currency.

Economic indicators		2017	2018	2019	2020
GDP	\$ M	37926.3	40765.4	45231.4	-
GDP growth	%	6.5	6.2	6.3	-
Inflation (CPI)	%	-	-	-	-
Unemployment	%	3.8	3.8	3.7	4.4
Foreign direct investment	% of GDP	5.5	4.9	4.8	-
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ M	-	-	-	-
Public debt	% of GDP	28.0	31.5	32.2	32.2
External debt	\$ M	8650.3	8159.8	6515.8	5636.0
Total debt service	\$ M	1729.8	1832.6	2160.6	2093.0

Economic indicators		2017	2018	2019	2020
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	7.8	-	-	-
Public education spending	% of GDP	-	-	3.1	-
Public health spending	% of GDP	1.5	1.2	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	-	-

Sources (as of December 2021): 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

Turkmenistan's economic system is centrally planned and administered. The state controls all key sectors of the economy, including the oil/gas, electricity, cotton (production and ginning) and telecommunications sectors, as well as most manufacturing. For cotton and grain, the state has established purchasing and trading monopolies at prices below world market levels.

In the small and medium-sized private enterprises sector, which includes individual entrepreneurs (tradesmen), there are traces of economic competition. However, even these economic entities can develop only within the confines of the state-directed Union of Industrialists and Entrepreneurs and must submit to strict state regulations. Bazaars are still managed by the state and the activities of traders operating there are strictly controlled. There are price specifications for and controls on many products. State tenders, which are void of competition, are mostly awarded to companies that have good contacts with the government and are prepared to pay considerable bribes to co-finance public social objects and state prestige events.

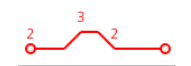
With the exception of oil and gas production (mainly in the form of production-sharing agreements in capital-intensive and technologically demanding offshore production), there is little foreign direct investment (FDI) in the textile, food and electronics industries. FDI is seriously constrained by limited freedom of enterprise and investment, a lack of legal security, extreme corruption, the large size of the informal sector, the interference of the state in business matters and massive problems in trading currency (conversion of the Turkmenistan manat into foreign currency).

The size of Turkmenistan's large shadow economy is difficult to quantify, but it is likely to exceed 50% of the gross domestic product.

Market
organization

2

'06 '22 10



There is no anti-monopoly legislation in Turkmenistan. There is also no indication that the government intends to introduce competition into Turkmenistan's economic legislation. In the Law on State Support of Small and Medium Enterprises of August 15, 2009, as amended on May 1, 2016, there are rules prohibiting anti-competitive price fixing and market sharing, as well as restrictions on market access. However, these regulations, enshrined in Article 17 of the law, are only of a declarative nature. They are not reflected in any other legal act, and there are no provisions for enforcement in the event of non-compliance.

All strategic and nearly all promising businesses are firmly in state hands or strictly controlled by the state. The lucrative trade in luxury goods, consumer electronics, household technology, building materials and luxury foodstuffs, including tobacco products, is entirely or largely concentrated in the hands of the families of the highest-ranking officials. Trade in other consumer goods and a larger group of capital goods can develop relatively freely, although it is still regulated and controlled by the state in many respects.

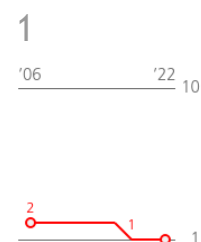
Official tariff and non-tariff barriers (technical regulations, trade quotas and bans) are comparatively low. However, lengthy and cost-intensive bureaucratic procedures for export and import transactions, nontransparent practices in customs clearance of goods, problems with foreign currency conversion, corruption-related unofficial tariff and non-tariff trade barriers, and difficulties obtaining visas are some of the main impediments to the development of free foreign trade.

Through the State Commodity Raw Material Exchange of Turkmenistan, the government secures a monopoly on foreign and wholesale trade, as well as control over a significant portion of commodity flows in exports and imports (volume and price levels of many raw materials, semi-finished goods and intermediate products).

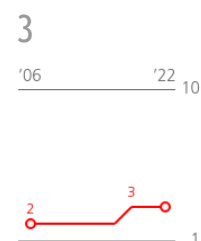
During the reporting period, nontransparent monetary and foreign exchange policies and corrupt licensing and customs offices further complicated the import business. The government is unwilling to devalue the national currency (Turkmenistan manat) against the U.S. dollar, which is long overdue. Imports at the favorable official exchange rate can only be realized by companies close to the president and some major state-owned enterprises. All other importers suffer from the massive increase in the cost of obtaining foreign currency at the black-market rate and the severe restrictions on access to foreign currency. Imports of goods in 2020 were only a modest one-fifth of the previous level of \$16 billion and more in 2013 and 2014.

The country was granted WTO observer status on July 22, 2020. However, a real willingness to transform the trade regime, the financial and banking systems, as well as the legislation concerning international trade (customs/taxes, insurance, export financing) to conform to a market economy does not exist in Turkmenistan. Hence, full accession to the WTO in the foreseeable future is unlikely.

Competition policy



Liberalization of foreign trade



Officially, Turkmenistan has a two-tier banking system. Three state-owned banks, Turkmen Vnesheconombank (foreign trade and project financing), Dayhanbank (agricultural sectors) and Turkmenbashi Bank (extraction and heavy industry, transport/telecommunications, construction and trade), dominate more than 80% of the banking business in the country. The State Development Bank often finances large-scale state projects. The private Turkmen credit institution, Rysgal, which operates under the umbrella of the Union of Industrialists and Entrepreneurs, is ultimately also state-controlled through state regulations in the banking industry.

Since 2012, commercial banks have published their audited balance sheets according to international standards (International Financial Reporting Standards). Yet, the balance sheets of these institutions, which are hardly credible, have been declining or stagnating for years (\$33.9 billion as of January 1, 2019; latest available figure). The share of assets in gross domestic product is very low by international standards. Weak bank capitalization severely restricts financing of private projects.

