



Country Operations Business Plan

November 2018

Turkmenistan
2019–2021

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 31 October 2018)

Currency unit	–	Turkmen manat (TMT)
TMT1.00	=	\$0.2857
\$1.00	=	TMT3.50

ABBREVIATIONS

ADB	–	Asian Development Bank
COBP	–	country operations business plan

NOTE

In this report, “\$” refers to US dollars.

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I. CONSISTENCY OF BUSINESS PLAN WITH COUNTRY PARTNERSHIP STRATEGY

1. The country operations business plan (COBP), 2019–2021, for Turkmenistan is, by and large, aligned with the country partnership strategy, 2017–2021, of the Asian Development Bank (ADB),¹ which provides for the three major avenues of support: (i) hydrocarbon market diversification and energy trade promotion, (ii) diversification of the non-hydrocarbon sectors through transport infrastructure investment to improve market connectivity and private sector development, and (iii) knowledge work on economic diversification and reforms, as derived from the government development objectives. This COBP embraces key priorities and outcomes stemming from ADB's Strategy 2030.²

II. INDICATIVE RESOURCE PARAMETERS

2. Turkmenistan, a group C developing member country, is eligible for regular ordinary capital resources (OCR) lending. The indicative resources available during 2019–2021 for sovereign operations amount to \$150 million (\$50 million per year). ADB, jointly with the country, will explore cofinancing and funding from other sources to cover OCR cumulative volumes envisaged under this COBP. Turkmenistan may also tap resources available from ADB's nonsovereign window to encourage private sector financing in areas ranging from infrastructure to manufacturing exhibiting strong economies of scale.

3. For 2019–2021, the firm lending program amounts to \$150 million plus another \$690 million for standby projects.³ The final amount of lending is subject to resource availability and project readiness. The big-ticket projects need to undergo a comprehensive pre-investment due diligence so as to ascertain that they will (i) improve the welfare of beneficiaries and the country as a whole, and (ii) pose no risk to the country's fiscal and debt position. Transaction technical assistance included in the nonlending program will underpin government efforts towards carrying out such pre-investment evaluations. Only with favorable outcomes of the due diligence stocktaking, can the projects be recommended to proceed to the investment phase. All this would, in turn, represent an effective response to the existing environment considered deficient in strong enough national frameworks for the appraisal and selection of investment projects. The nonlending program amounts to \$1.375 million.

4. For 2018, a firm \$500 million electricity transmission project would address the ageing transmission infrastructure, poor reliability and lack of interconnection with the other regions in the country.⁴ With only \$50 million allocated for 2018, additional resources will come from the departmental OCR headroom.

5. The country assistance results areas by sector of interventions are in Appendix 1, while the projects in the pipeline are detailed in Appendix 2, where cost figures are to be deemed provisional, project-wise. Appendix 3 presents the assistance program for 2018 and Appendix 4 shows the indicative knowledge publications and events for 2018–2019.

¹ADB. 2017. *Country Partnership Strategy: Turkmenistan, 2017–2021*. Manila.

²ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

³For the list of firm and standby projects, please refer to Appendix 2 of this COBP.

⁴The loan will finance mainly the importation of project goods. Civil and erection works will be, to a large extent, financed by the government.

III. SUMMARY OF CHANGES TO LENDING AND NONLENDING PROGRAMS

6. Although weaknesses in the country's public investment and debt management institutions remain, this COBP, unlike the previous ones, takes a regular 3-year cycle to better reflect an additional financing modality, which is now envisaged for some of the planned projects.

7. Estimated at \$300 million in OCR, a regional gas transmission project—Turkmenistan–Afghanistan–Pakistan–India Natural Gas Pipeline—is the only addition to this COBP, albeit in a strictly standby mode. With this project, ADB broadens targets in the energy sector where previous plans were solely focused on electricity generation and/or transmission, and a sector share of the COBP envelope (inclusive of firm and standby endeavors) rises notably.

8. ADB has refined the only transport sector project—while keeping it in the rail transport subsector—in terms of the regional transport corridors to be modernized but with no change in development outcomes to be contributed to and assistance areas to be involved in. The project's refined title is "Central Asia Regional Economic Cooperation Corridors 2, 3 and 6 Railway Modernization Project", which is expected to be a multiphase program provisionally scheduled for 2019–2021.⁵

9. Aiming for the same outcome and areas as before, ADB has re-planned the Small and Medium-Sized Enterprise Finance Project to be implemented in four phases (with each phase up to \$50 million). In the previous pipeline, ADB pursued an unphased \$200-million intervention related to small and medium-sized enterprises.

