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Turkmenistan: Recent Economic Developments

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TURKMENISTAN

Recent Economic Developments

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Turkmenistan: Basic Data, 1995-98

| Social and demographic indicators | | | | |
|---|----------------------------|--------|--------|-------------------------|
| Area | 488,000 sq. km. | | | |
| Population (1998) | 4,708,000 | | | |
| Life expectancy at birth (1994) | 63.9 years | | | |
| Infant mortality rate (1996) | 39.6 per 1,000 live births | | | |
| | 1995 | 1996 | 1997 | <u>1998</u> Estimate |
| Economic indicators | | | | |
| Nominal GDP (in billions of manat) | 652 | 7,752 | 11,109 | 13,241 |
| Real GDP (percent change) | -7 | -7 | -11 | 5 |
| GDP per capita (in U.S. dollars) 1/ | 1,312 | 523 | 581 | 575 |
| Exchange rate (manat/U.S. dollar) | | | | |
| End-of-period | | | | |
| Official | 200 | 4,070 | 4,165 | 5,200 |
| Parallel market | 2,500 | 5,200 | 5,350 | 12,100 |
| Period average | | | | |
| Official | 111 | 3,258 | 4,143 | 4,890 |
| Parallel market | ... | 4,048 | 5,446 | 6,493 |
| Consumer prices (percent change) | | | | |
| End-of-period | 1,262 | 446 | 22 | 20 |
| Period average | 1,005 | 992 | 84 | 17 |
| Government finances (in percent of GDP) | | | | |
| State budget revenues | 21 | 17 | 25 | 23 |
| State budget expenditures | 23 | 16 | 25 | 26 |
| State budget balance (- deficit) | -3 | 0 | 0 | -3 |
| State Funds balance (- deficit) | ... | ... | -24 | -8 |
| Public sector borrowing requirement | ... | ... | -24 | -11 |
| Money and credit (end-of-period; percent change) | | | | |
| Reserve money | 517 | 348 | 50 | 112 |
| Currency in circulation | 533 | 374 | 51 | 155 |
| Domestic broad money (M2) | 561 | 270 | 102 | 70 |
| External sector (in millions of U.S. dollars) | | | | |
| Exports (goods) | 2,084 | 1,692 | 774 | 614 |
| Imports (goods) | -1,644 | -1,388 | -1,005 | -1,137 |
| Current account balance (- deficit) | 23 | 2 | -580 | -934 |
| In percent of GDP 2/ | 0 | 0 | -22 | -35 |
| Gross official reserves (end-of-period) | 1,170 | 1,172 | 1,285 | 1,379 |
| In months of imports of goods | 9 | 10 | 15 | 15 |
| External debt (end-of-period) | 550 | 668 | 1,356 | 1,749 |
| In percent of GDP 2/ | 9 | 28 | 51 | 65 |
| In percent of exports | 26 | 39 | 175 | 285 |
| In percent of gross reserves | 47 | 57 | 106 | 127 |
| External debt service | 281 | 272 | 272 | 599 |
| Excluding cotton loans roll-overs | 281 | 272 | 272 | 300 |
| Debt service (in percent of exports) | 13 | 16 | 35 | 98 |
| Excluding cotton loans roll-overs (in percent of exports) | 13 | 16 | 35 | 49 |
| Debt service (in percent of gross reserves) | 24 | 23 | 21 | 43 |

Sources: Data provided by the Turkmen authorities; and Fund staff estimates.

1/ Manat GDP converted to U.S. dollars at the official exchange rate.

2/ Based on official exchange rate.

I. INTRODUCTION

1. During the last two years, the Turkmen economy has been hit by a number of external shocks which have added to the difficulties of managing a command economy. The suspension of gas exports to Ukraine had a major impact on economic activity, inflation, the budget, and the external accounts in 1998. In 1999, the resumption of gas exports in January was a positive landmark for the economy, but these exports were stopped once again in May due to payment problems on gas deliveries. In the meantime, the financial position of the consolidated government (i.e., the state budget plus the extrabudgetary state funds) remained very weak with an estimated deficit for 1998 of 11 percent of GDP. These fiscal trends have continued in 1999. The mirror effect of this fiscal deficit has been an external current account deficit of similar magnitude. By end-1998, the stock of public and publicly-guaranteed external debt was equivalent to some 65 percent of GDP, valued at the official exchange rate.
2. The conduct of fiscal policy has been hampered by a proliferation of tax offsets, tax arrears, and depressed tax revenue collections. Expenditure management, in turn, has been confined to barely meeting "protected" spending categories on a somewhat timely basis. The deterioration of the state government finances has pushed numerous public sector-type activities to the extrabudgetary funds, which have financed large government investment projects in the agricultural and energy sectors. Control over the activities of the extrabudgetary funds by the Ministry of Economy and Finance has remained negligible.
3. Monetary policy continues to be guided by decisions taken at the center about which sectors and enterprises should receive subsidized central bank financing and the proceeds of foreign loans. Wheat and cotton production, both under the state order system, have received a large amount of those financial resources at minimal interest rates, which they are unlikely to be able to pay back without some major restructuring. This situation has yielded a banking sector which is highly illiquid and faces a potentially large bad loans problem. The level of financial intermediation, however, is very low by international standards.
4. Exchange rate management is being done through rationing of foreign exchange resources made available through the central bank auction. The commercial banks' foreign exchange window was closed in December 1998, in the aftermath of the Russian financial crisis which added to pressures stemming from a highly expansionary central bank credit stance vis-à-vis the agricultural sector and the budget during the second half of the year.
5. During the last three years there has been very little progress with structural reform, reflecting the authorities' strategy to transform to a market economy at a gradual pace, while keeping key economic sectors under state control. The authorities, however, are currently working on an inventory of state property, which should lead future privatization efforts. Agricultural land reform is advancing very slowly. Transfers of land to private hands is taking place mainly through leases, with the government retaining the ability to cancel those leases, if deemed required.

II. REAL SECTOR DEVELOPMENTS

A. Overview

6. Trends for overall economic activity in Turkmenistan are dominated by developments in the gas sector, which has traditionally generated the largest amounts of foreign exchange earnings for the economy and whose exports have been mainly channeled to other BRO countries. During 1998, however, there were no gas exports to BRO countries, following the decision not to export gas to Ukraine due to recurrent payment problems in 1997. Economic activity in the nongas sector grew rapidly (by about 5 percent), reflecting the authorities' decision to push forward with the development of the oil sector (and its exports to non-BRO countries) and retain the government's support to the agricultural sector. Output trends in 1999 reflected a resumption of gas exports to Ukraine, which unfortunately had to be stopped once again due to payment problems on gas deliveries.

7. Inflation is again an issue in Turkmenistan. The trend decline that started in mid-1996 came to a halt in late 1998 and inflation has continued to increase in 1999. By mid-1999, twelve-month inflation had increased to 25 percent. The labor market remains heavily controlled by the government. Full employment is a stated government objective and nominal wages are heavily influenced/controlled by the level of salaries of civil servants and by the presence of an excess wage tax.

8. Government control over all sectors of the economy remains extensive. The private sector is still in a fairly embryonic state. According to official estimates, the private sector accounted for more than 30 percent of GDP in 1998, while EBRD estimates of the private sector's share in GDP are around 20 percent.

B. Recent Output Developments¹

9. Output developments in Turkmenistan in the past few years have been heavily influenced by the discontinuation and brief resumption of gas exports to traditional markets (Chapter III). Due to payment problems, gas exports to Ukraine were discontinued in early 1997, resulting in a sharp decline in real GDP in that year (Table 1). In 1998, gas exports did not resume, other than small deliveries (1.8 billion cubic meters (bcm)) to Iran through a new pipeline that had become operational at end-1997. The capacity of this pipeline is relatively small (initially 4 bcm and upgradable to 8 bcm). For comparison, Turkmenistan exported almost 25 bcm of natural gas annually in 1994-96, and over 50 bcm in 1993 (Table 2).

¹ National account statistics compiled by Turkmenstatprognos continue to show considerable weaknesses, particularly in the source data and the methodology used. Some improvements have been made in capturing the informal sector and historical data have been revised. However, any analysis of output developments should still be interpreted with caution.

10. Gas deliveries to Ukraine resumed in January 1999, after Turkmenistan, Ukraine and Russia's Gazprom reached an agreement on prices and transit fees in late 1998. According to the agreement, Ukraine would purchase 20 bcm of natural gas from Turkmenistan in 1999 at a price of US\$36 per 1,000 cubic meters at the Turkmen border. Payments were to be made 40 percent in cash and 60 percent in goods and investment projects. Turkmenistan supplied 8.7 bcm of gas in the first five months of 1999, before deliveries were suspended due to a repeat of earlier payment problems. As of mid-1999, Ukraine Neftegas owed Turkmenistan close to US\$300 million. Gas exports to Iran remained modest in the first half of 1999 at a volume of 1.3 bcm.

11. In addition to natural gas, Turkmenistan also has considerable **oil reserves**. The production of crude oil increased from 5.3 million tons in 1997 to 6.6 million tons in 1998, an increase of almost 25 percent. The steady increase in production in the last two years reflects strong investment in the oil sector, including that of foreign companies operating fields under production sharing agreements (PSAs). Almost all of the increase in oil production in 1998 can be accounted for by the production under these PSAs. The foreign companies involved in the PSAs tend to export their production share directly as crude, while the Turkmen share, as well as all other crude oil produced by the state oil company Turkmenneft, is processed at the Turkmenbashi refinery. The bulk of the refined products are exported, amounting to about 4 million tons of oil products in 1998, up from about 2.5 million tons in 1997. Crude oil production continued to increase in the first half of 1999 to about 3.5 million tons.

12. The agricultural sector is the second most important sector in the economy after the energy sector. The two major crops produced are **wheat and cotton**, both of which are grown and marketed under a state order system. Low state procurement prices compared to world market prices are (partially) offset by the provision of input subsidies to farmers and the prospect of land ownership after a number of years of satisfactory performance (Chapter VIII and Appendix I). In addition, farmers depend heavily on government organizations and state enterprises for input supplies, technical support, and marketing of their products.

13. The production of **cotton fiber** grew due to the better harvest results to almost 160 thousand tons in 1998. In the past, most of the cotton fiber produced was exported, but a growing share is now being processed domestically in line with the government efforts to develop the textile industry. Output from Turkmenistan's textile industry, which consists mostly of joint-ventures with foreign companies, grew steadily throughout 1998.

14. **Construction** activity continued to display strong growth in 1998, reflecting the implementation of large (prestige) investment projects, such as the continued refurbishing of the Turkmenbashi refinery and the construction of several official buildings and monuments. Most construction was undertaken by foreign contractors and financed either by foreign loans or from the Foreign Exchange Reserve Fund (FERF).

C. Price Developments

15. The downward trend in the rate of inflation that had started in mid-1996 ended in August 1998 when twelve-month inflation reached 13.7 percent (Table 6). Since then, the twelve-month inflation rate rose slowly but steadily to 20 percent by end-1998 and further to 25 percent in June 1999. This increase in inflation can be attributed to a rapid monetary expansion, notably in the second half of 1998, following large directed credits to the agricultural sector and a widening state budget deficit financed by the central bank (Chapters IV and V).

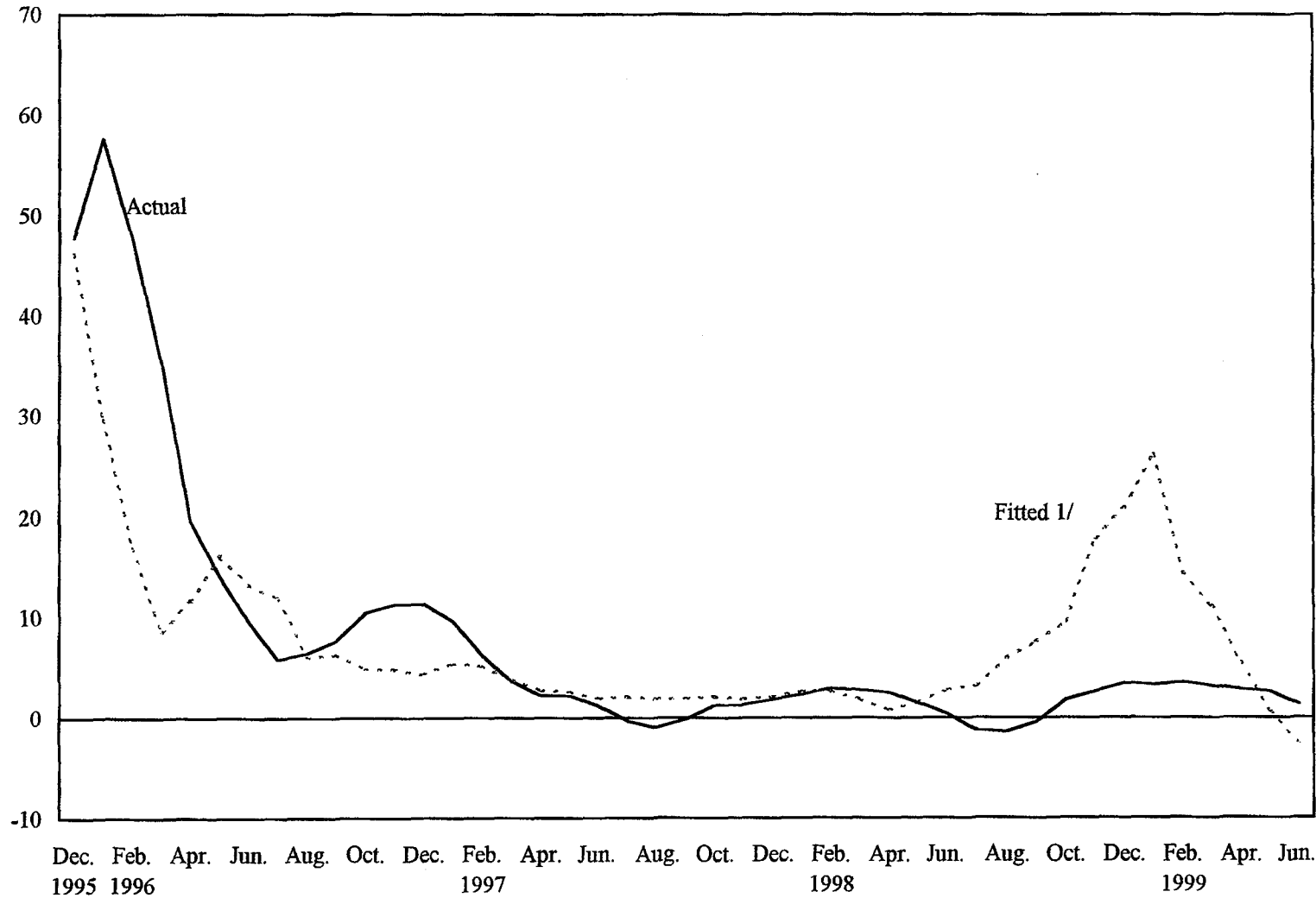
16. Official figures might understate the underlying inflationary pressures, as suggested by the sharp depreciation of the exchange rate in the illegal curb market. Moreover, the relatively close relationship between money and price trends was broken in the second half of 1998 (Figure 1).² This break in the relationship might indicate an increase in the population's demand for real money balances, but this seems unlikely given the experience of high rates of inflation in the not too distant past. Another reason could be that underlying inflationary pressures have not yet been fully captured in official statistics because of data collection problems, which indeed are an issue in Turkmenistan.

17. A more important factor in explaining the sluggish price response to the sharp money expansion in 1998 appears to have been the existence of direct and indirect price controls administered by the State Commodity Exchange (Comex, Box 6 in Chapter VI). As specified by Presidential decree, all contracts for trade and services transactions, including international transactions, with a value in excess of manat 30 million (about US\$5,700 at the official exchange rate) need to be registered and approved by the Comex. The Comex has the right to reject the contract if, in its opinion, the price is not fair or if—in the case of imports—there is no direct need within the economy for the goods or services in question or if similar goods or services are available from domestic producers. In the latter case, goods and services can still be imported after a surcharge is paid. To check the fairness of prices, the Comex compares contract prices to international prices, taking into account transportation cost and possible differences in quality.

18. Foreign exchange regulations further act as an indirect price control mechanism. Since the closure of the commercial banks' foreign exchange windows in December 1998 (Chapter VI), the only official channel through which foreign exchange can be obtained is the heavily screened central bank foreign exchange auction. Importers of consumer goods, who previously were able to purchase foreign exchange relatively unhindered from the

² Econometric work done by the staff on the dynamics of inflation suggests that recorded inflation in recent months, as compiled by the national statistics authorities, does not fully reflect pressures stemming from the expansionary central bank credit policy during the fourth quarter of 1998 and the first quarter of 1999. In particular, while fitted (predicted) inflation tracked closely actual inflation through mid-1998, this relationship was broken in the recent past.

Figure 1. Turkmenistan: Actual and Fitted Inflation, 1995-99
 (Three-month moving average percentage change)



Sources: Data provided by the Turkmen authorities; and Fund staff estimates.

1/ Fitted inflation derived from a reduced form model which includes trends in currency issued and the parallel market exchange rate as independent variables.

banks, can now enter bids in the auction, but only if they have established specialized stores in which they sell their goods at no more than 30 percent over the import price, converted into manats at the official exchange rate.

19. Other factors explaining price trends include the presence of administered prices and price controls for basic staples (Table 7). In particular, the government continues to set the prices for utilities and communal services, petrol, transportation and building materials. In addition, the price of flour remains regulated for certain categories of customers and the price of standard bread remains controlled, although flour mills and bakeries are free to charge market prices for other categories and types and sizes, respectively. Those administered prices have remained unchanged at very low levels, explaining to some extent the relatively slow response of inflation to the monetary trends.

D. Wages, Incomes and Employment

20. Nominal and real wages in the public sector continued to increase in 1998, reflecting a doubling of wages in budgetary organizations in March (Tables 8 and 9). The average nominal wage rose by 46 percent in 1998, while real wages grew by 25 percent, using official CPI data as a deflator. Still, wages in Turkmenistan remained among the lowest in the CIS. The average U.S. dollar wage was about US\$58 in December 1998 using the official exchange rate, or US\$25 using the curb market exchange rate.

21. Off-budget public institutions and state enterprises typically supplement the basic wage by premia and bonuses, as well as payments in-kind, including food and services. Basic wages in the public sector are set in accordance with state government wage scales. Private enterprises are free to set their own wage levels, but an excess wage tax remains in effect to control wage increases. Wages paid in excess of 1.5–2 times the “official average economy wide wage” are subject to a 50 percent tax and wages more than 2 times this level to a 60 percent tax. The official average wage, which is set by the government and represents the basis for the computation of social benefits, was raised to manat 200,000 (about US\$50) effective March 1998, while the official minimum wage was also raised to manat 200,000 as of August 1998. Significant wage arrears were accumulated in budgetary organizations during 1998, but these government liabilities were almost paid off in full by end-1998. No reliable information is available on wage arrears outside budgetary organizations.

22. Turkmenistan officially guarantees employment to every citizen and hence official unemployment figures remain very low. Also, the working age population in rural areas is assumed to be fully employed in the agricultural sector. Workers temporarily out of a job and seeking employment are registered at labor exchanges and are not counted as unemployed. The number registered at the labor exchanges in 1998 was only about 70,000 persons.

23. Preliminary data for 1998 indicate an almost 10 percent increase in employment, which is mostly accounted for by the agricultural sector and to a lesser extent by the industrial sector (Tables 10 and 11). The share of state enterprises, farmers associations, and public administration in total employment remained substantial in 1998, at 80 percent.

24. During 1998, wages remained the main source of reported money income of the population (about 77 percent), followed by pensions and benefits (12 percent) (Table 12). About half of the population's cash expenditures in 1998 were on purchases of foreign exchange, underscoring the high degree of dollarization of the economy. With the closure of the commercial banks' foreign exchange windows in December 1998, purchases of foreign exchange fell dramatically, and a much larger share of cash expenditures took place in state and private stores.

25. A comprehensive household survey was conducted jointly by the World Bank and the government statistical department (Turkmenstatprognos) in the spring of 1998. According to the study, the average per capita income was about manat 90,000. The study also found that 30 percent of all households had an average per capita income below manat 80,000, and another 32 percent had an average per capita income between this level and the official average wage (manat 200,000). The survey furthermore found that the wealthiest 20 percent of population accounted for almost 56 percent of total income, while the poorest 20 percent accounted for less than 4 percent of total income.

E. Environment

26. Turkmenistan faces serious environmental problems in both the industrial and the agricultural sectors. In the oil sector, worn and faulty equipment cause oil spills. In addition, the country's two refineries are heavy polluters, although pollution by the Turkmenbashi refinery should decrease following the modernization of its facilities. Pollution also arises from the burning of associated gas from oil fields, as well as the processing of gas to reduce its sulfur content. Problems in the agricultural sector include the contamination of soil and groundwater with chemicals (fertilizers and pesticides); the salinization of soil and groundwater due to poor irrigation methods; reduced land quality due to over-utilization. Furthermore, the diversion of a large share of water from the Amudarya river into the Karakum canal contributes to that river's inability to replenish the Aral Sea. A further problem has been the rising level of the Caspian Sea, which has caused flooding as well as pollution of fresh waters in the coastal region.

III. THE ENERGY SECTOR IN TURKMENISTAN

A. Introduction

27. Turkmenistan has sizable gas and oil resources. Its proven recoverable gas reserves of 1.7 trillion cubic meter are the fourth largest in the world and its proven recoverable reserves of 118 million tons of oil and oil condensates are significant. The government has made the development of the energy sector a high priority and it is engaged in multiple projects in an attempt to realize the sector's potential. In particular, to facilitate market access for gas, multiple new export pipelines are planned and a Trans-Caspian pipeline project into Turkey is actively being negotiated. In the oil sector the authorities' focus has been on boosting crude oil output and rehabilitating and modernizing the Turkmenbashi refinery. In addition, projects are under consideration for the utilization of hydrocarbon resources in chemical production and for the generation of electricity.

28. The implementation of the government's energy sector strategy, however, is likely to face numerous obstacles and risks. Important challenges include, inter alia, the need to attract large amounts of financial resources needed for investment in energy fields, transportation networks and downstream projects (Box 1).

Box 1. Inherent Project Risks Associated with Projects in Turkmenistan

Availability of sufficient gas or oil for the project

Proven and probable reserves are so high that exploration risks are low by international standards even if hydrocarbon use is expanded significantly from its current level. For any downstream project, however, the required input must be available in sufficient quantity regularly and timely. Hence, the general infrastructure development has to be secured. The costs for rehabilitation and development of fields, and rehabilitation and renewal of pipelines and other transportation infrastructure are in addition to the direct project costs, and have been estimated to be up to US\$6 billion for gas and US\$10 billion for oil over the next 20 years for a medium to high level output scenario. Even simple rehabilitation to sustain current production levels would require investment of at least US\$500 million for each sector over that time horizon.

Market access risks

Turkmenistan does not have secure market access to Western markets for many of its (potential) products. To secure supplies and the amortization of large investments, gas deliveries and deliveries of other products need to be arranged on long-term contracts. Turkmenistan does not have such contracts in place, but sells especially its oil products on short-term contracts. Hence, fluctuations in the world market prices and in demand for oil, oil products, and chemicals have an immediate impact on revenues. Moreover, changes in import policies may prevent sales in the most solvent markets. The involvement of foreign direct investors would likely reduce this risk because the foreign investor should have a good market overview and established market connections

Transportation risks

This risk/cost arise from Turkmenistan's land-locked geographical situation. All goods to Western markets have to be shipped through competitor countries which can use the denial of transit rights and the level of shipping tariffs to block exports, or at the minimum significantly reduce eliminate the profit margin.

Cash flow risks

All projects are very capital intensive. Hence, a large share of project financing has to be done through loans, and the consequent large debt service requirements push positive cash flows into the later years of the project's lifespan. Thus, foreign investors will require a high expected internal rate of return which may make some of the proposed projects infeasible.

Revenue generation for import substitution projects

Some of the major projects under consideration like the upgrade of the Turkmenbashi refinery and a proposed fertilizer plant are intended to replace costly imports, and avoid the payments of high transportation costs. Nevertheless, financing for these projects has to be arranged in hard currency. An investor has to be convinced that sufficient foreign currency is available in the economy from other sources, so that manat can be converted to service debt and transfer profits. Alternatively, debt service could be met from partial export of the products. For reasons of economies of scale, the minimum size of many of the projects is in excess of domestic absorption, and export potential exists. But in such a case the economics of the project is again determined by its ability to export. As the absorption capacity of regional markets is low and payment problems persist, transportation costs and market access again determine the ultimate feasibility of the project.

B. Current Structure of the Energy Sector

29. The oil and gas industry consists of five state enterprises. Turkmenneftgas (TNG) handles the export, and domestic sale, and distribution of gas, as well as oil refining,

domestic gasoline distribution, and the export of oil and oil products. TNG purchases oil and gas from two other state enterprises. Turkmengas (TG), which operates in the eastern part of the country and is engaged mainly in gas production, and Turkmenneft (TN), which produces primarily oil in the Western fields. Turkmenneftgasstroi is the primary construction company for the sector, while Turkmengeologia is responsible for the determination of hydrocarbon and other natural reserves. TG and TN employ foreign companies as contractors for well rehabilitation and tasks such as the construction of compressor stations. A few foreign companies currently produce oil through production sharing agreements, others explore fields, and foreign contractors manage the gas export pipeline projects. The upgrade of the Turkmenbashi refinery has also been carried out by foreign companies. Nonetheless, Turkmenistan envisions that the state enterprises, which employ about 81,000 people, continue to play a key role in the sector.

30. The government controls the sector tightly. It taxes a large share of the revenue, decides on development priorities and policies, regulates the sector, and is involved in operational management. The sector is under the close supervision of the President and key decisions become effective only when a presidential decree is issued. The exact limitations of each of the relevant bodies are unclear, but their primary responsibilities are known to be the following: (i) strategic planning and key decisions including export pricing policies and domestic prices are made by the Cabinet of Ministers, where a Deputy Chairman is responsible for the sector; (ii) the "State Fund for the Development of the Oil and Gas Industry and Mineral Resources" receives a large share of revenues from the sector, and directs investment in the sector; (iii) the "Competent Body for the Exploitation of Hydrocarbon Resources at the President of Turkmenistan" is the key intermediary for foreign investment into the sector. In particular it negotiates and approves licenses, and enters into exploration and production sharing agreements. The sectoral ministries as well as the state enterprises (whose heads have ministerial rank) are subordinates of the Cabinet of Ministers; (iv) the Ministry of Oil and Gas has only a supporting role in the development of sectoral strategies; (v) the Ministry of Energy and the state enterprise Kuvvat are responsible for electricity production and distribution

31. Basic legislation is in place to provide a framework for foreign investment, including a modern petroleum law which was passed in 1997. Moreover, some countries have signed investment protection agreements. Multiple companies operate under production sharing agreements. Previously all production sharing arrangements were individually negotiated, but recently a standard contract has been developed. No details on the terms of production sharing agreements are available, but estimates suggest that the government aims at obtaining 50 to 60 percent of the net revenues through a combination of signing bonuses, royalties, equity shares, taxes, and production shares. Taxes on foreign producers operating under the petroleum law are paid into the "State Fund for Oil and Gas Development."

