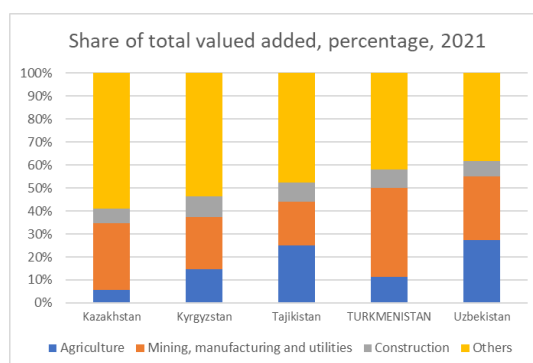
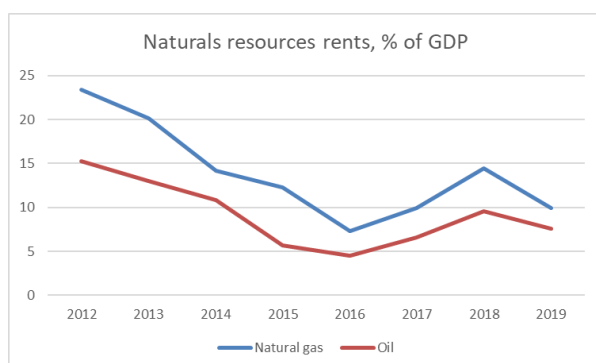


TURKMENISTAN Country brief

Economic Overview

Economic development is driven by the exploitation of hydrocarbon resources

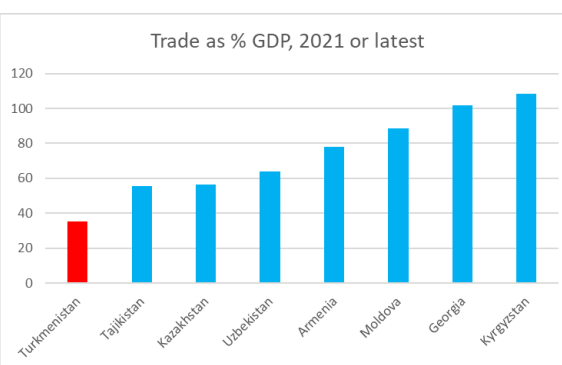
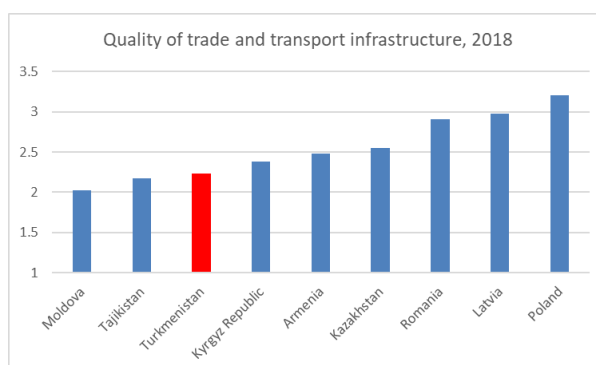
The paucity of data does not allow to gain a detailed understanding of socio-economic developments. According to the IMF, after years of very rapid expansion, the last decade was characterized by more moderate and volatile performance, including output contraction in some years. As a result, annual average growth was just above 1% in 2013-2021. The economy is dominated by hydrocarbon resources, which are the major source of foreign exchange revenues and channel for the transmission of external shocks.



Source: World Bank Development Indicators, UN Statistical Division

Regulatory changes would facilitate further integration in the world economy

Turkmenistan integration in the world economy remains limited, with trade making little contribution to the necessary economic diversification. There has been strong investment in developing the “hard” infrastructure for connectivity but further progress in addressing “soft” regulatory aspects would contribute to facilitate exchanges. The country applied for WTO membership in November 2021 and initial preparation work stated in early 2022, which may provide further impetus to address these deficiencies.

