

ANNEX 5 Financing Landscape and Partnership Analysis

1 Financing Landscape Analysis

The financing landscape analysis is guided by key national-level development programs and strategies - the NPSED 2022-2052 and the PPTSED 2022-2028, as well as the National Commitments at the SDG Summit. It has been developed around four key elements of the financing landscape in Turkmenistan – domestic public and private finance, and international public and private finance (see the chart below).

Key elements of development financing landscape in Turkmenistan

<p style="text-align: center;">DOMESTIC PUBLIC FINANCE</p> <p>State budget revenues and expenditures – Tier I budget SOE’s revenues and expenditures – Tier II budget Government Funds for special purposes</p>	<p style="text-align: center;">DOMESTIC PRIVATE FINANCE</p> <p>Domestic investment and borrowing Bank loans Household savings Capital market</p>
<p style="text-align: center;">INTERNATIONAL PUBLIC FINANCE</p> <p>Official development assistance – loans and grants by IFP’s Other official flows</p>	<p style="text-align: center;">INTERNATIONAL PRIVATE FINANCE</p> <p>Foreign direct investment Portfolio investment Remittances International borrowing</p>

The Table 1 shows financing dynamics by years by the sources and the [Annex](#) describes them in detail.

Table 1: Key sources of financing sustainable development in 2020-2023 (million manats)

Key sources of financing sustainable development	2020	2021	2022	2023	Total
Domestic public [T1+T2 expenditure]	65,633.70 \$18,752.5M	70,731.90 \$20,209.11M	80,248.60 \$22,928.17M	95,117.70* \$27,176.49M	311,731.90 \$89,066.26M
International public [ODA, grants+concessional loans]	842.4 \$240.7M	681.3 \$194.7M	1,310.1 \$374.3M	639.4** \$182.7M	3,473.2 \$992.3M
Domestic private [loans to private companies, entrepreneurs, households + private investments in fixed assets]	38,997.10 \$11,142.03M	41,523.3 \$11,863.8M	50,722.0 \$14,492M	52,094.2 \$14,884.06M	183,336.6 \$52,381.89M
International private [FDI inflow]	5,026.85 \$1,436.24M	4,505.67 \$1,287.33M	3,276.14 \$936.04M	4,824.09 \$1,378.31M	17,632.75 \$5,037.93M
Total:	110,500.05	117,442.17	135,556.84	152,675.39	516,174.45
	\$31,571.44	\$33,554.91	\$38,730.53	\$43,621.54	\$147,478.41
% of GDP:	69%	67%	68%	73%	

Sources: SSC Yearbook; “Bank Habarlary” magazine; IATI data portal; OECD data explorer; UNCTAD; DFA; UN estimation *data for 2023 State Budget to be published in December 2024 **data for 2023 ODA to be updated in December 2024

Limited data availability continues to be a major barrier to understanding the country's complex development financing landscape.

Key data sources for the analysis consist of the Statistical Yearbooks by the State Committee on Statistics, publicly available sources of the CBT and Ministry of Finance and Economy (MoFE), and the most recent UN and IFIs reports, such as Development Finance Assessment by UNDP, IMF Article 4 consultation outcomes, World Investment Report by UN Trade and Development (see the chart below).

Chart. Data Sources at the National and International Levels

National	International
<p>State Statistics Committee’s publications National Programme of SE development of TKM in 2022-2052 Presidential Programme of SE development of TKM in 2022-2028 Statements of the Government officials (President, DPMs, MFA, MoFE) Local state-owned and private newspapers (“Neytralniy Turkmenistan”, “Rysgal”) Press releases by state-owned media (TDH) Other national partners’ publications, websites Publications of the Union of Industrialists and Entrepreneurs of Turkmenistan</p>	<p>Reports and publications of IFT’s (WB, IMF, ADB, EBRD, IsDB, BIS) Reports and publications of International economic organisations and bodies (OECD, Eurostat) Reports and publications of UN agencies (UN Trade and Development, ESCAP, UNECE, UNDESA, IATF) Press releases in mass media Information Platforms (Bloomberg, Reuters, UNINFO, IATI, d-portal)</p>

For securing sustainable SDG financing the GoT with the support of UN partners should focus on the implementation of the Integrated National Financing Frameworks, the PFM reforms, and address the SDG financing gap at the country level.

The following concrete recommendations can be made in each of these areas: ¹

A. Expedite implementation of the Integrated National Financing Frameworks:

- Build on the National Commitments of Turkmenistan to SDG Transformation (SDG Summit-2023), include “INFF development and implementation” as a concrete result in the national medium-term development planning, specifying the timelines, responsible national agencies, implementing partners, and budgets. Ensure the embedding of concrete activities to support INFF development and implementation into sectoral programmes, strategies and action plans.
- Explore and utilise the global INFF guidance and companion recommendations, see at inff.org. Contextualise them to national context and sectoral needs. In this regard, use existing and establish new expert platforms to build capacity and learn approaches.
- Identify/establish and empower INFF Institutional Home (oversight national agency/body). Develop terms of reference for such a body and introduce the governance and accountability framework. Develop, adopt, implement and monitor INFF Institutional Home action plans.
- Conduct necessary mappings of existing assessment and diagnostic tools, risk assessments, key financial policy measures, stakeholders, political and socio-economic cycles, major financial and economic commitments, existing analyses, capacity-building needs, etc., to inform further INFF implementation in the country.
- To fully utilise the research and expert capacities of the development partners, ensure transparency and availability of financial and other related data.
- Build on Development Finance Assessment recommendations, and the above mappings, formulate an INFF Implementation Roadmap, and develop an SDG/Development Financing Strategy for Turkmenistan.
- As part of the SDG Financing Strategy, ensure costing of the SDG transitions in priority areas for joint UN and development partners’ interventions with multiplier effects.
- Build the capacity of national experts, and include sustainability principles in the educational system at all levels.

¹ Based on Policy brief on SDG Financing validated with the Joint UN-Government Experts Group on SDG Financing. <https://turkmenistan.un.org/en/259052-common-country-analysis-2023-update>

- Prioritise domestic revenue mobilisation for SDGs financing and implementation, utilise INFFs with the PFM reform at the centre.