⁵ In the transport sector, ADB will focus its support to the rail transport subsector, with the continued intention to support the improvement of Central Asia Regional Economic Cooperation Corridors 2, 3 and 6 linking Turkmenabat to Turkmenbashi. ADB currently envisages a three-phase program, with the first phase being supported by a standalone project for processing on a standby basis in 2019, and subsequent phases being supported by additional financing thereto, in 2020 and 2021, subject to project readiness. A transaction technical assistance facility approved in May 2018 (TA 9524-TKM) will support project preparation.

COUNTRY ASSISTANCE RESULTS AREAS

Key Country Development Outcomes that ADB Contributes to	ADB		
	Key Areas of Assistance	Indicative Resource Allocation in 2019–2021 ^a	Changes from Last COBP
1. Energy			
Increased resilience and reliability of electricity supply Increased energy exports	Electricity transmission and loss reduction in transmission Gas transmission Cross-border energy trade Capacity building and institutional strengthening	Amount: \$390 million (regular OCR); co-financing will be sought Share of COBP envelope: 46%	Development outcomes refined, new assistance area included, giving rise to a higher share the sector claims from the total envelope
2. Transport			
Enhanced connectivity with the CAREC region and beyond, enabling more transit and trade Increased movement of people and goods in an efficient, safe, and sustainable manner	Railway modernization Capacity building and institutional strengthening	Amount: \$300 million (regular OCR); co-financing will be sought Share of COBP envelope: 36%	Assistance in the area of roads excluded
3. Finance			
Improved access to finance for privately-owned SMEs engaging in expansion of exports and domestic manufacturing	SME finance Capacity building and institutional strengthening	Amount: \$150 million (regular OCR) Share of COBP envelope: 18%	No substantive change

ADB = Asian Development Bank; CAREC = Central Asia Regional Economic Cooperation; COBP = country operations business plan; OCR = ordinary capital resources; SME = small- and medium-sized enterprise.

^a The figures shown in the column are estimated with both firm and standby projects combined, though a standard practice is to estimate them based on firm projects only.

Source: ADB estimates.

INDICATIVE ASSISTANCE PIPELINE

Table A2.1: Lending Products, 2019–2021

Project/Program Name ^a	Sector	Poverty Targeting	Strategic Agendas and Drivers of Change	Division	Year of TRTA/PDA	Cost (\$ million)					
						Total	ADB		Total	Co-finance	
							Regular OCR	COL			ADF Grants
2019 Firm											
SME Finance Project (Phase 1) (FIL)	FIN	GI	IEG, EGM, GCD, PSD	CWPF	2017	50.0	50.0		50.0	0.0	0.0
Total						50.0	50.0		50.0	0.0	0.0
2019 Standby											
CAREC Corridors 2, 3 and 6 (Turkmenabat–Mary) Railway Modernization Project	TRA	GI	IEG, ESG, RCI, EGM, GCD, PAR	CWTC	2018	307.3	100.0		100.0	107.3	100.0
TAPI Natural Gas Pipeline Project	ENE	GI	IEG, ESG, RCI, GCD, PAR, SGE	CWOD	2018	...	300.0		300.0	...	...
Total						...	400.0		400.0	...	...
2020 Firm											
SME Finance Project (Phase 2) (FIL)	FIN	GI	IEG, EGM, GCD, PSD	CWPF	2017	50.0	50.0		50.0	0.0	0.0
Total						50.0	50.0		50.0	0.0	0.0
2020 Standby											
CAREC Corridors 2, 3 and 6 (Turkmenabat–Mary–Ashgabat) Railway Modernization Project (additional financing)	TRA	GI	IEG, ESG, RCI, EGM, GCD, PAR	CWTC	2018	...	100.0		100.0	...	...
Total						...	100.0		100.0	...	...

Project/Program Name ^a	Sector	Poverty Targeting	Strategic Agendas and Drivers of Change	Division	Year of TRTA/PDA	Cost (\$ million)					Co-finance
						Total	ADB		Total	Gov't	
							Regular OCR	COL				ADF Grants
2021 Firm											
SME Finance Project (Phase 3) (FIL)	FIN	GI	IEG, EGM, GCD, PSD	CWPF	2017	50.0	50.0		50.0	0.0	0.0
Total						50.0	50.0		50.0	0.0	0.0
2021 Standby											
Power Sector Development Project (new phase)	ENE	GI	IEG, ESG, RCI, GCD, PAR	CWEN	2020	...	90.0		90.0	...	...
CAREC Corridors 2, 3 and 6 (Turkmenabat–Mary–Ashgabat–Turkmenbashi) Railway Modernization Project (additional financing)	TRA	GI	IEG, ESG, RCI, EGM, GCD, PAR	CWTC	2018	...	100.0		100.0	...	...
Total						...	190.0		190.0	...	...