C. Domestic Use of Energy

32. Turkmenistan extensively expanded its domestic gas distribution network to 32,000 km of gas mains since 1992. About 92 percent of households are now connected compared to 40 percent in 1990. Private households have a generous free quota for gas and pay very little

for any use above this. As only few meters exist, gas to private households is virtually free. Industry, farmers, and power stations pay manat 24,000 (i.e., US\$4.6 at the official exchange rate) per thousand cubic meters, while housing complexes and utilities receive a 50 percent discount. Production costs for gas are quoted to be in the range of US\$28 (per thousand cubic meter), so domestic consumption is heavily subsidized. Domestic gas consumption, which is currently at about 10 bcm per annum, has increased somewhat over the last few years due to the gasification program. This is in contrast to most other BRO countries where gas consumption has declined. No major increase in domestic consumption is expected over the medium-term, unless new energy intensive industries are developed.

33. **Oil products** for domestic consumption are provided by the two refineries and from imports. All gasoline and jet fuel produced in the Turkmenbashi refinery (see below) is consumed domestically, as well as about 50 percent of the diesel. Virtually all mazut³ is exported. Imports of oil products amounted to US\$26.2 million in 1998, and consisted mainly of higher valued products. Domestic fuel prices are very low at manat 400 per liter of gasoline and manat 300 per liter of diesel, but car fuels are in short supply at times.⁴ Mazut for domestic industrial use is priced at roughly the world market price obtainable in Turkmenistan of US\$25 per ton, and hence is not competitive with gas at domestic prices. As gasoline consumption at present is likely supply constrained, it is expected to increase over the medium-term, as the upgraded Turkmenbashi refinery will be able to fully satisfy this demand, as well as most domestic demand for many other basic oil products.

34. Virtually all **electric power** is generated in gas-fired power stations. Domestic demand has declined by about 16 percent in recent years. This was caused mainly by the cessation of gas exports and the reduced consumption by gas compressor stations. The installed capacity of 2700 mega watts is sufficient to supply Turkmenistan in the medium-term. Nevertheless, intermittent power outages occur due to weaknesses in the distribution system, which will need to be extensively rehabilitated and upgraded over the medium-term. Private households have a free quota and charges for excess consumption are low. As in the case of gas, few meters are installed, so private electricity consumption is nearly free. Enterprises pay about manat 96 per kWh (US\$0.018 per kWh at the official exchange rate).

³ Mazut is a residual low-valued product of refining and can be used for example in power stations.

⁴ An increase of gasoline prices to manat 800 per liter was a precondition of an EBRD loan for a road project to Mary. Turkmenistan so far has refused to increase prices even in phases, and the project has been on hold for that reason.

D. Foreign Markets for Energy Products

Gas exports

35. Currently two pipeline routes are operational for gas export: connectors to the unified gas supply system (UGSS) of the BRO countries, and a short pipeline into the north of the Islamic Republic of Iran. A Trans-Caspian pipeline into Turkey is under negotiation and expected to open in 2003. Other pipeline projects—to Turkey through Iran, and to Pakistan, India, and China either through Afghanistan or through other Central Asian BRO countries—are under consideration, but construction seems unlikely in the medium-term for geopolitical reasons. In addition, there is a limited scope for swap arrangements (virtual pipelines) with Iran or with Gazprom, but no such arrangement is currently in effect.

Export through the UGSS system

36. Exports via the UGSS require agreements with Gazprom on transit fees and conditions. As Gazprom is a major low cost supplier of gas itself with long-term contracts and commercial connections to Western Europe, in recent years only other BRO countries have been accessible at economically feasible transit rates. In addition, it can be expected that transit fees will be set so as to extract most of Turkmenistan's profit margin. Many of Turkmenistan's closest neighbor countries have little import demand and possible export supply with lower transportation costs than Turkmenistan. Those BRO countries with large demand like Ukraine have exhibited payment difficulties, and payment for future gas shipments will be further hindered by the payment obligations for past gas deliveries. In addition, barter arrangements, which are currently prevalent with these countries, have the disadvantages that they foster a state controlled economy because barter goods are requested and allocated through government organizations, do not provide flexible cash foreign exchange, and usually reduce the real value of exports by inflating prices for the compensating barter goods. Overall, exports via the UGSS are not attractive until the overall economic situation of the BRO countries improves and/or a competitive market for gas transit is established.⁵

Iran

37. The construction of the Korpedzhe-Kurdkui gas trunk pipeline to Iran was completed in December 1997. It currently has a capacity of 4 bcm which could be expanded to 8 bcm by adding compressor stations. But in 1998, only 1.5 bcm were transmitted and a similar amount is expected for 1999. The limiting factor is insufficient demand by Iran; the local grid system has not been expanded sufficiently and hence demand has not increased according to

⁵ Many countries in the region have signed the Energy Charter Treaty and thereby committed themselves to granting non-discriminatory access to transit facilities. Russia has signed, but not ratified the treaty.

schedule. Moreover, cash payments by Iran have recently been delayed and substitution of barter transactions for cash payments are being negotiated.

38. Turkmenistan has cost advantages for delivering gas to northern Iran, and hence a limited expansion of deliveries in line with an increase in gas demand in that area seems possible. Iran, however, has very large gas resources of its own which it attempts to sell into the same markets that Turkmenistan is pursuing. In addition, it seems likely that Iran's difficulties to meet the cash payments will persist. Overall, Iran should be viewed as a secure but small market with modest expansion potential.

The Transcaspian pipeline

39. With a view to diversifying its export routes and regaining access to creditworthy markets, Turkmenistan is actively pursuing negotiations on the construction of a Transcaspian pipeline (TCP) with an initial capacity of 16 bcm per year which could be expanded to 30 bcm per year. Gas from the pipeline is to be marketed primarily to Turkey. In addition, in the first years, sales to Azerbaijan and Georgia may be possible and appear to be desirable. In the long run, an extension of the pipeline through Bulgaria and Romania to Western Europe is envisioned. The pipeline is to be financed on a project basis, hence no blanket sovereign guarantee is required. However, lenders to the project will require sufficient assurances that the foreign exchange revenues generated can meet the loan payments. As the contractual arrangements are currently being negotiated, no details on guaranteed and expected payments to Turkmenistan, and risk-sharing arrangements between the participants are yet available.

40. The TCP is to start in the large gas fields in Eastern Turkmenistan, cross the Caspian Sea, Azerbaijan and Georgia, and terminate in Turkey near Erzurum. A pipeline for further shipment to Ankara exists. The TCP's total length is about 2200 km, of which 990 km are in Turkmenistan, 280 km under the Caspian Sea, 410 km in Azerbaijan, 200 km in Georgia, and 300 km in Turkey. Project costs are estimated at US\$2.5 to US\$3 billion which includes initial financing costs.⁶ In an initial stage the pipeline could start in western Turkmenistan and gas could be provided from the smaller gas fields there and from associated gas in oil fields.

41. The contractor for this project is PSG, which is jointly owned by two American companies, Bechtel Enterprises and General Electric Capital Construction and Finance Group. The financial advisor is Credit Suisse First Boston. Upstream development and gas deliveries are expected to be done in cooperation with Royal Dutch Shell; a first agreement to that effect was recently signed. The involvement of a major oil company in the upstream development will make it possible to provide a bankable guarantee for gas deliveries and

⁶ With construction costs of US\$2.2 billion, of which about 50 percent would be spent in Turkmenistan, the size of this project in relation to macroeconomic data from 1998 is roughly 33 percent of GDP, and full shipments of gas could nearly double exports.

finance additional international investment in the amount of up to US\$1.4 billion for rehabilitation and upgrading of gas fields.⁷

42. A consortium with likely participation of PSG, Turkmenistan, the transit countries, Turkey, and Royal Dutch Shell would own, construct, maintain, and operate the pipeline. The current project schedule is:

- end-1999 Comprehensive agreement between all countries affected
- Year 2000 Securing of financing
- 2001–2003 Construction of pipeline (24–30 months)
- Mid-2003 First gas shipments

43. As regards ownership of the pipeline, Turkmenistan is likely to receive a share of 5 percent for free in the consortium (to compensate for land use rights), and may purchase a share of up to 10 percent against future gas deliveries for the operation of the pipeline. Financing of the project is expected to be done with 30 percent equity and 70 percent loans. It is expected that loan financing can largely be secured through export credit agencies, such as U.S. Eximbank, and possibly through multilateral organizations.

44. In its initial stage, the pipeline will deliver gas to the Turkish market. A take-or-pay agreement for 16 bcm per year with an indexed price formula is being negotiated and will have to be ratified. In addition, the agreement is said to grant transit rights for shipments into Europe.

45. Azerbaijan and Georgia seem willing to permit transit if adequately compensated through a combination of transit fees and equity shares. Negotiations with Azerbaijan, however, may face difficulties because: (i) no agreement on the final status of the Caspian Sea has been reached among the littoral states and, in particular, ownership of the potentially large off shore Chirag oil field is not settled; and (ii) recent explorations in Azerbaijan's Shak Deniz field indicate significant gas reserves which, if confirmed, would turn Azerbaijan into a direct competitor.

46. A preliminary assessment of the project permits the following tentative conclusions:

- To give investors the necessary assurance for sufficient revenues, Turkmenistan's guaranteed sales price to Turkey probably might need to be set not much above production costs.

⁷ World Bank, Turkmenistan Energy Experts, Prospect Study, Volume 3, August 1999.

- Competition for the Turkish gas market is very high. Competing countries are Iran, Russia, Iraq, Algeria, Kazakhstan, Azerbaijan, and others. The Turkish market has limited absorption capacity (estimated at 35 bcm in the medium term) and, due to competition, gas prices are likely to remain depressed.
- Significant cash dividends from the TCP project can probably only be obtained after the major part of the loans has been repaid, i.e., only after about 10 years or later.
- Tax revenues from the project are likely going to be limited because: (i) the internal structure of the consortium will be set up in such a manner as to minimize tax liabilities, and in which country these will accrue is uncertain; (ii) Turkmenistan has a history of granting tax exemptions for foreign investors; and (iii) tax liabilities will likely only materialize in the later years of the project.

47. Even though it could be questioned whether Turkmenistan should export its gas resources under the above marginal revenue conditions at all, completing the project at this time has some major advantages:

- Exports to other technically accessible markets (i.e., BRO countries) are unlikely to expand and are hampered by nonpayment problems, and barter trade. The Transcaspian pipeline will provide low, but relatively secure cash revenues.
- Competition for the Turkish market is high and projected demand can only support one major pipeline safely. Thus, entry costs for late suppliers will be much higher. The major competitor project is the Blue Stream pipeline from Russia under the Black Sea, which reportedly has moved into the procurement stage. A direct pipeline to Turkey also secures a gateway to Europe that is not controlled by Gazprom.

Oil exports

48. In light of the difficulties to export its gas, Turkmenistan has focused on boosting its oil output in recent years. Oil production increased from 4.5 million tons in 1994 to 6.5 million tons in 1998 of which about 1 million tons were produced by foreign companies. Currently, oil is mainly produced on-land in mature fields that have been inefficiently exploited and badly maintained and overall are in decline. Hence, operation in these fields consists of rehabilitation work, which tends to require a fair amount of drilling, and is more suited to smaller and flexible operations with modern technology. More recently, off-shore exploration and production have started, and some other on-land fields are being developed through production sharing agreements. To increase total production to the government's target level of 10 million tons per year, about US\$3 billion needs to be invested over the next 5 years. Foreign companies so far have invested about US\$500 million. As in the case of gas, the competitiveness of Turkmenistan's oil is to a large extent determined by access to export routes and transportation costs.

49. Foreigners directly export crude oil, whereas most of Turkmenneft's output provides the crude supply for the Turkmenbashi refinery. The 18 percent share of oil produced in the

Kokdumulak field which is jointly owned with Uzbekistan is used as input in the Seidi refinery. A large share of the refined products (mainly diesel and mazut by volume) is exported. Oil and oil products are traded three times a week at the State Commodity Exchange, and prices are set in line with world market prices about which information is obtained via the internet, minus a transportation discount of US\$30–42 per ton, depending on the final destination. Besides export to Western economies, there seems to be an active local market for oil products, even though most states in the area operate their own refineries.

50. At the moment, a number of transportation routes are available, including swaps with Iran; barge shipments across the Caspian for further transport in pipelines to the Black Sea or through BRO countries, or by rail; barge shipments through the Volga; and rail shipments. In addition, multiple crude oil pipeline projects are under discussion for the Caspian Sea area, of which the Baku-Ceyhan pipeline which is supported by the U.S. seems to be the most advanced.

51. The cheapest transportation route works only for crude oil, and is a swap arrangement with Iran for a swap fee of about US\$4.5 per barrel to southern Europe. Iran's oil reserves are mainly located in the south whereas most consumption takes place in the north. Turkmenistan as Iran's closest neighbor and a provider of high quality oil is well positioned to ship oil to Iran's northern ports and receive an equivalent amount at ports at the Persian Gulf. Iran benefits as it receives a (noncash) transportation tariff for this virtual shipment. Export capacities on this route are 2 million tons per year, which could possibly be expanded to 5 million tons if Iran agreed.

52. Other export routes to southern Europe could only be achieved by using pipeline transportation, which again is limited to crude oil. In light of projected crude oil output for Turkmenistan and its declared goal to refine most of Turkmenef's production in the country, a pipeline dedicated to Turkmen oil seems infeasible. Hence, for pipeline transportation Turkmenistan would need to negotiate for access in other countries projects. However, given the much larger production potential of neighboring countries and the currently very limited pipeline access for the whole region this seems difficult to achieve.

E. Oil Refineries

Turkmenbashi refinery

53. Turkmenistan places a large emphasis on its ability to refine its oil. Two refineries exist in Turkmenistan, one in Turkmenbashi near the Caspian Sea, the other in Seidi near the Uzbek border. The Turkmenbashi refinery has a nominal capacity of 6 million tons per year and currently processes the bulk of Turkmen oil. It was first put into operation in 1943, and continuously expanded and updated. However, the key distillation units date back to the 1960s, and they as well as many of the other processing units need to be extensively rehabilitated or replaced. Turkmenistan intends to modernize the refinery in two stages. The first stage with a total investment volume of US\$1 billion has been fully sanctioned and is currently being implemented.

54. The intentions of the upgrade are: (a) to sustain the refining capacity of 6 million tons per year in the first stage and increase it to 9 million tons per year in the second; (b) to shift the output slate from low-valued mazut which is in excess supply to higher priced middle distillates; (c) to produce a more diversified range of products to substitute for imports and provide new exports (lubricants, polypropylene); and (d) to fulfill strict product specifications for export to Western markets. The modernization project has the potential to fulfill these goals as it seems to be well planned and executed. Additional investment will be needed to rehabilitate the pipeline infrastructure delivering crude from the oil fields and to update and increase the handling capacity of the export port.

55. The ultimate success of the project nevertheless is uncertain. In general, there is world wide overcapacity in refining and refining margins are very low. Moreover, transportation costs of oil products to western markets are significantly above those for crude oil. For the long run supply of the new downstream processing units it is crucial that the new distillation unit of the second stage be constructed. Whether Turkmenistan will be able to execute the second stage upgrade as envisioned depends on its ability to procure financing, and that in turn depends on the credit history that it establishes with the current projects. If the second stage is not completed the refinery is likely to operate with a loss. There are also other potentially problematic issues. First, the new high technology plants need to be operated and maintained well to ensure their full lifespan and produce output to Western specifications. Second, crude oil for the refinery is to be provided primarily by Turkmenneft. To fulfill the demand of the upgraded refinery, especially once the capacity is increased by 3 million tons, Turkmenneft would have to increase its crude oil production (by more than 50 percent). Otherwise oil would have to be purchased, which is risky given the low refinery margins and the likely hard currency requirement. Finally, as transportation capacities are limited and Turkmenistan intends to significantly expand its oil exports, it has to secure long-term export routes and markets. Foreign contractors of the upgrade project may assist in this area.

56. On the positive side, it appears that Turkmenistan will be well positioned to sell high end refinery products to the local Caspian Sea market. Even though most countries have significant refining capacity, the Turkmenbashi refinery seems to be the only one capable of producing high quality products. If and when the demand and payment capacity of neighboring countries increases, the Turkmenbashi refinery will be very competitive due to its transportation cost advantage over imports from the West.

Seidi refinery

57. The second refinery in Turkmenistan, the Seidi refinery, at the Uzbekistan border was completed in 1991 and is in fairly good repair. However, this refinery was designed as only a simple refinery for crude oil supply from the north. With the break-up of the Soviet Union, supplies for this refinery were no longer available. Currently this refinery only processes Turkmenistan's share from the Kokdumalak field and operates at about 10 percent of its stated capacity of 6 million tons per year. A ready supply of crude for this refinery cannot be identified, its current product slate is of low value, and transportation of its products within

Turkmenistan and for export is cumbersome. It seems unlikely that this refinery can operate efficiently in the medium-term.

IV. PUBLIC FINANCES

A. The Definition and Measurement of the Public Sector

58. The public sector in Turkmenistan remains relatively large but the nontransparency of key operations makes accurate measurement and analysis of the sector difficult. The nonfinancial public sector comprises the traditional **state budget** (presently made up of some 42 ministries and government agencies), the five major **extrabudgetary funds** (the Oil and Gas Fund, the Transport and Communications Fund, the Agricultural Development Fund, the Health Fund and the Foreign Exchange Reserve Fund) and other off-budget activities, including a number of government committees and associations, as well as the very comprehensive off-budget activities undertaken by so-called “**self-financing ministries**” which supervise the activities of the many nonfinancial public enterprises.⁸ To these must be added the quasi-fiscal activities undertaken by the public financial institutions, particularly the Central Bank of Turkmenistan (CBT), and the State Bank for Foreign Economic Relations, as well as a number of other public financing activities, including direct grants from donors (such as the EU) for specific projects. Nonfinancial public enterprises also provide cross-subsidization for “essential” goods (such as water, gas, bread and salt) to the general population and fund a limited range of services (such as health and pre-school services) for their employees (Box 2).

59. No comprehensive presentation of the “general government” component of the public sector is available. Although traditional “general government” activities are predominantly financed by the state budget, significant spending on, for example, public goods and services is undertaken by off-budget entities whose transactions are not presently published. Most important is the expenditure by the FERF which has been the principal source of funding for national prestige and redevelopment projects. Other examples of expenditures made by extrabudgetary funds include large subsidies to state farmers associations growing wheat and cotton by the Agricultural Development Fund. In addition, the self-financing ministries appropriate after-tax surpluses from the enterprises under their control, which are then used to fund other operations (including administrative costs, small capital expenditures and cross-subsidized services to the general public) within their respective sector.

⁸The main self-financing ministries are Foreign Economic Relations, the Oil and Gas Ministries, Agriculture and Water Supply, Building Materials, Energy and Industry as well as various elements of the Transport sector. The authorities have recently announced the intention to create an additional extrabudgetary fund to finance specific post-tertiary education spending.

Box 2. Quasi Fiscal Operations

Selected nonfinancial public enterprise cross-subsidize the cost of several key commodities sold to the general public from their own operations (that is, either profits are sacrificed or the prices charged for other goods are higher than would otherwise be required).

The following estimates of the cost of these subsidies were included in the 1999 budget:

| | <i>(In billions of manat)</i> |
|------------------|-------------------------------|
| Gas | 116.4 |
| Water 1/ | 42.5 |
| Electrical power | 93.6 |
| Salt | 34.0 |
| Flour | <u>167.8</u> |
| Total | 454.3 |

In addition, the central bank provides subsidized lending to agriculture by extending directed credits to finance cotton, wheat, rice and some other smaller crops. These directed credits are made at very low interest rates, often 2 percent. The difference between these rates and market rates should be viewed as akin to a subsidy. Moreover, a sizeable portion (sometimes in excess of 25 percent) is often never recovered. In practice, the loans are financed from the seniorage and other profits of the central bank which are not paid to the MOEF. There is no official estimate of these subsidy element of these loans (measured as the difference between the actual cost and the central bank refinance rate) but rough estimates suggest that revenue forgone by the central bank may total about manat 250 million.

1/ In 1999, the state budget will meet about manat 32 billion of this water subsidy.

60. A similar difficulty exists in assessing and analyzing the important role played by the public enterprise sector in Turkmenistan. The nonfinancial public enterprises are responsible for implementing the largely foreign financed development program, including major energy projects (such as the Turkmenbashi oil refinery), agricultural projects (such as the purchase of machinery and grain silos) and transport projects (such as the construction of airports and purchase of aircraft and construction of roads). Most of the foreign loans raised to finance such projects have been guaranteed by the government or are effectively secured against the international reserves held by the FERF. These loans are channeled to project managers either through the State Bank for Foreign Economic Relations or the CBT and are then serviced by the foreign exchange revenues (largely from appropriations of export receipts) accumulated in the major extrabudgetary funds listed above. Information is not presently published on the operations of nonfinancial public enterprises or public financial institutions.

61. While insufficient information is available to prepare an "above the line" assessment of the operations of the various components of the public sector, an approximate measure of the overall "net public sector borrowing requirement" (PSBR) can be constructed from the banking sector and external account data. In 1998, it is estimated that the PSBR amounted to about 10.7 percent of GDP (Table 14). Adding interest rate and price subsidies, the consolidated fiscal deficit for 1998 reaches 15 percent of GDP. This large borrowing demand

by the public sector finds its counterpart in the sizeable external current account deficits and rising external debt discussed in Chapter VII.

B. State Budget

The period prior to 1998

62. The state budget is responsible for funding the bulk of recurrent spending by the central and local governments on education, health, defense, law and order, as well as social benefits, including pensions.

63. In 1996 and 1997, the state budget had been maintained in a position of near balance (Tables 15 and 16). Total revenues fluctuated between 17–20 percent of GDP in the period to 1996 before jumping sharply to 25 percent of GDP in 1997, notwithstanding a cessation of gas exports after end-March 1997. The sharp increase in relative revenue collections in 1997 reflected three main underlying factors of the economy.⁹ First, developments in the tradable and rapidly growing nontradable sectors of the economy led to divergent effects on budget revenues and GDP, with budget revenues (particularly wage-based taxes) being considerably influenced by economic activity in the nontradable sector. Second, the decline in the tax base used for taxation of gas was smaller than the decline in gas shipments used in GDP calculations (i.e., because of lags in tax collection) and the abolishing, in March 1997, of the 40 percent foreign exchange tax payable on cash receipts from gas exports to the FERF. Third, the decision to allocate half the proceeds from payments of restructured gas debt to the budget.¹⁰

64. While difficult to quantify, the increase in the revenue to GDP ratio in this period may also reflect a steady increase in the portion of revenues (and expenditures) recorded in the form of barter, or “offset” transactions, rather than cash. Arbitrary values placed on these offset transactions are often well in excess of their true market value and this may lead to some overstatement of the public accounts relative to GDP (Box 3).

⁹See Turkmenistan—Recent Economic Developments SM/98/129, for a more detailed account of these developments.

¹⁰This debt is owed to Turkmenistan by Ukraine, Georgia, Armenia and Azerbaijan and consists of the rescheduled arrears on gas imports during 1993–95. The budget was scheduled to receive 50 percent of the service payments on rescheduled debt in 1997, although actual receipts were only 29 percent.

Box 3. Budget Offset Transactions

In 1998, about half the regular state budget tax collections were executed through barter or offset arrangements. These offset transactions entail payments made in-kind (e.g., food, clothing or building materials) by ministries and their enterprises in lieu of cash settlement of tax liabilities

There are two basic sources of such transactions. The most important source is the sale of gas to Ukraine and other countries, a large share of which are paid for in kind. Most of these payments are made in goods (the Turkmenistan authorities supply lists of needs to the supply agencies of the import countries) but a sizeable portion of the offset is made in services (such as education of students in Ukraine or engineering services for construction of bridges or gas compressors). The second source is internal: enterprises that cannot find cash markets for their goods or services will offer to pay the state budget in-kind.

The system is time-consuming and inefficient. The large volume of end-year offset arrangements pending at the end of 1998 made it impossible for the Ministry of Economy and Finance to close the budget accounts for that year for almost 3 months after the end of the budget year. Moreover, since taxes must often be offset for goods that are overpriced and/or lower quality, the resultant flow of goods and services flowing from the offset 'deals' may not accord with the preferences of the ministries and enterprises concerned. For example, the transport ministry has purchased about 100 buses from Iran by way of a major barter arrangement. The usual maintenance and parts program associated with other country suppliers does not support these buses. As a result, the bus operational lives are likely to be shorter and the ministry needs to enter into other time consuming arrangements to obtain parts and materials.

The offset problem is spread widely throughout the public sector economy with inter-enterprises arrears also being settled via offsets.

Recognizing the problems which offsets are creating for budget management, the MOEF issued in mid-1999 orders which:

- Prohibited 'chain' offset arrangements involving more than three participants;
- Restricted the task of arranging offsets for the import needs of ministries to specialist agencies involved in foreign trade;
- Placed a 45-day grace period on completion of offset arrangements for each month and a December 31, 1999 cutoff for all offsets for the 1999 budget;
- Prohibited the use of offsets in payment of social security contributions, excess wage tax, excise and customs fees; and
- Limited the range of goods and services for which offsets can be used in payment.

Basically, the MEF has insisted that tax payments be made in cash wherever possible and that offsets be used only as a last resort.

65. Developments in total expenditures relative to GDP largely mirrored the changes in revenues, jumping to 25 percent in 1997. This increase followed large wage increases in October 1996 and March 1997 and would have been larger if significant cutbacks in nonwage items, such as subsidy payments and capital expenditures, had not taken place.

66. The state budget deficits incurred in 1994-97 were largely funded by the central bank although, in 1996, budget arrears amounting to manat 261 billion owed to the European Union were funded by a special payment from the FERF.

Developments in 1998

67. In 1998, the deficit of the State Budget rose substantially as expenditures increased to around 26 percent of GDP while revenues fell slightly to 23 percent of GDP (Table 17). The resulting deficit was more than double its original target level. The increase in expenditures was driven by a doubling of budgetary wages effective March 1, 1998, while revenue collections were dampened by the continuing absence of gas exports to the traditional CIS markets. The final budget outcome was also marked by a substantial rise in offset transactions which amounted to about 50 percent of total revenues. While wage arrears reached substantial levels during the course of the year, they were virtually eliminated by the end of the year. Arrears to suppliers were also reduced at this time, but the authorities acknowledge the existence of some outstanding balances as of December 1998.