B. Launch the Public Financial Management reforms

- Introduce the MTBF in budget planning and execution, emerging from a clearly defined and spelled-out medium-term fiscal framework (MTFF).
- Align the national medium-term fiscal targets with the country's commitments at the SDG Summit, and embed the Agenda 2030 results framework, i.e. SDGs, into national results frameworks. In this regard, develop and implement the Law on Strategic Planning referring to the SDG targets, monitoring and evaluation of SDG implementation in Turkmenistan.
- Consolidate two tiers of the state budget to better monitor and address the country's developmental needs and priorities.
- Introduce sectoral results-based budgeting (linked with the sustainable development targets) and costing of financing needs of programmes assessing investment needs of the key sectors of the economy.
- Allocate resources and implement the UN Joint Programme on Improvement of Public Financial Management System to enhance SDGs financing in Turkmenistan (UNDP, UNICEF, UNFPA, WHO and IFIs) covering most of the recommendations to trigger forward-looking actions in SDG financing.

C. Address the SDG financing gap at the country level

- Adopt and contextualise ESCAP's Ten Principles of Action to Bridge Asia-Pacific's Sustainable Finance Gap to enable cooperation between governments, regulators, and private finance to efficiently scale-up financing and investment.
- Bridge public and private finance through the introduction of PPPs to deliver SDGs in Turkmenistan. Use relevant tools such as the UNECE's PPP and Infrastructure Evaluation and Rating System methodology to attest to the overall sustainability of PPP and infrastructure projects; ESCAP's infrastructure corridor simulator to calculate results for determining the most promising scenario for infrastructure corridor development; and other.
- In cooperation with UN and IFIs, design innovative financing mechanisms and instruments, such as "green bonds", blended finance tools, Multi-Partner Trust Funds, thematic funds (for example, the National Clean Climate Fund), including required adjustments in legislative frameworks to enable financing of SDGs and PPPs.
- Explore, contextualise and utilise recommendations from the Interagency Task Force on Financing for Development Annual Reports, "Our Common Agenda" Report by the UN Secretary General and its Policy Briefs, outcome documents of the Summit of the Future (2024), and other UN global-level frameworks and commitments.
- Implementing the above recommendations will pave the way to sustaining the SDG Financing in Turkmenistan, create new jobs, stimulate growth, and bring social health and other benefits supporting the achievement of the SDGs and diversification of the economy in Turkmenistan.

2 Partnership Landscape Analysis and UN Comparative Advantage

Government

Traditionally, the GoT is the main partner for the UN development activities. There are more than 50 national ministries, agencies and institutions members of the CF Results Groups, and 28 of them are members of the CF Steering Committee.

The highest level of government representation is the recently established UN-Government of Turkmenistan Strategic Advisory Board, with four Deputy Prime Ministers, seven ministers, and seven other high-ranking participants at the deputy-minister and agency director level.

Below is the matrix of UN Country Team members and their partner agencies within the GoT and other national-level partners, with the highlighted current key operational partnerships.

Table 2. Development Partners and IFIs

From National Commitments at SDG Summit:

The government of Turkmenistan will strengthen partnerships with all stakeholders, particularly private businesses, to achieve SDGs by 2030.

While the government is working closely with the UN to implement the 2030 Agenda for Sustainable Development, the inclusion in this work of wider stakeholders is seen as crucial. In the coming years and beyond, the focus of the state will be on the inclusion of the private sector in the global development agenda and its country-level components. Turkmenistan's private sector share in non-carbon GDP now exceeds 70%. Moreover, a lion's share of more than 50% of the country's labour market is provided with jobs in private businesses. More than 92% of newly registered legal entities in Turkmenistan are privately owned companies, most of them in the SME segment. The government of Turkmenistan, with support from the UN, will advocate and promote the participation of the private sector in the implementation of SDGs through the development of new partnerships, the establishment of bilateral and multilateral platforms and forums, learning from best practices in existing and successful government-UN-private business partnerships for achieving SDGs. The government will play a key role in convening and supporting private businesses towards the implementation of the Global Goals.

Implementing partners from national ministries and organizations	ILO	IOM	ITC	FAO	UNDP	UNDRR	UNESCO	UNECE	UNEP	UNESCAP	UNFPA	UN-Habitat	UNHCR	UNICEF	UNIDO	UNODC	UNOHCHR	UNOPS	WHO
Mejlis																			
Ministry of Health and Medical Industry																			
Ministry of Labour and Social Protection of Population																			
Ministry of Internal Affairs																			
Ministry of Education																			
Ministry of Finance and Economy																			
Ministry of Sports and Youth Policy																			
Ministry of Agriculture and Environment Protection																			
Ministry of Energy																			
Ministry of Trade and Foreign Economic Relations																			
Ministry of Justice																			
Ministry of Defense																			
Ministry of Industry and Construction Production																			
Ministry of Culture																			
Hakimliks of velayats and c.Ashgabat																			
Prosecutor's Office																			
State Statistics Committee																			
State Migration Service																			
State Customs Service																			
Institute of State, Law and Democracy																			
Office of Ombudsman																			
Central Bank																			
Union of Industrialists and Entrepreneurs																			
National Red Crescent Society																			
Women's Union																			
Youth Union																			
'Keyik Okara' society																			
'Yenme' society																			

Development Partners

The presence of development partners in the country is limited. There are more than 30 embassies and several representative offices of international organisations, located mostly in the capital city, Ashgabat. Among embassies, key traditional partners of the UN are the embassies of the UK, US, and EU, and a few emerging partners such as UAE and Azerbaijan, mostly in climate change and preparations for COP. However, the financial contribution of the embassies to the UN programming at the country level is limited and based mostly on non-monetary joint initiatives.

Table 3. Mapping of development partners' grant and concessional lending in Turkmenistan

2021-2025 UNSDCF		IFIs / donors:	ADB	EBRD	IsDB	WB	USAID	GIZ	EU	GF
		million USD:	634	25.6	156.3	20	3.1	5	20	3
OUTCOMES	OUTPUTS	corresponding area								
1. People have access to more effective, innovative, and transparent public administration based upon the rule of law, human and labour rights, gender equality and quality data	1 Digital solutions in governance									
	2 Targeted budgeting and SDG financing									
	3 Revamped civil service						\$G			
	4 Human rights and gender equality						\$G			
	5 Disaggregated data									
2. Conditions for sustainable and inclusive economic diversification are strengthened with competitive private and financial sectors, enhanced trade and investment promotion, and the	1 Business procedures simplification	trade		\$L	\$G		\$G		\$G	
	2 Capacity development for public and private	capacity	\$G	\$G P	\$G					
	3 Innovative financial instruments									
	4 Investment promotion	transport	\$L	\$G					\$G	
	5 Capacity building in data									
3. There is effective design and implementation of disaster risk reduction and climate adaptation and mitigation measures, enabling a more	1 Policies and strategies in climate change		P					\$G P		
	2 Readiness to disasters	water					\$G	\$G		
	3 Green solutions	energy	\$L	\$L P			\$G P	\$G P	\$G	
	4 Capacity development in climate change		P					\$G		
4. The population of Turkmenistan enjoys higher quality and inclusive health and social protection services	1 Health and social protection legislation	health	\$L		\$L	\$L				\$G
	2 Data disaggregation improved									
	3 Access to health information									
	4 National programmes and strategies						\$G			
	5 Integrated social services						\$G			
5. The education and skilling system offers all people the skills and knowledge for employment success in a diversifying economy and enhanced social integration and resilience	1 Access to education									
	2 Life skills						\$G			
	3 Inclusive education									
	4 Bridging education and labour market									
	5 Employment system improved									
	6 Labour market and youth						\$G			
		focus on private sector		loans	\$L		grants	\$G	policy dialogue	P
		focus on public sector								