The central bank is far from independent. It continues to perform the functions of a commercial bank by managing the accounts of the state's main players in the oil and gas industry and replacing state-owned enterprises' bad loans with new loans. Ultimately, the president determines the guidelines and activities of the central bank.

The weak and nontransparent banking system suffers from a large and growing shortage of cash and foreign currency, with no likelihood of improvement in sight. Quite a few companies that have to procure raw materials for their production in foreign currency abroad have stopped operating in Turkmenistan as a result of the significantly increased difficulty of conversion currency. Free access by companies and individuals to their own accounts is not guaranteed. For example, the state transfers wages, pensions and social benefits to public servants, pensioners and other groups almost exclusively on cash cards, from which cardholders can only withdraw very limited amounts of money. Moreover, the trade and service sectors have only a limited number of automatic cash machines.

In Turkmenistan, no data is available on the share of bad loans in the credit portfolio. However, there are clear indications that the indebtedness of private construction companies, in particular, increased significantly during the reporting period and even more so during the global pandemic. These economic entities are often no longer able to redeem loans or to service them on time because of a decrease in state financing for construction projects. Many of the public servants who have been laid off in recent years, experience serious difficulty financing their home ownership loans. Accumulating repayment debts among state-owned enterprises are covered by the central bank.

Banking system

2

'06 '22 10



8 | Monetary and fiscal stability

Turkmenistan's currency (the manat/TMM) is not freely convertible. On January 1, 2015, as a result of the turmoil on the international oil and gas market and, above all, the massive depreciation of the Russian ruble (Russia accounts for one-fifth of Turkmenistan's exports), the central bank devalued the manat to an exchange rate of \$1: TMT 3.50. This rate is still valid today, although economic conditions, if treated seriously, required a further significant devaluation long ago. The black-market rate grew to about eight times the official rate during the reporting period.

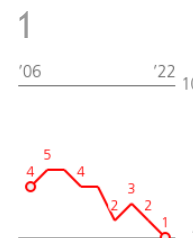
Real annual inflation has been several times higher than the officially reported price increases of around 13% (2019 and 2020) during the period under review. The basket of goods used to determine the price increases, but does not correspond to the needs of the population as it includes too few services and hardly any imported consumer goods. It also gives too much significance to a small number of state-subsidized foodstuffs.

The shortage of foreign currency on the Turkmenistan financial market, which began in 2014 as a result of falling revenues from oil and gas exports, has led to considerable restrictions on currency conversion that have worsened from year to year. Apart from state-owned enterprises that realize important projects, build prestigious buildings or process imports commissioned by the president, only those entrepreneurs who are close to the president or well-disposed toward him can exchange foreign currencies at the official rate. Other entrepreneurs and the population at large are subject to massive restrictions on currency exchange.

The president's relatives and close associates benefit from the current foreign exchange policy. They can cover their foreign exchange needs using the official exchange rate and therefore have no interest in overcoming the currency crisis.

The gray market for foreign currency procurement expanded during the reporting period. Prices in manat for many imported goods, including primarily consumer goods but also many intermediate goods for domestic production, are now many times higher than before. Given that the country has to import most of its consumer goods and supplies, many everyday goods are no longer affordable for the bulk of the population.

Monetary stability



In macroeconomic terms (budget balance and debt), Turkmenistan was in a comfortable position until the economic and financial crisis in 2015, thanks to high revenues from the export of oil, gas and oil products. Surpluses (mainly proceeds from hydrocarbon exports) flowed into 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 diversifying the economy. But there is neither credible information on the fund's inflows nor on its functioning, let alone on the use of the accumulated funds.

In the years since 2015, including the reporting period, the economic situation in Turkmenistan has deteriorated as a result of massive export slumps. Many economic indicators slid into negative territory as a result of sharply decreased prices for the main export commodities – gas, crude oil and oil products – and major supply shortfalls (gas exports to Russia and Iran). Nominal budget revenues in 2019 and 2020 were estimated to be only 35% of the pre-crisis year, 2014, on average.

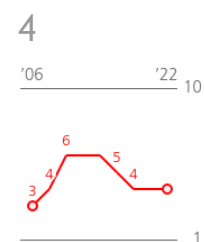
Considerable cuts on the expenditure side of the state budget (public investment, expenditures on the administrative apparatus) have led to the state budget being largely in balance since 2018, according to official figures. The officially reported reduction of the previously high current account deficit (2015 to 2017) in the years 2018 to 2020 primarily resulted from the drop in imports because of the restrictive foreign exchange policy.

There is still no sign of a fiscal policy geared toward a sustainable socioeconomic development of the country. A truly objective picture of Turkmenistan's fiscal policy cannot be presented. The scant officially published data are not trustworthy, often embellished and not meaningful. International Monetary Fund and the World Bank data are also of little use since they rely on the official data of the Turkmenistan government. There is no reliable information on foreign exchange reserves (the official and unrealistic figure for 2018: \$20 billion), the multiple extra-budgetary funds and other funds managed by the president and his close associates. State budget revenues are closely intertwined with those of the president and state-owned enterprises.

There is no doubt that the real budget situation in 2020/2021 is likely to be far more critical than official figures show, if only because of the negative impact of the coronavirus pandemic on the economy. Indications of this include the loss of revenue from gas exports and many state-owned enterprises, continuing cuts in administrative expenditure, further waves of layoffs of civil servants, as well as additional expenditures to cope with the consequences to the health sector.

The difficult budget situation is also reflected in an action plan that the government of Turkmenistan has drawn up with support from the United Nations. The plan,

Fiscal stability



designed for the years 2020 and 2021, includes projects with a volume of around \$1 billion. They are to be financed mainly by the Asian Development Bank (ADB), the World Bank and the European Bank for Reconstruction and Development (EBRD). The money is primarily intended to finance important budget expenditures: support for disadvantaged population groups (\$500 million); the modernization and expansion of the supply infrastructure (about \$200 million); as well as credit and other assistance for small and medium-sized enterprises, self-employed people and farmers (\$200 million). Whether and how the program will be realized is still an open question as of the beginning of 2021. In view of the lack of political will for transparent implementation, at most a few smaller individual projects are likely to be realized.