68. The ratio of revenue to GDP in 1998 fell marginally with respect to 1997 as a result of poor tax collection of both the natural resource tax and profit taxes (due to the cessation of gas exports to Ukraine), which—together with a decision, taken in December 1997, to impose a 50 percent foreign exchange tax on cash revenue from gas exports to be transferred to the FERF—more than offset the impact of increases in tax collections and social security contributions, and an increased share of restructure credit paid into the budget.¹¹

69. The composition of the original expenditure budget underwent substantial revision following the decision to double both the salaries of budget sector workers and student stipends, and to substantially increase old-age pensions in March 1998 (Table 18). According to preliminary official data on the economic classification of expenditure, the proportion of current spending in total spending rose from 78 percent in 1997 to 87 percent in 1998—the final outcome being 4 percent higher than originally planned in the budget for 1998. This increase was more than fully explained by wage costs, which rose from 15 percent to 43 percent of the budget between 1997 and 1998. The increase in the wage component would have been larger but for the retrenchment of significant numbers of staff, due in part to a broadly-based review of ministerial employment needs and the abolition of some activities, such as scientific and other research, which were judged to be of lower priority. The process of shifting activities off budget also continued with, for example, some health activities shifted off budget to be financed by the newly created Health Fund. While transfers to the population broadly maintained their share of overall spending, other nonwage items—especially capital spending, maintenance, and subsidies—were cut back substantially.

70. On a functional basis, the largest increases occurred in items which were labor intensive in nature—especially education and health spending which almost doubled relative to GDP, while those where capital and other cost items predominated—such as national

¹¹ The portion of restructured credits received in 1998 moved close to the target of 50 percent of total payments set the previous year. However, a sizeable payment of about manat 30 million was deducted to cover cost of educating Turkmen students in Ukraine.

economy spending—were reduced. Pension and social security spending also rose slightly to 3.1 percent of GDP as pension payments increased modestly in real terms.¹²

71. The state budget deficit in 1998 was fully financed by a zero interest overdraft provided by the central bank.¹³ There has been no new foreign financing for the budget in 1998, as all foreign loans are being channeled through the State Bank for Foreign Economic Relations, and amortization of past external loans are now largely handled by the extrabudgetary funds. Although the MOEF has issued treasury bills in past years of one- to six-month maturities, these instruments have been issued at fixed interest rates, usually well below market rates, and face value. The bills are also nontransferable and consequently no secondary market has developed. No new treasury bills have been issued recently, and the outstanding balance now totals about manat 20 billion.

The 1999 state budget and its execution to date

72. The 1999 budget was prepared at a time of considerable uncertainty about the outcome of negotiations on a possible resumption of sales of gas to Ukraine and internal deliberations over the appropriate timing and size of any public sector wage increase. The budget document assumed export volumes for gas to be sold to Ukraine to be about 20 billion cubic meters (bcm), but given the uncertainties involved in the contract arrangements being formulated assumed a collection rate of only 20 percent of exports. Meanwhile production of oil was expected to reach 7 million tons so that total revenue from oil and gas was expected to be manat 1.1 trillion, or about 30 percent of total projected state budget revenue. Revenue projections were also affected by the decision to abolish the previously existing income tax of 8 percent on farmers and replace it with a nominal land tax of manat 1,000 per hectare.

73. The expenditure estimates assumed that budget sector wages would remain constant until October 1999 when they would be doubled along with student stipends. Pension increases amounting to about 50 percent would also be implemented at that time. As a result of these assumed developments, a small budget deficit of 1 percent of GDP was projected.

74. During the first three months of 1999, the financial position of the state budget deteriorated substantially as gas exports to Ukraine remained unpaid, forcing the authorities to introduce a number of revenue measures which in the government's view would boost nongas output and, eventually, tax collections. These measures included: (i) a small reduction in profit taxes on domestic producers through the granting of concessions, ranging from 50 percent to 100 percent, for enterprises which achieve targeted increases in production,

¹²In former years, pensions were increased in line with wages but that link was broken in March 1997 and they have since been increased using a formula which has contained increases of about half of the increase in budget wages.

¹³Small commercial bank loans are made to some budget organizations operating outside the treasury single account.

reductions in costs, or produce new types of consumer goods which serve as substitutes for existing import goods; (ii) the introduction of a presumptive income tax on individual entrepreneurs;¹⁴ (iii) the establishment of a 5 percent tariff on shuttle trade imports exceeding manat 6 million; and (iv) the removal of VAT and profit tax exemptions granted to enterprises employing handicapped workers (as these exemptions had become a tax loophole). The net outcome of these measures will depend in part on whether these measures have their intended effect of boosting output, but the overall impact is likely to be a small. By present indications, the budgetary improvement appears likely to be sustained into the third quarter but seasonal and other factors seem likely to lead to some deterioration in the deficit in the fourth quarter unless there is progress on collection of payments on gas exports to Ukraine.

C. Extrabudgetary Operations

75. Extrabudgetary operations in Turkmenistan take two forms. First, the so-called **self-financing ministries** accumulate funds from their off-budget activities and use these funds to cover administrative and other operational spending. The funds accumulated derive from user charges imposed for particular services and from informal appropriations from the public enterprises that they administer. Such appropriations of enterprise surpluses effectively replace explicit payments for interest and dividends to the budget in return for the government capital resources made available to these enterprises.

76. Second, the five **extrabudgetary funds** listed earlier serve as accumulators of financial resources to meet specific purposes. In each case, the revenue accumulated derives mainly from compulsory surrender requirements (mainly of foreign exchange revenues) from sales of products or services by the organizations covered. The expenditure of the funds covers a diversity of purposes. As noted earlier, little is known about the spending of the largest fund, the **FERF**, but it is known to be the main source of the substantial funds applied to construction of national prestige, cultural, and town reconstruction projects in Turkmenistan. The other sector funds are used to finance sector specific investment projects; meet operational and administrative expenses; and service project loans. These project loans are mainly foreign-financed and arranged by the State Bank for Foreign Economic Relations though some manat loans are arranged through other state-owned banks.

77. The **Oil and Gas Development Fund**, established in April 1996, is the largest sector fund. The fund's revenue mainly comes from export proceeds. Its main expenditures cover investment operations of the main five state enterprises, including the production, marketing, construction and geology units of the oil and gas sector. Debt service payments by this fund

¹⁴ In the case of small-scale enterprises, the authorities have introduced the option of a simplified tax regime with a tax rate ranging between 20 percent (for producers) to 24 percent (for wholesale traders and other intermediaries) levied on aggregate gross income in lieu of VAT, profit, and property taxes.

amounted to about manat 116 billion in 1998 and covered some loans taken by other sectors, such as loans for the construction of the airport.

78. The **Agricultural Development Fund**, established in October 1996, is financed mainly by sales of cotton fiber, which are allocated to the fund at the discretion of the President. In addition, the fund receives resources from a special 3 percent tax on state enterprise profits. Expenditure is mainly directed to financing fertilizer and other subsidies provided to wheat and cotton growers under the state order system. Debt service payments are made for a range of agricultural development projects, although large cotton crop financing loans are serviced through the central bank.

79. The **Transport and Communications Fund**, founded in January 1997, receives revenue from all seven enterprises covered (air, road transport, road maintenance, rail, water, sea, and telecommunications) and these financial resources are primarily used to finance investment projects and maintenance. Debt service payments are made mainly for communication and smaller loans with the major aircraft and airport loans serviced from other funds.

80. The **Health Fund**, created in March 1998, is mainly funded by a voluntary 4 percent health levy imposed on the wages of workers which, in turn, is used to subsidize pharmaceuticals and dental care for the general population. Revenue is also received from various specialist ministry services and is used to cross-subsidize services for the general population. The fund is also intended to serve as a vehicle for servicing debt on new health projects, including construction of new medical facilities, and in 1999 has begun to take over the servicing of new health facility loans. Such loans were previously channeled through and funded by the state budget.

D. Local Government

81. The local government sector consists of five provincial areas—Akhal, Balkan, Dashkovuz, Lebap, and Mary—plus the city of Ashgabat. Despite the assignment of substantial expenditure responsibilities to these governments—mainly in the areas of pre-tertiary education, basic health care facilities, and some local law enforcement functions—they have limited financial autonomy in Turkmenistan. Almost all of the funding for local budgets comes from the central administration in the form of specified tax shares of national taxes and specific purpose grants. The latter transfers—which largely flow from the central treasury in Ashgabat—are subject to the same sequestering process applied at the national level. Local governments have no borrowing powers and their operations are conducted through a single treasury account at the central bank. However, some self-financing local authorities do maintain separate bank accounts. New investment projects for all levels of government are largely determined and financed at the central level but local governments are responsible for maintaining local projects.

82. In the 1998 state budget, total local government revenues were estimated at only manat 262 billion (less than 10 percent of total state revenues), of which about nine-tenths came from personal income and property taxes (allocated entirely to the local level) and other

shared taxes, notably profit taxes. Only 10 percent of revenues came from the large range of local taxes in place, with the bulk of those revenues coming from duties and road maintenance fees.

E. Social Safety Net

83. The social safety net in Turkmenistan comprises four elements: price regulation and subsidies; old age and disability pensions; family and other allowances; and guaranteed employment. The system is austere with considerable emphasis on provision of self- and family-support systems.

84. The State has provided the population with free gas, water, energy and salt since 1993 subject to generous limits on usage and at a highly subsidized price thereafter.¹⁵ The prices of bread and a number of other products and services are regulated and an allowance of flour is provided free to families with per-capita incomes below manat 200,000 per month.¹⁶ As noted above, state budget subsidies for food were eliminated progressively prior to 1997 and are now largely met by the enterprises supplying the goods concerned.

85. The old age pension system is being reformed from a pay-as-you-go to a voluntary self-funded arrangement. The previous system was funded by a payroll levy of 30 percent on enterprises and 1 percent on individuals, and pensions were linked to length and type of work experience and earnings. The retirement age under this system was 60 years for men (after 25 years of work) and 55 years for women (after 20 years of work). The basic replacement rate for a person working a full term was 60 percent. There are presently 284,000 old age pensioners who, on average, receive a pension of manat 98,000 per month. A person who had served a full work term would receive a minimum pension of manat 100,000 per month with a maximum pension of manat 180,000.

86. Pensions and allowances are also paid to 113,000 other persons. The main categories are: (i) social pensions for the disabled, infirm, war veterans, and those who had an opportunity to get sufficient work experience before retirement; (ii) allowances for families without a breadwinner (mainly orphans); and (iii) pregnancy and maternity allowances. Subsidies on public transport are paid to a limited group (mainly veterans). There are no unemployment allowances, but only temporary disability payments for the injured and sick. Persons laid off are eligible for two months severance pay. Labor exchanges operate to find

¹⁵The limits are: natural gas 50 cubic meters per person per month; liquefied gas 21 kg per family of five per month (for families above five an additional 4 kg per person is added); water consumption of 250 liters per day per person; and power supply of 35 kwt hours per person per month (or 90 kwt hours per family of two or more persons). There is no limit on salt consumption.

¹⁶The allowances are 8 kg per month per person for families in the rural areas and 6 kg for urban families.

jobs for persons registered as fit for employment but there are no official unemployment statistics.

F. Public Sector Investment and Debt Management

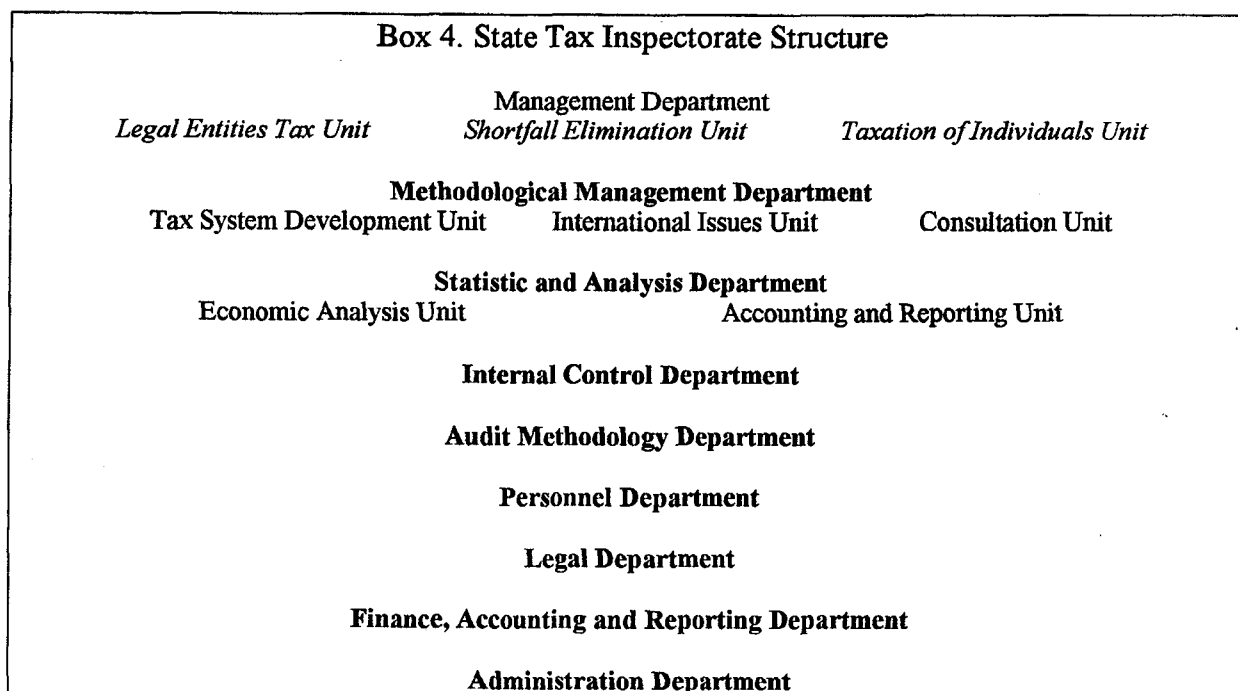
87. The public investment and debt management process is fragmented. The MOEF maintains an overall plan for so-called “centralized investments” which are largely funded in domestic currency and implemented through ministries or subordinated public enterprises. However, foreign borrowing outside this framework finances large investments by public enterprises and a substantial construction program of national works is funded directly by the government Investment Fund.

88. With foreign debt climbing alarmingly and evidence that some projects have not yielded expected returns, the authorities have begun to consolidate and strengthen the degree of central control over public sector investment and debt contracting. A Presidential decree, issued in August 1999, seeks to place greater controls on the project formulation and loan approval process. Under these arrangements, all projects must be presented to the State Agency for Foreign Investment (SAFI) for evaluation before further consideration (Chapter VII). A key issue on the evaluation will be the capacity of the project to repay any loans drawn. Project loans are to be funded from general creation of special accounts, such as escrow accounts. Social development is to be funded only with concessionary loans from relevant development agencies. The Deputy Chairman of the Cabinet of Ministers in charge of the national economy must personally sanction all new projects.

G. Tax Administration

89. The tax administration—which employs about 1,500 persons, most at the local government level—has made slow progress in implementing changes necessary to meet the needs of a market economy. Box 4 sets out the present administration of the State Taxation Office. Although the Office was restructured in 1993 following Fund advice to introduce a functional orientation, the Office maintains features of the traditional Soviet organization, including distinctions between juridical and physical persons which are continuing to lose significance given the growing number of small enterprises and individual entrepreneurs. Moreover, services to the emerging private sector taxpayers are spread throughout the organization with, for example, the taxpayer complaints division forming part of the Internal Control department which detaches this important activity from the main collections department.

90. A Tax Code is being drafted in consultation with the parliament and is expected to include a comprehensive description of the rights and responsibilities of both taxpayers and the tax office. The Code, which is scheduled for introduction before the end of 1999, will include the provision that taxpayers register and undertake self-assessment of tax liabilities, and to provide supporting information on request. It will also provide taxpayer education and information and specify the rights of the Tax Office to undertake audits, receive access bank accounts, and impose penalties.



91. The Tax Office does not maintain a separate large taxpayer unit as implemented in many other BRO countries; however, the total number of taxpayers (approximately 35,000) is small and there is a natural concentration on the oil and gas industries which have historically been the largest tax contributors. The Office has implemented a comprehensive registration system—in conjunction with the State Agency for Foreign Investment—and a 14 digit TIN covering all taxpayers.¹⁷ However, the operational significance of these improvements on collections is weakened by the slow pace of computerization in the Tax Office. The penalty system is broadly based and potentially over-severe—with very high interest rates applied for late-payers—but a periodic forgiveness for arrears and/or penalties has served to reduce the impact of these arrangements.

92. The Customs Administration retains a primary focus on nonrevenue raising activities, including border inspection and drug/crime detection. Over 1,300 persons are employed to man over 50 border posts often in very remote and difficult-to-patrol areas. Recent progress has been made in controlling Turkmenistan's considerable transit traffic, including additional protected parking and storehouses, and improved reporting systems.

¹⁷ When a business wishes to set up operations, it must approach the State Agency for Foreign Investment for a temporary registration by the Registration Chamber. After that, it must approach the Tax Office and the Statistics Office to obtain taxpayer ID numbers and clearance on statistical issues before going back to the Chamber to obtain final registration.

V. MONETARY AND BANKING DEVELOPMENTS

A. Overview

93. Government control over monetary policy and commercial banks' activities remained significant in Turkmenistan. The majority of banks' lending operations consists of onlending by state banks of directed central bank credit and foreign loans contracted or guaranteed by the government. Government ownership of banks was increased further in December 1998, while central bank control over bank lending was tightened. The level of financial intermediation has remained low by international standards, reflecting a general lack of confidence in the banking system. Interest rate policy is almost nonexistent as almost all of central bank credit is provided at a zero interest rate to banks and the government. The conduct of exchange rate policy has been polluted by the introduction of controls and regulations, particularly following the closure of the commercial bank exchange window in December 1998 (Chapter VI).

94. Monetary policy was expansionary in 1998, due to large directed credits to the agricultural sector and sizable central bank financing of the state budget deficit. Monetary policy was successfully tightened in the first half of 1999, as the CBT placed greater emphasis on loan collection, while the state budget deficit was contained through further expenditure compression.

B. The Banking System

95. In December 1998, the authorities introduced measures to restructure the banking system (Presidential Decree No. 3970). Investbank, a joint-stock commercial bank with government participation, was transferred into full government ownership, while the government's share in Turkmenbank was increased to 61 percent. In addition, all 53 independent Daykhan (farmers) Banks, the shares of which were (partially) held by farmers associations, were merged into a single, fully government-owned commercial bank, named Daykhanbank. Shareholders other than the government were paid off, either in cash or by netting their shares with outstanding loans or, in some cases, tax obligations. Three smaller banks were also merged: Bereketly Bank was merged with Turkmenbank, while Gas Bank and Ashgabat Bank were merged into a single bank named Garashislik Bank. Bereketly Bank and Ashgabat Bank were very small banks with little commercial activity and could not meet the minimum capital requirements on their own.

96. As a result of these measures, in early 1999, Turkmenistan's financial system consisted of the CBT and 13 commercial banks, including 4 fully state-owned banks (the State Bank for Foreign Economic Affairs (Vneshekonombank), Daykhanbank, the Savings Bank, and Investbank) and three majority state-owned banks (Turkmenbank, Oba Bank, and the Bank for Reconstruction and Development). In addition, the government had minority shares in two other banks that also have foreign participation. The banking system remains heavily concentrated in the traditional state banks. The 7 state banks together account for about 95 percent of all commercial bank loans extended in domestic currency and almost all loans in foreign currencies. Two banks operating in Turkmenistan are foreign-owned.

97. In the same December 1998 decree, each state-owned bank was allocated a specific sector of the economy to service: Daykhanbank was to focus on the agricultural sector, Investbank on the industrial sector, and Turkmenbank on the social infrastructure (trade and services). Moreover, state-owned enterprises were required to have their accounts only with state-owned banks, although nonstate banks were still permitted to provide loans to state enterprises. The State Bank for Foreign Economic Affairs, meanwhile, remained as the main channel used for the financing of large investment projects with foreign funds, including the onlending to state enterprises of external loans contracted or guaranteed by the government.

98. According to the authorities, the measures taken to restructure the banking sector were prompted primarily by their concern that the financial crisis in Russia—which had caused banking sector problems in other CIS countries—could undermine confidence in the domestic banking system and hence result in a banking crisis in Turkmenistan. This despite the fact that trade relations with Russia and banks' exposure to Russia were fairly limited. With the major banks under direct government control, the authorities tried to establish a *de facto* deposit insurance, hoping to maintain the public's confidence in the banking system.

99. Government control over the banking sector and the state enterprise sector was increased further following the introduction of a CBT instruction in March 1999, requiring the review and clearance by the CBT's Credit Committee of all commercial bank loans to state enterprises, including enterprises with state participation, farmers associations and consumer associations. In the authorities' view, this measure was necessary to improve loan allocation and prevent the misuse of funds. Loans funded by directed credits received from the CBT were excluded from this procedure, as they were already under CBT control. Loans to private entities were not subject to review and approval by the CBT's Credit Committee. In addition, state banks were ordered to report regularly to the CBT on the financial situation of their clients, while CBT bank supervisors were placed in the state banks, reporting to the CBT on the quality on banks' lending portfolios and capital adequacy.

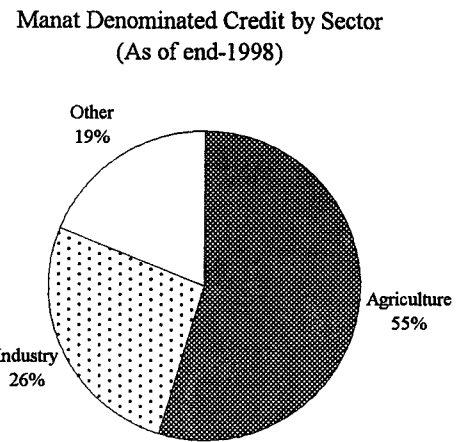
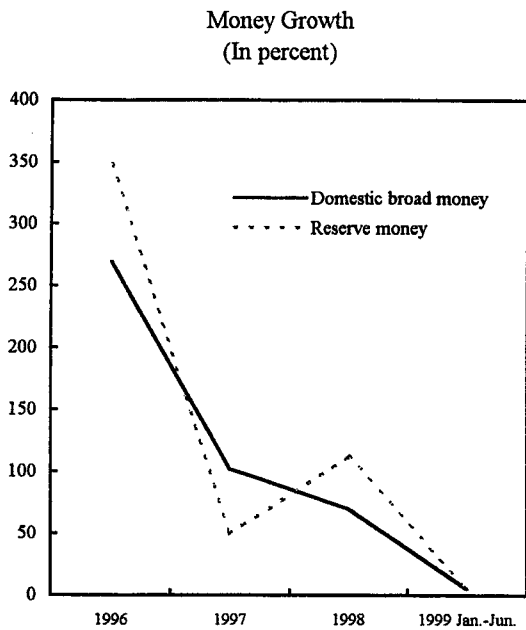
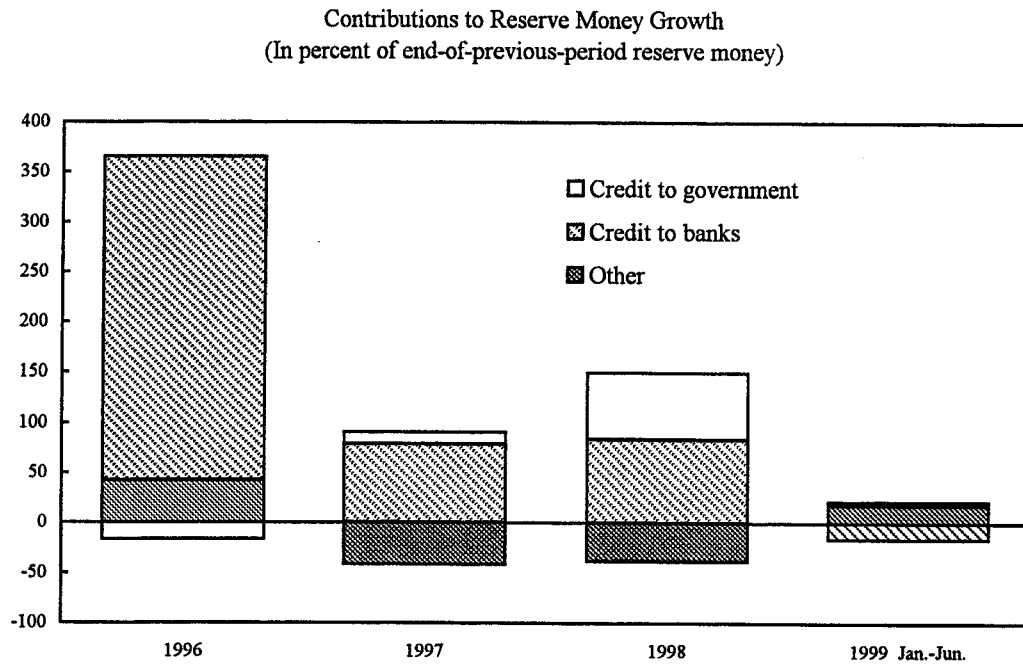
C. Monetary Developments

100. Monetary developments in 1998 and the first half of 1999 were driven by the following factors (Tables 19–21 and Figure 2):

- The continuation and increase in volume of directed credits extended by the CBT in 1998, followed by an increased effort to collect loans, starting in early 1999;
- A growing need for central bank financing of the state budget deficit in the latter part of 1998;
- Strong intervention by the CBT in the foreign exchange market with a view to offset the expansionary impact of directed credits and budget financing.

101. Instructed by the government, as in 1997, the CBT continued to extend directed credits in 1998 for onlending by banks to the agricultural sector. With significantly better harvests of both wheat and cotton in 1998 compared to 1997, the volume of these directed

Figure 2. Turkmenistan: Selected Monetary Indicators, 1996-99



Sources: Data provided by the Turkmen authorities; and Fund staff estimates.

credits increased as well. Gross directed credits extended to banks amounted to about manat 740 billion in 1998, of which 70 percent served to finance the wheat harvest. Despite that the majority of the loans extended in 1997 were repaid, due to the more favorable harvests net central bank credit to the banking system increased by almost manat 460 billion in 1998, equivalent to 84 percent of end-1997 base money. In light of the large amounts of directed credits that were extended, the CBT did not resume its credit auctions, which had been suspended in February 1997.

102. In the first half of 1999, the CBT stepped up efforts to improve loan collection. As a result, the stock of net central bank credit to banks fell by almost manat 190 billion during this period. However, a credit line of manat 420 billion was established in June for the financing of the wheat harvest.

