



Project Data Sheet

Project 50021-001

Project Name	Building Capacity of Small, and Medium-Sized Enterprises (SMEs) Exporters Project
Project Number	50021-001
Country / Economy	Turkmenistan
Project Status	Proposed
Project Type / Modality of Assistance	Loan Technical Assistance

Loan: Building Capacity of Small, and Medium-Sized Enterprises (SMEs) Exporters Project

Source of Funding / Amount	Ordinary capital resources	US\$ 20.00 million
	TA: Small and Medium-Sized Enterprises Finance Project	
	Technical Assistance Special Fund	US\$ 300,000.00

Operational Priorities	OP3: Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability
Sector / Subsector	Finance / Small and medium enterprise finance and leasing
Gender	Effective gender mainstreaming

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).
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Project Rationale and Linkage to Country/Regional Strategy

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.

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

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 Giannetto, Giacomo G.

Responsible ADB Department Central and West Asia Department

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

Executing Agencies *State Bank for Foreign Affairs of Turkmenistan*

Timetable

Concept Clearance	10 Jun 2017
Fact Finding	26 Jul 2017 to 01 Aug 2017
MRM	03 Jul 2023
Approval	-
Last Review Mission	-
Last PDS Update	24 Sep 2018