9 | Private Property

While the protection of property rights is formally anchored in the constitution and other laws, they are not protected in practice. Even minor offenses, such as the failure to pay taxes or missing licenses and permits, or alleged or contrived offenses, are often punished by the confiscation of personal property.

Successfully operating companies have to reckon with government takeovers on fictitious grounds, if only to lessen the government's competition. Foreign investors are by no means protected from the expropriation of their assets without compensation. This risk is also reflected in the Property Rights Index calculated annually by the Heritage Foundation, where Turkmenistan figures at the bottom of the ranking table.

Forced relocations and expropriations of people living in residential buildings or even entire settlements in the "state interest", usually without any justification, advance notice or compensation, are not uncommon.

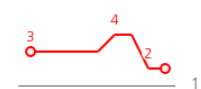
In the reporting period, several thousand inhabitants were again affected by forced displacement in Ashgabat alone. The demolition of settlements is carried out on the orders of the president. The residential areas have to make way for the oversized and costly expansion of the country's metropolis into a showcase city. In many residential areas, the state administration dismantles satellite dishes and outdoor air-conditioning systems at regular intervals without prior notice.

During the reporting period, local governors (häkim) have repeatedly ordered the destruction of privately owned areas for cultivating fruits and vegetables. The land in question is marginal and not used for cotton cultivation. The only reason for destroying the fields is that their tenants have not fulfilled the state plan for the cotton harvest or could not fulfill it due to adverse weather conditions.

Property rights

2

'06 '22 10



Privatization primarily takes place in the form of the sale of unfinished buildings or economically ailing enterprises. The vast majority of larger manufacturing enterprises are still in state hands.

The Turkmenistan economy is a strongly centrally controlled state economy. But the private sector has been very gradually coming out of the starting blocks over a number of years. During the reporting period, the number of small and medium-sized economic entities representing the private sector outside the many small traders in the bazaars and markets has continued to grow in both number and turnover.

Private economic entities are usually members of the Union of Industrialists and Entrepreneurs of Turkmenistan, which are mainly active in the trade/distribution, construction and agro-industry sectors. The association had about 24,000 members in mid-2020. The cumulative gross fixed capital formation realized by these enterprises totaled about \$2.5 billion as of mid-2020. Currently, many companies are in a difficult economic situation as a result of the deep economic and financial crisis. Apart from the “selected” patronage companies of the president and his entourage, they cannot count on any financial aid during the global pandemic.

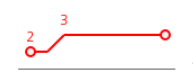
Although the union is officially independent, in practice it is strictly regulated by the state. Its remit is explicitly stated in the new Law on the Union of Industrialists and Entrepreneurs of Turkmenistan of October 5, 2019. The development of entrepreneurship in the country has not been accompanied by an improvement in the business environment for private sector activities. One major obstacle to sustained improvement is the lack of independence of the judiciary. Concluding contracts and even more so investments remain high-risk activities – apart from priority state contracts – because there are hardly any safeguards.

Project-related business activities are often politically motivated and require mastery of many bureaucratic hurdles. Major projects, including trade deals, are often awarded to people or companies close to the president and his inner circle. These projects not infrequently serve as a transshipment point for embezzled funds and/or the elimination of unwelcome competitors. In any case, young entrepreneurs need connections to networks and financial resources in order to implement their projects.

Private enterprise

3

'06 '22 10



10 | Welfare Regime

Turkmenistan's welfare system is based on the social security system (restructured in 2013) that includes a pension savings system, in addition to several medium-term programs in the areas of health, education, the labor market, childcare, sports activities for children and youth, and the promotion of home ownership.

The health care situation is far from satisfactory for the vast majority of the population, especially for those living outside the capital. Annual per capita expenditure on health care as a whole is low, at around \$150. The main problems in the health sector are the ineffective management of the new medical facilities in Ashgabat, the lack of medical consumables and medicines, a poor standard of health care in rural areas and small towns, the acute shortage of specialists and high levels of corruption. At the beginning of 2018, there were only 14,200 doctors in the country, or 2.5 doctors per 1,000 inhabitants. There is a complete lack of doctors in several medical specialties. Each year several dozen medical facilities are built or modernized. However, many of these properties tend to be showcase buildings that average citizens cannot access.

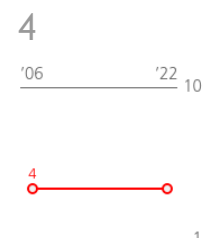
A peculiarity of Turkmenistan's social system are the high subsidies for water, gas and electricity, despite the abolition of free distribution of these utilities in limited quantities from 2019. However, these subsidies are offset by the high cost of installing and operating electricity, water and gas meters.

During the reporting period, and especially during the COVID-19 pandemic, Turkmenistan expanded the issuance of ration cards for people in need from the capital to other parts of the country. The cards allow the purchase of some basic foodstuffs in limited quantities at subsidized prices (primarily in state-run retail outlets). Obtaining the cards often involves considerable bureaucratic effort on the part of citizens. Moreover, the supply of subsidized foodstuffs has long been insufficient. An effective public safety net for the needy does not exist in Turkmenistan. Citizens rely on family and neighborly help, support from village communities and handouts from the "better-off."

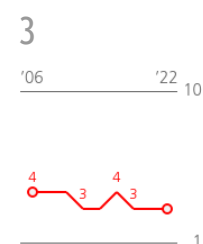
During the reporting period, inequality in Turkmenistan increased as increasing numbers of people found it difficult to cope with drastic losses to their incomes. The wave of layoffs that began in 2015 continued unabated in 2019 and 2020. Well-paid jobs were only given to people who are part of employers' informal networks and who could afford the often lavish financial "expenses" required to keep the job.