103. While central bank financing of the budget remained relatively limited during most of 1998, it increased sharply in the last quarter of the year to facilitate the clearance of large government wage arrears. Hence, central bank financing of the state budget deficit totaled manat 360 billion in 1998, equivalent to 66 percent of end-1997 base money. Central bank credits continued to be used to finance the budget deficit in the first quarter of 1999, but a further compression of expenditures resulted in a decline in central bank credit to the government in the second quarter.

104. During 1998, the CBT stepped up its sales of foreign exchange, both through its foreign exchange auctions and directly to banks. While the CBT had only very limited access to Turkmenistan's total foreign exchange reserves,¹⁸ it continued to receive the foreign exchange counterpart from: (i) the budget's share (about 50 percent) of the revenues from repayments of rescheduled gas debts; (ii) the general surrender requirement in effect for export earnings of state enterprises; and (iii) the exports of cotton fiber. The amount of foreign exchange available to the CBT for intervention declined towards the end of 1998 as Turkmenistan's export earnings fell, reflecting falling world market prices for key export commodities. In the second quarter of 1999, foreign exchange inflows improved, enabling the CBT to increase the volumes sold through the foreign exchange auctions.

105. Despite the large sales of foreign exchange, base money increased by 112 percent in 1998. Domestic broad money, M2, grew by 70 percent, reflecting an increasing preference of the public to hold cash instead of deposits; currency in circulation rose by 155 percent, while deposit growth stagnated. As a result, the money multiplier fell to very low levels. While

¹⁸ Most of the country's foreign exchange reserves are held in the Foreign Exchange Reserve Fund (FERF) under the direct control of the President. The holdings of the FERF are managed by the CBT and the FERF's balances appear on the balance sheet of the CBT. Inflows to the FERF consist mainly of a 50 percent tax on gas exports in cash, 50 percent of the repayments of rescheduled gas debts, part of the proceeds of cotton exports, and interest earnings on the reserves. Outflows comprise to a large extent payments for high profile construction projects.

monetary expansion continued at a rapid pace in the first quarter of 1999, the increased emphasis by the CBT on loan collection and the higher foreign exchange sales resulted in a decline in money aggregates in the second quarter. On balance, base money grew by only 6 percent in the first half on 1999, and domestic broad money by 5 percent.

106. The high preference for currency and the low level of the money-to-GDP ratio (the average money stock, including foreign currency deposits, was about 10 percent of GDP in 1998) epitomize the low level of financial intermediation in Turkmenistan. This reflects the public's general lack of confidence in the domestic banking system. The banking system's deposit base is small and consists mainly of enterprise deposits. Banks' lending operations in domestic currency are mainly driven by the onlending of directed credits received from the CBT. Similarly, lending by banks in foreign currencies consists almost completely of the onlending of external loans contracted or guaranteed by the government.

D. Interest Rates

107. The refinance rate,¹⁹ and interest rates in general, play only a marginal role in monetary policy making in Turkmenistan. Almost all of the CBT's lending takes place at interest rates of (close to) zero percent: credit to the government carries a zero interest rate, as do most directed credits to the agricultural sector (Table 22). A small fraction of directed credits carry a positive, but still very low interest rate. Banks that onlend directed credits can only add a small interest margin (2 percent). Banks are in principle free to set interest rates on loans funded by sources other than directed credits, as well as rates on deposits. These rates are typically linked to the refinance rate.

108. The treasury bill rate also played a rather marginal role in monetary policy. Rates and terms on treasury bills continued to be set by the MOEF, with the rate set normally equal or close to the refinance rate. The bills are nontransferable and consequently no secondary market exists. Since August 1998, no new treasury bills have been issued, while outstanding bills and accrued interest have been placed in frozen accounts that are expected to be repaid gradually to the treasury bill holders.

E. Monetary Instruments

109. The CBT extends manat credit to the government and banks. Credit to the government takes place through automatic, noninterest bearing overdrafts. The volumes and terms of directed credits to banks are determined by the government, after consultation with the CBT. The CBT occasionally extends credits directly to state enterprises.²⁰ Most directed credits are noninterest bearing.

¹⁹ Currently at 30 percent per annum.

²⁰ Also included in the CBT balance sheet are foreign currency loans to the cotton sector and the national airline, for which the CBT provided a guarantee to lower the borrowing cost.

110. A number of indirect monetary instruments is also available to the CBT for regulating bank liquidity (Box 5). Since the suspension of credit auctions in February 1997, however, foreign exchange sales have been the CBT's main monetary policy instrument to regulate bank liquidity.

Box 5. Overview of Monetary Policy Instruments

Credit auctions

Weekly or bi-weekly auctions to allocate CBT refinance credits, mostly with a maturity of three months. Suspended in February 1997. Access restricted to banks which comply with reserve requirements and have no overdraft with the CBT. Ceilings on amounts requested by banks are threefold: amounts may not exceed 200 percent of a bank's capital, 35 percent of a bank's credit portfolio, and 30 percent of the amount offered in each auction. No collateral is required. Interest rate or fixed rate auctions possible, but in practice, the auction rate was set at the CBT refinance rate. Regulations are currently under review.

Auxiliary credit facility

Seven-day credits intended to assist banks in between credit auctions. Available on demand, without collateral, but access limited to no more than twice a month and subject same criteria as credit auctions, as well as a ceiling of 75 percent of required reserves of a bank. Interest rate is 1.2 times the refinance rate.

Overdrafts

Access automatic to all banks, with no collateral required. No ceiling imposed. Interest rate is 1.7 times the refinance rate. Intra-day overdrafts are interest-free.

Deposit auctions

Introduced in July 1999. Access to all banks, except banks that have received directed credits to avoid round-tripping. Interest rate and fixed rate auctions possible of short-term deposits (14 days in the first auction). In practice, interest rate set by the CBT (5 percent in the first auction).

Reserve requirements

A uniform reserve requirement of 11 percent was applied until September 1998, when reserve requirements for manat deposits were differentiated by type. As of then, demand deposits of individuals carried an 8 percent reserve requirement, time deposits a five percent requirement, and all other reservable liabilities an eleven percent requirement. As of August 1999, manat deposits of individuals were exempt from the reserve requirement, while banks were required to hold 25 percent in reserves against manat deposits of legal entities. The reserve requirement for time deposits in foreign currency was put at 3 percent and at 8 percent for all other foreign currency deposits. Domestic and foreign reserves are maintained separately, the latter in foreign exchange accounts. 30 percent of banks' cash in vault is deducted from the required reserves. No interest is paid and no averaging is allowed. The deposit base is calculated on the 1st, 8th, 15th, and 22nd of each month. The lag between the base and holding period is only a few days. In case of non-compliance, banks have to pay a penalty of 0.3 percent per day on the shortfall.

111. The CBT continues to impose restrictions on both cash holdings and cash withdrawals of enterprises. Cash holdings and withdrawals are essentially limited to wage payments. Also, the so-called Kartotheka system remains in effect for enterprises' bank accounts. According to this system, enterprise balances are to be used first to make wage payments, then to pay obligations to the budget (including social security contributions), followed by payments to banks, and finally payments to suppliers. The restrictions and the Kartotheka system are directed at limiting tax evasion, with banks functioning as part of the tax authority. As a result, enterprises have only limited control over their own accounts.

F. Bank Supervision

112. During 1998–1999, the CBT has continued to work toward improving bank supervision. Effective July 1998, the CBT issued new regulations for prudential control, bringing them closer to international standards. The minimum (paid in) capital requirement for new banks was set at the manat equivalent of US\$1 million, while that for existing banks is being raised gradually to reach that level by the year 2000. The minimum capital adequacy ratio was also increased to 7 percent of the risk-weighted assets for tier one-capital and to 10 percent of total capital. Liquidity ratios are in effect for current overall liquidity (total liquid assets relative to sight deposits and time deposits up to 30 days; minimum ratio is 70); short-term liquidity (highly liquid assets relative to sight deposits; minimum ratio is 50); and total liquidity (liquid assets relative to total assets; minimum ratio is 25). In addition, new loan concentration limits were put into effect, capping the maximum exposure to a single borrower (or a group of related borrowers) to 20 percent of a bank's paid in capital; limiting the total of large loans extended (with a large loan defined as a loan exceeding 5 percent of paid in capital) to eight times a bank's paid in capital; and limiting the maximum exposure to a shareholder to 15 percent of paid in capital. New regulations for loan classification and provisioning for loan losses were under preparation in mid-1999. In mid-1999, 12 of the 13 domestic commercial banks had a general banking license issued by the CBT, allowing them to conduct all types of banking activities.

113. Progress was also made in developing off- and on-site inspections of banks. A computerized system has been developed to improve the monitoring of banks. Information from off-site monitoring is used as a basis to conduct on-site inspections which are done for all banks at least once a year. Additional ad hoc inspections may be conducted and supervisory action can be taken against banks that fail to comply with bank regulations (for example, the suspension of certain types of activities, or denying a bank access to the CBT's credit facilities). Also, such banks have to develop a plan to achieve compliance. Ultimately, the CBT can suspend or revoke a bank's license.

114. Although commercial banks generally comply with prudential regulations and ratios set by the central bank, the financial situation of banks might not be as good as it appears. In particular, the risk-weighted capital adequacy ratio should be interpreted with caution since most loans to state enterprise carry some sort of government guarantee. Hence, many loans have a zero risk weight, while directed credits to agriculture have a 20 percent risk weight. Moreover, many bank loans to state enterprises are more or less automatically rolled-over or rescheduled without clear prospects for repayment. Government guarantees are rarely invoked if at all, while collateral may be difficult to seize and sell. In addition, several state enterprises that have received foreign currency loans have the bulk of their earnings in domestic currency, making them—and thus their bank—vulnerable to exchange rate changes.

VI. EXCHANGE AND TRADE REGIMES

A. Exchange Rate Developments

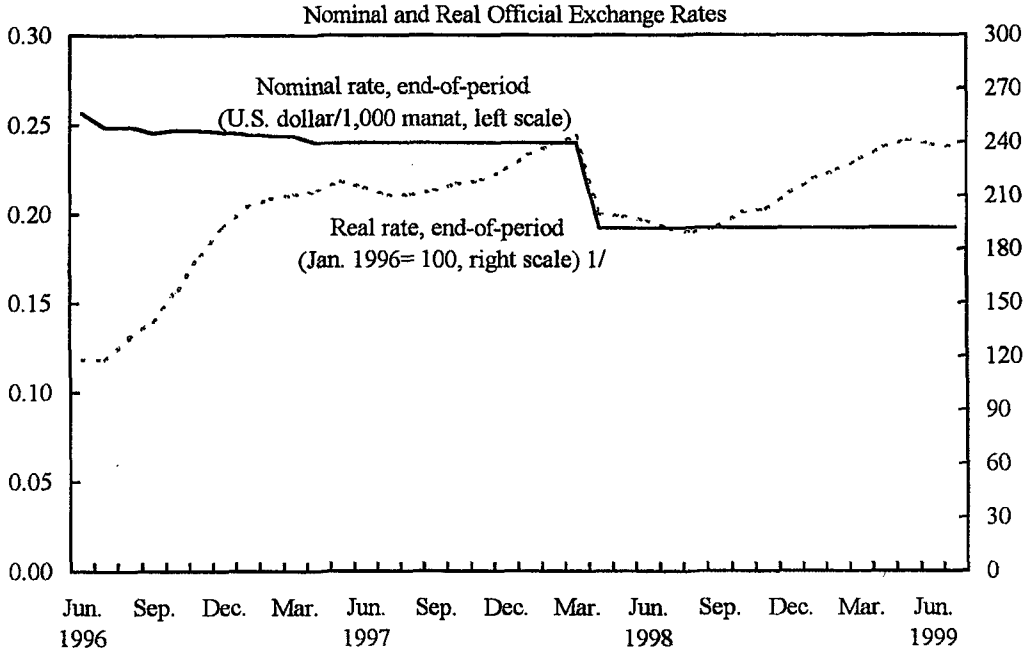
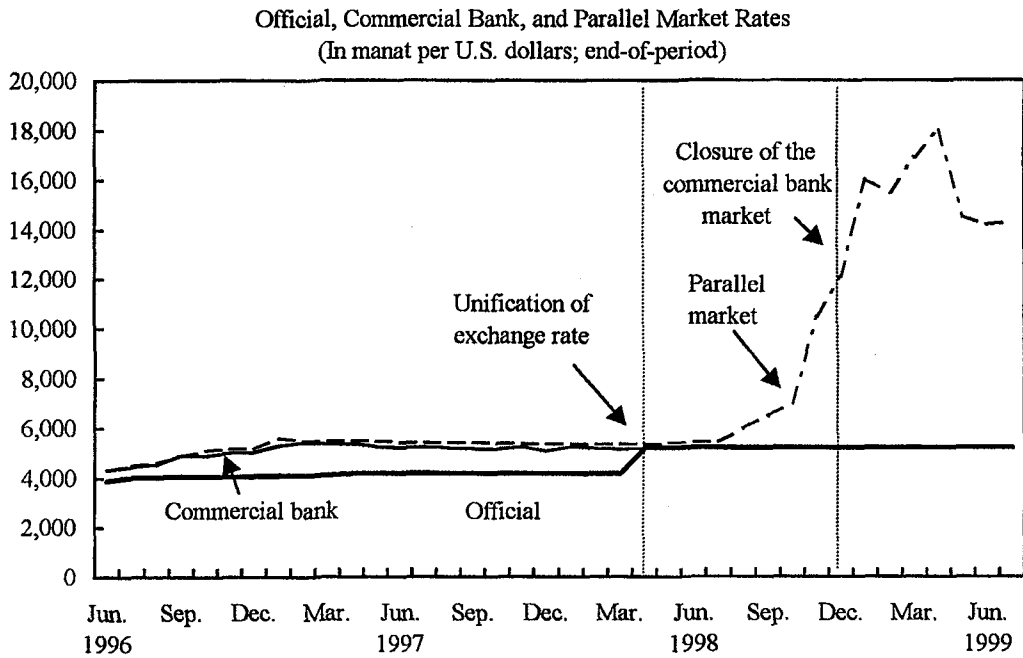
115. On April 20, 1998, the CBT devalued the official rate by 20 percent to manat 5,200 per U.S. dollar. This move brought the official rate close to the level of the commercial bank rate for cash foreign exchange, effectively unifying the two rates (Table 23 and Figure 3). At the same time, the CBT withdrew its recommended rate for commercial banks, but established a maximum of 3 percent for banks' exchange sales commission. The official exchange rate—set in the heavily screened CBT foreign exchange auction—was maintained at the level of manat 5,200 per U.S. dollar throughout the remainder of 1998 and the first half of 1999. The commercial bank cash rate stayed close to the official rate through December 1998, when the commercial banks' foreign exchange window was closed.

116. During 1998, the stability of the unified exchange rate was accomplished through heavy central bank intervention and central bank controls over access to the auctions and commercial banks' foreign exchange sales commissions (capped at 3 percent over the official rate). While the parallel market rate had remained fairly stable through July 1998 (at around the level of the unified official and commercial banks' exchange rate), in August exchange rate pressures started to increase and the spread between the curb market rate and the unified rate increased sharply. A number of factors contributed to this widening gap. First, the Russian financial crisis triggered fears that the crisis would spill over, notwithstanding Turkmenistan's rather limited trade and financial relations with Russia. A sense of panic emerged in the cash foreign exchange market, rapidly increasing the population's demand for foreign exchange. Second, loose financial policies, notably in the second half of 1998, fueled the demand for foreign exchange. Third, the supply of foreign exchange available to the CBT for intervention diminished due to falling world market prices for Turkmenistan's key export commodities. CBT foreign exchange sales fell to US\$110 million in the second half of 1998, compared to about US\$ 135 million in the first half (Table 24). As a result of these factors, the parallel market rate depreciated sharply to manat 12,100 per U.S. dollar by end-1998.

117. The authorities responded to the increasing exchange rate pressures by closing the commercial banks' foreign exchange window in early December 1998, and tightening the requirements for importers of consumer goods to obtain foreign exchange resources at the central bank auction (see below). This measure pushed numerous transactions into the parallel market, with the exchange rate in this market peaking at manat 19,000 per U.S. dollar in April 1999.

118. Exchange rate pressures eased somewhat starting May 1999, with the parallel market rate appreciating to about manat 14,000 per U.S. dollar by end-June. This exchange rate appreciation followed a tightening of financial policies and an increase in central bank foreign exchange intervention to almost US\$70 million in the second quarter of 1999.

Figure 3. Turkmenistan: Nominal and Real Exchange Rates, 1996-99



Sources: Data provided by the Turkmen authorities; and Fund staff estimates.

1/ A decrease indicates a depreciation. The official rate applies to all official transactions, including foreign trade, which constitute the bulk of total foreign exchange operations in the economy.

B. Exchange Arrangements

119. Foreign exchange transactions in Turkmenistan are conducted at three different exchange rates: the official rate, the commercial bank cash rate, and the (illegal) parallel market rate. The official rate applies to noncash transactions and is set in weekly auctions conducted by the CBT. The exchange rate set in the auction, however, is not truly market-determined, as access to the auction is limited and bids are screened by the CBT and the Foreign Currency Committee (FCC). Only authorized banks participate in the auctions on behalf of their customers and for transactions approved by the CBT and the FCC. Bids are submitted at the rate established in the previous auction, but if demand exceeds foreign exchange supplied by the CBT, excess demand is shifted to the next session. Under Presidential Decree 3971 of December 3, 1998, sales of foreign exchange to resident legal entities in the auction are permissible with respect to the following positive list of transactions: (i) repayments of foreign loans received under Turkmen sovereign guarantees; (ii) repatriation of foreign investments and profits; (iii) purchases of listed medicines and other medical commodities; (iv) purchases of raw materials and other production inputs; (v) repayment under foreign credit lines and programs and procurement of materials and spare parts related to such credit lines and programs; and (vi) purchases by "specialized stores" of consumer goods and foods. The last category was added to the existing list following the closure of the commercial bank market in December 1998. Importers of consumer goods who previously obtained cash foreign exchange through domestic commercial banks now can submit bids in the auctions. To be eligible, however, they have to establish stores in which they sell the imported goods at prices not higher than 30 percent over the import price converted into manat at the official rate.

120. Until late November 1998, commercial banks were in principle free to set their buying and selling rates, and banks were allowed to freely transact in cash foreign exchange with individuals for amounts of up to US\$1,000 per transaction, with no limits on the frequency of such transactions. In practice, however, banks' selling rates were strongly influenced by the CBT. In particular, the CBT sold cash foreign exchange directly to banks, but under the provision that a bank's commission on sales of these amounts were not to exceed 3 percent of the auction rate.

121. Following increasing exchange rate pressures, the commercial bank cash market for foreign exchange was closed in December 1998. Under Presidential Decree 3971 of December 3, 1998, sales of foreign exchange in cash by banks to Turkmen individuals are permissible only with respect to a short positive list of transactions: (i) medical treatment abroad; (ii) educational support for students abroad; and (iii) official travel by public officers. Sales are at the official exchange rate.

122. Legal entities are not permitted to purchase cash or noncash foreign exchange from banks other than for official travel. They can only obtain foreign exchange through banks at the CBT auction. Legal entities are allowed to hold foreign exchange balances, to the extent that export earnings are not subject to surrender requirements, or they can sell foreign exchange to banks. However, since January 1999, banks are required to surrender all foreign exchange purchased from clients to the CBT at the auction rate.

123. The curb market for foreign exchange is in principle illegal since foreign exchange transactions outside the banking system are not allowed.

C. Prescription of Currency

124. Residents of Turkmenistan are required to use the manat for domestic transactions. Reflecting low confidence in the domestic currency, however, the U.S. dollar continued to be widely used. Consequently, in the course of 1998, the authorities stepped up enforcement of the requirement to use the manat.

D. External Payments and Receipts

125. The State Commodity Exchange (Comex) was established in 1994 with the objective to regulate exports and imports and obtain world market prices (i.e., prevent under-invoicing) (Box 6). Trade contracts for exports and imports of all entities, including barter transactions but excluding gas exports, must be registered with the Comex.²¹ The Comex may not authorize a transaction if, in its opinion, the terms of the contract are not sufficiently favorable to Turkmenistan. Licenses, required for all exports, are issued by the Ministry of Trade. There is a short list of strategic exports (gas, oil and oil products, electricity, cotton fiber) which require approval by the Cabinet of Ministers. Some items, mostly foodstuffs but also for example goods of high cultural importance, are prohibited from being exported.

126. All exporters are subject to a repatriation requirement, while since April 1997 all export proceeds of public sector enterprises are subject to a 50 percent surrender requirement to the CBT at the official exchange rate. Proceeds from the exports of cotton fiber, however, are not subject to a surrender requirement, while gas exports are subject to a 50 percent foreign exchange tax on cash receipts, to be paid to the Foreign Exchange Reserve Fund (FERF), and a 25 percent surrender requirement to the CBT. Private enterprises are also not subject to the surrender requirement. Enterprises are allowed to keep the non-surrendered part of their foreign exchange earnings in a foreign currency account in Turkmenistan, which can be used without restrictions

127. According to a Presidential decree of 1995, goods cannot be exported by a state enterprise until full payment has been received or guaranteed through an international letter of credit. The same decree explicitly prohibits barter transactions for oil and oil products and electricity. In practice, however, the decree is not strictly enforced and a part of exports of these goods continued to be made in barter. Most exports, though, of oil, oil products and cotton fiber were made in cash in 1998, while gas exports in 1999 took place without prepayment.

²¹ The Comex charges a commission of 0.2 percent on all transactions.

Box 6. The State Commodity Exchange

The State Commodity Exchange (Comex) was established in 1994, with the following tasks:

1. To facilitate the provision of goods to the economy by matching buyers and sellers.
2. To regulate export and import transactions, including approval of export and import contracts.
3. To regulate prices in export and import contracts and the costs of investment contracts.
4. To regulate barter contracts.
5. To conduct marketing studies to identify the cities and rural areas that are under-supplied with various goods.
6. To study import opportunities for products that are in excess demand in the economy.
7. To develop wholesale business in Turkmenistan.
8. To assist Turkmen exporters in finding potential markets.

All contracts of international and domestic transactions that have a value in excess of 30 million manat (about US\$5,700 at the official exchange rate) must be registered at the Comex. The rule applies to both public and private companies. All trade must take place through trading session at the Comex, which are conducted three times a week. The Comex may not approve a contract if in its view the contract price is not correct.

The Comex applies various criteria to regulate **export contracts**. Generally, the export contract should not be under-invoiced and goods to be exported should not be in short supply in the domestic market. To check whether the quoted price is appropriate, the Comex compares it to the price of similar products abroad, using various databases, including searches on the Internet. Some products, including certain foodstuffs, are prohibited from being exported.

Import contracts should not be over- or under-invoiced, and usually there should not be a local producer producing similar goods. If a locally produced alternative is available, import may still be allowed upon paying a surcharge over the import price. The Comex performs the same price checks as in the case of exports.

Domestic contracts are regulated in a similar way, with the Comex reviewing prices for each product traded. The buyer applying to purchase a product should present evidence of having sufficient money in his bank account.

Barter contracts must be registered, with the parties required to declare the prices at which the trade is to take place. Barter deals are channeled through the trading sessions. 'Prices' of barter contracts are checked by the Comex in the same manner as those of other contracts.

List of documents for registration at the Comex:

1. Application for registration of contract;
2. Original contract (3 copies);
3. In the case of state-owned entities, a letter of the relevant line-ministry (supervising body) endorsing the deal;
4. Banking documents stating the availability of funds in case of payment upon delivery of goods and on letter of credit terms;
5. In case of prepayment, a guarantee of sellers' bank for refund of prepaid amount in case of breach of contract, and certified by a first class bank;
6. Documents stating the origin of goods in case seller is not himself a manufacturer thereof;
7. Wholesale license;
8. Certificate stating physical availability of goods;
9. Registration certificate for carrying out foreign trade activity;
10. Certificate from SAFI stating the investment nature of the contract (for investment projects only);
11. Documents on financing arrangements (for investment projects only).

128. Imports are free of restrictions and import licenses are not required. There are no import tariffs (except a 0.5 percent customs administration fee) and no quota restrictions.

There are numerous excise rates on imports, however, which can differ from rates on domestically produced goods. Payments for imports can only be made when goods have arrived in Turkmenistan. Letters of credit for imports can in principle be opened after the relevant contract have been approved by the Comex, but in practice they are seldom used. There is a short list of prohibited imports, mainly for reasons of health and national security.

E. Exchange Restrictions

129. When the manat was introduced in 1993, a Foreign Exchange Regulation Law was passed, guaranteeing the freedom to make payments and transfers for all bona fide international transactions. Despite this legislation, several important restrictions remain in effect: (i) the screening by the CBT and the FCC of applications for foreign exchange provided through the weekly CBT auction with respect to certain categories of current international transactions conducted by resident legal entities; (ii) the screening by the CBT of applications for foreign exchange cash with respect to medical, educational, and official travel expenses provided directly (not through the auction) to individual Turkmen citizens; (iii) limitations on purchases of foreign exchange resulting from the closure of access to the banking system for current international transactions and for applicants not identified under items (i) and (ii) above; (iv) the requirement that foreign exchange sales to “specialized stores” shall be subject to the condition that commercial mark-ups over the contract price of goods will not exceed 30 percent; and (v) a multiple currency practice arising from the 50 percent foreign exchange tax on gas exports, the proceeds of which are earmarked for the FERF.

