



Turkmenistan: Small and Medium-Sized Enterprises Finance Project

Project Name	Small and Medium-Sized Enterprises Finance Project								
Project Number	50021-001								
Country	Turkmenistan								
Project Status	Proposed								
Project Type / Modality of Assistance	Loan Technical Assistance								
Source of Funding / Amount	<table border="1"><tr><td colspan="2">Loan: Small and Medium-sized Enterprise Finance Project</td></tr><tr><td>Ordinary capital resources</td><td>US\$ 200.00 million</td></tr><tr><td colspan="2">TA: Small and Medium-Sized Enterprises Finance Project</td></tr><tr><td>Technical Assistance Special Fund</td><td>US\$ 500,000.00</td></tr></table>	Loan: Small and Medium-sized Enterprise Finance Project		Ordinary capital resources	US\$ 200.00 million	TA: Small and Medium-Sized Enterprises Finance Project		Technical Assistance Special Fund	US\$ 500,000.00
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Technical Assistance Special Fund	US\$ 500,000.00								
Strategic Agendas	Inclusive economic growth								
Drivers of Change	Knowledge solutions Private sector development								
Sector / Subsector	Finance - Small and medium enterprise finance and leasing								
Gender Equity and Mainstreaming	Some gender elements								
Description	The project will finance small and medium-sized enterprises (SMEs) in Turkmenistan, thereby supporting employment creation and economic diversification. The Asian Development Bank (ADB) will provide a financial intermediation loan to Turkmenistan for onlending to eligible SMEs through participating financial institutions (PFIs).								
Project Rationale and Linkage to Country/Regional Strategy	<p>During 2000 -2015 Turkmenistan experienced very high growth in gross domestic product (GDP) annual average of 8.5% , benefitting from high prices for oil and natural gas and strong hydrocarbon revenues. Per capita gross national income grew more than ten times reaching \$7,510 in 2015 (Atlas Method). During 2005 2012 investment reached an average of 36.4% of GDP and was mainly funded by the government; while private investment was only 15.2% of GDP. Turkmenistan's economy remains vulnerable to external shocks due to its limited economic diversification and high reliance on hydrocarbon revenues, which in 2015 represented 91.4% of total exports. Turkmenistan non-hydrocarbon exports include cotton (5.2%), sulphur (0.9%), plastics (0.9%), and linen products (0.4%). The external shocks arising from the strong decline of hydrocarbon prices observed since mid 2014 and the slowdown in demand by Turkmenistan's major trading partners have placed pressures on its current account and reserves. On 1 January 2015, the Central Bank of Turkmenistan (CBT) devalued the Turkmen manat by 18.6%. Since 2015, the CBT has tightened capital controls and importers' access to foreign currency; reserves have reduced from 30 months of import cover in October 2015 to 24 months of import cover in April 2016. Turkmenistan is in an early stage of transformation from a centrally planned to a market economy. State-owned enterprises (SOEs) still dominate most economic sectors. But private businesses have grown substantially in the last few years, increasing competition in many sectors. Businesses in tradable sectors in Turkmenistan have the potential to be cost competitive if they are able to access low-priced public resources particularly land, energy, and capital. SMEs also have limited access to sustainable long-term finance (para. 5) and since the devaluation of Manat in early 2015 access to foreign currency for critical imports has been increasingly constrained. In 2015 bank loans were estimated at 35% of GDP, which is in line with the profile of the banking systems in the region but substantially below that of more advanced transition economies in Eastern Europe. Banks' capital stood at 8.2% of bank assets and overdue loans were reportedly at 0.9% of total loans. Credit to the private sector has been growing slowly (4.0% of GDP in 2015 from 2.4% of GDP in 2010). An estimated 86.1% of bank credit goes to SOEs. The banks' lending model is predominantly based on relationships and collateral, and not on relevant business cash flows. Government-funded programs provide loans to businesses in selected sectors of the economy particularly businesses oriented to exports and import substitution at highly subsidized interest rates.</p>								
Impact	Increase private ownership (National Program for Social and Economic Development of Turkmenistan 2011 2030) Economic diversification (National Program for Social and Economic Development of Turkmenistan 2011 2030)								
Outcome	Private businesses have increased availability of financial services								
Outputs	Financing for private businesses provided through PFIs Training provided to staff of CBT and PFIs								

Geographical Location Nation-wide

Safeguard Categories

Environment	FI
Involuntary Resettlement	FI-C
Indigenous Peoples	FI-C

Summary of Environmental and Social Aspects

Environmental Aspects The project is categorized as financial intermediary treated as C for involuntary resettlement and indigenous people safeguards, and as financial intermediary for environment. Subprojects (i) identified in the ADB Prohibited Investment Activities List provided in the Safeguard Policy Statement (2009), (ii) classified as environment category A, and (iii) classified as category B that are in the ESMS exclusion list are not eligible for financing under the project. Eligible subprojects will comply with national regulations. All PFIs will have ESMSs in place that satisfy the Safeguard Policy Statement's requirements prior to the first disbursement of their respective loans. The TRTA will provide assistance in capacity building and monitoring to help PFIs maintain their ESMS operations in accordance with the Safeguard Policy Statement.

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

Responsible ADB Officer Song, Dai Chang

Responsible ADB Department Central and West Asia Department

Responsible ADB Division Public Management, Financial Sector and Trade Division, CWRD

Executing Agencies
*Central Bank of Turkmenistan
22 Bitarap Turkmenistan Street
Ashgabat 744000, Turkmenistan*

Timetable

Concept Clearance	10 Jun 2017
Fact Finding	26 Jul 2017 to 01 Aug 2017
MRM	24 Jul 2019
Approval	-
Last Review Mission	-
Last PDS Update	24 Sep 2018

Project Page <https://www.adb.org/projects/50021-001/main>

Request for Information <http://www.adb.org/forms/request-information-form?subject=50021-001>

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