There is no equality of opportunity in the education sector. Notwithstanding the government's activities in expanding the school system, further education is unaffordable for the majority of secondary school leavers. At least four-fifths of the new university places awarded each year go to students whose parents can afford

Social safety nets



Equal opportunity



bribes of up to several \$10,000 per place in addition to tuition fees. Young people living outside the capital have particularly poor prospects for getting an education, owing to the paucity of secondary schools in the provinces.

The illiteracy rate of all persons older than 15 years is 0.1%. The official data on the ratio of female to male enrollment is not meaningful due to the very low annual enrollment. The proportion of women among all students of about 50% is only due to the training of many young women as educational professionals.

Members of national minorities find it increasingly difficult to exercise their constitutionally guaranteed rights as a result of the “Turkmenization” of society promoted by the elite. This is especially true in the education sector (higher and vocational education) and in recruitment to the civil service. The situation of women in society remains critical. Although women are legally equal to men, they do not have the same opportunities as men due to cultural prejudices. Women seldom hold high-level offices, are hardly to be found among the new entrepreneurial class and work poorly paid and low-skilled jobs in great numbers.

11 | Economic Performance

During the reporting period, the unsatisfactory economic situation did not improve compared to the pre-crisis years. Turkmenistan remains in a deep economic crisis. The country has suffered from lowered prices for its main exports – gas, oil and oil products – as well as from cutbacks in gas supplies to China in 2020. Gross domestic product, measured in U.S. dollars at the official exchange rate, has reverted in 2019 and 2020 to roughly the level of the last pre-crisis year, 2014. Taking into account the realistic parallel exchange rate, however, overall economic output was barely one-fifth of the previous level. Nominal GDP per capita averaged around \$7,500 (official rate) and \$1,500 (parallel rate) in 2018 and 2019.

Officially, the government reported real economic growth of 6.3% and 5.9% for 2019 and 2020, respectively. These official growth rates, like the increases reported by most international observers, do not correspond to reality. There are three main reasons for these overstated figures: (1) the official data are not based on standard international valuation and survey methods and are also embellished; (2) the real price increases are clearly below the officially determined inflation rates; and (3) the large difference between the official and parallel exchange rates prevents an objective assessment of both the development of the gross domestic product and the performance of the economy.

Natural gas, oil and oil products account for nine-tenths of the country’s exports. Turkmenistan freed itself from dependence on trading gas with Russia when the Turkmenistan-Uzbekistan-Kazakhstan-China gas pipeline started functioning at the end of 2009. As a result, however, the country is highly dependent on gas exports to

Output strength



China. After a pause, Russia is now purchasing gas from Turkmenistan again, but only in small quantities. In the interest of a geographical and sectoral diversification of its exports, Turkmenistan is pursuing projects with the goal of construction of a gas pipeline in the direction of Afghanistan-Pakistan-India (TAPI project), as well as the further expansion of gas chemistry. However, serious obstacles prevent the realization of the pipeline in the medium to the long term.

Nevertheless, even with today's decreased foreign exchange earnings from hydrocarbon exports, Turkmenistan has an acceptable foreign exchange cushion as a basis for diversifying and increasing the economy's efficiency. In addition to hydrocarbons, other notable economic sectors are agriculture (cultivation of cotton, cereals, fruits and vegetables), food, textile and clothing industries, a few product groups in the chemical and building materials industries, and, in particular, the construction industry. Yet 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 at least formally committed itself to environmental protection by signing numerous international environmental agreements and passing several laws in the field of resource conservation and waste management. However, environmental concerns are regularly subordinated to economic growth.

There has been no significant activity to date in implementing the National Strategy for Climate Change prepared in 2012 and 2013 by the Supreme Council for Science and Technology under the president of Turkmenistan. Plans to accelerate the introduction of energy-efficient and energy-saving technologies and the use of renewable energy in state-owned industry, public transport and municipal housing have remained dormant, with the exception of a few flagship projects.

Pollution levels are high at major industrial sites. The measures introduced so far to improve the ecological situation at the Turkmenbashi oil refinery or the fertilizer factories in Mary, for example, are still far from sufficient to attain environmental recovery.

In many towns and settlements, a continuous, high-quality water supply is not guaranteed. Most pipe networks and pumping stations are worn out, and desalination plants work poorly. In many cities and most rural districts, there are no or no functioning sewage plants. Some two-thirds of the irrigation systems in operation today require a fundamental overhaul, including improved routing, concrete beds and covers. Only a fraction of the land designated for irrigation (1.4 million ha) receives efficient irrigation, hence the pervasive water waste.

Environmental
policy

3

'06 '22 10

3

1

During the USSR, Turkmenistan had an education system of a relatively high standard accessible to all social classes. As a result of the cutbacks carried out by former President Niyazov, the school system was seriously degraded. President Berdymukhamedov has restored general, vocational and higher education to the usual standard hours and has pushed ahead with the construction of new school facilities.

Some new vocational and higher education institutions offer training and degree programs to meet the needs of dynamically developing sectors of the economy: oil and gas extraction, geology, oil processing, energy industry, agribusiness, textile and chemical industry, railway transport, construction and civil engineering and municipal economy. Berdymukhamedov has also reinstated the Academy of Sciences, which was liquidated by his predecessor.

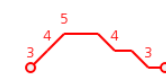
Despite these changes, the current situation in the education sector is extremely critical. Annual expenditure on education, measured in terms of gross domestic product, is low by international standards. Total spending on the sector in 2019 was estimated at around 3% and investment in education at around 0.5% of GDP. Nominal investment amounted to just over \$200 million. Total investment in R&D is unlikely to have exceeded \$25-\$30 million in 2019. There is an acute shortage of qualified teachers and science-based teaching materials. The study and training courses are overloaded with ideologized “social science” curricula.