F. Capital Account Restrictions

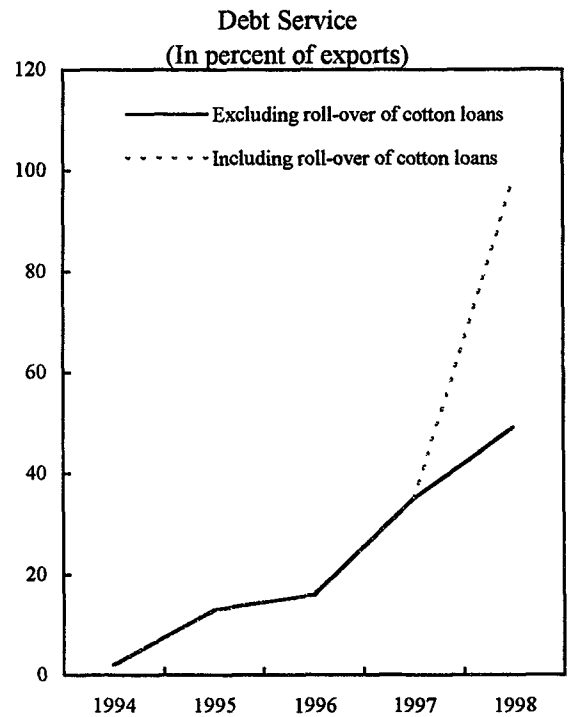
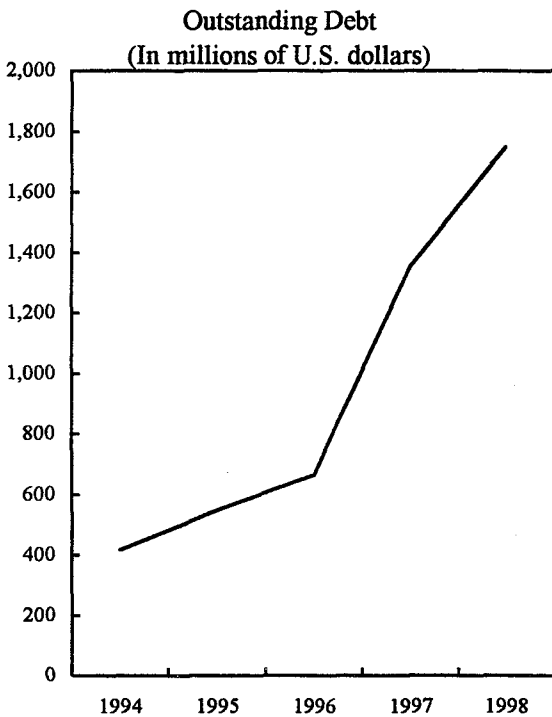
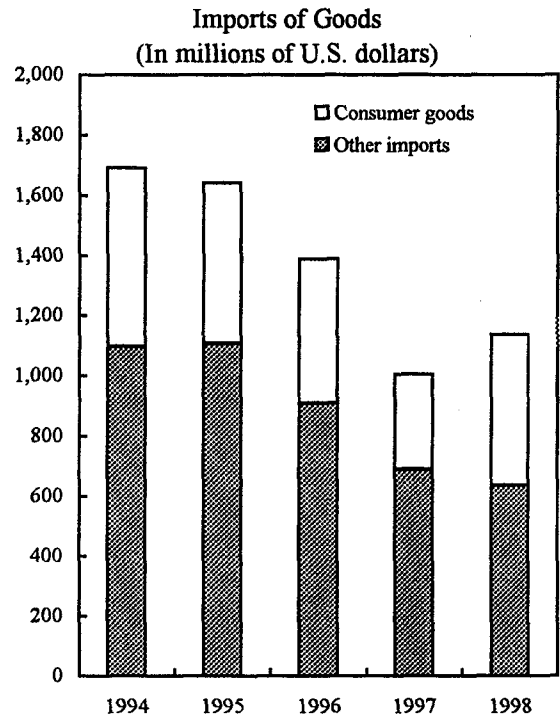
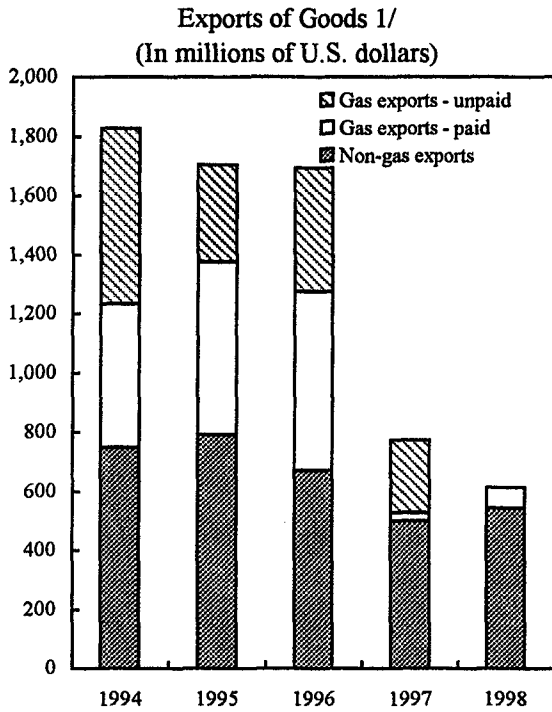
130. Both inward and outward capital transfers are subject to CBT approval. There are no exchange restrictions on foreign investors who wish to bring foreign exchange into the country. Inward foreign direct investments are permitted, in principle, but require approval by the State Agency for Foreign Investment (Chapter VIII). Foreign investors may reinvest their profits in Turkmenistan, repatriate their profits, or place them in manat of foreign currency bank accounts. If profits are earned in manats, foreign currency can be obtained through the CBT auction for the repatriation of profits.

VII. EXTERNAL SECTOR DEVELOPMENTS

A. Overview

131. During 1998, Turkmenistan’s external position worsened significantly (Tables 25–27 and Figure 4). The current account balance, which had been on a downward trend since independence, reached a deficit of US\$935 million. This deficit was mainly caused by a very difficult export situation, but also by rebounding imports. Turkmenistan only exported 1.8 bcm of gas (less than 4 percent of the 51 bcm exported in 1993), and prices for the two other major exports (oil and cotton) dropped very significantly during 1998. Imports of goods increased from the low levels of 1997, and imports of services—in particular for construction—exceeded the already high levels of 1997. In spite of the large current account

Figure 4. Turkmenistan: Selected External Indicators, 1994-98



Sources: Data provided by the Turkmen authorities; and Fund staff estimates.

1/ In 1994 and 1995, excluding gas exported to cover transportation costs outside Turkmenistan.

deficit, international reserves increased to almost US\$1.4 billion at year end. Financing was accomplished through receipt of payments on rescheduled gas debt, an increase in the stock of foreign debt for financing investment projects, and the accumulation of arrears on public debt which reached about US\$95 million. Public and publicly-guaranteed external debt reached well over US\$1.7 billion by end-1998.

132. In the first half of 1999, the overall external situation did not improve, despite the agreement with Ukraine on the export of 20 bcm of gas for 1999. Turkmenistan exported gas worth about US\$315 million through May 1999, when shipments were halted because of nonpayment. Prices for oil and cotton continued to fall in the first quarter of 1999, and only started to recover in May. Hence, Turkmenistan had very low currency inflows in late 1998 and early 1999, which led to a sharp curtailment of imports of consumer goods and a tightening of exchange and trade restrictions. In early 1999, the Turkmen authorities attempted to generate some cash inflows by taking out small short-term loans against future cotton sales and to reduce aggregate outstanding external arrears through bilateral rescheduling agreements. Receipts from payments on rescheduled gas debt declined in 1999, as a major debt (Itera) had been nearly paid off. The accumulation of external debt accelerated in 1999 mainly because the Turkmenbashi refinery upgrade moved into the construction phase. Official international reserves increased further to well over US\$1.4 billion by end-June 1999.

B. Exports

133. Turkmenistan continued to generate most of its export earnings from sales of hydrocarbon resources and cotton fiber (Tables 28 and 29). Given Turkmenistan's landlocked location, distant from solvent purchasers, access to transit routes and transportation tariffs are a key issue. As gas exports were very limited and prices low for all export goods, exports as a share of GDP fell to 23 percent. In addition, much of Turkmenistan's trade has remained plagued by payment problems and settlement through barter.

134. Gas exports to other BRO countries were absent in 1998. Since March 1997, Turkmenistan had not shipped gas through the unified gas supply system of the former Soviet Union. However, following the agreement reached in December 1998, between Ukraine, Turkmenistan, the transit countries, and Gazprom, a total of 8.7 bcm of gas worth US\$315 million was delivered through May 1999, when Turkmenistan and the transit countries decided to halt shipments again because of nonpayment. As of June 1999, Turkmenistan had received only about US\$8 million in currency, and agreements on the delivery of US\$8 million in goods and US\$31 million in investment projects were about to be reached. Hence, the total amount owed to Turkmenistan as of June was US\$268 million. Of this, US\$118 million was due in cash, but if arrears persisted, according to the contract terms all of it would become due in cash.

135. Gas deliveries through a new pipeline to the Islamic Republic of Iran began in 1998. Gas was sold at a price f.o.b. of about US\$40 per thousand cubic meters, with 35 percent of sales counted against the construction cost of the pipeline, and 65 percent payable in cash.

About 1.8 bcm of gas were shipped in 1998, and 1 bcm in 1999 through May. These shipments, however, were well below both the pipeline's current capacity of 4 bcm per annum and also original export plans, mainly because the Iranian distribution network has not yet been sufficiently expanded. In addition, there have been payment problems: a total of US\$103 million of gas was shipped until May 1999 of which US\$67 million had been due in cash. Until May only US\$26 million had been received in cash, however, Turkmenistan agreed to offset US\$7 million against construction costs and accept US\$6.5 million in the form of investment projects. As of July 1, 1999, most of the cash payments for 1999 shipments in the amount of US\$27 million were still outstanding.

136. Exports of crude oil and oil products worth US\$260 million constituted nearly 50 percent of Turkmenistan's exports in 1998. The volume of exports increased by more than 60 percent to over 4 million tons, but declined in value by more than 7 percent due to the steep decline in oil prices during 1998. In the first quarter of 1999, many products were again sold at very low prices. Oil sales were typically made for full advance payment in cash and hence constituted the major source of foreign currency. It should be noted that some of the oil exports belonged to international oil companies operating under production sharing agreements.

137. Cotton fiber has traditionally been the third major export commodity of Turkmenistan. Cotton made up 22 percent of exports in 1998 and for the first time exceeded revenues from gas exports. Cotton exports nearly doubled in volume to 115 thousand tons in 1998 relative to the very low volumes of 1997.²² However, the revenue generated was hampered by the steep decline in world market prices.²³ Turkmenistan sold cotton from the 1997 harvest at relatively good prices early in the year on fixed price contracts, but buyers did not take the negotiated quantities and Turkmenistan was forced to renegotiate some contracts. In mid-1998, Turkmenistan changed its contract rules and introduced indexed contracts to avoid non-fulfillment problems in the future. Hoping for a price recovery, Turkmenistan also stockpiled some of its cotton in 1998. In the first quarter of 1999, however, Turkmenistan accelerated its cotton sales in spite of persistent declining prices. During that quarter it sold 61 thousand tons, but at a price of less than US\$1,000 per ton, compared with 54 thousand tons at US\$1,100 per ton during the last quarter of 1998. As of June, contracts were in place for the remaining cotton from the 1997 harvest and all of the cotton from the 1998 harvest; shipment should be completed by the third quarter of 1999.

²² Raw cotton harvests in 1996 were very poor amounting to only 437 thousand tons, but recovered to 635 thousand tons in 1997, and 707 thousand tons in 1998 (yet, still below the 1993 harvest of 1,341 thousand tons).

²³ Turkmenistan's cotton prices are based on the Liverpool cotton index minus a transportation discount. The Liverpool cotton index fell by 20 percent from 70 cents per pound in early 1998 to 56 cents per pound in early 1999.

138. Other textile exports grew to US\$111 million, about 18 percent of total exports. This growth was mainly due to the expanding textiles industry. Turkmenistan has increased its cotton processing capacity from about 3 percent of cotton fiber production before independence to about 30 percent now. Some major textile factories built through joint ventures became operational in 1998 and 1999 and largely produce yarns and fabrics for export markets, but also some ready-made garments such as jeans and knits. Textiles were initially exported to Russia, but now are mainly shipped to Western Europe.

139. Turkmenistan exports electricity to Kazakhstan and Tajikistan. Due to persistent payment problems these exports have been declining since 1993 to a level of only US\$32 million in 1998.

C. Imports

140. Turkmenistan is still heavily dependent on imports of food stuff and manufactured consumer goods, although the increased wheat harvest has decreased the need for grain imports (Table 30). Consumer imports obtained through official trade registered at the State Commodity Exchange decreased in 1998, but shuttle trade by private traders—spurred by the increased availability of foreign exchange for much of 1998—and imports classified as humanitarian aid have more than offset this decline. The largest share of official imports were industrial goods, most of which were brought into the country for foreign loan financed projects and under barter arrangements.

141. More than 25 percent of goods were imported under barter contracts which primarily originated in the payment arrangements for restructured gas debt (Table 31). Barter goods are directly distributed within the public sector. Ministries and state enterprises request goods from the debtor for their internal use and the State Commodity Exchange supervises settlement of the barter contracts. No other mechanism exists to ensure adequate valuation and quality of the goods or a match to local demand.

142. Imports increased by about US\$130 million in 1998 to over US\$1.1 billion. Nevertheless, they were still much below the levels of about US\$1.7 billion in 1994–95. About 50 percent of imports originated in Ukraine, Russia, and other BRO countries, but this share has been on a downward trend since 1994 (Table 32). Turkey, with a share of 13 percent, Germany and the U.S. were the other major trading partners.

D. Services

143. The deficit in the services account increased further in 1998 to US\$471 million, about half of the current account deficit. More than half of services imports were construction services, which increased from the already high levels of 1997. Due to Turkmenistan's geographic position as a landlocked country, transportation and travel services were historically a significant contributor to the services deficit, but imports of transportation and travel services substantially decreased in 1998, and exports (mainly transit fees) stabilized, so that the net deficit was only about US\$70 million, compared with US\$112 million in 1997.

E. Capital and Financial Accounts

144. The capital and financial account showed a surplus of US\$870 million in 1998, similar to that of 1997. The picture in the capital and financial accounts is dominated by three issues. First, *inflows from rescheduled debt* totaled about US\$370 million (Table 33).²⁴ Second, Turkmenistan continued to finance its sectoral development program through additional *medium- and long-term foreign borrowing*, although the involvement of foreign contractors and partners also led to some limited *foreign direct investment*. Third, Turkmenistan accumulated *arrears to suppliers and on debt service* for a total of US\$124 million in 1998.

145. Total outstanding *claims on rescheduled gas debt* were almost US\$1.3 billion in January 1998 of which (according to contracts) US\$470 million were due in 1998 but only US\$370 million were received. First, the Russian company **Itera**, which had marketed Turkmen gas in 1996 and 1997, owed US\$240 million at the beginning of 1998. It paid US\$10 million in cash and delivered goods worth US\$225 million (including interest); the remainder of the debt is expected to be paid off in 1999.

146. Second, **Ukraine** had started principal repayments in 1997, and in 1998 paid both principal in the amount of US\$140 million and interest in full. Ukraine continues to make payments as scheduled. Third, **Armenia** had rescheduled two thirds of payments falling due on its own rescheduled debt gas in 1997, but made payments of US\$6 million for 1998 in full and in cash. Armenia also had assumed other debt in the amount of US\$20 million in a debt swap arrangement in 1997, on which the first payments were made in 1999. Finally, **Georgia** was to start principal repayments of US\$79 million per annum in 1998, but it only paid US\$19.7 million of principal due during that year. During the first half of 1999, Georgia did not make any further payment of principal due, although it remains current on interest. **Azerbaijan** has not paid principal or interest on its outstanding debt since mid-1998.

147. *Net medium- and long-term borrowing* totaled some US\$312 million in 1998. The Turkmenbashi refinery upgrade project moved into the construction phase and drew loans of about US\$200 million in 1998 and US\$170 million in 1999 until June. Other major areas of loan disbursements in 1998 were US\$120 million for agriculture, US\$70 million for gas infrastructure, and US\$40 million for the textiles industry. The increase in total loan commitments by more than US\$1 billion was also mainly caused by refinery and other energy sector projects.

148. *Foreign direct investment*, which had been close to US\$110 million in both 1996 and 1997, declined to around US\$65 million in 1998. Most foreign direct investment in the past occurred in the form of joint ventures between a foreign partner and state enterprises, and there were also some production sharing agreements for oil exploitation. Turkmenistan has passed a number of laws that permit economic activities by foreign entities and transactions

²⁴ About 50 percent of all payments were made in barter goods.

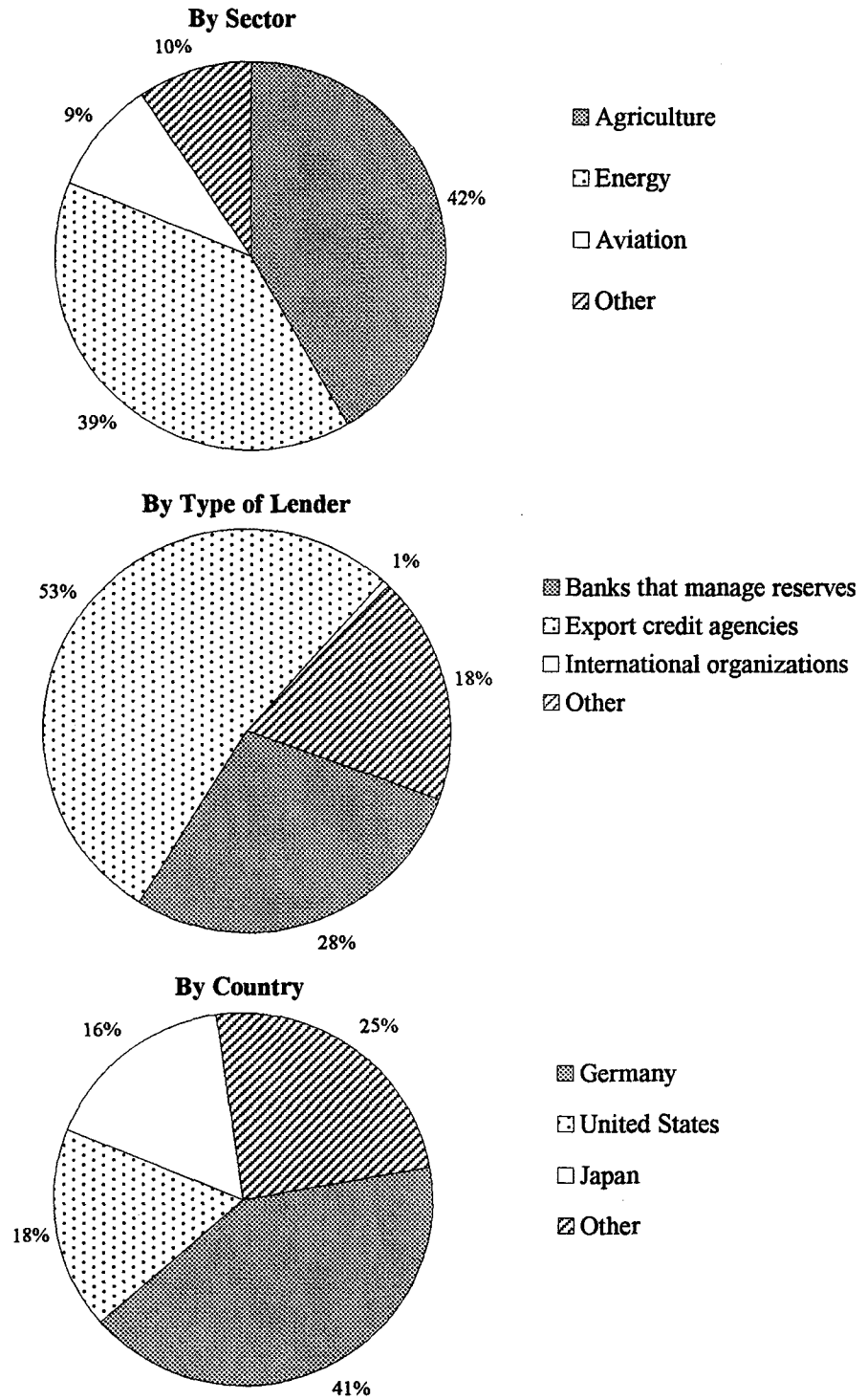
with non-residents, and that guarantee the economic interests of investors. Moreover, foreign investment projects have enjoyed a number of privileges, including tax breaks, freedom from currency surrender requirements, and settlement in free economic zones. However, other policies have not been supportive of foreign investment and help explain the decline in these inflows during 1998. Turkmenistan is reluctant to privatize industrial enterprises—especially economically viable ones—and insists on keeping a controlling share. In addition, recent oil exploration in the Caspian Sea was not as successful as was hoped for and hence the interest in production sharing agreements has declined.

F. Foreign Debt and International Reserves

149. Turkmenistan's **total stock of debt** increased from over US\$1.3 billion in 1997, to more than US\$1.7 billion in 1998, and to over US\$1.8 billion in June 1999. Virtually all of Turkmenistan's medium and long term foreign debt is owed by the public sector and guaranteed by the government (Tables 34 and 35 and Figure 5). Loans are administered either by the CBT or by Vnesheconombank. Loans administered by the central bank are of two kinds: (i) those from international financial institutions (IBRD and EBRD loans), which are rather small and had limited disbursements in 1998; and (ii) those received from commercial banks that manage the country's reserves (mostly loans to finance cotton production and the purchase of two aircraft).²⁵ The loans in Vnesheconombank's portfolio are mainly related to development and investment projects in the energy and agricultural sector. All of the loans administered by Vnesheconombank have been taken on commercial terms and most of them are secured by a foreign guarantor, mainly export credit agencies (Table 36). Some loans with very long maturities were used to finance grain purchases in 1993–95, but the majority of the loans was taken for investment projects primarily in the energy and agricultural sector. Loans typically have initial drawdown periods of 1–3 years during which the project is established, followed by repayment periods of 5–8 years during which the loan is amortized in equal installments. Most of the increase in the stock of debt has been due to disbursements under Vnesheconombank loans. These loans accumulated arrears of US\$92 million at the end of 1998, up from US\$11 million at the end of 1997.

²⁵ Most of the loans secured by reserves are short-term loans whose stated purpose had been the advance financing of the cotton cycle. Turkmenistan had decided that beginning with the 1997 crop cycle, financing should be accomplished through loans instead of costly forward contracts. In spite of the relatively modest cotton harvest of 1997, the stock of this debt had reached about US\$410 million (of which about US\$390 million was principal) at the end of 1997. About US\$310 million fell due in 1998, and the remainder in early 1999. Most of these loans, however, had an option to extend repayment of which Turkmenistan availed itself, so no repayments were made in 1998. The outstanding stock on these cotton loans reached about US\$420 million toward the end of 1998. In 1999 Turkmenistan decided to roll-over these loans further and also to lengthen the maturities. Most loans now fall due in 2001 or even 2002, and only interest payments at a rate of about 6 percent need to be made in the interim. As of June 1999, the outstanding debt reached US\$442 million.

Figure 5. Turkmenistan: Composition of External Debt, as of June 1, 1999



Sources: Data provided by the Turkmen authorities; and Fund staff estimates.

Turkmenistan arranged for the rescheduling of US\$48 million with Turkish Eximbank which became effective in 1999, and is negotiating rescheduling agreements with other creditors. Outstanding official arrears were reduced to US\$42 million by June 1999.

150. In spite of Turkmenistan's payments difficulties, gross international reserves increased by US\$94 million to almost US\$1.4 billion at the end of 1998 and remained at about 15 months of imports. In 1999 reserves increased further to over US\$1.4 billion by end-June. Most of Turkmenistan's reserves are not controlled by the central bank but held in the Foreign Exchange Reserve Fund (FERF). Reserves under the control of the central bank fluctuated between US\$20 million and US\$60 million in 1998. Spending from the FERF is directly authorized by the President. Main sources of inflows into the FERF are surrender requirements on gas exports and restructured gas debts (50 percent of cash receipts), allocations of cotton quotas (about one-third of the harvest), and interest payments on reserves. Reserves, however, have been used as collateral for short-term loans to finance the cotton harvest and the purchase of aircraft.

151. Turkmenistan has **claims** on other BRO countries stemming from balances in correspondent accounts from 1992-94 totaling US\$169 million, but currently receives no payments from any country (Table 37). During 1998, Turkmenistan renewed its efforts to collect on this debt, in light of the fact that it had settled its own outstanding balances many years ago. Agreement has been reached with some debtor countries on the outstanding ruble balances, but the exchange rate is still under dispute and no payment schedules have been established. In 1999, Turkmenistan acceded the May 26, 1995 resolution of the CIS countries on the settlement of such debts in which the use of the prevailing exchange rate at the day of transition is recommended.

VIII. STRUCTURAL REFORMS

A. Overview

152. During the last five years, Turkmenistan's progress with the implementation of structural reforms and the transformation to a market economy has been very limited. Only a small number of state enterprises has been privatized and their importance for the economy as a whole is limited. Some progress in legal reform was made in recent years, such as the introduction of a bankruptcy law, but the regulatory framework still lacks transparency and laws and regulations are often cumbersome and sometimes conflicting, stifling private economic activity. Similarly, land reform and agricultural reforms are yet to take off.

B. Privatization of Enterprises

153. The authorities' approach toward privatization has consistently stressed the need for a gradual evolution of private ownership; the importance of avoiding abrupt economic changes; and, more fundamentally, the desirability of leaving a number of key economic sectors under government control. As a result, progress with enterprise privatization has been

rather slow. By end-1998, only 1,948 enterprises had been privatized, out of a total of about 4,300 businesses included on the list of businesses eligible for sale (Table 38 and Figure 6).²⁶ Moreover, most of these enterprises were privatized in the early stages of transition and progress has slowed considerably in recent years. In the first half of 1999, an additional 52 enterprises were sold.

154. The importance for the economy as a whole of the enterprises that have been privatized to date is very limited. Of the enterprises sold, the bulk has consisted of small-scale enterprises, mainly trade and catering businesses. Larger enterprises are being sold more slowly. Only 43 enterprises in manufacturing have been sold so far. About 75 percent of the enterprises privatized were sold directly to their management and employees, while the rest was sold mainly through auctions (Table 39). Only a very few enterprises were sold through direct sales to outside buyers.

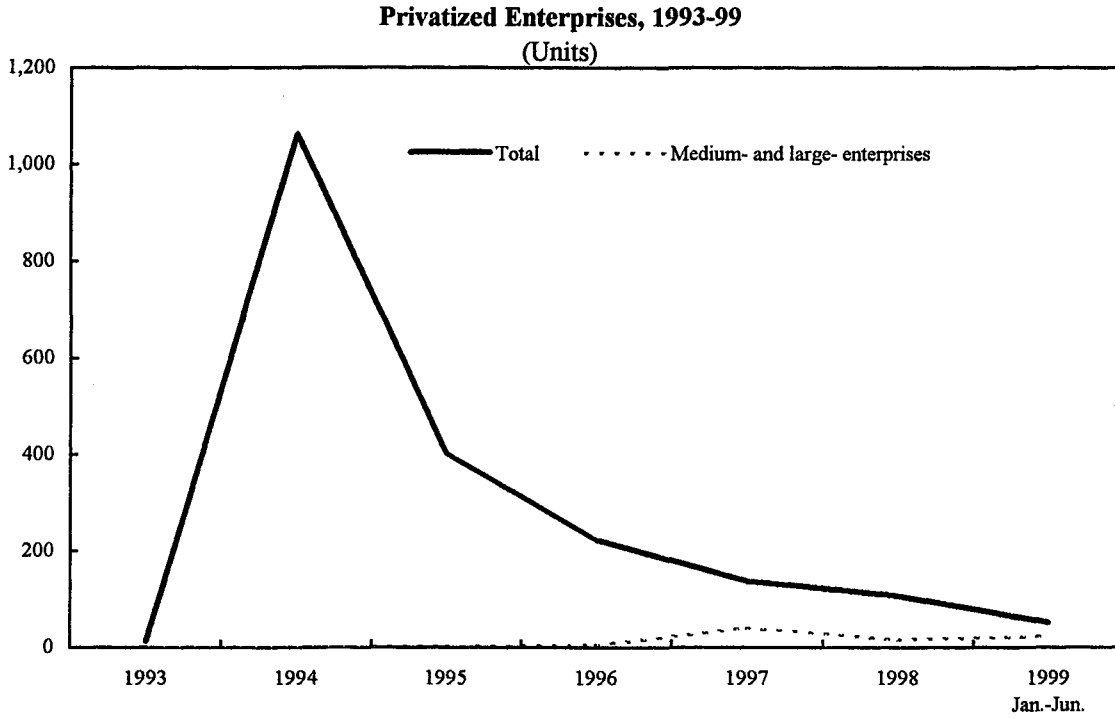
155. The slow progress with privatization can be attributed to a number of factors. A key factor has been the *limited set of enterprises eligible for privatization*. Other than small-scale businesses such as shops and restaurants, which have mostly been privatized, the enterprises offered for sale consist mainly of nonoperating or loss-making units with often obsolete technologies, as line ministries have refused to let go of the more attractive/profitable enterprises. Moreover, sectors of the economy excluded from the privatization process are the gas and oil sector, transportation and communications, as well as social sectors, such as health, education and culture.