EU² Multi-annual Indicative Programme for Turkmenistan 2021-2027 addresses two sectors: i) green aspects of the economy, and ii) improving the business climate with a focus on agriculture/rural development and support to trade development. Funds (the pipeline is \$18M) may be used to flank measures in the event of spillover effects from a potential crisis in Afghanistan in the field of migration and security. Emphasis is put on MSMEs with a particular focus on women and youth-led enterprises. The improvement of the business climate in other sectors of the economy, particularly those affected by the COVID-19 pandemic, is also being supported.

USAID³ supports the country's development by focusing on: (i) Health and Education; (ii) Democracy and Governance; and (iii) Economic and Water Resource Management.

GIZ⁴ is gaining momentum in its support of the country's development agenda with its several projects in Central Asia with the Turkmenistan component being rolled out and implemented. Key areas of GIZ operations in Turkmenistan are green economy and climate change-related challenges; agriculture and environment; water resources management; trade facilitation, etc.

ADB⁵ Country Partnership Strategy for 2024-2028 aims to support Turkmenistan in its transformation into a more sustainable, climate-resilient, and competitive economy. It builds on three pillars: (i) supporting the green transformation to a sustainable and climate-resilient economy; (ii) strengthening economic competitiveness through diversification, private sector development, and human development; and (iii) promoting structural reforms and institutional development. The pillars will be supported by four crosscutting themes: (i) climate change, (ii) regional cooperation and integration, (iii) gender equality and women's empowerment, and (iv) good governance. There is one active loan for the National Power Grid Strengthening Project with a total amount of \$500M and a completed project of the North-South Railway (\$125 million). In addition, ADB is providing \$11M in technical assistance to strengthen institutions and capacity-building⁶.

EBRD⁷ in Turkmenistan focuses on expanding private sector operations in the corporate and financial institutions sectors, targeted policy dialogue, and fostering coordination among IFIs and donor organisations.

² https://www.ceas.europa.eu/delegations/turkmenistan_en

³ <https://tm.usembassy.gov/embassy/ashgabat/sections-offices/usaidd/usaidd-program-turkmenistan/>

⁴ <https://www.giz.de/de/downloads/giz2024-en-CA-flyer.pdf>

⁵ <https://www.adb.org/where-we-work/turkmenistan>

⁶ Outcomes of the TIF 2024

⁷ <https://www.ebrd.com/turkmenistan.html>

The current portfolio of projects funded by EBRD is \$25.6M and has the potential to expand significantly, if some key economic bottlenecks, such as the parallel exchange rate, are addressed by the government in the coming years.

*IsDB*⁸ is one of the largest contributors to the country's development in terms of volumes of funding. As of 2024, the bank funded 30 projects totalling the vast amount of \$1.2B, with the current pipeline of 13 active projects worth nearly \$150M. Key sectors of IsDB funding are telecommunication, health, trade, and connectivity.

*WB*⁹ most recent project in Turkmenistan was the \$20M COVID-19 Response Project to prevent, detect, and respond to the threat posed by COVID-19 and strengthen national systems for public health preparedness.

*IMF*¹⁰ continues its regular Article IV consultations with the government over the economic, financial, and exchange rate policies. Key points from the recent mission are (i) the country's economic slowdown in 2023, following a post-pandemic bounce in the previous year. The main economic challenge is to translate hydrocarbon wealth into more diversified, sustainable, and inclusive growth; (ii) Achieving this growth transformation will require a market-based diversification strategy, reforms to the monetary and exchange rate frameworks, increased public spending efficiency, and enhanced governance and transparency; and (iii) further improvements in the availability, quality, and reliability of economic statistics would help inform policymakers and increase transparency and credibility.

Private Sector

Private business plays an important role in the country's economy and has the potential to become a 2030 Agenda implementation champion. Private business represents 70% of non-carbon GDP, as well as 50.5 % of jobs in the country's labour market. Currently, 92% of newly registered legal entities in Turkmenistan are private companies. Private businesses produce 74% of gross output in agriculture, which is the major sector in terms of the number of employed people. In 2023 the UNCT and the Union of Industrialists and Entrepreneurs of Turkmenistan, the largest entity of 29 thousand members, signed an MoU on Cooperation in Implementation of the 2030 Agenda for Sustainable Development and SDGs in Turkmenistan. The Action Plan to implement this MoU has been adopted, and the UN-Private Sector Partnerships Platform established.

Academia

There is a wide network of academic institutions with potential to contribute to the country's development of education and research. Education institutions in Turkmenistan are public, except for about a dozen private education centres mainly focused on foreign language courses. Key partners of the UN in Turkmenistan in the implementation of the programmes and projects are the Academy of Science, Civil Service Academy, Institute of International Relations, International University of the Humanities and Development, and others, with the leading and coordinating roles of the Ministry of Foreign Affairs and Ministry of Education.

According to the Statistical Yearbook of Turkmenistan¹¹, there are 1082 preschool education establishments (213.7K children attending); 1882 schools (1566.8K students, including 721.6 urban and 845.2 rural); 128 vocational education institutions (32.8K students); 42 secondary vocational institutions (26.4K students); 25 higher education institutions (69.9K students) in the country as of 2023. The number of teachers at general education institutions is 87.5K, with the majority of 21.2K working in the Dashoguz region.

UN Comparative Advantage

The UN assistance is crucial to Turkmenistan's economic and social development, leveraging financing, partnerships, and technologies to support SDGs achievement. The UNDS offers a global perspective, neutrality, a vast network, world-class expertise, and credibility. It plays a key role in addressing development roadblocks and advocating for inclusive, sustainable growth.

The UNDS supports Turkmenistan by focusing on:

- Inclusive and sustainable economic growth through diversification and human capital development.
- Social development, health, and wellbeing for all.

⁸ <https://www.isdb.org/turkmenistan>

⁹ <https://www.worldbank.org/en/country/turkmenistan>

¹⁰ <https://www.imf.org/en/Countries/TKM>

¹¹ Statistical Yearbook 2024, State Committee on Statistics of Turkmenistan.