Turkmenistan has some of the lowest levels of higher education in the world: for every 10,000 citizens, there were only slightly more than 80 students in the academic year 2020/2021 (for comparison, in 1989 there were 117 students). Although annual enrollment has increased from 8,500 (2015/2016) to 14,300 (2020/2021) over the last five years, it is still at a very low level. The number of new enrolments in vocational schools has remained at the low level of 8,500 to 9,500 students. This means that about 70% of secondary school leavers have no chance of a solid secondary education. These young people often attend only a few months of basic driving, accountancy or other courses.

Education policy /
R&D

3

'06 _____ '22 10



1

Governance

I. Level of Difficulty

Turkmenistan, which officially has only about six million inhabitants, has huge natural gas reserves and large oil deposits. It is one of the world's 10 largest producers of cotton. Its geographical location offers great potential for expansion as a regional and international hub for transport and logistics.

In principle, these resources comprise good prerequisites for the socioeconomic development of the country and the steering capacity of the political leadership. Yet, the state in the person of the president and his inner circle uses these resources for the maintenance of power and the private enrichment of the elite. This has not changed during the reporting period.

Many of the major structural problems existing in the country (high poverty, underdeveloped infrastructure, deficits in the education and health sectors and others) are a consequence of this “use of resources.” However, in the interest of social peace, the state is increasingly forced to invest more in such areas as water supply, irrigation management and social objects.

The coronavirus crisis has further deepened the discrepancies between available resources and their effective use, which, however, cannot be reflected in reliable data – there are none. Only import-substitution forced by the state made some progress. The government accepts the negative consequences of the pandemic on the economic situation, not encouraging any reforms in politics and the economy.

In Turkmenistan, apart from a few so-called GONGOs (Government Organized Non-Governmental Organizations) and sports clubs, there are hardly any civil society organizations and thus hardly any civil society traditions. The small number of NGOs that exist focus narrowly on aid for the socially disadvantaged and nature conservation. They often benefit from financial support from foreign funders. Civil society organizations aimed at increasing political participation are not allowed to operate.

Regional and informal networks, which are usually based on patron-client relations, are to some extent a substitute for formally established civil society organizations. They mostly represent economic or certain social interests.

Structural constraints

5

'06 _____ '22 10



1

Civil society traditions

10

'06 _____ '22 10

10

1

Among the GONGOs active in the country, the trade unions (about 1.3 million members), the Magtymguly Youth Union (0.9 million members) and the Women's Union (0.7 million members) are particularly noteworthy. GONGOs, which are officially registered, support official policy and serve exclusively as a mouthpiece for the government. Their activities are limited to purely propagandistic activities, mobilization for mass meetings, and the development of medium-term government programs for trade union, women's and youth policies.

Due to the repressive nature of state power and the fear of severe and heavy penalties, open conflicts rarely occur in Turkmenistan. However, localized social protests increased during the reporting period and especially during the coronavirus pandemic. The population articulated its displeasure over unpaid wages and pensions, the lack of subsidized basic foodstuffs, severely limited access to their own bank accounts, massively restricted access to foreign currency and the lack of aid to deal with natural disasters. A rare protest took place in August 2020 in Ashgabat during which parents demanded that Russian-language classes not be curtailed in schools. Many parents see knowledge of Russian as a means of improving their children's opportunities to compete for educational places abroad.

During the reporting period, it could also be observed that more and more citizens were critical of the president's economic and social policies and his personality cult in conversations with like-minded people. In doing so, they expose themselves to danger of denunciation that should not be underestimated.

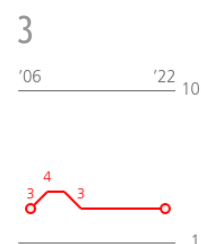
II. Governance Performance

14 | Steering Capability

The most important strategic political and economic goals in Turkmenistan are set by the president and the presidential administration. The country's policy of permanent neutrality, declared in December 1995, and stable political relations with neighboring countries, including Afghanistan and the Caspian Sea states, are considered central elements of its foreign policy. Turkmenistan's primary foreign policy goal is to expand its economic contacts with a focus on the energy sector (the supply of natural gas, oil and oil products).

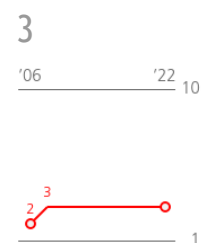
While clear objectives can be observed in Turkmenistan's foreign policy, the situation is different with regards to domestic policy. Political liberalization (i.e., a reduction of repression and the granting of more rights and freedoms to the population), is not supported by the president and his close advisers. Nevertheless, in the interest of safeguarding national independence, a trend toward promoting more

Conflict intensity



Question
Score

Prioritization



professionalism in the state administration is emerging. One example of this is the opening of new universities that train students in the needs of the administration and state enterprises in priority sectors. However, these efforts are undermined by large-scale corruption and the closed nature of the state.

To date, there is no clear strategy for economic development. The state wants to maintain its dominance in a number of service sectors and in the cotton and grain industries to generate income and maintain its power. Yet the state economy suffers from ineffective management, nontransparent personnel policies and a lack of long-term concepts. The coronavirus pandemic has had no discernible influence on any of these trends.

The president and his entourage are not interested in a real implementation of long-term reforms that would yield an open and market-oriented society. The entire administrative apparatus serves to consolidate and maintain the power of the elite.

Berdymukhamedov introduced some improvements to the business climate in the country after taking office (e.g., regulations for private entrepreneurship, the reduction or abolition of import and export duties, the reduction of permit and licensing procedures, and the expansion of commodity items for private exports). Yet, immature legislation, the absence of an independent judiciary, unabated state dirigisme in all the country's economic matters and the failure to privatize industry are major reasons why Turkmenistan's government cannot point to any significant progress in economic liberalization.

