

Turkmenistan



European Bank
for Reconstruction and Development

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The EBRD's activities in Turkmenistan will continue to focus on the promotion of private sector development, particularly in the areas of small and medium-sized enterprises (SMEs) and technical cooperation. Working closely with other international organisations, the Bank maintains a dialogue with Turkmenistan to help it move towards economic and democratic reform.

Recent EBRD activities

Policy dialogue with the government has been successful in the last 12 months. President Berdymukhammedov's government has introduced several key reforms: the unification of the dual exchange rate and the full convertibility of the Turkmen currency, the Manat, have improved the business climate. Other priorities identified in the 2006 strategy such as budget reform and the improved provision of economic data are also making progress.

Reforms have also taken place in other key spheres – protection of the rights of entrepreneurs under the new constitution, a simplified tax system was introduced and amendments have been made to the education and pension systems. The government is building better relations with its neighbours and further afield with an ambitious diplomatic schedule designed to re-introduce Turkmenistan to the world. These reforms are a big step towards a market-based economy, however, government control, especially in the financial sector, remains strong and bureaucratic.

The government considers that the promotion of SMEs is a key component of its strategy to increase the private sector's share to 70 per cent in the non-oil and gas economy by 2020. A new foreign investment strategy should attract FDI which remains limited to a few sectors. The EBRD, with its substantial experience and great capacity, will support private sector development.

EBRD strategy in Turkmenistan

The latest country strategy for Turkmenistan was approved in July 2006. Its strategic priorities include:

- ▶ developing the local private sector and a civil society through support to SMEs, the launch of a micro credit programme and the inclusion of local private banks in the Trade Facilitation Programme
- ▶ making selective direct investments in domestic and foreign-owned private enterprises, including through the Direct Investment Facility and attracting strategic sponsors to joint ventures
- ▶ engaging in policy dialogue with the government, especially on the need to improve the investment climate.



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At a glance*

Number of projects
8

Net business volume
€115.6 million

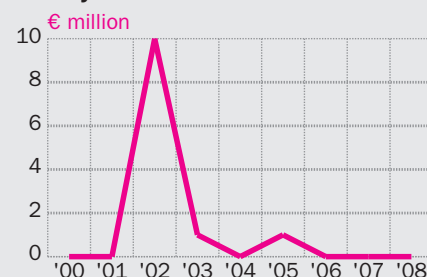
Total project value
€547.7 million

Gross disbursements
€112.1 million

Additional mobilisation
€432.2 million

Share in private sector
82 per cent

Project volume 2000-08



*cumulative, as at March 2009

Financial crisis

Responding to the global economic crisis the Bank is increasing its projected 2009 business volume by a third to €7 billion. The Bank is supporting viable financial institutions and companies to maintain their activities under the current circumstances. To maintain vital trade flows the Bank is also doubling its Trade Facilitation Programme (TFP) to €1.5 billion.



www.ebrd.com/new/fin_crisis.htm

Economic overview

The financial crisis has had only a limited effect on the Turkmen economy so far. The banking system continues to be government controlled and is not integrated into the global financial system. Demand for the main source of revenue and growth – natural gas – has not declined. Rather, interest is increasing, with positive price developments on the country's long-term commitments.

The business environment needs to improve further if private sector activity is to increase outside the hydrocarbon sector. The unification of the dual exchange rate was an important development and should encourage foreign direct investment into the non-hydrocarbon sector.

Strengthening administrative capacity is vital to encourage more firms to enter the small business sector and improve access to finance. Substantial resources must be committed to the regions to reverse the under-investment in physical infrastructure.

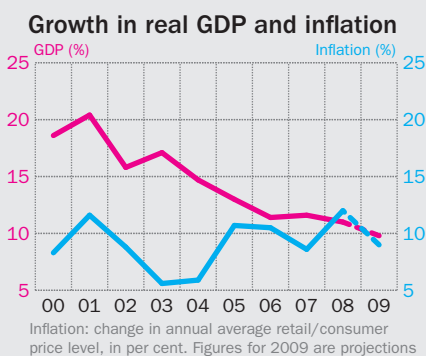
Country data

Population
6.5 million

Area
488,000 sq km

GDP per capita
US\$ 2,915.6

Average transition score
1.44 (scale: 1 to 4.33)



www.ebrd.com/economics

Local confectionery business to grow stronger

Established in 1993, Serdar and Allaberdy Poladov's sweets company, Hasar, has grown steadily with over 300 employees, 60 per cent of whom are women, and a wide range of confectionery products produced and distributed all over Turkmenistan.

Two EBRD loans in 2000 and 2004 have helped the Poladov brothers increase production. New products have been introduced, including nuts and packaged dried fruit. In Turkmenistan, Hasar has 70 per cent of the market for biscuits and waffles. The Poladov brothers are ambitious and want to take the Hassar brand into new markets. They have sought the EBRD's TurnAround Management (TAM) Programme for advice.

TAM advisers are working together with Hasar's management to develop a business plan for the coming five years, to improve financial planning as well as increase domestic and export sales volumes. Even such basic tasks as establishing an appropriate organisation chart that would last for the long-term future are being coordinated together with TAM advisers.

When TAM advisers started the project with Hasar in February 2009, the company was making good use of its production lines. The company is also planning to extend into the production of chocolate bars and Snickers-type products. While the focus has been on production so far, Hasar's management is now learning to become a sales-driven organisation. The Poladov brothers have high hopes that their Hasar brand will soon be known all over Central Asia.

How to obtain EBRD financing

Large private sector projects

Private sector projects range from €5 million to €250 million; the average amount is €25 million.
www.ebrd.com/apply/large

Small projects

The EBRD also supports financial intermediaries, such as local commercial banks, micro-business banks, equity funds and leasing facilities.
www.ebrd.com/apply/small

Trade

A range of products to facilitate intra-regional and international trade in the EBRD's countries of operations.

www.ebrd.com/apply/trade

Complementary schemes

TAM and BAS work directly with individual enterprises, providing industry-specific advice.
www.ebrd.com/apply/tambas

Application form

www.ebrd.com/apply

Today the EBRD uses the tools of investment to help build market economies and democracies in countries from central Europe to central Asia.

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