- Building resilience through environmental adaptation.

The UN facilitates partnerships with IFIs and helps implement loans to achieve development goals. It mobilises finance for sustainable development, bringing together the private sector, banking, and financial institutions to support the 2030 Agenda.

Balancing economic growth with social support systems, the UN addresses gaps in essential social services, focusing on vulnerable groups, youth, and women's empowerment. It also ensures environmental sustainability and resilience.

Efforts to reach those at risk of being left behind require community-based social services, a long-term effort the UN is experienced in. The UNDS contributes strategically to economic diversification, democratic institutions, and health and reproductive rights.

The UN possesses unique comparative advantages in implementing the national development priorities of Turkmenistan that distinguish it from other development partners. One of the UN's primary strengths is its multilateral approach, which fosters collaboration among diverse stakeholders, including governments, civil society, and the private sector. This inclusive framework allows the UN in Turkmenistan to address complex development challenges holistically, ensuring that national priorities align with global goals such as the SDGs. By leveraging its extensive network and expertise, the UN can facilitate dialogue and consensus-building, which is crucial for effective policy implementation.

Another significant advantage of the UN is its flexibility and adaptability in responding to crises and emerging needs. Unlike many IFIs, which often have rigid funding structures and conditionalities, the UN can mobilise resources rapidly and adjust its strategies to meet the evolving demands of member states. This agility was particularly evident during the formulation of nationwide COVID response measures in the country.

The UN's emphasis on capacity-building and knowledge-sharing sets it apart from other development partners. The UN not only provides financial assistance but also invests in strengthening local institutions and governance structures. This focus on sustainable development ensures that national priorities are not only met in the short term but are also integrated into long-term development strategies. By fostering local ownership and participation, the UN enhances the effectiveness of development interventions, making them more relevant and sustainable compared to the often top-down approaches of IFIs and other agencies. This comprehensive support ultimately maximizes development impact and aligns closely with the aspirations of national governments.

Annex Sources for the SDG financing in Turkmenistan

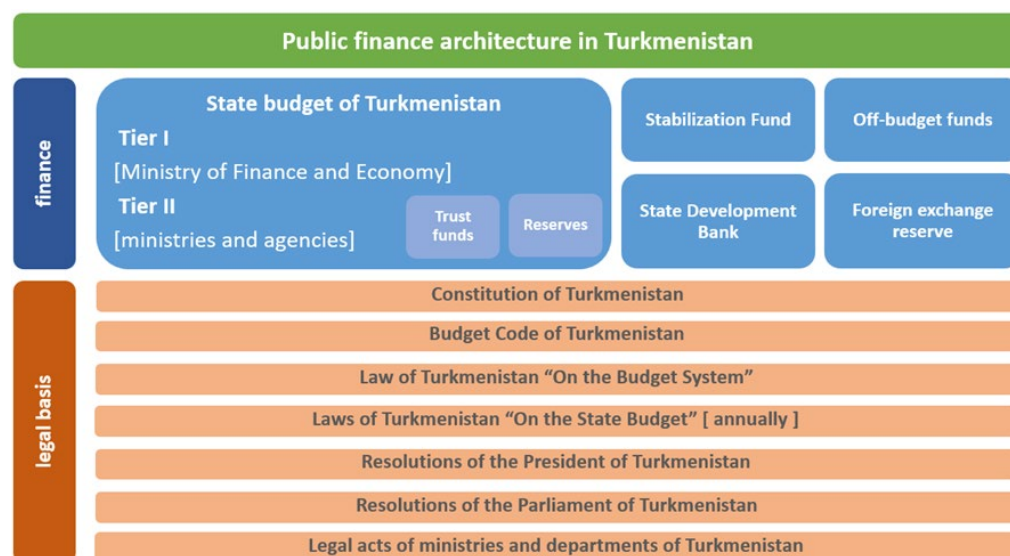
Domestic Public Finance

Domestic public finance with its integrated national financing framework remains the main source of financing sustainable socio-economic development in Turkmenistan.

Turkmenistan was among 40 countries that submitted its National Commitments at the SDG Summit in 2023.¹² Among key national-level initiatives and SDGs acceleration measures, resource mobilisation at the national level was considered the major source for funding the sustainable development agenda of the GoT. This commitment is supported by such measures as modernisation of the banking system, development of a capital market and comprehensive insurance services, strengthening public finance planning and management systems. Further, under an integrated national financing framework (INFF), based on data and evidence, support is to be provided to the transition to a green, diversified and sustainable economy. Investments in human capital and people-centred education, healthcare and social protection are mentioned as the focus areas for public financing. As a concrete fiscal target for the coming years, the GoT committed to keeping its spending on the social sector of the economy up to 70% of the state budget.

The scheme below shows the Public Finance Architecture of Turkmenistan.