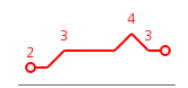
In the Index of Economic Freedom published annually by the Heritage Foundation and the Wall Street Journal, Turkmenistan ranks an inglorious 170th out of 180 countries surveyed (2020 Index). The poor ranking indicates that private companies can barely develop in the country. The business activities of private companies (members of the Union of Industrialists and Entrepreneurs) depend on the goodwill of the president and other members of the elite, including regional and local governors (häkim). The government has some interest in private sector projects in the context of import-substitution (with the aim of saving foreign exchange for imports).

All state institutions carry out their activities exclusively on the instructions of the president and his entourage. Staff members' own initiatives are undermined for fear of criticism and often reprisals. Arbitrary promotions and transfers to higher positions, together with the massive preferential treatment shown to "applicants" from the inner circle of the president and the elite, serve to maintain the low quality of the administrative apparatus. However, a certain inclination toward policy learning can be observed in adaptations to international standards demanded by the International Labor Organization.

Implementation

3

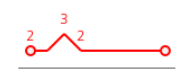
'06 '22 10



Policy learning

2

'06 '22 10



15 | Resource Efficiency

Turkmenistan, a country rich in natural resources, is far from using its human and economic resources effectively. Cronyism, a high degree of job rotation in middle and upper management, bureaucratic procedures and the inadequate education and training of staff create an inefficient public administration.

Poorly managed state-owned enterprises, delayed restructuring and disregard for demand-oriented production cause low-capacity utilization and a lack of profits in industrial enterprises.

The agricultural sector suffers from government over-regulation, lack of investment in upstream areas (especially in water supply, irrigation and pasture management) and a great lack of transparency in the provision of fertilizers and agricultural technology. The long-ago announced reform of agriculture has failed to materialize.

In the health care sector, the modern and expensive medical technology installed in new public hospitals and health centers in the city of Ashgabat often remains underutilized because there are too few medical professionals, and no long-term service contracts have been signed with the suppliers of those technologies.

Central investment policy suffers from considerable misallocations to prestigious construction projects, poorly planned new industrial projects, and oversized transport infrastructure (i.e., Ashgabat airport, Turkmenbashi seaport). The president wanted to lease terminals and storage capacities in the Turkmenbashi seaport to foreign transport companies in the interest of better utilization. Many billions of U.S. dollars have been poured into tremendously expensive, hardly used administrative buildings and a now derelict Olympic village.

This trend continues unabated today. In early 2020, for example, the president allocated \$1.5 billion for the construction of the new local capital of Ahal Province, which will most likely serve as the future “official residence” of Berdymukhamedov’s son (and prospective successor) Serdar Berdymukhamedov. In addition, the president approved \$2.3 billion for the construction of the approximately 600-kilometer-long Ashgabat-Turmenabat motorway, which is planned for completion in 2023. Contractors for both projects, which were awarded without tenders, are construction companies owned by close family members of the president. According to insider reports, at least one-third of the money for such large projects ends up in private domestic and foreign accounts owned by the president and his entourage.

In line with the president’s demands, new magnificent concert halls in the form of gigantic yurts for at least 3,000 visitors each are soon to be inaugurated in all provincial capitals. The president’s latest prestige project is the construction of a recreation area on the capital’s Lake Altyn Köl for the needs of the well-to-do.

Efficient use of assets

2

'06 '22 10

2 1

Every year, three million new trees are planted in the country. A large proportion of these dry out due to lack of irrigation and have to be replaced again and again. Even during the coronavirus pandemic, the president did not cut back on his prestige building projects or other expenditures that comprise part of the cultivation of his personality cult.

The regime of authoritarian kleptocracy that is sustained by the president and his inner circle does not coordinate conflicting policy goals. There is also no horizontal or vertical political and technical coordination within and across ministries, downstream agencies and regional and local administrations. All aspects of preparing, adopting and implementing “reform projects,” strategic documents, development programs and action plans are in the hands of individual deputy prime ministers responsible for their respective part of the country (province) and/or economic sector and are submitted to the president for approval.

Unsolicited initiatives by ministries and other authorities are not only unwelcome, but undesirable. Only in the planning and implementation of certain concrete economic projects is there a limited degree of coordination between ministries. Decision-making power for such projects remains with the president, although his decisions are often incomprehensible and influenced by self-interest.

Turkmenistan has no real reform programs. At the meetings of the Cabinet of Ministers, the president sells his visions of the country’s development and even slight legislative changes as “reform.”

Even after the adoption of Turkmenistan’s first anti-corruption law on March 3, 2014, and other anti-corruption measures introduced in the following years (including the creation of an anti-corruption committee), there has been little change in the rampant level of corruption throughout the state administration and the public sector.

Experiences of abuse of power and corruption are part of everyday life for Turkmenistan’s population. The high prevalence of corruption in the public administration is the result of many factors, including patronage, the great dependence of construction and other companies on state contracts, a bloated bureaucracy, a lack of control of public finances and an underdeveloped tax system.

Several dozen high-ranking public servants of central authorities, as well as regional and local administrative heads, including numerous officeholders in the security and education sectors, had to vacate their chairs in 2019 and 2020 by order of the president due to “corrupt behavior.” Often, such removals consist of dismissal of disgraced officials or officials who have committed acts of corruption above the “usual level.” Not infrequently, there are purely political or personal motives.

New legal provisions in the Penal Code of November 30, 2019, prohibit the pardon or amnesty of convicted persons serving prison sentences for corruption offenses. Prison sentences for such offenses range from eight to 12 years. The new regulations



are closely related to the convictions of the former minister of the Interior and the former chairman of the Security Service. It is suspected that these convictions were primarily aimed at strengthening the president’s power base in the security apparatus.

16 | Consensus-Building

There are no major political actors or interest groups in Turkmenistan in a position to facilitate democratic practices. The current president does not allow the formation of any opposition groups that could challenge his authority. Because of the president’s dominant position, rivalries among different state institutions, such as the security apparatus, judiciary and the ministries, take the form of reciprocal denunciations of rivals’ “corrupt practices.”