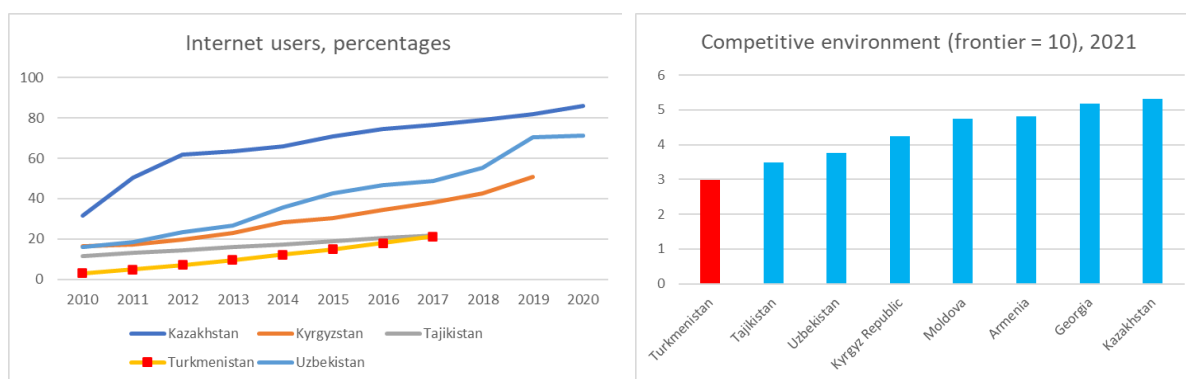


Source: World Bank Development Indicators

A challenging business environment

The economy is dominated by the extraction of natural resources, namely oil and gas, with a challenging business environment, including underdeveloped financial intermediation, that limits the role of SMEs. A large state footprint of the state reduces competition and narrows the scope for private sector engagement in advancing necessary economic diversification. Poor data availability

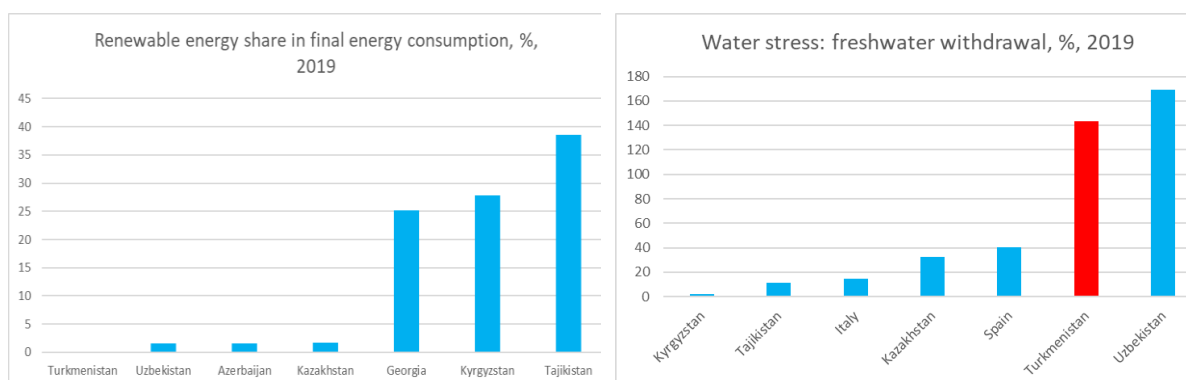
makes difficult to establish comparisons, but the country ranks poorly on ICT infrastructure and skills, which would be critical to develop new competitive advantages away from the energy sector.