Scheme. Public Finance Architecture of Turkmenistan



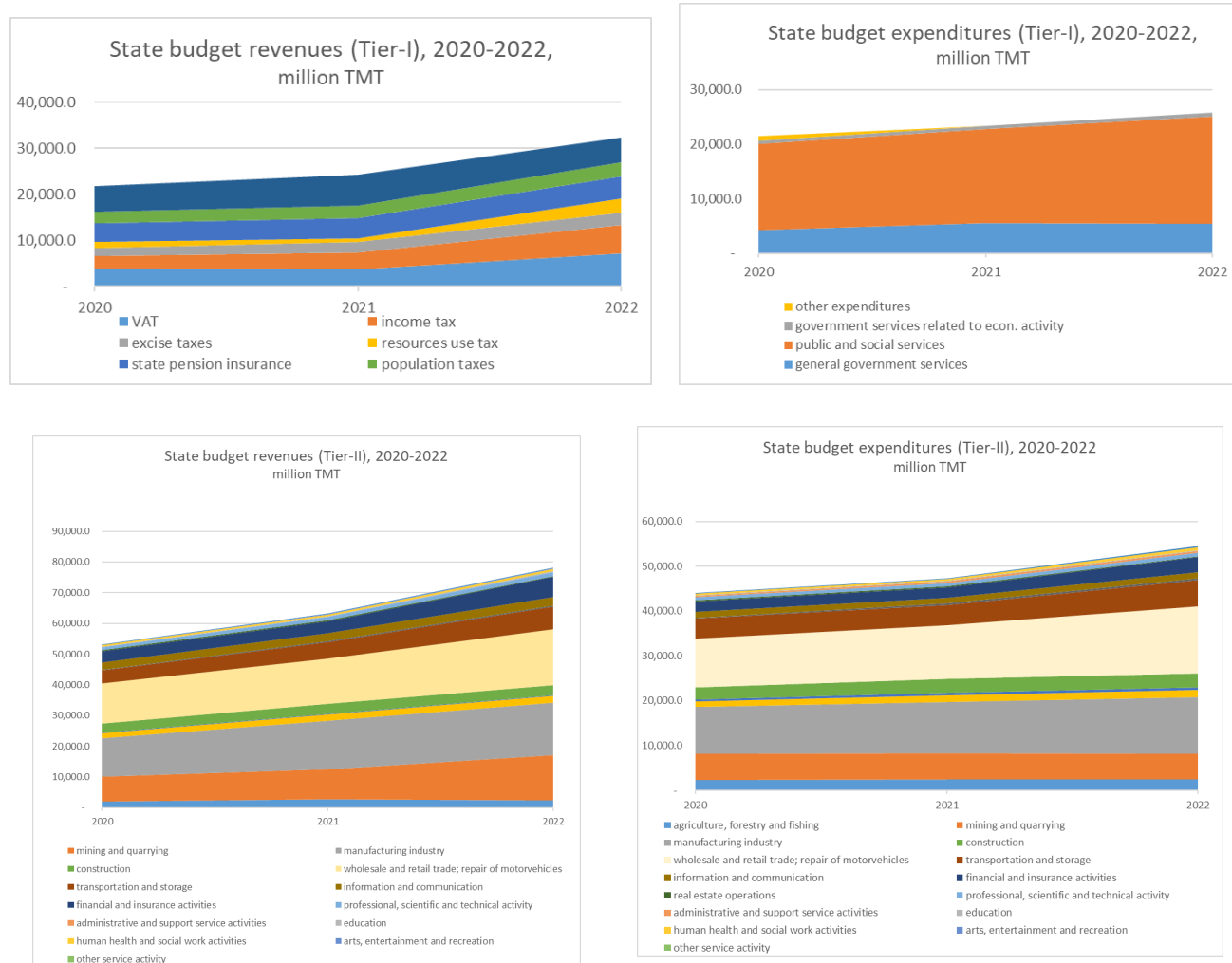
According to the most recent available data from the SSC, the consolidated state budget revenues in 2022 were at the

level of 110.6M manat (87.5M in 2021), including Tier-I budget revenues of 32,4M (24.4M in 2021) and public enterprises [Tier-II budget] revenues at 78.1M (63.2M in 2021).¹³ And expenditures at 80.2M manat (70.7M in 2021), including Tier-I expenditures of 25.8M (23.4M in 2021) and Tier-II expenditures at 54.5M (47.4M in 2021).

¹² <https://sdgs.un.org/SDGSummitActions/National>

¹³ The state budget comprises a two-tier system: Tier I - managed by the Ministry of Finance and Economy, and Tier II - funds under the responsibility of line ministries and agencies, state-owned enterprises.

Figure. State Budget Revenues and Expenditure 2020-2022



In 2022, (Consolidated) Budget Revenue to GDP Ratio in Turkmenistan was 56% (50% in 2021). Under Tier-I, 89.2% of taxes (87.4% in 2021) were collected from public enterprises, making the public sector of the economy the most important source of state budget revenues. The two largest positions within the tax revenues are Value-added Tax, 22.1% in 2022 (15.5% in 2021), and Corporate Income Tax 19.2% (14.5% in 2021). Under Tier-II, the largest contributions were received from the “wholesale and retail trade”, 23.3% (23.4% in 2021), and the “manufacturing industry”, 22.1% (25% in 2021).

Advancing the reform of the PFM system with the support of development partners, along with other regulatory and institutional improvements of the public finance system, will be required to secure reliability of the domestic public finance system in attaining sustainable development in Turkmenistan. The PFM reform in Turkmenistan has been postponed and the introduction of MTB with the programme budgeting principles is still pending. The UN and development partners advocacy for PFM reforms in the country has had limited success. The recent IMF Article 4 consultations outcome suggested to focus without delay on the PFM and state-owned enterprise (SOE) reforms,¹⁴ implementation of the 2014 Budget Code and establishing a single treasury account, operationalising MTB and improving fiscal reporting and transparency.¹⁵ The UN Joint Programme proposal on UN support for PFM reforms in the country was rejected, indicating the lack of readiness of the relevant stakeholders to implement the planned reforms.

¹⁴ This includes accelerating improvements in SOEs’ corporate governance with the focus on independent oversight functions and transparency through mandatory publication of audited financial statements.

¹⁵ <https://www.imf.org/en/News/Articles/2024/04/15/pr24118-turkmenistan-imf-staff-completes-2024-article-iv-mission>

Beyond the state budget, one of Turkmenistan's largest potential sources for financing sustainable development could be its Foreign Exchange Reserve Fund. According to Fitch, the country has “extremely large external reserves” at the level of 55 months of current external payments (peer median is 4.5 months)¹⁶. The Sovereign Net Foreign Assets (SNFA) of Turkmenistan are estimated at 54.7% of GDP, or more than \$35B (or \$45B as suggested in 2024 Investment Climate Statements by the US Department of State). There is an opportunity for the UN to advocate for introducing sustainability criteria embedded into the fund's asset management policy. Additionally, the part of the Fund's resources remaining in the country under the management of local development banks (or other institutions) could also be channelled for SDGs implementation via SDG-aligned lending policies and instruments.

Existing elements of INFF in Turkmenistan

Existing management and coordination mechanisms:

- National Working Group on SDG implementation
- Joint Expert Group on SDG Financing
- Steering Committee and Results Groups of the UN-Turkmenistan Sustainable Development Cooperation Framework
- Responsible units of the Ministry of Finance and Economy and other ministries and departments

Existing monitoring and review elements:

- Voluntary National Review of SDGs Implementation
- Mid-term review of the SDGs
- SDGs database
- MICS



Available assessments:

- Consultations with the IMF on Article IV
- IMF Report on Fiscal Policy and Development: Human, social and physical investments to achieve the SDGs
- Development Finance Assessment
- Operational plan for the introduction of high-quality one-year preschool training in Turkmenistan (UNICEF 2018)

Existing elements of financial strategy:

- National long-term programmes and strategies of socio-economic development
- The Budget Code, the Law on the State Budget, the State Budget (annual and medium-term*)
- The Main directions of the unified state monetary policy
- Development Finance Assessment Report

Domestic Private Finance

The banking sector is the largest supplier of development financing for the private sector in Turkmenistan. As of August 2024, there are 11 commercial banks, of which three are state-owned, five are joint-stock commercial banks, one is a branch of a foreign bank, one is a state development bank, and one is a joint venture “Turkmen Investment Company”. There are 150 branches of banks and 24 sub-branches (with a limited list of services provided) throughout the country. The clientele base of the banks is steadily increasing, and the number of bank accounts operational as of August 2024 exceeds 7 million.