There is no class of independent Turkmenistan businesspeople able to strive for an open market economy. The president sets the agenda and permits elements of a market economy only if those have the benefit of increasing the state’s export (i.e., his own) revenues or facilitating the goal of import-substitution. Moreover, government elites in the various ministries and agencies fail to formulate agendas that would benefit the country owing to their short periods in office.

In Turkmenistan, the state is fundamentally anti-democratic. President Berdymukhamedov is not committed to liberal democracy and suppresses almost all activity in support of democratic reform.

Some cleavages exist along regional, ethnic, social and religious lines in Turkmenistan, but the personal rule of the president and the extensive control mechanism of the security apparatus keep dissent to a minimum. As an example, many non-Ahal Turkmen are marginalized and denied access to political and economic positions. The “Ahalization” of the republic has entailed the government offering jobs and opportunities for investment almost exclusively to residents of the Western Ahal region. Despite such favoritism, tight control over the population prevents cleavage-based conflicts from escalating. As long as the president is able to maintain control over different informal networks, the prospect of conflict remains low.

Consensus on goals



Anti-democratic actors



Cleavage / conflict management



The leadership excludes all civil society actors without official sanction from the political process. It is almost impossible for independent NGOs to register and 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 Turkmenistan Youth Union and the Veteran’s Association, and three political parties have obtained official registration. Within Turkmenistan itself, there are only a very small number of official and informal groups connected through limited social networks (for example, the ecological movement, support of families and persons in need and support for disabled people).

Prisoners who were sentenced to long prison terms or disgraced after unfair trials at the turn of the millennium for an alleged assassination attempt on former President Niyazov in November 2002 are still in prison. For years, there has been hardly any information about their whereabouts or health conditions. This also applies, with reservations, to the approximately 60 imprisoned persons who are allegedly connected to the Gülen movement. Due to the nontransparent judicial system, there is no reliable information on the total number of politically persecuted prison inmates.

The international campaign, Prove They Are Alive, launched by human rights groups in 2013 and the activities of other international human rights organizations have achieved partial success. These include the government publicizing a list of people imprisoned during Niyazov’s term in office, diplomats and civil society organization representatives being allowed to visit detention centers for the first time, and several prison inmates being able to establish contact with their families. In addition, former prison inmates report that the food supply has improved in at least some prisons (showcase facilities) during the reporting period. However, the information provided on the list is very limited and “carefully prepared” prison visits did not allow for direct contact with the inmates.

The common practice of arrests without due process did not change during the reporting period, as evidenced by many detentions. Turkmenistan continues to reject OSCE and U.N. offers to help rectify the human rights situation, including reform of the prison system and a visit to the country by the Working Group on Enforced and Involuntary Disappearances. Turkmenistan also ignores the repeated requests from the OSCE and the European Commission to ratify the U.N. Optional Protocol to the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (OPCAT) of December 18, 2002. Abolishing acts of injustice and reconciliation are still not on the government’s agenda.

Civil society participation

1



Year	Score
'06	1
'22	1

1

Reconciliation

2



Year	Score
'06	1
'07	2
'08	3
'09	4
'10	3
'11	2
'22	1

1

17 | International Cooperation

Turkmenistan is represented in almost 50 international organizations and has signed around 160 international treaties and conventions (as of January 1, 2021). It is a member of the United Nations, the Non-Aligned Movement and the OSCE and cooperates with many other international organizations that provide support for economic and social development.

Among its foreign policy achievements during the reporting period, the government notably held memberships on several U.N. commissions (Population and Development: 2016 to 2020; Science and Technology for Development: 2017 to 2020; Social Development: 2017 to 2021; Inland Transport Committee (ITC) of the Economic Commission for Europe: 2019 to 2020); the UNICEF Board (2018 to 2020) and the UNESCO Intergovernmental Committee for Physical Education and Sport (2018 to 2021).

Despite this impressive list, the government of Turkmenistan makes only purely pro forma efforts to act as a partner abroad, and its membership in numerous international organizations, conventions and treaties serves primarily to legitimize its place in the international order. Membership also serves the purpose of demonstrating to Turkmenistan's population that their homeland is an internationally recognized and highly respected country. The pandemic protection plan developed by the government in close cooperation with the United Nations with a planned budget of \$1 billion clearly fits into this scenario, while actual implementation remains unlikely.

The commitments made by the Turkmenistan government in the state's various accession agreements are primarily for propaganda purposes. The president and his associates have no genuine interest in receiving assistance from international partners so as to conduct their declared, but unwanted, reform policies.

International donor banks began to withdraw from Turkmenistan since the mid-1990s owing to the heavy state regulation of their activities and the withholding of information on the state of Turkmenistan's economy. Recently, however, thanks to some significant cross-border infrastructure projects, some of these institutions have taken up activity in Turkmenistan again. In particular, the Asian Development Bank, the Islamic Development Bank and the European Bank for Reconstruction and Development have provided financial support for a few projects. Yet a real breakthrough in terms of the government cooperating with these institutions is not to be expected.

Effective use of support

3

'06 '22 10



1

In an egregious repudiation of its responsibilities as a member of the international community, Turkmenistan continues to maintain that there has not been a single case of COVID-19 in its territory, even though independent media sources have reported on the large number of people who have been hospitalized or died with coronavirus symptoms. It is one of the few states in the world that not only does not disclose information about the spread of the coronavirus in the country, but deliberately provides international observers, including the World Health Organization (WHO), with false information about the pandemic.

Restrictive visa policies for entering and leaving the country and bureaucratic procedures for organizing meetings with foreign partners in Turkmenistan are indicative of the government's disinterest in pursuing international contacts. Cooperation with foreign partners is subject to strict state control.