156. *Lack of a coherent institutional framework* to implement privatization policy has been another obstacle for the enterprise privatization process. Currently, three government agencies are involved in the privatization process: (i) the State Property and Privatization Department of the Ministry of Economy and Finance; (ii) the Center for Corporatization and Privatization at the State Agency for Foreign Investment (SAFI); and (iii) the Ministry of Agriculture and Water Resources (regarding privatization in the agricultural sector). None of these agencies has the ultimate responsibility for the execution of the privatization program and each of them reports to a different Deputy Chairman in the Cabinet of Ministers. In addition, line ministries, state associations, and local governments could interfere in the privatization process and effectively exercise veto power over the units offered for sale and their asset valuation.

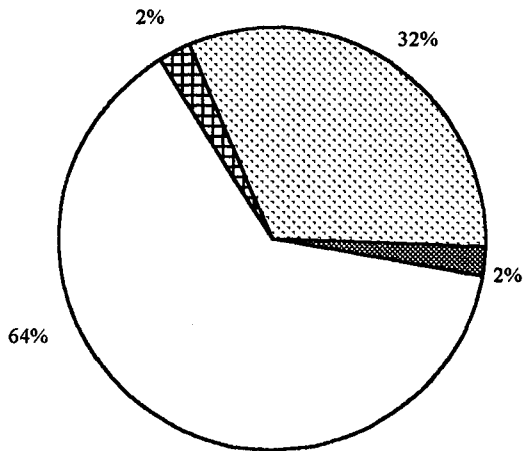
157. *Reservation prices* for enterprises offered for sale are often unrealistic. In most cases, they have been based on official book values and have failed to take into account facts such as the vintage of the firm's technology, the overall situation of the machinery and equipment, the potential market for production and inventories, the likelihood for collecting outstanding

²⁶ The 1993 Law on Denationalization and Privatization of State Property was followed in 1994 by the National Program for Privatization, which listed 4,343 enterprises to be privatized.

Figure 6. Turkmenistan: Structural Reform Indicators

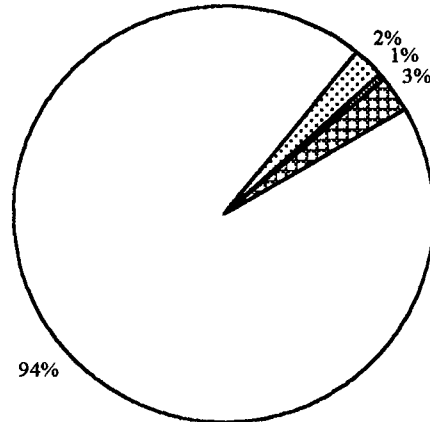


Types of Enterprises Privatized, as of June 1999



- Consumer services
- ▨ Motor vehicle and unfinished construction
- ▩ Trade and catering
- Manufacturing

Ownership of Agricultural Land Under Cultivation, as of January 1999



- Farmers association
- ▨ Individual ownership
- ▩ Individual long-term lease
- ▧ Other public use 1/

Sources: Data provided by the Turkmen authorities; USAID; and Fund staff estimates.

1/ Ministries, organizations, etc.

claims on other parties, and potential liabilities that do not appear on the firm's balance sheet (e.g., environmental clean-up costs).

158. *Restrictions imposed on buyers* have further decreased the attractiveness of enterprises offered for sale. Such restrictions have included requirements such as maintaining the business profile for a number of years or retaining a certain number of employees. Complicated land leasing arrangements, as well as limitations on the buyer's ability to sell the enterprise have also deterred potential buyers. In the case of larger enterprises, the government has generally retained a controlling equity share in the enterprise. Residual control by the government has also been exercised indirectly through regulations and ad hoc administrative decisions.

159. With several competing agencies involved in the privatization process, including interference by line ministries and local governments, procedures governing the selection, and valuation of state property have *lacked transparency and consistency*. Also, arbitrary cancellations of tenders and auction have undermined investor confidence. In addition, weaknesses in the financial and regulatory infrastructure, in general, and the lack of post-privatization support have further delayed privatization.

160. Progress with privatization was the subject of a privatization roundtable held by the authorities in early 1999 in cooperation with United States Agency for International Development (USAID). Based on the conclusions from these discussions, the President has ordered the development of annual implementation programs (starting in 2000 and extending through 2005) in which the line ministries would nominate enterprises suitable for privatization. The overall program is scheduled to be submitted for government review by end-September 1999.

C. Regulatory Framework

161. Turkmenistan has made some progress in recent years in creating a regulatory framework appropriate for a market economy. Basic laws for the development of the private sector—such as a bankruptcy law, laws on enterprises and on entrepreneurial activity, and (foreign) investment laws—have been introduced. However, the overall regulatory framework remains cumbersome and often inefficient, hampering an efficient allocation of resources.

162. The problems with the institutional and legal framework in Turkmenistan are typical for transition economies. There is a lack of transparency and consistency; a single type of transaction might be governed by a multitude of regulatory bodies; and policy concerns can differ and even conflict. In addition, many laws, such as the Law on Entrepreneurial Activity or the Law on Enterprises either fail to appoint an enforcement body or appoint an enforcement body with unspecified regulatory authority. Also, the authority to interpret the law is not always placed away from the executive branches of government, which can give rise to conflicts of interest. Furthermore, over time regulations can become obscure or obsolete as new regulations are issued without revoking older ones, or if new agencies are added to the regulatory process, as witnessed, for example, by the growing role of SAFI or

the Comex. Moreover, when progress in a particular area is considered unsatisfactory, responsibilities are shifted from one regulatory body to another, as has been frequently the case with privatization or when attracting foreign investment. All these elements combined create a considerable amount of uncertainty for entrepreneurs making it more difficult to take investment decisions.

163. Many regulations, including business registration procedures and licensing requirements, are cumbersome, requiring extensive documentation and the need to visit several agencies. Registration of enterprises with foreign participation takes place at SAFI (Box 7), while domestic enterprises need to register with the registration chambers in the regions or in Ashgabat. Once an enterprise has been established, it is subject to frequent inspections by a large number of government agencies. Also, regulatory bodies often have extensive room for discretion, which can lead to arbitrary decisions. The use of ad hoc administrative measures, such as the granting of tax exemptions by Presidential decrees is widespread in Turkmenistan.

164. The main obstacle to doing business in Turkmenistan, however, as perceived by local entrepreneurs, is the requirement to register all trade contracts for transaction in excess of manat 30 million with the Comex (see Box 6 in Chapter VI). This registration requirement applies both to external and domestic transactions, and to the private as well as the state sector.

D. Agricultural Reform

165. The government continues to exert extensive control over the agricultural sector, primarily through the system of state orders for cotton and wheat. Virtually the entire harvest of these two key crops is under state orders. While, in principle, farmers might opt not to work within the state order system, in practice their choice is rather limited. Participation in the state order system is secured through the provision of input and credit subsidies to farmers and the prospect of land ownership. In turn, farmers are required to grow specific crops (wheat and cotton) and meet production targets.

Box 7. The State Agency for Foreign Investment

The importance of the State Agency for Foreign Investment (SAFI) has been growing steadily in recent years. SAFI monitors all foreign investment in Turkmenistan. Before a foreign firm can register and begin operations in Turkmenistan, it must first obtain general approval of its planned activities. In reviewing the proposal, SAFI takes into account the feasibility of the proposed project and its economic impact, including whether the project is in line with the government's priorities for development. To obtain approval, the foreign investor should submit the following information:

- General information on the project;
- A marketing analysis;
- A raw materials supply analysis;
- Location and environmental impact;
- Technology to be used;
- Management plan;
- Labor resources to be used;
- project implementation schedule; and
- Financial analysis and investment appraisal.

Upon approval, investors can start registering the project at the Registration Chamber at SAFI. All types of organizational structures and activities must submit the following documents to SAFI (in Russian and Turkmen) for registration:

- Application stating the objective of the company;
- Written confirmation of its legal address;
- Copy of the foreign company's statute (for setting up a representative office or branch) or statute of the newly established entity (for setting up a new enterprise or joint venture) certified by a consulate of Turkmenistan abroad or by the Ministry of Foreign Affairs of Turkmenistan;
- Bank documents detailing the financial status of the investor;
- Original copy of the confirmation of the foreign company's entry into the trade register (statement of official incorporation) issued by the relevant body in the country of origin and certified by a consulate of Turkmenistan abroad or by the Ministry of Foreign Affairs of Turkmenistan;
- Power of attorney in line with required procedure;
- Business plan (for production enterprises only); and
- Resume including photograph of the head of the organization.

In addition, investors wishing to set up joint ventures or stand-alone enterprises must also submit:

- Copies in Russian and Turkmen of the Memorandum of Association (in form of limited partnership, joint stock company) approved by the protocol of founders' meeting; and
- A charter and a copy of state registration certificate, tax inspection certificates, and passport information of the Turkmen partner in the joint venture.

The registration process can take place in approximately two weeks, provided all the required documents have been submitted, but normally takes one or two months. The registration fee is US\$2,000–3,000 depending on the type of organization.

SAFI also reviews investment proposals to be financed by external credits proposed by government ministries. All ministries must receive SAFI's approval before committing to foreign procurement or investment projects. The Agency usually gives preference to government "priority" areas. After approval by SAFI, as established by a presidential decree of August 1999, the Deputy Chairman of the Cabinet of Ministers in charge of the national economy must approve all new projects involving government borrowing or guarantees.

166. Land reform is still in its early stages. Agricultural land is predominantly state-owned. In 1995, the collective and state farms were transformed into farmers associations, which received the right to use the land. Out of a total of about 1.7 million hectares of arable land, about 1.5 million hectares is farmed by some 570 farmers associations. In late 1996, the Law on Transferring Land to Farmers for Ownership was issued, which is the current basis for privatizing the lands of farmers associations. This law provides that land be given to the families that are members of the farmers associations in ownership or in long-term leases. Initially, however, land should be transferred to families under probationary two-year lease arrangements. During this period, farmers must demonstrate that the land is well used. Following a satisfactory completion of this period, farmers might be given an ownership certificate. "Ownership," however, does not allow for the sale, exchange or free transfer of land. Land can only be transferred to another family member. Most land is currently given under 10-15 year leases to families, tied to conditions regarding the production of particular crops (wheat and cotton). The government, meanwhile, maintains the power to take back land if it is not used properly. In 1998, the total number of leaseholders was estimated at almost 400,000.

167. Although for many farmers the two-year probationary period has ended or is drawing to a close, not many ownership certificates have been issued so far. Whether or not a farmer qualifies depends on recommendations from the farmers association's commission, which are to be verified by the village head, who also checks with neighbors to ensure that there are no disputes. Subsequently the applications need to be approved at the district level, the regional (velayat) level and ultimately by the State Commission for Land Reform, headed by the President and including the Minister of Agriculture and Water Resources. So far, there has been a reluctance to confirm rights of ownership. Reasons given have included that the production has not been sufficient enough, or that farmers would not be able to work the farm effectively yet on a private basis.

THE AGRICULTURAL SECTOR

1. This appendix describes the economics of the agricultural sector in Turkmenistan. It starts with a description of the output performance of cotton, wheat, and other crops, followed by a description of the marketing arrangements engineered to transfer resources from cotton and wheat producers to the state.

I. OUTPUT PERFORMANCE

2. The agricultural sector is one of the most important sectors in the economy. In 1998, the sector¹ accounted for more than 26 percent of total GDP, while more than 46 percent of the country's labor force is employed in the sector. Cotton fiber exports have also served as an important source of foreign exchange revenue for the government since 1991.

3. Turkmenistan is predominantly a desert country, and the area planted with crops amounts only to 3–3.5 percent of total available land. Water is scarce, and most of it is used for irrigation. Most of the water used for irrigation comes from Amudarya river through the Karakum canal. According to the experts, lack of maintenance and inefficiencies result in losses of irrigated water that may be as high as 50 percent.

4. The state exercises strict control over the agricultural sector, with two major crops—wheat and cotton—produced and marketed under a **state order system**. Recently, sugar beet became another state order system crop, but the volumes produced are small so far. Although other crops and livestock are not marketed within the state order system, the state can still significantly influence decisions in these sectors through land allocations, implicit price controls administered by the state commodity exchange (Comex), and the availability of inputs.

5. Most farms (comprising two to three people) belong to farmer associations (etraps), which are in charge of managing the farming on large-scale fields. Farmer associations replaced the soviet state and collective farms, but remain similar in structure. They have a right to lease land and organize “brigades” from individual households. The budget of these associations is financed by a 12 percent tax from the proceeds of the individual farmer.

6. Inputs for production are provided to farmers by several state organizations. Turkmenpahta and the Turkmen Bread Association provide seeds and fertilizers to cotton and wheat producers, respectively; Turkmenbahyzmat provides machinery and equipment; and Civil Aviation aerial spraying. Financing to farmers is provided by Daykhan Bank, which provides credit to individual farmers at the subsidized interest rate of 2 percent per

¹ Including production of cotton fiber.

annum. In 1998, Daykhan Bank extended credit to about 250,000 individual farm households.

A. Cotton

7. Cotton is one of the most important crops in the economy. In 1998, cotton accounted for about 40 percent of the total sown area. Raw cotton production yields were at the level of 2.3 tons per hectare in 1990–1995. However, in 1997–98 these yields were only 1.2–1.3 tons per hectare. Such yields were lower than those in Uzbekistan (which also experienced a decline in yields) and about the same as in Tajikistan, a country experienced several years of civil war. These yields were significantly lower than those in China (Table 1). Although the decline in yields could be partly attributed to bad weather conditions, the main reasons behind this deterioration have included over-utilization of land, inadequate application of fertilizers, poor irrigation, and lack of financial incentives (i.e., depressed state procurement prices) for producers. In 1998, the cotton crop amounted to some 710 thousand tons; less than half of the state order set for 1999 (1,500 thousand tons).

B. Wheat

8. Wheat is the second most important crop. Land allocated for wheat production increased from 259 thousand hectares in 1993 to more than 650 thousand in 1998, under the government's program to achieve self-sufficiency in grain. About 1,290 tons of wheat were produced in 1998, roughly the target set under the state order system. The yields per hectare were about 15 percent lower than those achieved in 1990. As in the case of cotton, the decline in yields can be explained by factors, such as a lack of fertilizers and inappropriate irrigation, cultivation of lands less suitable for wheat production, low quality of seeds, and lack of incentives caused by low procurement prices. Part of the wheat and subsequent flour production is held in the state reserve.

9. Increased wheat production has reduced imports of wheat and flour. However, imported flour has remained superior in quality and in high demand, particularly in urban areas. Low-quality domestic wheat production, combined with an ambitious government-led expansion program for this sector might result in surpluses of domestic wheat in the future. Reportedly, the authorities are planning to increase wheat production to about 3 million tons by 2010.

C. Other crops

10. The area allocated to other crops has been declining over time as more land has been allocated to wheat under the government's self-sufficiency program. (Table 2). These crops include grapes, melons, corn, potatoes, other vegetables, and animal feed crops. In 1998, the yields of these crops was at approximately the same level as in 1995, except for corn, whose yields have deteriorated sharply in the last three years. Turkmenistan was a traditional supplier of fruits and vegetables to other BRO countries, but that market has now collapsed.

D. Livestock

11. According to official statistics, the livestock production by state farm associations has been decreasing in the last five years, while that of individual households has been on the raise (Table 2). According to official statistics, around 85 percent of meat, 96 percent of milk, and 93 percent of eggs produced in Turkmenistan currently comes from the nongovernment sector.

II. PRODUCER PRICES AND MARKETING ARRANGEMENTS

12. Cotton and wheat are marketed under the state order system, with the government setting the procurement prices and providing inputs at subsidized prices and credit at below-market rates.

A. Cotton

13. The main organization responsible for cotton marketing is Turkmenpahta, whose main functions are the purchase of raw cotton from farmers, the operation of ginneries, and the sale of the cotton fiber to the foreign buyers. Also, Turkmenpahta is responsible for the production and supply of seeds to farmers, and the provision of fertilizers, as well as technical advice to producers on production and irrigation processes. Since 1996, the procurement price paid by Turkmenpahta to producers has been fixed at manat 1 million per ton. This price is low compared to the world market price for cotton fiber. Prices are the same for machine-picked and hand-picked cotton.

B. Wheat

14. Most of the wheat is grown under the state order system. In 1998, the state order procurement price was manat 400,000 per ton. This price has not changed since 1997 and is considerably below comparable world market prices. The Turkmen Bread Association administers the system of state procurement and provides seeds and fertilizers to farmers. It also owns mills, storage facilities and shops, and, therefore, participates in each stage of the production and distribution process. The announced goal of the state order system is to ensure self-sufficiency in wheat, as well as to provide bread to large groups of the population and some (budget) institutions at subsidized prices. Also, part of the wheat and flour production is stored each year in the State Reserve (Table 3).

Table 1. Turkmenistan: Cotton Production and Yields in Selected Countries, 1990-98

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Turkmenistan | | | | | | | | | |
| Area (in thousand of hectares) | 623 | 604 | 570 | 579 | 540 | 563 | 530 | 482 | 544 |
| Raw cotton production (in thousand of metric tons) | 1,409 | 1,384 | 1,258 | 1,299 | 1,129 | 1,000 | 437 | 635 | 707 |
| Raw cotton (yield per hectare) | 2.3 | 2.3 | 2.2 | 2.2 | 2.1 | 1.8 | 0.8 | 1.3 | 1.3 |
| Uzbekistan | | | | | | | | | |
| Area (in thousand of hectares) | 1,830 | 1,720 | 1,667 | 1,695 | 1,538 | 1,500 | 1,487 | 1,483 | 1,500 |
| Raw cotton production (in thousand of metric tons) | 5,138 | 4,654 | 4,109 | 4,260 | 4,057 | 4,031 | 3,380 | 3,671 | 3,230 |
| Raw cotton (yield per hectare) | 2.8 | 2.7 | 2.5 | 2.5 | 2.6 | 2.7 | 2.3 | 2.5 | 2.2 |
| Tajikistan | | | | | | | | | |
| Area (in thousand of hectares) | 304 | 298 | 286 | 275 | 280 | 270 | 235 | 214 | 250 |
| Raw cotton production (in thousand of metric tons) | 826 | 796 | 407 | 484 | 423 | 386 | 288 | 351 | 372 |
| Raw cotton (yield per hectare) | 2.7 | 2.7 | 1.4 | 1.8 | 1.5 | 1.4 | 1.2 | 1.6 | 1.5 |
| China | | | | | | | | | |
| Area (in thousand of hectares) | 5,588 | 6,539 | 6,835 | 5,000 | 5,530 | 5,422 | 4,722 | 4,500 | 4,500 |
| Raw cotton production (in thousand of metric tons) | 14,536 | 18,328 | 14,536 | 12,078 | 13,974 | 15,379 | 13,553 | 14,817 | 14,536 |
| Raw cotton (yield per hectare) | 2.6 | 2.8 | 2.1 | 2.4 | 2.5 | 2.8 | 2.9 | 3.3 | 3.2 |

Sources: Data provided by the Turkmen authorities; and National Council of America World Cotton Database.

Table 2. Turkmenistan: Ownership of Livestock, 1997-98
(In thousands, end-of-year)

| | 1997 | | | 1998 | | |
|------------------|---------|-------------------|-----------------------|---------|-------------------|-----------------------|
| | Total | Government sector | Non-government sector | Total | Government sector | Non-government sector |
| Cattle | 1,128.1 | 223.1 | 905.0 | 1,488.7 | 159.6 | 1,329.1 |
| Pigs | 31.8 | 19.2 | 12.6 | 12.3 | 8.8 | 3.5 |
| Sheeps and goats | 5,956.8 | 3,136.7 | 2,820.1 | 6,675.8 | 2,564.6 | 4,111.2 |

Source: Data provided by the Turkmen authorities.

Table 3. Turkmenistan: Use of Wheat and Flour Supplied Under the State Marketing System in 1998–99.

| | In tons |
|--|-----------|
| Total wheat crop | 1,200,000 |
| Of which: | |
| To the state reserve | 90,000 |
| For seeds | 200,000 |
| Wheat available for milling | 910,000 |
| Flour produced | 624,000 |
| To the state reserve | 34,000 |
| Flour available | 590,000 |
| Of which: | |
| Sold at fixed prices to budget organizations (869 manat/kg) | 50,000 |
| Sold at subsidized prices (90 manat /kg) to households | 200,000 |
| Sold at free prices (1900-2000 manat /kg) | 200,000 |
| Supplied for baking to Turkmen Bread Association's bakeries | 140,000 |

Source: Turkmen Bread Association.

15. According to Turkmen authorities, about 200,000–250,000 tons of wheat are produced outside the state order system. Farmers producing outside the state system are not provided with input subsidies and their wheat can only be milled in private mills, which generally service local consumption demands. The number of small private bakeries has increased significantly in recent years as the demand for high quality bread could not be satisfied by state stores.

Turkmenistan: Agenda for Tax Reform

1. During the last five years, the IMF and other international financial institutions have provided extensive advice to the Turkmen authorities on how to reform their tax system.¹ In general, the advice has concentrated on a review of those taxes, and the taxation of those sectors, where a significant expansion of the revenue capacity would be practicable and where changes in the structure of taxation could have the most significant effects on the economy. With regard to *taxes*, Fund advice has concentrated primarily on the VAT, the profits tax, and the mineral resources tax, the personal income tax, excises and customs duties. Regarding specific *sectors*, gas has traditionally been the most important, accounting for almost half of GDP and two-thirds of exports, while cotton has been the second most. Furthermore, the gas industry, even after a significant contraction of output following the breakdown of the Soviet Union, contributed about 10 percent of value-added tax (VAT) receipts and 85 percent of the mineral resources tax.
2. This note takes stock of the tax reform efforts to date, while at the same time highlighting the challenges ahead for the fiscal authorities. Following an overview of the over all nature of the tax system, an assessment of the incidence of the current tax system on key economic sectors is provided. The note goes on to sketch the main weaknesses of the current tax system and identify possible directions for tax reform.
3. A main conclusion emerging from this note is that the tax system in Turkmenistan faces many challenges. Even if there is no change in the pace of broad national economic reform, the present ratio of revenues to GDP may prove difficult to sustain as the capacity of the aging command economy declines. At the very least, a serious effort must be made to end the destructive barter trade and a more resolute approach must be taken to reduce tax and government expenditure arrears (Table 1). If authorities decide to speed the pace of transition, it is vital that a number of key strategic decisions on the nature and orientation of the tax system be addressed in order to guard against the possibility of a revenue collapse similar to that experienced in other transition countries (Table 2). Construction of new Tax Code is an important element of such reform, but it is also necessary to make structural changes to policy with a view to simplifying the tax system, while at the same time eliminating unjustified tax breaks and exemptions.

I. OVERVIEW

4. Turkmenistan's taxation policy and administration retains many of the features of former Soviet era. The bulk of revenue is collected from about 13,000 entities, mostly publicly-owned enterprises and entities, as well as foreign exchange surrender arrangements that impose punitive tax rates on key commodities, notably gas and cotton (Table 3). Not

¹ See for example, International Monetary Fund, *Turkmenistan: Reform of the Structure and Administration of the Tax System*, February 1995.

surprisingly, the small emerging private sector—especially in trade and agriculture—is proving difficult to tax under this system and any acceleration in the pace of transition may see a worsening of these problems unless the tax system is reformed to take better account of the needs of a market oriented private sector.

5. Notwithstanding this longer term need for change, it does appear that the orientation of the tax system, combined with the slow pace of reform of the public sector, has assisted the authorities to sustain, and temporarily improve, the ratio of state budget revenue to GDP in recent years. The authorities have been able to increase the ratio of state budget revenue to GDP from 17 percent in 1996 to 23 percent in 1998. This performance contrasts with the experience of other BRO countries where the average ratio of general government revenues to GDP fell from 30 percent in 1993 to about 24 percent in 1996—as existing state enterprise tax bases collapsed and newly emerging private sector tax bases proved difficult-to-tax—despite continued efforts to improve tax policy and administration. Tax/GDP ratios have started to recover in recent years, however.

6. In the case of Turkmenistan, there are now signs that the recent gains in government revenues might be difficult to sustain as public enterprises are struggling to sustain profitability after long periods of low investment and maintenance spending. There are large and persistent tax arrears and collections are further impeded by the growth in barter arrangements. All in all, state budget revenue may now begin to decline relative to GDP whether reform proceeds or not.

II. THE MAIN ELEMENTS OF THE EXISTING TAX SYSTEM

7. The current tax system is characterized by numerous exemptions within the tax base and multiple tax rates applied across different economic sectors and agents operating in Turkmenistan (Appendix III). Combined with existing foreign exchange surrender requirements, the existing tax system leads to punitive tax rates on particular goods and services. These rates are discussed below.

A. Gas

8. The total effective tax rate on gas exceeds 50 percent of the output value (Table 4). Gas exports to CIS countries are sold both for cash and in exchange for bartered goods and services. Recent contracts with Ukraine specified that about 40 percent of the sales were to be paid for in cash. These cash foreign exchange receipts are subject to two types of levy: (i) 50 percent of the export proceeds must be surrendered to the FERF; and (ii) a remaining 50 percent must be made available to the CBT and then be subject to VAT, profits tax, natural resources tax and property tax. Collectively, these taxes have historically amounted to about 43 percent of the residual portion of receipts and these taxes are paid into the state budget. Meanwhile, the barter portion due for gas sales to the CIS (about 60 percent of the total in the case of the Ukraine) goes fully to the state budget also at a rate of 43 percent.