The refinancing rate of the Central Bank remains unchanged since 2004 and equals 5%. At the same time, special rates are applied for specific purposes/sectors. For example, mortgage rates for the public provided by the banks are at 1%, and it is meant to be lower than 1% at the Central Bank auction. The interest rates for loans to the agriculture sector are around 3%, the loans for SMEs in the production sector the rate is 5%, etc¹⁷.

¹⁶ Exchange Rate Regime Weakness (Fitch Report, August 2024): “There continues to be a very large differential between the official exchange rate, fixed at 3.5 against the US dollar since 2015, and the parallel rate, broadly stable at just above 19 since mid-2022 and near its level in early 2020 despite a sharp improvement in external liquidity. Surrender requirements for SOEs remain in place, and the administration's FX policy partly accounts for the very low presence of foreign companies outside of the energy sector. It is unclear whether the authorities will employ FX reserves to tackle the gap with the parallel rate and associated economic distortions. Fitch's forecast through 2026 assumes an unchanged official exchange rate”.

<https://www.fitchratings.com/research/sovereigns/fitch-upgrades-turkmenistan-to-bb-outlook-stable-02-08-2024>

¹⁷ “Bank Habarlary” Magazine by CBT

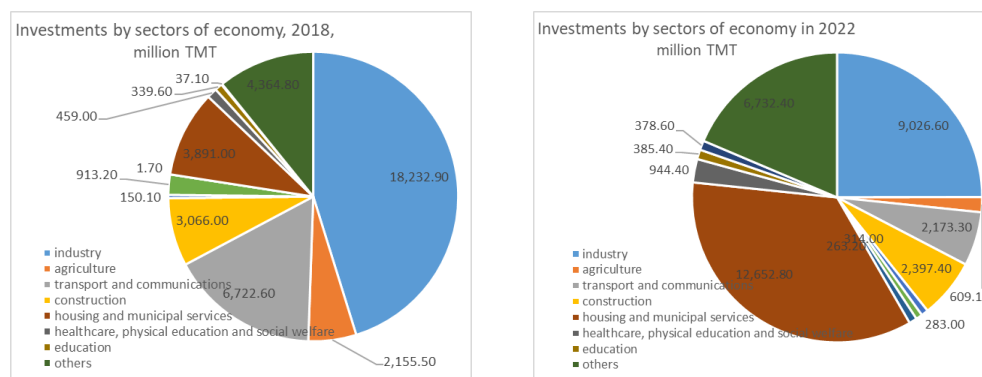
The country's Credit to GDP Ratio decreased to 50% in 2023, compared to 56% in 2022, and 58% in 2021. Total loans provided to the economy as of 1 January 2024 are estimated at 106B TMT or 30.3B USD¹⁸, of which 84% is in national currency. According to the IMF, the country's Central Bank's significant lending to commercial banks has contributed to high inflation compared to other countries in the region, built pressure on the exchange rates, and exacerbated the real exchange rate misalignment, adversely affecting competitiveness. The decreasing trend of the Credit-to-GDP Ratio in recent years implies the Central Bank's attempts to cope with the inflation through using administrative measures. More flexible and active monetary policy measures may positively affect and support current efforts to decrease the inflation pressure from the monetary side.

Consumer price inflation, according to the IMF, is projected at 7.8% in 2024 and 8% in 2025.

By a resolution of the president, JSC "Turkmen Investment Company" was established in late 2021. With 50% of its capital stock of \$16M for each partner, the founders of the company are the State Bank for Foreign Economic Affairs of Turkmenistan and the Abu Dhabi Fund for Development (ADFD). The company was established to support the development of the Turkmen economy with an emphasis on the private sector, serving as a platform for joint investments in Turkmenistan with partners in the form of international institutional and private investors. There are eight issuers listed at the Ashgabat Stock Exchange (ASE) as of August 2024: two commercial banks, three joint-stock companies, and three economic societies (private). The number of trade deals closed beginning from 2019 are 65 with a total amount of TMT 385.1M for the realised stocks. 87% of the total amount was mobilised by "Tehno-serwis" JSC during the first trade settlement of the ASE in 2019¹⁹.

Investment by sectors of the economy from all sources shown in the below charts suggests the shift in priorities of the government toward "housing and municipal services" in 2022, compared to the dominant "industry" sector back in 2018.

Figure. Investments by sectors in 2018 and 2022



According to SSC, the fixed asset investments by type of ownership in 2022 were distributed as 46% by SOEs, 29% by non-governmental enterprises and 25% by entrepreneurs and individuals.

By sources of funding, the largest investments in 2022 were made from "equity capital of enterprises" 26% and "household funds" 25%.

According to the EU Tax Observatory²⁰, as of 2022, in Turkmenistan:

- the corporate tax revenue lost as a share of corporate tax revenue collected was 7.6% (2020)

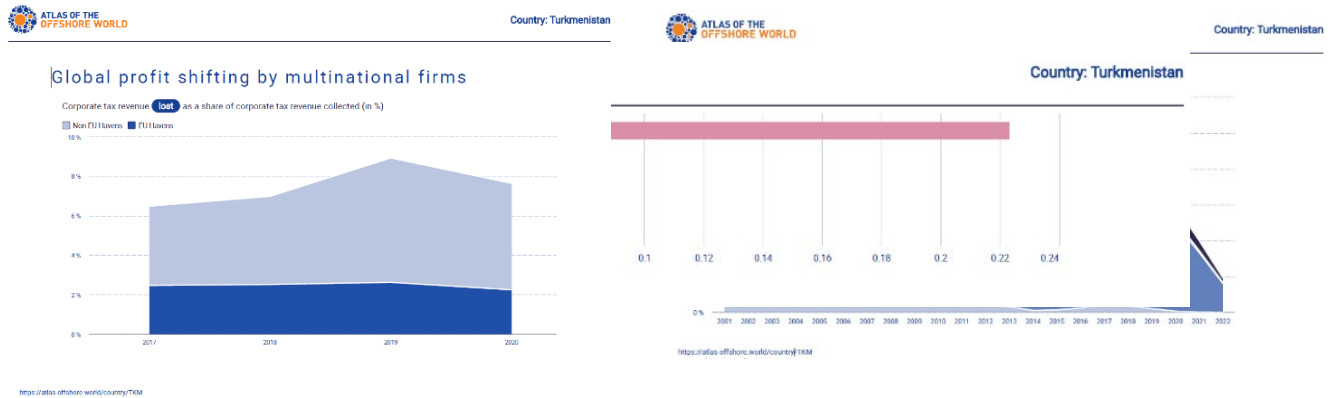
¹⁸ UN estimation

¹⁹ ASE Official page <https://www.agb.com.tm/en/>

²⁰ The EU Tax Observatory is an independent research laboratory hosted at the Paris School of Economics. It conducts innovative research on taxation, contributes to a democratic and inclusive debate on the future of taxation, and fosters a dialogue between the scientific community, civil society, and policymakers in the EU and worldwide.