Cooperation at the multilateral level generally only takes place on a subject- or project-related basis. This applies above all to cooperation within the framework of the Commonwealth of Independent States (associate member) and the Shanghai Cooperation Organization (cooperation on energy supplies). The president of Turkmenistan justifies the country's non-membership in multilateral organizations by citing its neutrality, declared in 1995. In reality, neutrality status serves as a cover for isolating the country in the interests of regime stability.

The reporting period has been characterized by Turkmenistan continuing its formal presence on the international stage. This included membership in international organizations, some political, economic and cultural contacts at the bilateral level, and the holding of international conferences in Turkmenistan, pretending to pursue a policy of openness.

In bilateral political and economic relations with the other Central Asian countries, the South Caucasian countries of Azerbaijan and Georgia, and Russia, opposing trends can be observed during the reporting period. At the declaratory level, there were more mutual visits, telephone contacts and signed memoranda of deepened cooperation compared to previous years. At the practical level, however, Turkmenistan's already minor importance in the revival of Central Asian regional cooperation, which is gaining momentum, has melted away. Bilateral contacts remain limited to a necessary minimum, focusing in the main on imports and exports.

The chief reasons for Turkmenistan's almost insignificant role in Central Asian regional cooperation are its worsening economic crisis and the fear of possible foreign influences on the population. By curbing cooperation with its neighbors Uzbekistan and Kazakhstan, the Turkmenistan government also wants to avoid a possible spillover of the reform and opening-up processes in those countries into its own society. The reactivation of official relations with Russia observed during the reporting period, including a certain revival of military and political cooperation, is motivated by the cross-border threat from Afghanistan, the great demand for technology for oil and gas production and the resumption of gas deliveries from Turkmenistan (since 2019).

Credibility

2

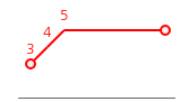
'06 _____ '22 10



Regional cooperation

5

'06 _____ '22 10



Turkmenistan-Azerbaijan relations have been developing comparatively well for about five years. They are based on the expansion of the Transport Corridor Europe-Caucasus-Asia (TRACECA) corridors, Lapis Lazuli (Afghanistan-Turkmenistan-Azerbaijan-Georgia-Turkey) and Caspian Sea-Black Sea, the planned laying of a fiber-optic cable on the bottom of the Caspian Sea between Turkmenistan and Azerbaijan, and the construction of an approximately 300-km long Trans-Caspian submarine gas pipeline from Turkmenistan for the transport of Turkmenistan's natural gas via Azerbaijan, Georgia, and Turkey to Europe, which is under consideration by both countries.

Cooperation with neighboring Afghanistan plays an important role in regional cooperation. There are ongoing and planned projects in the sectors of gas and electricity supply, telecommunications and cross-border transport (rail and road). In addition, Turkmenistan has adopted a program for humanitarian aid to the people of Afghanistan for the years 2020 to 2022. Behind this cooperation is Turkmenistan's huge interest in building the Turkmenistan-Afghanistan-Pakistan-India gas pipeline. However, Afghanistan is also interesting as a sales market for Turkmenistan's industrial goods (oil products, electricity, foodstuffs, textiles and clothing).

Strategic Outlook

The lack of the development of democracy and the market economy during the period under review is sobering. The president has fully consolidated his power, which puts him in a position to evade the control of the legislature and the judiciary. Both the previous unicameral parliament and the new bicameral parliament (from 2021) act as mere organs of acclamation.

The president's comprehensive power is based on control of the proceeds from the export of hydrocarbons and some other export goods. With these revenues, he finances a repressive security apparatus, his close followers (often by means of generous "grants" for public or parastatal projects) and, last but not least, his prestige building projects, in the interest of the total retention of power.

However, the government of Turkmenistan is under increasing pressure to implement new investment projects in order to boost export revenues and economic growth. The revival of the economy is all the more necessary because Turkmenistan can hardly count on revenues from gas exports via the planned Turkmenistan-Afghanistan-Pakistan-India pipeline in the medium term.

There is great doubt that official announcements for the implementation of a "new economic model" and a program for the management and reform of state-owned enterprises planned for the coming years will in any way be implemented. Rather, country insiders suspect that a direct redistribution of wealth and future profits in favor of the president and his entourage is behind the restructuring of state-owned enterprises. The government is hoping for a (somewhat realistic) increase in gas exports to traditional customers, rising gas prices and growing export revenues from the new polyolefins and liquid fuel plants.

The further deterioration of the socioeconomic situation in the last two years has led to an accumulation of localized protests by the population that are likely to gain further momentum. But justified fears of massive reprisals by the state and the security apparatus stand in the way of open protests, which remain unlikely for the foreseeable future. Deeply embedded corruption will act as a brake on substantive change. Economic and social problems, which have continued unabated since the 2015 crisis and have been dramatically exacerbated by the coronavirus pandemic, remain unresolved. Easing of the difficult situation is not in sight in the medium term.

Even if no political or economic turnaround is to be expected in the near future, national and international actors can possibly contribute to partial progress via a variety of instruments and initiatives. Donor organizations should focus on three sectors: advising on economic policy, including budgetary, financial and foreign exchange policy; alleviating shortcomings in good governance; and promoting small and medium-sized private companies (through the provision of individual financing and/or credit lines). The latter should be promoted above all if it contributes to a revival in cross-border trade and thus to an opening of the country. The promotion of various infrastructure projects may also be promising in terms of improving water and energy supplies. Finally, international actors should intensify political, cultural and economic cooperation in border areas.

The government of Turkmenistan has repeatedly expressed its interest in supplying Europe with natural gas. Pursuant to the agreement between Turkmenistan and Azerbaijan on the joint development of oil and gas in the Caspian Sea, which was concluded in early 2021, both countries have expressed their intention to construct the Trans-Caspian Pipeline. The international community should respond to this interest in a coordinated manner with a clear appeal: Prospective gas supplies to Europe presuppose that Turkmenistan makes progress in the democratization of society, human rights policy, freedom of expression and economic liberalization.