Source: ITU, EBRD

Environmental problems are significant

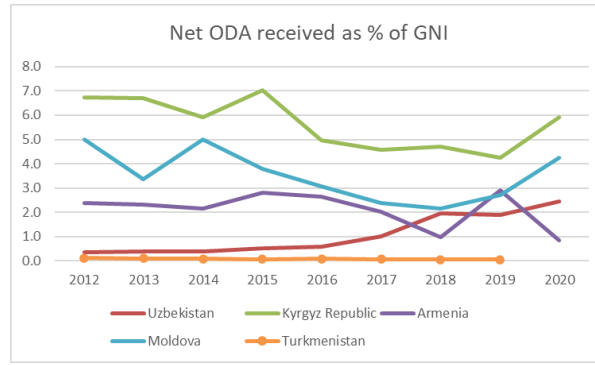
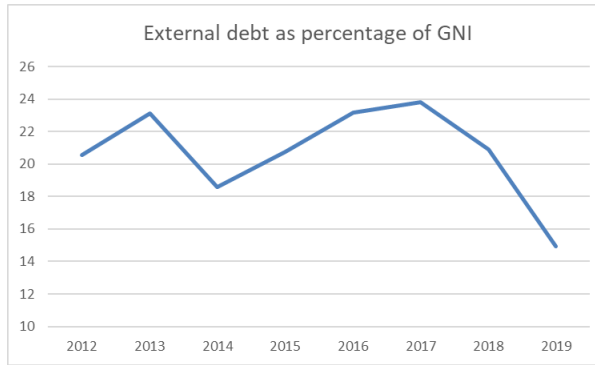
Turkmenistan is highly vulnerable to climate change and displays already a significant degree of water stress. Despite some progress in reducing energy intensity, it remains by far the highest in the region. It was not until 2017 that energy started to be charged, the previous situation creating disincentives for energy savings. Despite a large potential for solar energy, the share of renewables is insignificant. As in other Central Asia countries, air pollution has a sizeable negative impact on mortality.



Source: IEA; SDG UNECE database

Public finances are dependent on hydrocarbons revenues

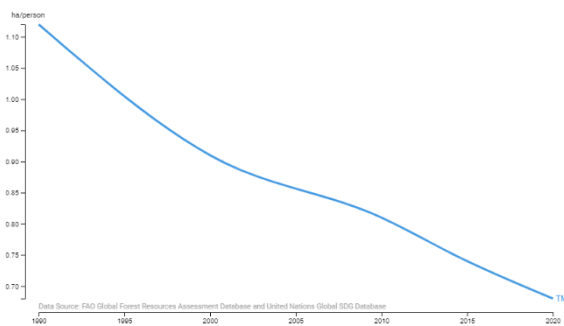
The country receives very small amounts of ODA and the lending portfolio of development banks is also limited, given the insufficient opportunities for deeper involvement. Public finances depend largely on hydrocarbons revenues and tax revenues are small. Domestic debt as percentage of GDP is very low. Total external debt, which is almost exclusively public debt, has remained contained. While the overall financial situation appears benign, there is a significant infrastructure deficit. Private sector engagement would bring not only additional resources but also necessary expertise.



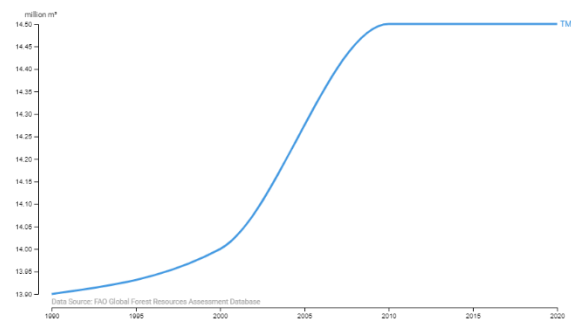
Source: World Bank Development Indicators

Forests, and green spaces in urban areas

Challenges of the forest sector in Turkmenistan include land degradation, a low forest cover, insufficient capacities of national forest management institutions, and the dependency of rural communities on forest services and products due to limited income opportunities. While the overall forest area remains stable, it is decreasing at “per capita” level due to the increase of population. Competing agricultural practices and devastating effects of climate change are justifying the need for increasing forest cover, upscaling forest landscape restoration and strengthening national forest management departments.



Forest area per capita



Forest growing stock