9. The sales of gas to Iran are subject to a separate, confidential, contract. However, the taxation arrangements appear to be broadly similar to those applying to CIS exports after allowances for pre-tax deductions for debt payments incurred in the construction of the pipeline. The taxation arrangements for the proposed gas pipeline to Turkey have yet to be negotiated.

B. Oil Products

10. The effective tax rates on state produced oil and oil products appear to be around 40 percent. In 1999, about 6 percent of the proceeds of crude oil sales by state enterprises has been paid directly to the budget in lieu of settlement of past tax arrears owed. Production and sale of remaining crude oil by state-owned companies is subject to profits tax, value added duties, natural resources tax, and property tax. Excise duty is also levied at rates of 55 percent for gasoline and 60 percent for diesel on the refined product.

11. Foreign producers operate under a separate petroleum law established in 1998, and are required to pay a bonus (on signature and initial production), a royalty, and the standard profits tax of 25 percent. They must also share production with the government. The bonus royalties and production share are negotiated on a case-by-case basis. Generally the royalty rates differ from 2 to 8 percent depending on the volume of production attained. These taxes are paid into the Oil and Gas Extrabudgetary Fund rather than the state budget.

C. Cotton

12. The overall effective tax on the crops appears to be at about 55 percent of gross output. About one-third of the cotton crop is presently surrendered to the FERF. The remaining raw cotton is purchased at the farm gate by Turkmenpahta which then processes and sells the ginned product. The processing stage is subject to VAT and standard corporate profits and property taxes. Growers must also pay the negligible land tax.

D. Other Agriculture

13. While cotton is taxed at a very high rate, other agricultural products are virtually untaxed. The 8 percent personal income tax levied on farmers associations was abolished in 1998 and the sector is largely exempt from VAT or enterprise profits tax. The new land tax is minimal.

III. WEAKNESSES OF THE EXISTING SYSTEM AND POSSIBLE REFORMS

14. A key reform objective should be to dismantle the current system of punitive taxation of energy and cotton, and bring the tax system more in line with international practices. To accomplish these goals, the tax system adopted should rely on well-defined, broad-based taxes, such as the personal and corporate income taxes and the VAT, supplemented by selective excise taxes on items with inelastic demand. In each case, the aim should be to utilize the broad bases to ensure that average and marginal tax rates are consistent with

achieving realistic fiscal balance and income redistribution targets. In this task, it is important to resist either imposing punitive taxes on specific activities, particularly exports or capital accumulation, or providing unnecessarily generous incentives to particular activities, including foreign investment, or sectors, such as agriculture or services.

15. An initial task should be to make the present system more transparent, less complex and equitable across industries and products. This should not only serve to improve national resource allocation but also simplify tax administration. Some of the key strategic measures that need to be addressed include the following:

- a comprehensive Tax Code must be adopted by the parliament as soon as possible. The Code should incorporate all aspects of tax policy and administration, including the operation of foreign oil and gas operators under the present petroleum law, and draw on the Codes now put in place in other BRO countries with assistance from international financial institutions and donors;
- the foreign exchange surrender arrangements that impose punitive tax rates—with associated disincentives—on some key commodities and services must be phased out;
- in the case of the FERF, this would be assisted by a reduction in the magnitude of any nonproductive spending presently financed by these surrenders;
- in the case of other extrabudgetary funds, this would involve an end to the present intra-enterprise transfers of financial resources (i.e., from profit-making to loss-making firms). Instead, the various enterprises contributing to these funds should operate on a commercial basis;
- firm target deadlines and associated measures to eliminate barter transactions in the settlement of tax liabilities should be announced by the government in the near future. Recent measures to contain these practices must be seen as only an interim solution and must be supported by more resolute action, including the elimination of barter payments by CIS clients for exports from Turkmenistan;
- a high priority must be placed on bolstering the VAT, given the likely increase in difficulties administering income taxes on private enterprises during the transition period;
- plans should be developed for a move towards a destination-based VAT;
- the scope to expand the range of low, across-the-board, customs duties to the business sector (to supplement the recently imposed 5 percent levy imposed on individuals involved in the shuttle trade) needs to be examined;
- the excise duty system needs to be revised. The new system should: (a) remove all protectionist biases toward domestic producers; (b) rationalize existing rates to eliminate anomalies; (c) increase rates on certain price-inelastic items where additional revenue

capacity appears to exist (particularly oil products, which are still sold at well below the world price on the domestic market); and (d) eliminate low yielding items which simply add to tax administration difficulties;

- the enterprise profits tax needs to be simplified by adopting a single standard rate of tax for all industries and activities; phasing out tax holidays and other unnecessary concessions and exemptions; removing provisions which may place a bias against capital investment, including an amendment to the present complex system of depreciation allowances;
- the tax exemption of the agricultural sector should be abolished. Measures to boost the sector's taxation include a possible increase in the fledgling system of land tax using cadastral surveys to discriminate those plots with the largest capacity to pay;
- plans to tax nonwage personal income should be developed with a view to simplify the tax and exemptions and deductions, including through a reduction in the number of steps in the progressive tax schedule;
- the tax administration needs to be strengthened and reorganized along functional lines (drawing together similar tax functions such as collection, audit, investigation, taxpayer services, computerization, and finance and accounting). Whilst the proposed Tax Code would provide basic authority for a private sector oriented tax system, technical assistance will be needed to allow the Tax Office to meet its obligations during the transition process; and
- customs administration on revenue collection must be improved with increased emphasis on inspection, valuation and enforcement procedures.

Table 1. Turkmenistan: Tax Arrears by Sector as of End-1998
(In billions of manat)

| | VAT | Profit tax | Property and land tax | Excises | Financial taxes | Excess wage tax | Other | Total |
|---|--------------|---------------|--------------------------|--------------|--------------------|--------------------|-------------|----------------|
| Oil and gas complex | | | | | | | | |
| Turkmenneftgasstroi (construction) | 35.8 | 26.3 | 1.7 | 0.0 | 1.3 | 1.8 | 0.2 | 68.6 |
| Turkmengeologi (geology) | 27.6 | 14.3 | 1.0 | 0.0 | 0.0 | 8.0 | 0.0 | 51.9 |
| Turkmenneft (oil) | 79.4 | 34.1 | 46.7 | 0.0 | 0.0 | 21.8 | 0.1 | 228.8 |
| Turkmengas (gas) | 50.2 | 59.7 | 183.6 | 0.0 | 0.1 | 0.5 | 0.0 | 477.6 |
| Turkmenneftgas (oil and gas) | 18.5 | 16.2 | 3.7 | 122.1 | 2.1 | 1.9 | 0.1 | 168.4 |
| Total | 211.5 | 150.5 | 236.7 | 122.1 | 3.5 | 33.9 | 0.5 | 995.4 |
| Energy and resources sector | | | | | | | | |
| State fishery | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 | 0.0 | 0.3 |
| Ministry of Construction Materials | 2.1 | 0.9 | 0.2 | 0.0 | 0.6 | 0.7 | 0.1 | 4.8 |
| Ministry of Energy | 43.2 | 52.6 | 3.5 | 0.0 | 4.1 | 3.7 | 0.1 | 110.6 |
| Total | 45.3 | 53.5 | 3.7 | 0.0 | 5.0 | 4.3 | 0.2 | 115.7 |
| Consumption goods complex | | | | | | | | |
| Textile Ministry | 1.9 | 2.1 | 1.2 | 0.0 | 1.3 | 0.4 | 0.7 | 8.9 |
| Ministry of Trade and Foreign Trade Relations | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| Turkmen carpet | 1.8 | 0.7 | 0.2 | 0.0 | 1.5 | 0.1 | 0.0 | 4.4 |
| Commodity exchange | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 |
| Customs | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Consumer union | 1.1 | 0.5 | 0.4 | 0.6 | 0.8 | 0.1 | 0.1 | 3.9 |
| Food association | 0.3 | 0.4 | 0.1 | 0.0 | 0.2 | 0.0 | 0.0 | 1.1 |
| Total | 5.3 | 3.7 | 1.8 | 0.6 | 3.8 | 0.7 | 0.9 | 18.7 |
| Agro-industrial complex | | | | | | | | |
| Turkmenbread | 0.0 | 0.0 | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.4 |
| Daikhan association | 1.8 | 0.0 | 2.7 | 0.1 | 17.2 | 0.0 | 4.6 | 29.0 |
| Agriculture construction association | 0.4 | 0.1 | 0.1 | 0.0 | 0.4 | 0.1 | 0.1 | 1.3 |
| Cattle breeding association | 0.3 | 0.3 | 0.3 | 0.0 | 3.3 | 0.1 | 0.2 | 4.8 |
| Agriculture machinery | 0.9 | 1.1 | 0.1 | 0.0 | 16.2 | 0.4 | 0.3 | 19.0 |
| Turkmenpagta | 8.5 | 1.0 | 2.4 | 0.0 | 2.2 | 4.4 | 0.3 | 21.2 |
| Ministry of Environment | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| Ministry of Agriculture and Water Resources | 1.8 | 0.4 | 0.3 | 0.0 | 1.6 | 0.3 | 0.3 | 5.1 |
| Fruit and vegetable association | 0.6 | 0.3 | 0.3 | 0.0 | 0.6 | 0.1 | 0.1 | 2.4 |
| Total | 14.4 | 3.4 | 6.3 | 0.1 | 41.6 | 5.5 | 5.8 | 83.4 |
| Social services sector | | | | | | | | |
| Ministry of Health | 0.4 | 0.0 | 0.3 | 0.0 | 0.2 | 0.1 | 0.0 | 1.4 |
| Ministry of Culture | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.2 |
| Ministry of Education | 0.2 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.3 |
| Publishing house | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| Cinema video company | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.1 |
| National Television company | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 0.6 | 0.1 | 0.3 | 0.0 | 0.5 | 0.1 | 0.1 | 2.0 |
| Construction sector | 1.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 | 1.4 |
| Transport and communication | 43.9 | 1.4 | 4.4 | 0.0 | 2.4 | 1.4 | 0.9 | 58.7 |
| Other public sector | 5.1 | 2.0 | 1.3 | 0.0 | 5.9 | 1.8 | 1.5 | 18.9 |
| Total public sector | 326.6 | 214.5 | 254.2 | 122.9 | 62.1 | 47.9 | 9.8 | 1,292.2 |
| Non-public sector taxpayers | 5.3 | 7.7 | 0.7 | 0.0 | 2.1 | 1.5 | 0.5 | 18.5 |
| Total | 331.8 | 222.2 | 254.9 | 122.9 | 64.2 | 49.4 | 10.4 | 1,310.8 |
| (In percent of total revenue) | 46.4 | 53.9 | 497.6 | 55.5 | 7,585.5 | 45.3 | 20.4 | 84.0 |
| Total tax collections in 1998 | 714.9 | 412.0 | 51.2 | 221.3 | 0.8 | 109.0 | 50.9 | 1,560.3 |

Source: Data provided by the Turkmen authorities.

Table 2. Turkmenistan: General Government Revenue in BRO Countries, 1993-98
(In percent of GDP)

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|-----------------|------|------|------|------|------|------|
| Armenia | 28.9 | 27.7 | 19.9 | 17.7 | 19.8 | 20.8 |
| Azerbaijan | 40.5 | 33.8 | 17.6 | 17.6 | 19.7 | 17.1 |
| Belarus | 54.3 | 47.5 | 42.7 | 40.9 | 31.8 | 43.1 |
| Estonia | 38.6 | 41.1 | 39.9 | 39.0 | 39.3 | 39.5 |
| Georgia | 3.4 | 7.7 | 7.1 | 9.4 | 11.8 | 10.8 |
| Kazakhstan 1/ | 21.1 | 18.5 | 16.9 | 13.2 | 13.4 | 14.1 |
| Kyrgyz Republic | 24.7 | 20.8 | 16.7 | 15.9 | 16.2 | 17.6 |
| Latvia | 30.2 | 31.7 | 32.3 | 29.6 | 32.6 | 33.9 |
| Lithuania | 36.4 | 36.5 | 37.6 | 38.3 | 40.6 | 41.7 |
| Moldova | 22.8 | 31.3 | 33.9 | 32.1 | 36.3 | 34.0 |
| Russia | 36.2 | 34.6 | 33.5 | 33.0 | 36.4 | 31.7 |
| Tajikistan | 27.1 | 44.5 | 15.2 | 12.1 | 12.2 | 12.0 |
| Turkmenistan 2/ | 19.2 | 16.9 | 20.5 | 16.6 | 25.4 | 23.1 |
| Ukraine | 42.7 | 41.9 | 37.8 | 36.7 | 38.0 | 34.2 |
| Uzbekistan | 42.6 | 32.3 | 34.6 | 34.3 | 30.1 | 31.9 |
| Average 3/ | 31.5 | 30.2 | 27.9 | 26.7 | 28.0 | 28.1 |
| Average 4/ | 30.6 | 28.5 | 25.6 | 24.3 | 25.4 | 25.3 |

Sources: Data provided by the national authorities; and Fund staff estimates.

1/ State budget; excludes privatization receipts.

2/ State budget; excludes general government revenues of extrabudgetary funds.

3/ Simple average, excluding Tajikistan.

4/ Simple average, excluding Baltic countries and Tajikistan.

Table 3. Turkmenistan: Revenue Collections By Source, 1998
(In billions of manat; unless otherwise indicated)

| Ministries and agencies | Major taxes (VAT, NRT profits) | Other taxes (Social security, personal income tax) | Total taxes | Of which: | | In percent of total taxes | |
|---|--------------------------------------|---|----------------|-----------|---------|---------------------------|---------|
| | | | | Cash | Netting | Cash | Netting |
| Oil and gas complex | | | | | | | |
| Turkmenneftegasstroi (construction) | 10.0 | 21.9 | 31.9 | 17.7 | 14.2 | 55.6 | 44.4 |
| Turkmengeologi (geology) | 0.4 | 3.2 | 3.7 | 2.8 | 0.9 | 76.1 | 23.9 |
| Turkmenneft (oil) | 38.6 | 22.7 | 61.3 | 49.1 | 12.2 | 80.1 | 19.9 |
| Turkmenegas (gas) | 226.4 | 36.6 | 263.0 | 34.3 | 228.6 | 13.0 | 87.0 |
| Turkmenneftegas (oil and gas) | 261.7 | 34.2 | 295.9 | 163.7 | 132.2 | 55.3 | 44.7 |
| Total | 537.1 | 118.7 | 655.8 | 267.7 | 388.1 | 40.8 | 59.2 |
| Energy and resources sector | | | | | | | |
| State fishery | 1.5 | 1.2 | 2.7 | 0.1 | 2.5 | 5.4 | 94.6 |
| Ministry of Construction Materials | 38.9 | 12.0 | 50.9 | 1.9 | 49.0 | 3.8 | 96.2 |
| Ministry of Energy | 101.3 | 27.6 | 128.9 | 9.6 | 119.3 | 7.4 | 92.6 |
| Total | 141.7 | 40.8 | 182.4 | 11.6 | 170.8 | 6.4 | 93.6 |
| Consumption goods complex | | | | | | | |
| Textile Ministry | 28.1 | 12.5 | 40.6 | 10.0 | 30.6 | 24.7 | 75.3 |
| Ministry of Trade and Foreign Trade Relations | 24.2 | 6.0 | 30.2 | 9.0 | 21.2 | 29.8 | 70.2 |
| Turkmen地毯 | 8.1 | 5.9 | 14.1 | 2.1 | 11.9 | 15.1 | 84.9 |
| Commodity exchange | 9.9 | 2.5 | 12.4 | 12.3 | 0.1 | 99.1 | 0.9 |
| Customs | 55.6 | 1.7 | 57.2 | 56.9 | 0.4 | 99.4 | 0.6 |
| Consumer Union | 20.9 | 6.1 | 27.0 | 5.1 | 21.9 | 18.9 | 81.1 |
| Food Association | 55.0 | 6.4 | 61.4 | 11.6 | 49.8 | 18.8 | 81.2 |
| Total | 201.9 | 41.1 | 243.0 | 107.0 | 135.9 | 44.0 | 56.0 |
| Agro-industrial complex | | | | | | | |
| Turkmenbread | 14.6 | 7.9 | 22.5 | 4.9 | 17.7 | 21.6 | 78.4 |
| Daikhan association | 1.3 | 26.0 | 27.3 | 24.8 | 2.4 | 91.1 | 8.9 |
| Agriculture construction association | 6.0 | 5.2 | 11.2 | 0.7 | 10.4 | 6.6 | 93.4 |
| Cattle breeding association | 0.3 | 1.7 | 1.9 | 0.9 | 1.1 | 44.2 | 55.8 |
| Agriculture machinery | 0.5 | 6.2 | 6.7 | 5.4 | 1.3 | 81.3 | 18.7 |
| Turkmenpagta | 48.2 | 20.3 | 68.6 | 2.3 | 66.3 | 3.3 | 96.7 |
| Ministry of Environment | 0.2 | 1.5 | 1.7 | 1.3 | 0.4 | 73.9 | 26.1 |
| Ministry of Agriculture and Water Resources | 44.4 | 31.0 | 75.4 | 0.2 | 75.2 | 0.2 | 99.8 |
| Fruit and Vegetable association | 0.7 | 0.5 | 1.2 | 0.5 | 0.7 | 40.0 | 60.0 |
| Total | 116.3 | 100.2 | 216.5 | 40.9 | 175.6 | 18.9 | 81.1 |
| Social services sector | | | | | | | |
| Ministry of Health | 8.3 | 49.8 | 58.1 | 7.1 | 51.0 | 12.2 | 87.8 |
| Ministry of Culture | 0.2 | 8.1 | 8.3 | 1.8 | 6.6 | 21.2 | 78.8 |
| Ministry of Education | 0.2 | 106.4 | 106.6 | -0.8 | 107.4 | -0.8 | 100.8 |
| Publishing house | 3.2 | 1.4 | 4.6 | 1.6 | 3.0 | 35.0 | 65.0 |
| Cinema-video company | 0.3 | 0.8 | 1.1 | 0.6 | 0.5 | 55.1 | 44.9 |
| National Television company | 2.9 | 0.7 | 3.6 | 0.7 | 2.9 | 19.6 | 80.4 |
| Total | 15.1 | 167.2 | 182.3 | 11.0 | 171.4 | 6.0 | 94.0 |
| Construction sector | | | | | | | |
| Construction sector | 17.1 | 3.4 | 20.5 | 1.1 | 19.4 | 5.4 | 94.6 |
| Transport and communication | | | | | | | |
| Transport and communication | 253.3 | 62.0 | 315.3 | 129.0 | 186.2 | 40.9 | 59.1 |
| Other public sector | | | | | | | |
| Other public sector | 95.4 | 169.3 | 264.7 | 118.1 | 146.7 | 44.6 | 55.4 |
| Total public sector | 1,377.8 | 702.6 | 2,080.4 | 686.4 | 1,394.0 | 33.0 | 67.0 |
| Non-public sector | | | | | | | |
| Non-public sector | 63.9 | 40.4 | 104.3 | 79.9 | 24.4 | 76.6 | 23.4 |
| Other revenues | | | | | | | |
| Other revenues | ... | ... | 876.1 | 876.1 | ... | ... | ... |
| Restructured gas debt payments | ... | ... | 474.1 | 474.1 | ... | ... | ... |
| Other | ... | ... | 402.0 | 402.0 | ... | ... | ... |
| Grand total | 1,441.7 | 1,145.0 | 3,060.8 | 1,642.4 | 1,418.4 | 53.7 | 46.3 |

Source: Data provided by the Turkmen authorities.

**Table 4. Turkmenistan: Effective Tax Rates on Key
Economic Sectors, 1998
(In percent of total sales proceeds)**

| | |
|--|-----------|
| Gas exports | |
| Cash sales | |
| 50 percent tax payable to the FERF | 20 |
| 43 percent average taxation of remaining proceeds 1/ | 9 |
| Non-cash sales | |
| 43 percent average taxation 1/ | 26 |
| Total effective tax rate | 55 |
| | |
| Cotton fiber | |
| Cotton sales | |
| 33 percent allocation to the FERF 2/ | 33 |
| 32 percent average taxation of remaining proceeds 1/ | 22 |
| Total effective tax rate | 55 |
| | |
| Oil and oil products | |
| Oil sales | |
| Oil proceeds allocated to the budget 3/ | 6 |
| 35 percent average taxation of remaining proceeds 1/ | 33 |
| Total effective tax rate | 39 |

Sources: Data provided by the Turkmen authorities; and Fund staff estimates.

1/ Including VAT, profit tax, mineral resource tax, property tax and excises.

2/ About one third of the gross proceeds of the cotton harvest were allocated to the FERF in recent years.

3/ In 1999, the gross proceeds of 420 thousand tons of oil products out of a total domestic production of 7 million tons were allocated to the budget.

Turkmenistan: Summary of Major Taxes as of July 1999

| Name of Tax | Taxpayers and Tax Objects | Nature of Tax, Deductions, and Exemptions | Rates |
|---|---|---|---|
| <p>1. Value-added tax. (Law on the VAT of October 8, 1993)</p> | <p>Taxpayers: domestic and foreign legal entities, including enterprises, agencies and branches of foreign companies; joint ventures, associations etc.; private unincorporated entrepreneurs (physical persons) whose earnings from sales of goods and/or services exceed ten times the minimum annual wage.</p> <p>Objects of taxation: turnovers including import and export operations involving: (1) sales of all kinds of goods and services produced by the enterprise and/or acquired elsewhere; (2) internal sales within the enterprise; (3) bartering; and (4) free-of-charge transfers of goods and/or sales of collateral to other legal entities.</p> | <p>Exemptions: (1) Transit shipments of foreign freight; (2) goods and services for official use by foreign diplomats; (3) Urban passenger transportation services (except taxis); (4) Communal services to the public (including apartment rent); (5) Insurance and re-insurance transactions; (6) issuance and re-issuance of loans; (7) Monetary deposits and other financial settlements except brokerage and other intermediary services; (8) Issue of money in circulation (banknotes etc.) excluding those used for numismatic purposes; (9) Transfer of securities such as equities, bonds, certificates and promissory notes; (10) Services provided by the College of Barristers; (11) Mineral resource use payments such as royalties, profits from transfer of prospecting and production rights; (12) Care services for preschool children, sick and the elderly; (13) Services of funeral and cemetery providers; (14) Fees for instructing young persons attending clubs and for sports, cultural and education institutions; (15) Services provided by religious organizations; (16) Patent and licensing operations (except those involving agents) associated with industrial property and copyrights; (17) Goods sold by organizations for the deaf and blind; (18) Sales of confiscated or unclaimed property as well as recovered treasurers transferred to the government; (19) Scientific research and experimental design work financed by the budget; (20) Transactions involving sales of assets by the Turkmenistan State Depository for Precious Metals; (21) Paid medical services provided to citizens of Turkmenistan, medicines sold, medical supplies and equipment; (22) Food prepared for educational and pre-school institutions, hospitals, and other social and cultural institutions and organizations financed by the budget; (23) Services provided by enterprises associated with delivering pensions and benefits to the public; (24) Goods and services produced and sold by sheltered and other social workshops operated by psychiatric and related institutions for the disabled; (25) Goods and services produced and sold by enterprises,</p> | <p>Rates: 20 percent of cost that does not include the cost of the tax. 16.67 percent of the cost that includes the cost of the tax.</p> |

Turkmenistan: Summary of Major Taxes as of July 1999

| Name of Tax | Taxpayers and Tax Objects | Nature of Tax, Deductions, and Exemptions | Rates |
|---|---|--|--|
| | | <p>institutions, and organizations at which disabled persons account for at least 50 percent of the total number of employees; (26) Commodities produced by agricultural enterprises and disposed of as payment in kind for wages; (27) Production and sale (except export shipments) by all types of enterprises and organizations of flour, bread, pasta, grouts and cereals, rice, animal feed, dairy products, ice cream, cotton-seed oil, animal fat, meat and meat products of all kinds, eggs, fish products except delicacies, confectioneries, infant food, salt, tea, medicines, as well as land tenure work related to transition to private property, construction materials produced locally and sold to the population; (28) Small-scale businesses; (29) Public-catering enterprises of the government trade and consumer cooperatives remain exempt; (30) Turkmen carpet sales to the Office Manager of the President of Turkmenistan; (31) Services related to payments of pensions and benefits; (32) Artificial limbs; (33) Services provided by training and sports facilities of the Defense Society of Turkmenistan; (34) Contractual sales of grain, vegetables and animal products by agricultural companies and agricultural products sold by farmer associations and private food producers; (35) Agricultural goods produced by peasant unions and other enterprises of all types of ownership, as well goods produced by private entities; (36) Goods exported by enterprises of Ministry of Textile Industry; (37) Foodstuffs (except wine and vodka products, cognac, balsam, liquors, and beer) sold by Consumer Co-Operatives; and (38) Revenues from gambling machines and casinos.</p> | |
| <p>2. Profit Tax. The law "On the Profit Tax" of October 8, 1993. Decree of January 6, 1992. Amended</p> | <p>Taxpayers: Legal entities irrespective of the type of property, including (1) business activities of budget-supported institutions; (2) enterprises</p> | <p>Exemptions: (1) Companies earning more than 70 percent of income from production and/or processing of agricultural output, consumer goods, construction materials shall be fully tax exempt during the first year of operation and pay only 50 percent during the second year; (2) Religious associations; (3) Invalid and other social service organizations are tax exempt with regard to profit</p> | <p>Rate: 25 percent standard rate on the profit of enterprises. 30 percent on profit of commercial banks. 35 percent for the State Commodities Exchange and other</p> |