... = data not calculated or not estimated yet; ADB = Asian Development Bank; ADF = Asian Development Fund; CAREC = Central Asia Regional Economic Cooperation; COL = concessional OCR lending; CWEN = Energy Division; CWOD = Office of the Director General; CWPF = Public Management, Financial Sector, and Trade Division; CWTC = Transport and Communications Division; EGM = effective gender mainstreaming; ENE = energy; ESG = environmentally sustainable growth; FIL = financial intermediation loan; FIN = finance; GCD = governance and capacity development; GI = general intervention; Gov't = government; IEG = inclusive economic growth; OCR = ordinary capital resources; PAR = partnerships; PDA = project design advance; PSD = private sector development and private sector operations; RCI = regional integration; SGE = some gender elements; SME = small- and medium-sized enterprise; TAPI = Turkmenistan–Afghanistan–Pakistan–India; TRA = transport; TRTA = transaction technical assistance.

^a Given the provisional nature of the indicative lending program, content and composition of lending instruments as well as cost or value figures in the actual loan delivery may change (including downwards).

Regardless of whether any project listed in this appendix is firm or standby, keeping to or final approval of it by ADB and/or the government is, among others, subject to satisfactory pre-investment due diligence or appraisal that has yet to be undertaken in the required scope and scale.

Note: "Firm project" is a project planned for commitment in a given year based on the current resource allocation. "Standby project" is a project that may or may not be included in the country operations business plan and for which processing is, among others, subject to availability of additional resources.

Sources: ADB and the Government of Turkmenistan.

Table A2.2: Nonlending Products and Services, 2019–2021

Assistance Name	Sector	Division	Assistance Type	Sources of Funding				Total (\$'000)
				ADB		Others		
				Source	Amount (\$'000)	Source	Amount (\$'000)	
2019								
CAREC Corridors 2, 3 and 6 Railway Modernization (Supplementary)	TRA	CWTC	TRTA	TASF	225		0	225
Public Investment Management	PSM	CWRC	KSTA	TASF	150		0	150
Total					375		0	375
2020								
Power Sector Development (new phase)	ENE	CWEN	TRTA	TASF	1,000		0	1,000
Total					1,000		0	1,000

ADB = Asian Development Bank; CAREC = Central Asia Regional Economic Cooperation; CWEN = Energy Division; CWRC = Regional Cooperation and Operations Coordination Division; CWTC = Transport and Communications Division; ENE = energy; KSTA = knowledge and support technical assistance; PSM = public sector management; TASF = Technical Assistance Special Fund; TRA = transport; TRTA = transaction technical assistance.
Source: ADB.

ASSISTANCE PROGRAM FOR CURRENT YEAR

Table A3.1: Lending Products, 2018

Project/Program Name ^a	Sector	Poverty Targeting	Strategic Agendas and Drivers of Change	Division	Year of TRTA / PDA	Cost (\$ million)				
						ADB			Co-finance	
						Regular OCR	COL	ADF Grants		Total	Gov't
Firm										
National Power Grid Strengthening Project	ENE	GI	IEG, ESG, GCD, PAR	CWEN	2016, 2018	...	500.0		500.0	...
Total						...	500.0		500.0	...

... = data not calculated or not estimated or not confirmed yet; ADB = Asian Development Bank; ADF = Asian Development Fund; COL = concessional OCR lending; CWEN = Energy Division; ENE = energy; ESG = environmentally sustainable growth; GCD = governance and capacity development; GI = general intervention; Gov't = government; IEG = inclusive economic growth; OCR = ordinary capital resources; PAR = partnerships; PDA = project design advance; TRTA = transaction technical assistance.

^a Given the provisional nature of the indicative lending program, content and composition as well as cost or value figures of the lending instruments actually delivered may change (including downwards). No loan has been committed since 2012 that is either investment lending, policy-based lending or results-based lending.

Regardless of whether any project listed in this appendix is firm or standby, keeping to or final approval of it by ADB and/or the government is, among others, subject to satisfactory pre-investment due diligence or appraisal that has yet to be undertaken in the required scope and scale.