- the offshore financial wealth owned by Turkmenistan citizens amounted to 0.24% of the country's GDP²¹
- offshore real estate²² owned as a share of the country's GDP for the same period was 0.23% (or \$0.12B) with Dubai attracting the lion's share of it, 0.22% of GDP, see charts below.

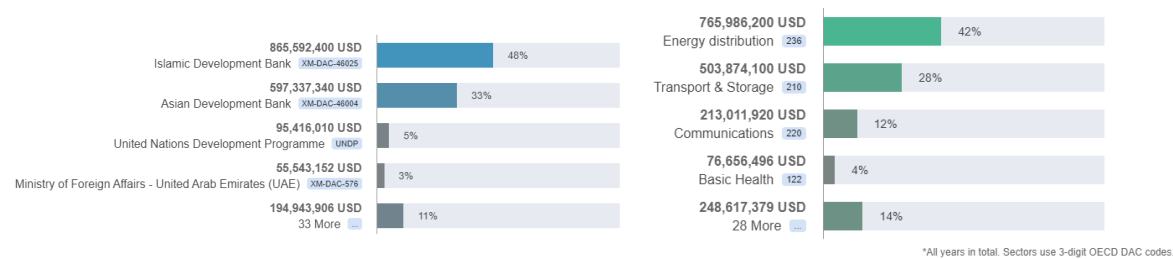
Figure: EU Tax Observatory charts.



International Public Finance

The country's upper-middle-income status continues to be among the key bottlenecks in resource mobilisation at international level. According to OECD, grant financing in 2022 decreased to \$7.8M (from \$11.7M in 2021). Total ODA including concessional lending according to the IATI data portal in 2022 was \$374.3M, exceeding by almost two-fold the 2021 level.

Schemes: Key ODA donors to Turkmenistan and beneficiary sectors of the economy (IATI d-portal registry)



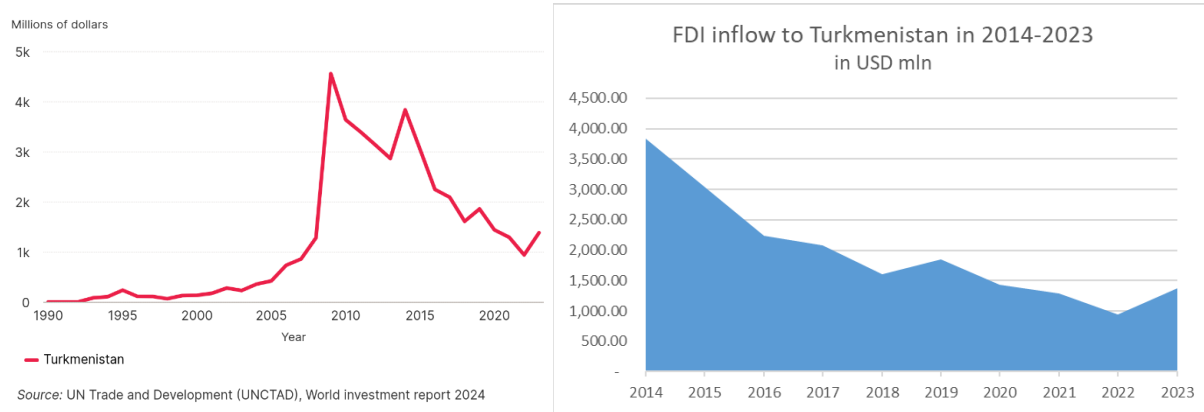
²¹ This data series measures the amount of offshore financial wealth (equities, bonds, mutual fund shares, and associated bank deposits) held abroad by households.

²² Offshore real estate is real estate that is either ultimately owned by an investor in a different country or is owned by residents through complex offshore structures that can obfuscate the identity of the real owner. The aggregate values are reported in USD billions.

