

Turkmenistan



The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries. Learn more and explore findings at www.revenuewatch.org/rgi.

Background

Turkmenistan has the fifth-largest natural gas reserves in the world, estimated at 265 trillion cubic feet. It exported 879 billion cubic feet in 2011. It is also one of the world's most closed and repressive states. Unlimited presidential powers and the government's total control over civil society make it nearly impossi-

Turkmenistan	2000	2005	2011
Population (million)	4.50	4.75	5.11
GDP (constant 2011 international \$ billion)	3.7	9.2	28.1
GDP per capita, PPP (constant 2005 international \$)	3,917	4,762	8,319
Extractive exports (% total exports)	81%

SOURCES: World Bank.

ble to assess the role of oil and gas in Turkmenistan's economy; the extractive sector as a whole is credited with generating 44 percent of gross domestic product in 2010.

Turkmenistan's Performance on the RGI

Turkmenistan received a "failing" score of 5, ranking 57th out of 58 countries. It performed extremely poorly on all components, particularly on Safeguards and Quality Controls, where Turkmenistan earned the RGI's only score of zero.

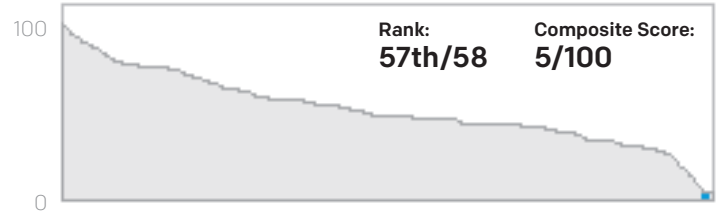
Institutional and Legal Setting

(Rank: 56th/58 Score: 12/100)

Turkmenistan's "failing" score of 12 reflects the lack of a detailed legal framework regulating the petroleum sector.

The oil and gas industries are governed by the 2008 Law on Hydrocarbons, which is publicly available but states only general principles and does not include fiscal terms. Rather than promoting transparency, the law prohibits government agencies from disclosing information about the hydrocarbons sector.

The State Agency for the Management and Use of Hydro-



carbon Resources, which is accountable only to Turkmenistan's president, grants licenses and awards production sharing agreements for offshore development through an opaque process of direct negotiation that favors non-Western companies. The agency regulates all foreign oil and gas companies, while the Oil and Gas Ministry manages state-owned companies. Environmental impact assessments are not required.

Turkmengaz and Turkmenneft, the national gas and oil companies, respectively, collect most resource revenues. However, an estimated 80 percent of export sales are not reported and the proceeds bypass the treasury.

Reporting Practices

(Rank: 58th/58 Score: 4/100)

Turkmenistan ranked last with a score of 4, the product of a near-total lack of government data on the oil and gas industries.

No information is published about the licensing process, before or after negotiations, and contracts remain confidential. No government agency publishes information on hydrocarbon revenues. The only available industry information is an outdated list issued by the Oil and Gas Ministry of companies operating in the country and their production.

Safeguards and Quality Controls

(Rank: 58th/58 Score: 0/100)

With no effective public oversight of the extractive sector, Turkmenistan earned a "failing" score of 0.

The State Agency for the Management and Use of Hydrocarbon Resources, controlled by the president, has unlimited power in the licensing process and receives no oversight from the legislature, which is itself controlled by the executive branch. There are no procedures for appealing licensing decisions.

There is no legal requirement that natural resource revenues be audited. The president sometimes directs the national audit authority to examine resource revenues, but the results are not made public.

Enabling Environment

(Rank: 57th/58 Score: 3/100)

Turkmenistan scored poorly on all measures of the Enabling Environment, earning a “failing” score of 3.

State-Owned Companies

(Rank: 45th/45 Score: 0/100)

Turkmengaz and Turkmenneft are owned entirely by the government. No information is available on their operations or revenues. Turkmengaz sometimes conducts internal audits, but they are not required by law. Company officials are not required to disclose their financial interests in extractive projects.

Turkmenistan’s Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
57	COMPOSITE SCORE	5
56	Institutional and Legal Setting	12
	Freedom of information law	0
	Comprehensive sector legislation	33
	EITI participation	0
	Independent licensing process	50
	Environmental and social impact assessments required	0
	Clarity in revenue collection	17
	Comprehensive public sector balance	0
	SOC financial reports required	0
	Fund rules defined in law	..
	Subnational transfer rules defined in law	..
58	Reporting Practices	4
	Licensing process	0
	Contracts	0
	Environmental and social impact assessments	0
	Exploration data	0
	Production volumes	17
	Production value	0
	Primary sources of revenue	8
	Secondary sources of revenue	0
	Subsidies	0
	Operating company names	33
	Comprehensive SOC reports	0
	SOC production data	0
	SOC revenue data	0
	SOC quasi fiscal activities	0
	SOC board of directors	..
	Fund rules	..

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	..
	Subnational transfer rules	..
	Comprehensive subnational transfer reports	..
	Subnational reporting of transfers	..
58	Safeguards and Quality Controls	0
	Checks on licensing process	0
	Checks on budgetary process	0
	Quality of government reports	0
	Government disclosure of conflicts of interest	0
	Quality of SOC reports	0
	SOC reports audited	0
	SOC use of international accounting standards	0
	SOC disclosure of conflicts of interest	0
	Quality of fund reports	..
	Fund reports audited	..
	Government follows fund rules	..
	Checks on fund spending	..
	Fund disclosure of conflicts of interest	..
	Quality of subnational transfer reports	..
	Government follows subnational transfer rules	..
57	Enabling Environment	3
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	3
	Open Budget (IBP Index)	..
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	2
	Government effectiveness (WGI)	3
	Rule of law (WGI)	4

■	Satisfactory	■	Weak
■	Partial	■	Failing