Sources: ADB and the Government of Turkmenistan.

Table A3.2: Nonlending Products and Services, 2018

Assistance Name	Sector	Division	Assistance Type	Sources of Funding				Total (\$'000)
				ADB		Others		
				Source	Amount (\$'000)	Source	Amount (\$'000)	
CAREC Corridors 2, 3 and 6 Railway Modernization	TRA	CWTC	TRTA	TASF	750		0	750
TAPI Natural Gas Pipeline	ENE	CWOD	TRTA	TASF	850		0	850
Power Sector Development (Supplementary)	ENE	CWEN	TRTA	TASF	125		0	125
Enhancing Energy Efficiency and Capacity in Power Sector	ENE	CWEN	TRTA		0	JFPR	1,500	1,500
Total					1,725		1,500	3,225

ADB = Asian Development Bank; CAREC = Central Asia Regional Economic Cooperation; CWEN = Energy Division; CWOD = Office of the Director General; CWTC = Transport and Communications Division; ENE = energy; JFPR = Japan Fund for Poverty Reduction; TAPI = Turkmenistan–Afghanistan–Pakistan–India; TASF = Technical Assistance Special Fund; TRA = transport; TRTA = transaction technical assistance.
Source: ADB.

INDICATIVE KNOWLEDGE PUBLICATIONS AND EVENTS

Table A4.1: Knowledge Publications and Events for 2019

Title of Publication or Event	Subject	Type	Department or Sector Group or Thematic Group	Fund Source
Key Indicators for Asia and the Pacific 2019	Economics	Publication and documentation	ERCD	TA pipeline
Asian Development Outlook 2019, its update and its supplement (July, December)	Economics	Publication and documentation	ERCD CWRD	TA pipeline
Knowledge products and services to be delivered in 2019 under the CAREC Program	Economics, regional cooperation and integration, energy, transport, industry and trade, finance, and private sector	Publication and documentation, event organization	CWRD	Various TA projects
Public Investment Management Framework	Economics	Publication and documentation, training or capacity development	CWRD	TA for approval, or existing TA funds if available
ADB and Turkmenistan: Fact Sheet 2019	ADB administration and governance, and economics	Publication and documentation	DOC	Administrative core budget
Asian Economic Integration Report 2019	Economics, regional cooperation and integration, energy, transport, industry and trade, finance, and private sector	Publication and documentation	ERCD	TA pipeline
ADB Annual Report 2019	Finance	Publication and documentation	SPD	TA pipeline

ADB = Asian Development Bank; CAREC = Central Asia Regional Economic Cooperation; CWRD = Central and West Asia Department; DOC = Department of Communications; ERCD = Economic Research and Regional Cooperation Department; SPD = Strategy, Policy and Review Department; TA = technical assistance. Note: "Publications" may include databases, multimedia, and other forms of documentation. "Events" may include event organization and training or capacity development.

Source: ADB.

Table A4.2: Additional Knowledge Publications and Events Delivered in 2018

Title of Publication or Event	Subject	Type	Department or Sector Group or Thematic Group	Fund Source
ADB and Turkmenistan: Fact Sheet 2018	ADB administration and governance, and economics	Publication and documentation	DOC	Administrative core budget
Asian Economic Integration Report 2018	Economics, regional cooperation and integration, energy, transport, industry and trade, finance, and private sector	Publication and documentation	ERCD	TA pipeline
ADB Annual Report 2018	Finance	Publication and documentation	SPD	TA pipeline

ADB = Asian Development Bank; DOC = Department of Communications; ERCD = Economic Research and Regional Cooperation Department; SPD = Strategy, Policy and Review Department; TA = technical assistance.

Note: "Publications" may include databases, multimedia, and other forms of documentation. "Events" may include event organization and training or capacity development. The table includes additional knowledge publications and events delivered outside the list of indicative knowledge publications and events included in the previous country operations business plan.

Source: ADB.

Table A4.3: Innovation, Advanced Technology, and Pilot Initiatives to be Implemented in 2019

Item	Nature	Project Number	Sector or Theme	Division
Roadmap for Higher Energy Efficiency to consider, among others, the best available technologies for energy efficiency in power generation, transmission, distribution and end-use equipment	TCH, PLT	49370-002	ENE, ENV	CWEN
Total number of innovation, advanced technology, and pilot initiatives = 1				

CWEN = Energy Division; ENE = energy; ENV = environment; PLT = pilot initiative; TCH = advanced technology.

Source: Asian Development Bank.