donor	t2020	t2021	t2022	b2023	total by donor	
Asian Development Bank	77,369,650.00	118,441,890.00	160,539,600.00	107,824,640.00	464,175,780.00	46.8%
Islamic Development Bank	135,308,350.00	30,157,148.00	153,297,580.00	-	318,763,078.00	32.1%
United Nations Development Programme	6,916,195.00	14,789,391.00	35,679,536.00	60,075,136.00	117,460,258.00	11.8%
World Bank Group	-	15,005,481.00	4,994,519.00	2,461,760.00	22,461,760.00	2.3%
Global Fund	2,842,205.00	3,844,540.00	2,190,692.00	4,132,594.00	13,010,031.00	1.3%
GEF Secretariat	2,754,063.00	1,466,602.00	7,014,075.00	-	11,234,740.00	1.1%
World Health Organization (WHO)	2,831,088.00	2,236,801.00	2,355,100.00	3,284,937.00	10,707,926.00	1.1%
United Nations Children's Fund (UNICEF)	1,511,895.00	2,802,157.00	2,581,059.00	3,055,161.00	9,950,272.00	1.0%
United States Agency for International Development (USAID)	2,837,278.00	3,353,717.00	3,111,532.00	-	9,302,527.00	0.9%
United States	3,782,435.00	1,175,478.00	839,862.00	-	5,797,775.00	0.6%
International Trade Centre (ITC)	759,867.00	761,822.00	835,058.00	665,947.00	3,022,694.00	0.3%
World Bank Trust Funds	2,641,753.00	-	-	-	2,641,753.00	0.3%
UK - Department for Business, Energy and Industrial Strategy (BEIS)	399,103.00	191,584.00	221,526.00	47,851.00	860,064.00	0.1%
Germany - Federal Foreign Office	448,804.00	203,471.00	12,713.00	-	664,988.00	0.1%
United Nations Industrial Development Organization (UNIDO)	66,145.00	74,899.00	213,820.00	151,827.00	506,691.00	0.1%
United Nations Educational, Scientific and Cultural Organization (UNESCO)	25,608.00	41,708.00	27,988.00	319,284.00	414,588.00	0.0%
UK - Department of Science, Innovation and Technology	2,010.00	1,414.00	4,068.00	303,692.00	311,184.00	0.0%
International Organization for Migration (IOM)	-	-	115,400.00	193,613.00	309,013.00	0.0%
United Kingdom	165,663.00	75,071.00	43,632.00	-	284,366.00	0.0%
Canada	-	9,288.00	171,972.00	-	181,260.00	0.0%
International Labour Organization (ILO)	4,446.00	10,649.00	45,562.00	114,034.00	174,691.00	0.0%
Finland	19,464.00	4,521.00	-	21,832.00	45,817.00	0.0%
Ecorys UK	-	-	-	30,395.00	30,395.00	0.0%
INTOSAI Development Initiative	2,945.00	5,682.00	5,156.00	-	13,783.00	0.0%
Ireland	-	9,420.00	-	-	9,420.00	0.0%
USD:	240,688,967.00	194,662,734.00	374,300,450.00	182,682,703.00	992,334,854.00	
sector-name	t2020	t2021	t2022	b2023	Total	
Energy distribution	212,677,980.00	125,809,190.00	184,183,120.00	107,824,640.00	630,494,930.00	63.6%
Communications	-	22,789,848.00	129,650,424.00	3,491.00	152,443,763.00	15.4%
Basic Health	3,434,431.00	14,144,134.00	20,035,434.00	28,761,794.00	66,375,793.00	6.7%
Other Social Infrastructure & Services	5,124,425.00	8,481,300.00	3,871,197.00	3,446,721.00	20,923,643.00	2.1%
Health, General	1,488,299.00	8,064,388.00	3,197,414.00	10,576,000.00	23,326,101.00	2.4%
Non-communicable diseases (NCDs)	355,051.00	3,221,022.00	14,910,115.00	21,166,552.00	39,652,740.00	4.0%
Government & Civil Society-general	3,612,173.00	2,394,090.00	2,447,535.00	3,901,822.00	12,355,620.00	1.2%
General Environment Protection	3,466,846.00	2,025,554.00	7,441,604.00	1,306,140.00	14,240,144.00	1.4%
Energy generation, renewable sources	1,325,695.00	1,764,354.00	1,688,470.00	1,316,901.00	6,095,420.00	0.6%
Emergency Response	964,259.00	955,233.00	1,152,967.00	1,158,373.00	4,230,832.00	0.4%
Business & Other Services	113,465.00	775,445.00	743,179.00	-	1,632,089.00	0.2%
Administrative Costs of Donors	854,825.00	757,781.00	609,956.00	355,314.00	2,577,876.00	0.3%
Post-Secondary Education	120,510.00	657,984.00	359,204.00	-	1,137,698.00	0.1%
Trade Policies & Regulations	715,117.00	480,437.00	782,611.00	417,731.00	2,395,896.00	0.2%
Disaster Prevention & Preparedness	513,338.00	396,804.00	366,599.00	226,557.00	1,503,298.00	0.2%
Other Multisector	1,237,124.00	388,997.00	589,774.00	470,419.00	2,686,314.00	0.3%
Population Policies/Programmes & Reproductive Health	621,304.00	374,983.00	349,101.00	528,180.00	1,873,568.00	0.2%
Industry	271,733.00	280,898.00	439,219.00	331,353.00	1,323,203.00	0.1%
Education, Level Unspecified	103,531.00	266,396.00	306,779.00	84,590.00	761,296.00	0.1%
Banking & Financial Services	403,062.00	258,212.00	-	-	661,274.00	0.1%
Basic Education	71,683.00	245,117.00	884,080.00	362,503.00	1,563,383.00	0.2%
Agriculture	197,416.00	80,035.00	15,814.00	660.00	293,925.00	0.0%
Energy generation, non-renewable sources	-	33,911.00	-	-	33,911.00	0.0%
Conflict, Peace & Security	2,324,227.00	9,875.00	200,248.00	30,585.00	2,564,935.00	0.3%
Unallocated / Unspecified	-	6,750.00	70,010.00	164,871.00	241,631.00	0.0%
Secondary Education	-	-	-	-	-	0.0%
Water Supply & Sanitation	692,454.00	-	-	-	692,454.00	0.1%
Transport & Storage	-	-	4,500.00	-	4,500.00	0.0%
USD:	240,688,948.00	194,662,738.00	374,299,354.00	182,435,197.00	992,086,237.00	

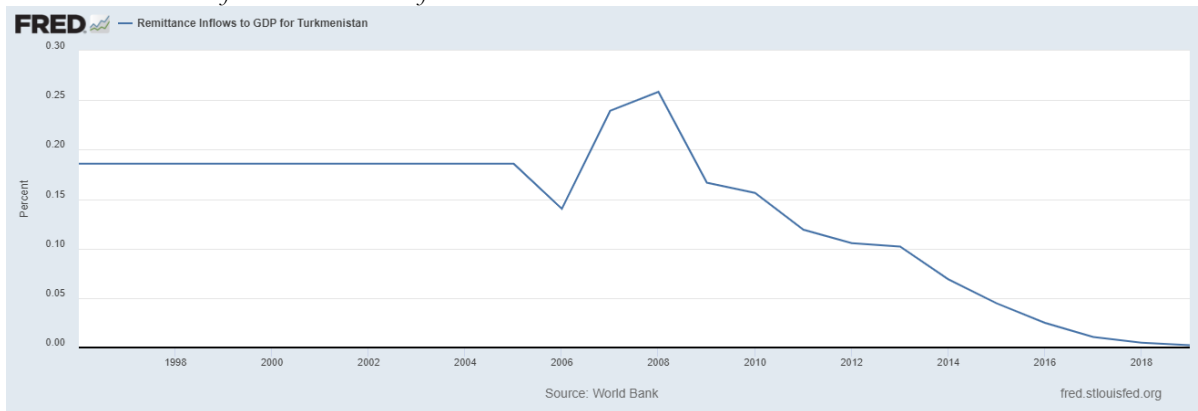
International Private Finance

FDI in Turkmenistan after a series of shocks bouncing back to its pre-pandemic levels. The World Investment Report 2024 by UNCTAD suggests FDI inflow growth in Turkmenistan in 2023 at \$1,378.31M, up by 147% compared to 2022. FDI inward stock in Turkmenistan as of 2024 is \$42,915M.



According to the US Federal Reserve Bank²³, remittance inflows to GDP ratio (transfers by migrant workers) decreased from 0.7% in 2014 to 0.2% in 2019. Due to the existent parallel exchange rate in the country and a lack of available financial data, informal cash transfers could not be featured in this analysis, but are an important income for the most vulnerable.

Scheme: Remittance inflows to GDP ratio for Turkmenistan



²³ <https://fred.stlouisfed.org/series/DDOI11TMA156NWDB#>