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| **Project Title** | Strengthening capacities of SMEs to benefit from trade opportunities in Turkmenistan |
| **Outcome** | Increased trade volumes through enhanced capacities for production of export oriented products  |
| **Indicative Funding Requirements** | Total estimated budget:  | $1,000,00.00 |
| **Potential Sources of Funding** | [Donor(s)]: [Development Bank(s)]: Other Resources: | $ 1,000,00.00NANA |
| **Expected start date** | 2011 |
| **Expected Duration** | 2 years  |
| **Implementing Organization(s)** | Ministry of Economic Development and local authorities in selected provinces |
| **Country/Countries** | Turkmenistan |
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# Background

To date the economy of Turkmenistan is largely dependent on the hydrocarbon sector. Hydrocarbon resources account for more than 90% of the country’s export. Since early 2007 the government of Turkmenistan announced its commitment to intensify the process of building modern market economy. Some tangible measures include unification of the exchange rate, simplification of taxation for some activities in the private sector and some price liberalization. The government also moves away from an isolationist position in the international arena and improved regional cooperation with neighboring countries: Azerbaijan, Kazakhstan and Uzbekistan. Yet, regional cooperation is still concentrated in the hydrocarbon sector and the government of Turkmenistan has concluded new regional economic and trade agreements to further harness hydrocarbon resources.

# Justification

The government recognizes that excessive reliance on the hydrocarbon sector is not sustainable in the long run and susceptible to international shocks. Overall objective of the Government’s economic reforms agenda is to accelerate and maintain high rate of the economic growth by diversifying the national economy and minimize dependence on the hydrocarbon sector. This objective calls for new approaches and tools in stimulating and managing the national economy. In 2009 and 2010 the Turkmen authorities have taken efforts to facilitate expanding and development of the private sector, especially small and medium enterprises (SME). These include adoption of the law on state support for SME and state programme of the same name. these policies *inter alia* encourage promotion and production of export oriented and import substitutes goods. This provides an excellent opportunity to advance national trade policies and support trade facilitation activities by developing productive capacities of export oriented private companies in the agri-industrial sector, which has considerable potential for the large variety of cultivatable crops.

The overall purpose of this project is to contribute to improving of welfare of the people of Turkmenistan by supporting the government’s efforts in development of the private sector. More concretely the project will support developing productive capacities of existing private companies and creating new private firms in the agro-industrial sector to encourage export oriented production and enhance their competitiveness in the regional and international trade. Achieving of this objective will contribute to the government of Turkmenistan efforts to diversify the national economy and thus reduce heavy reliance on the hydrocarbon resources, expand and build capacities of the private sector, generate employment opportunities and job places and eventually improve lives of men, women and children of Turkmenistan.

# Expected Output(s)

Major output of the project will be enhanced capacities of SMEs and micro businesses to produce export oriented goods. SMEs and micro businesses will benefit from capacity development measures to produce and deliver market and export oriented goods; they will also enhance their knowledge and skills in business administration, production management, marketing, quality assurance, packaging and other areas: finally measures will be taken to improve access of SMEs to and use of trade information. From the other hand, local administration will be capable to pursue and implement trade promotion plans and actions.

# Proposed Approach & Strategy, including Capacity Development Response

The suggested project will support SME operating in the provincial and rural level and also assist micro business with a particular focus on women entrepreneurs working in the shadow economy to legalize their economic activity. The capacities of SMEs will be developed to benefit from trade opportunities through transfer of best practices and knowledge on new technologies and tools for production capacities and better market access. Similarly, local executives and other officials will enhance their capacities to support trade related SMEs and on benefits of mainstreaming trade in local development strategies SMEs. The project will also contribute to developing partnership and cooperative relationship among SMEs and local authorities.

The results of the project activities implemented in selected provinces will be instrumental in convincing policy and decision makers to replicate successful experience in other provinces and promote business development services complemented by active integration effective trade policy into the national development framework.

# Annual Work Plan

**Year: 2011**

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| **PLANNED ACTIVITIES** | **Timeframe** | **Planned Budget** |
| Q1 | Q2 | Q3 | Q4 | Amount |
| **1. Activity** Series of action oriented and demand driven trainings to micro businesses and SMEs with particular focus on business administration, production management, marketing, quality assurance and packaging  |  | X | X |  | 60,000.0 US$  |
| **2. Activity**Development of trade and production capacities using internaitonal expertise and new technologies in two selected provinces  |  |  | X | X | 250,000.0 US$  |
| **3. Activity**Capacity development workshops for local administration how to support trade related SMEs, provide trade services and mainstream trade in local development strategies  |  |  | X | X | 60,000.0 US $ |
| **4. Activity**Exposure visits to gain knowledge on new technologies |  |  |  | X | 50,000.0 US$ |
| **5. Activity** Project management | X | X | X | X | 30,000.0 US$  |
| **TOTAL** | **450,000.0 US$** |

**Year: 2012**

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| **PLANNED ACTIVITIES** | **Timeframe** | **Planned Budget** |
| Q1 | Q2 | Q3 | Q4 | Amount |
| **1. Activity** Development of trade and production capacities using international expertise and new technologies in two selected provinces | X | X | X |  | 270,000.0 US$ |
| **2. Activity**On-the-job trainings to the SMEs on modern packaging and marketing technologies  |  | X | X | X | 150,000.0 US$  |
| **3.Activity** Exposure visits to gain knowledge on new technologies and best practices  | X |  |  |  | 50,000.0 US $ |
| **4. Activity** Arrangement of two fairs to demonstrate new or upgraded products of SMEs |  |  |  | X | 50,000.0 US $ |
| **5. Activity**Project management | X | X | X | X | 30,000.0 US$ |
| **TOTAL** | **550,000.0 US$**  |

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| **GRAND TOTAL**  | **1,000,000.0 US$** |