Turkmenistan: Summary of Major Taxes as of July 1999

| Name of Tax | Taxpayers and Tax Objects | Nature of Tax, Deductions, and Exemptions | Rates |
|-----------------|---|--|--|
| August 1, 1999. | <p>with foreign participation; and (3) agents of foreign legal entities.</p> <p>Objects of Taxation: (1) the gross (book) profit of the enterprise; (2) dividends, interests, royalties, profits from participation in other companies; and (3) other profits.</p> | <p>earned from authorized activity; (4) Enterprises producing prosthetic appliances, orthopedic units and special transport for invalids; (5) Enterprises performing rehabilitation of invalids; (6) Enterprises who employ students as 75 percent of their staff during any initial two- year period; (7) Youth organizations pay tax at half the prescribed rate during the initial 2 years of operation; (8) Foreign investments (that is, with 30 percent of the authorized capital in hard currency) for the period of repayment of initial capital investments; (9) Enterprises functioning in free economic areas are exempt during first 3 years of operation; (10) Enterprises and producer unions rendering services to agriculture in the area of production and sale of plant growing and animal-breeding; (11) Financial assistance, donations and borrowing; (12) Innovation Funds and enterprises and organizations are tax exempt with regard to share of profit sent to Innovation Funds; (13) Spending from after-tax profits to finance own facilities of health care, education, culture, sports, pre-school institutions and scout camps, elderly and disabled houses, personnel housing. Also joint spending undertaken with other companies for such facilities and environmental protection provided the amount spent is not below 30 percent of the total cost; (14) Amounts contributed to Ecological and Sanitation funds transferred to enterprises and institutions of education, health care, social welfare, children institutions if the amount does not exceed 5 per cent of the profit taxable; (15) Profits transferred to educational establishments directly intended for development and upgrading of the process of education in the establishment; (16) Construction and maintenance of social and cultural facilities and services for children and youth; (17) Profit allocated to youth funds; (18) Profit received by youth associations; (19) Dividends of individuals reinvested in the industrial and/or social infrastructure of their enterprises; (20) Farmer associations and other agricultural producers; and</p> | <p>brokerage operations.</p> <p>15 percent on profit (dividends and/or interest) from shares, securities, etc.</p> <p>Incomes from the cash winnings operation of gambling machines and from casinos at the following monthly tax rates: for each gambling machine - 3 U.S. dollars, for each gambling table - 3,500 U.S. dollars.</p> <p>In the case of non-cash winnings the rates shall be: for each gambling machine - 2 U.S. dollars.</p> |

Turkmenistan: Summary of Major Taxes as of July 1999

| Name of Tax | Taxpayers and Tax Objects | Nature of Tax, Deductions, and Exemptions | Rates |
|--|--|---|---|
| | | (21) Profit from agricultural activities undertaken by nonagricultural enterprises. | |
| <p>3. Tax on income of small-scale enterprises. Decree of the President of June 21, 1995. Amended August 1, 1999.</p> | <p>Taxpayers: Legal entities earning in excess of manat 6 million per month which are involved in production and sales of the output, services, and other activities which employ:</p> <p>Less than 50 persons for enterprises producing manufactured goods or technical and construction services; Less than 10 persons for wholesale/trade/intermediary services; Less than 25 persons for all other firms.</p> <p>Small-unincorporated businesses earning less than manat 6 million per month are taxed under a separate license system. See 4 below.</p> <p>Objects of Taxation: for enterprises opting to be assessed according to the standard profit tax, the objects of tax shall accord</p> | <p>Exemptions: Same as for profit tax.</p> | <p>Rate: For companies opting for the standard profit tax procedures the rates shall be:</p> <p>25 percent for manufacturers and providers of technical and construction services;</p> <p>30 percent for wholesale trade and other intermediary services;</p> <p>20 percent for other small enterprises.</p> <p>For small enterprises opting to be taxed according to the simplified system:</p> <p>20 percent for manufacturers and providers of technical and construction services;</p> <p>24 percent for wholesale trade and other intermediary services;</p> <p>22 percent for other small enterprises.</p> |

Turkmenistan: Summary of Major Taxes as of July 1999

| Name of Tax | Taxpayers and Tax Objects | Nature of Tax, Deductions, and Exemptions | Rates |
|---|--|---|---|
| | to the definitions of that tax (above). Eligible enterprises may opt to be taxed according to a simplified system. In this case is the object of taxation shall be gross income earned (with no allowable deductions). | | |
| <p>4. License Payments Collected from Entrepreneurs. Decree of the President No.2848 of October 31, 1996 "On Facilitating Tax Collection from entrepreneurs which have no Legal Entity."</p> | <p>Taxpayers: Unincorporated physical entities (citizens or foreigners) registered and conducting small businesses.</p> <p>Objects of Taxation: Gross turnover in excess of manat 6 million per month.</p> | <p>Exemptions: 50 percent exemption for pensioners, mothers of five or more children below 16 years. Invalids.</p> <p>A 100 percent exemption is provided to war veterans, persons invalid from childhood, the blind and some other disabled groups.</p> | <p>Rate: Monthly license payments ranging from manat 5,000 to manat 140,000.</p> |
| <p>5. Tax on security transactions. Laws of Turkmenistan, December 28, 1993 "On Taxes on Security Transactions", and "On Securities and Stock Exchanges in Turkmenistan."</p> | <p>Taxpayers: local and foreign participants to the market of securities conducting such operations in Turkmenistan.</p> <p>Objects of Taxation: issue cost of securities and the cost of contracts.</p> | <p>Exemptions: (1) legal and physical entities purchasing securities issued by joint-stock company for the first time since registration; and (2) legal entities conducting intermediary operations by and on behalf of the client.</p> | <p>Rate: 0.5 percent of the nominal value of the emission. 0.1 percent of cost of the transaction of the government security. 0.3 percent of total cost of the nongovernment security.</p> |

Turkmenistan: Summary of Major Taxes as of July 1999

| Name of Tax | Taxpayers and Tax Objects | Nature of Tax, Deductions, and Exemptions | Rates | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|--|--|------------------------------|----------|----------------------------|------|---------------------------|---------------|----------|------------|------------|-------|-------|---|--------------|------------|--------------------------------------|-----------|--|--|-----------|------------|--------------|------------|--|--|----------|------------|-----|--------|------------|-----|
| <p>6. Excises (Decree of the President, N254, On the Introduction of Excises, January 6, 1992. Decrees of the President, N2236 of June 21, 1995 "On excises," and No.3598 of February 17, 1998 "On excises".</p> | <p>Taxpayers: Turkmen legal entities, agents of foreign legal entities involved in the production of excise goods or importing as well as physical entities importing excise goods.</p> <p>Objects of Taxation: Turnover of sales of excise goods of own production at wholesale prices, including exports, contractual prices of goods imported or unit of goods at fixed US dollar rates.</p> | <p>Exemptions: goods in transit through Turkmenistan; re-import of goods; duty-free shops, goods imported under intergovernmental agreements, and government exemptions for special projects and contracts, especially by foreign investors for imported and exported raw materials and production.</p> | <p>Rate:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: center;">Domestic</td> <td style="text-align: center;">Imported</td> </tr> <tr> <td>Beer</td> <td style="text-align: center;">10 percent</td> <td style="text-align: center;">\$0.50/l tier</td> </tr> <tr> <td>Liquors</td> <td style="text-align: center;">65 percent</td> <td style="text-align: center;">\$1/l tier</td> </tr> <tr> <td>Grape</td> <td></td> <td></td> </tr> <tr> <td>Wines</td> <td style="text-align: center;">15 percent</td> <td style="text-align: center;">\$1/l tier</td> </tr> <tr> <td>Vermouths</td> <td></td> <td></td> </tr> <tr> <td>and other</td> <td style="text-align: center;">15 percent</td> <td style="text-align: center;">\$1.5/l tier</td> </tr> <tr> <td>Cigarettes</td> <td style="text-align: center;">... 20 percent of contract but not below \$0.10/pack</td> <td></td> </tr> <tr> <td>Gasoline</td> <td style="text-align: center;">55 percent</td> <td style="text-align: center;">...</td> </tr> <tr> <td>Diesel</td> <td style="text-align: center;">60 percent</td> <td style="text-align: center;">...</td> </tr> </table> <p>Also excises are levied on some goods exported (at rates from \$0.75 up to \$300) and a large number of other imported goods (at rates from 10 percent up to 100 percent).</p> | | Domestic | Imported | Beer | 10 percent | \$0.50/l tier | Liquors | 65 percent | \$1/l tier | Grape | | | Wines | 15 percent | \$1/l tier | Vermouths | | | and other | 15 percent | \$1.5/l tier | Cigarettes | ... 20 percent of contract but not below \$0.10/pack | | Gasoline | 55 percent | ... | Diesel | 60 percent | ... |
| | Domestic | Imported | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Beer | 10 percent | \$0.50/l tier | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Liquors | 65 percent | \$1/l tier | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Grape | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Wines | 15 percent | \$1/l tier | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Vermouths | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| and other | 15 percent | \$1.5/l tier | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cigarettes | ... 20 percent of contract but not below \$0.10/pack | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Gasoline | 55 percent | ... | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Diesel | 60 percent | ... | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>7. Tax on vehicle owners. Decree of the President N256 of January 6, 1992 "On Tax from Vehicle Owners", Decrees of the President No.515 of January 6, 1992 and No.2682 of June 24, 1996</p> | <p>Taxpayers: (1) legal entities including companies with foreign investments and physical entities (including foreigners); (2) agencies of foreign legal entities; (3) foreign associations and foreign legal entities located within Turkmenistan; and (4) under Decrees of the President No.1559 of</p> | <p>Exemptions: (1) Caterpillar vehicles as well as grain and other harvesters with engines; (2) Vehicles transporting people in cities; (3) budget institutions; (4) Disabled people using specially designed motorcars; and (5) Veterans of World Wars.</p> | <p>Rate: Multiples of the minimum salary:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td>Motorcycles without side-car</td> <td style="text-align: center;">0.25</td> </tr> <tr> <td>Motorcycles With side-cars</td> <td style="text-align: center;">0.5</td> </tr> <tr> <td>Buses of passenger seats:</td> <td></td> </tr> <tr> <td>up to 11</td> <td style="text-align: center;">1</td> </tr> <tr> <td>11-19</td> <td style="text-align: center;">1.5</td> </tr> <tr> <td>20-29</td> <td style="text-align: center;">2</td> </tr> <tr> <td>30 and above</td> <td style="text-align: center;">2.5</td> </tr> <tr> <td>Trucks of carrying capacities, tons:</td> <td></td> </tr> </table> | Motorcycles without side-car | 0.25 | Motorcycles With side-cars | 0.5 | Buses of passenger seats: | | up to 11 | 1 | 11-19 | 1.5 | 20-29 | 2 | 30 and above | 2.5 | Trucks of carrying capacities, tons: | | | | | | | | | | | | | | | |
| Motorcycles without side-car | 0.25 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Motorcycles With side-cars | 0.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Buses of passenger seats: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| up to 11 | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11-19 | 1.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 20-29 | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 30 and above | 2.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Trucks of carrying capacities, tons: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Turkmenistan: Summary of Major Taxes as of July 1999

| Name of Tax | Taxpayers and Tax Objects | Nature of Tax, Deductions, and Exemptions | Rates | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|---|---|---------|-----|-----|------|-----|---|-----|-----|------|----|-------|------|----------|----|---|--|--|--|-------|------|--------|-----|-----------|----|---|--|---------|------|------|-----|-------|------|-------|---|----------|------|-----------------------|--|----------------|--|---------------|-------|------------|-------|---------------|-------|---------------|--|----------------|-------|-------------|-------|----------------|-------|--------------|-------|--------------------|-------|
| | <p>June 21, 1995 and No.1053 of July 18, 1995, from July 1, 1995 a payment to be collected from foreign vehicles entering and transiting Turkmenistan.</p> <p>Objects of Taxation: Vehicles of all power and carrying capacity.</p> | | <table> <tr><td>up to 1</td><td>2.5</td></tr> <tr><td>1-3</td><td>3.75</td></tr> <tr><td>3-6</td><td>5</td></tr> <tr><td>6-8</td><td>7.5</td></tr> <tr><td>8-15</td><td>10</td></tr> <tr><td>15-20</td><td>12.5</td></tr> <tr><td>above 20</td><td>25</td></tr> <tr><td colspan="2">Rates on trailers are 50 percent of the respective rates of the trucks.</td></tr> <tr><td colspan="2">Wheeled tractors of engine volumes, horse powers:</td></tr> <tr><td>31-50</td><td>3.75</td></tr> <tr><td>81-120</td><td>7.5</td></tr> <tr><td>above 160</td><td>10</td></tr> <tr><td colspan="2">Trailers of carrying capacities, tons:</td></tr> <tr><td>up to 5</td><td>1.25</td></tr> <tr><td>5-10</td><td>2.5</td></tr> <tr><td>10-15</td><td>3.75</td></tr> <tr><td>15-20</td><td>5</td></tr> <tr><td>above 20</td><td>6.25</td></tr> <tr><td colspan="2">Payment rates:</td></tr> <tr><td colspan="2">Trucks:</td></tr> <tr><td>up to 10 tons</td><td>\$ 50</td></tr> <tr><td>10-20 tons</td><td>\$100</td></tr> <tr><td>above 20 tons</td><td>\$150</td></tr> <tr><td colspan="2">Buses:</td></tr> <tr><td>below 12 seats</td><td>\$ 25</td></tr> <tr><td>13-30 seats</td><td>\$ 50</td></tr> <tr><td>above 30 seats</td><td>\$100</td></tr> <tr><td>Cars:</td><td>\$ 30</td></tr> <tr><td>Motorcycles</td><td>\$ 15</td></tr> </table> | up to 1 | 2.5 | 1-3 | 3.75 | 3-6 | 5 | 6-8 | 7.5 | 8-15 | 10 | 15-20 | 12.5 | above 20 | 25 | Rates on trailers are 50 percent of the respective rates of the trucks. | | Wheeled tractors of engine volumes, horse powers: | | 31-50 | 3.75 | 81-120 | 7.5 | above 160 | 10 | Trailers of carrying capacities, tons: | | up to 5 | 1.25 | 5-10 | 2.5 | 10-15 | 3.75 | 15-20 | 5 | above 20 | 6.25 | Payment rates: | | Trucks: | | up to 10 tons | \$ 50 | 10-20 tons | \$100 | above 20 tons | \$150 | Buses: | | below 12 seats | \$ 25 | 13-30 seats | \$ 50 | above 30 seats | \$100 | Cars: | \$ 30 | Motorcycles | \$ 15 |
| up to 1 | 2.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1-3 | 3.75 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3-6 | 5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6-8 | 7.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8-15 | 10 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 15-20 | 12.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| above 20 | 25 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Rates on trailers are 50 percent of the respective rates of the trucks. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Wheeled tractors of engine volumes, horse powers: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 31-50 | 3.75 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 81-120 | 7.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| above 160 | 10 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Trailers of carrying capacities, tons: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| up to 5 | 1.25 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5-10 | 2.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10-15 | 3.75 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 15-20 | 5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| above 20 | 6.25 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Payment rates: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Trucks: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| up to 10 tons | \$ 50 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10-20 tons | \$100 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| above 20 tons | \$150 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Buses: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| below 12 seats | \$ 25 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 13-30 seats | \$ 50 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| above 30 seats | \$100 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cars: | \$ 30 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Motorcycles | \$ 15 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Turkmenistan: Summary of Major Taxes as of July 1999

| Name of Tax | Taxpayers and Tax Objects | Nature of Tax, Deductions, and Exemptions | Rates |
|--|---|---|---|
| 8. Natural Resource Tax Decree of President N1095 of December 31, 1992 | Taxpayers: Institutions and enterprises extracting minerals. Objects of Taxation: Gross Output less VAT in Turkmenistan. | Exemptions: none. | Rate: 5 percent to 22 percent on case by case basis. Examples: Gas: 22 percent, Oil 10 percent. |
| 9. Personal Income Tax. Decree of the President of Turkmenistan of January 6, 1992, Decrees of the President N1596 of January 6, 1992 "On the Income Tax from Individuals" and No.2473 of February 18, 1998. | Taxpayers: Citizens of Turkmenistan, foreign citizens both residents and nonresidents of Turkmenistan. Objects of Taxation: Incomes in cash and in kind. Deductions are permitted for expenses incurred in employment. | Exemptions: (1) Disability from childhood, 1 and 2 grade eyesight disability; (2) mothers; (3) military; and (4) school, college, and university students engaged in agricultural campaigns. | Rate: From March 1, 1998 the rates are: Below 200,000 manats - not taxable, From 200,001 through 400,000 manats – 8 percent of the amount exceeding 200,000 manats, From 400,001 through 650,000 manats - 16,000 manats + 10 percent of the amount exceeding 400,000 manats, From 650,001 through 900,000 manats – 41,000 manats + 12 percent of the amount exceeding 650,000 manats, From 900,001 through 1,200,000 manats - 71,000 manats + 14 percent from the amount exceeding 900,000 manats; From 1,200,000 through 1,500,000 manats - 113,000 + |

Turkmenistan: Summary of Major Taxes as of July 1999

| Name of Tax | Taxpayers and Tax Objects | Nature of Tax, Deductions, and Exemptions | Rates |
|---|---|--|--|
| | | | <p>17 percent of the amount exceeding 1,200,000 manats; From 1,500,000 through 2,000,000 manats - 164,000 manats + 20 percent of the amount exceeding 1,500,000 manats; Above 2,000,001 manats - 264,000 manats + 25 percent of the amount exceeding 2,000,000 manats.</p> <p>An income of persons holding more than one office is taxable at a single rate of 20 percent of the wage in the secondary workplace.</p> |
| <p>10. Property Tax Decree of President N514 of January 6, 1992 "On Collection of Property Tax from enterprises and individuals."</p> | <p>Taxpayers: Enterprises and institutions including foreign companies and their agencies and branches.</p> <p>Objects of Taxation: Fixed and other assets except monetary resources and unfinished construction.</p> | <p>Exemptions: (1) Property of enterprises used in production and storage of agricultural output; (2) Property maintained by the state budget and/or used for purposes of health care, sports, physical culture, and education, except movie houses and video-studio in cities; (3) Cost of unfinished facilities financed by the state budget; (4) Railroads and land used for bridges, and other facilities. (5) Telecom lines and land along such, post-office and telephone station buildings in the rural area; (6) Public highways; (7) Property used for environmental protection and fire prevention; (8) Property of religious organizations and culture societies; (9) Resident buildings and other property used in the communal economy including gas-supplying lines and gas pipelines; and (10) Urban passenger vehicles, except taxis.</p> | <p>Rate: 1 percent of value.</p> |

Turkmenistan: Summary of Major Taxes as of July 1999

| Name of Tax | Taxpayers and Tax Objects | Nature of Tax, Deductions, and Exemptions | Rates |
|---|--|--|--|
| <p>11. Tax on Transfer of Rights to Prospect and Produce Minerals Decree of the President No.1433 of July 5, 1993.</p> | <p>Taxpayers: Domestic and foreign enterprises and institutions of all types, including joint ventures, agencies and branches of foreign legal entities. Budget-supported institutions; ministries and other state departments.</p> <p>Objects of Taxation: Profit received from transfer of rights to prospect and produce minerals.</p> | <p>Exemptions: None.</p> | <p>Rate: 80 percent.</p> |
| <p>12. Excess Wage Tax. Decrees of the President of December 27, 1995 and No.2436 of December 27, 1995 "On Improvements to the System of Wages." Decree of the President of Turkmenistan of April 7, 1997 No.3084 "On regulation of labor payment of enterprises and organizations."</p> | <p>Taxpayers: Domestic and foreign enterprises and institutions including joint ventures, agencies and branches of foreign companies, farmer associations; international associations and legal entities conducting entrepreneurial activities. Budget-supported institutions receiving profits; ministries and other departments; social associations, organizations, funds, and unions.</p> | <p>Exemptions: (1) Companies operating within the zone for free business activity; and (2) Companies involved in production of agriculture and animal breeding.</p> | <p>Rate: 50 percent on wages equal or higher than 1.5 times, but lower than twice, the floor level and 60 percent on wages in excess of the floor level. The non-taxable floor wage from March 1, 1998 is 200,000 manats per month.</p> |

Turkmenistan: Summary of Major Taxes as of July 1999

| Name of Tax | Taxpayers and Tax Objects | Nature of Tax, Deductions, and Exemptions | Rates |
|---|--|---|--|
| | <p>Object of Taxation: Wages to employees engaged in the principal activities of the enterprise if such exceed the nontaxable limit.</p> | | |
| <p>13. Payments to State Insurance and Payment Funds. Law of Turkmenistan "On Pensions to Citizens of Turkmenistan," the Labor Code of Turkmenistan, Decrees of the President No.1645 of January 14, 1994 and No.2221 of June 6, 1995.</p> | <p>Taxpayers: Enterprises and institutions (including budget-supported ones) and other legal entities including enterprises with foreign investments and farmer associations; international associations, branches and agencies of foreign legal entities; citizens involved in entrepreneurial activities; citizens of Turkmenistan (to the pension fund).</p> <p>Objects of Taxation: Payrolls of enterprises.</p> | <p>Exemptions: Social organizations of pensioners and the disabled and their companies, institutions, associations, and educational establishments.</p> | <p>Rate: 30 percent - companies and institutions of all types of property; 7 percent - the College of Barristers; 1 percent - citizens of Turkmenistan.</p> <p>Note: Farmer associations, private and other agricultural producers shall pay manat 1,000 per hectare per annum to the social insurance and pension funds.</p> |
| <p>14. The State Duty. Decrees of the President No.1077 of November 29, 1993 and No.1610 of November 29, 1993.</p> | <p>Taxpayers: Enterprises, citizens.</p> <p>Object of Taxation: Cost of legal actions, cost of execution of contracts, and other transfers of titles of houses, apartments, vehicles purchased or inherited.</p> | <p>Exemptions: (1) Plaintiffs of actions for recovery of wages and other actions arising from labor-related violations; (2) Plaintiffs of copyright, discovery, and invention actions; (3) Plaintiffs of actions for allowances due to children on separation. (4) Plaintiffs of actions on compensation for health damage and/or death of the breadwinner; (5) Plaintiffs of actions on compensation for damage done through criminal offence; (6) Legal and physical entities for issuance of documents related to collection of allowances due to children on separation; (7) Legal and physical entities filing to courts of law to protect rights and interests of other persons;</p> | <p>Rate: From 5 percent to 20 percent depending on the type of transaction.</p> |

Turkmenistan: Summary of Major Taxes as of July 1999

| Name of Tax | Taxpayers and Tax Objects | Nature of Tax, Deductions, and Exemptions | Rates |
|---|---|---|--|
| | | <p>(8) MOEF and State Inspectorate agencies for receiving documents on the succession right of the state; (9) Citizens on the amounts under suits related to divorces; (10) Citizens for issuance of documents needed to receive government pensions and benefits; (11) Veterans of World Wars and persons disabled therein, persons exposed to the catastrophe in Chernobyl, participants of military campaigns when transferred the right to possess government-owned apartments of the government housing fund; (12) Documentary procedures on succession or contracts related to granting property to the state; (13) Citizens obtaining diplomatic passports; (14) Visa payments to citizens traveling abroad if the trip is related to death or visits of graves of their relatives, and foreigners invited to Turkmenistan in connection with death or serious illness of close relations; and (15) Citizens for arranging formalities upon changes of civil status.</p> | |
| <p>15. Land tax Decree of the President of October 15, 1997 No.3347 "On land issues in nonstate sector."</p> | <p>Taxpayers: Non-agricultural enterprises of the non-state sector (except enterprises of Turkmen consumer union and peasant unions), as well as foreign legal entities operating in Turkmenistan.</p> <p>Object of Taxation is non-agricultural land area occupied by taxpayers.</p> | <p>Exemptions: Entities of the non-state sector and foreign investors during any period of exemption of all other taxes by Decree of the President of Turkmenistan, as well as land allocated for capital construction by decision of the Cabinet of Ministers during the period of completion of construction project.</p> | <p>Rate. Minimal annual rate per one square meter of land area is fixed in dollars in terms of national currency of Turkmenistan (manats) at interbank forex rate at the date of payment for:</p> <p>Ashgabat: US\$0.2; velayat centers and Turkmenbashi city: US\$0.15; cities with population over 30,000 people: US\$0.1; other areas: US\$0.05.</p> |

Turkmenistan: Summary of Major Taxes as of July 1999

| Name of Tax | Taxpayers and Tax Objects | Nature of Tax, Deductions, and Exemptions | Rates |
|--|--|--|---|
| 16. Payments to the government voluntary medical insurance fund. Decree of the President No.1617 of August 14, 1995. | Taxpayers: Citizens of Turkmenistan. Objects of Taxation: Incomes of employed individuals, pensions and stipends. | Exemptions: Foreign citizens and certain categories of local individuals ensured on preferential terms shall not be subject to the voluntary medical insurance. | Rate: 4 percent of payroll. |
| 17. Collection for difference in price for motor fuel for transport owners of foreign states (introduced from January 1, 1998) Decree of the President of Nov. 20, 1997 No.3404 and Jan. 9, 1998 No.3485. | Taxpayers: Legal entities and individuals of foreign states, whose transport means enter and transit the territory of Turkmenistan. | Exemptions: Transport means owners from Iran are tax exempt. | Rate: a 37.5 percent tax calculated on the difference in the foreign versus domestic price for fuel. The base being equal to 95 percent of the difference. |
| Local Taxes and Collections | | | |
| 1. Tax for Construction of Industrial Facilities in Resort Areas. Decree of the President of Turkmenistan of December 12, 1993 No.1620 "On local taxes." | Taxpayers: Enterprises and entrepreneurs without legal entity as employers to the construction in resort areas. Object of Taxation: The overall cost of the facility built. | | Rate: Not to exceed 1 percent. |
| 2. Collection on Use of Resorts. | Taxpayers: Physical entities arriving to resort areas. | | Rate: Not to exceed 5 percent of the minimum monthly wage. |

Turkmenistan: Summary of Major Taxes as of July 1999

| Name of Tax | Taxpayers and Tax Objects | Nature of Tax, Deductions, and Exemptions | Rates |
|---|--|--|---|
| 3. Collection from dog owners. | Taxpayers: Physical entities owning dogs and residing in cities. | | Rate: Not to exceed 15 percent of the minimum monthly wage. Collected once a year. |
| 4. Collection on issuance of warrants to occupy government apartments. | Taxpayers: Physical entities obtaining the right to occupy government apartments. | | Rate: Not to exceed 75 percent of the minimum monthly wage. |
| 5. Collection on parking area owners. Decree of the President of Turkmenistan N.3349 of October 15, 1997. | Taxpayers: Enterprises and legal entities, owners of parking areas. | Per each square meter of parking area, on a monthly basis, depending on average level of wage in the national economy. | Rate: 0.5 percent of monthly fee. |
| 6. Tax on Reselling Cars and Computer Equipment. | Taxpayers: Enterprises, entrepreneurs without legal entity, physical entities. Objects of Taxation: The resale price except first sales of the equipment if produced in Turkmenistan. | | Rate: Not to exceed 10 percent of transaction amount. |
| 7. Collection on the right to trade. | Taxpayers: Enterprises, entrepreneurs without legal entity and citizens on the sales of property. | | Rate: Not to exceed 10 minimum monthly wages if collected from enterprises. Not to exceed 5 minimum monthly wages if collected from individuals. |

Turkmenistan: Summary of Major Taxes as of July 1999

| Name of Tax | Taxpayers and Tax Objects | Nature of Tax, Deductions, and Exemptions | Rates |
|---|--|--|--|
| <p>8. Collection on participation in races at hippodromes.</p> | <p>Taxpayers: Enterprises and physical entities.</p> <p>Objects of Taxation: The number of horses to participants in races.</p> | | <p>Rate: Not to exceed 3 minimum monthly salaries.</p> |
| <p>9. Collection on gambling at horse races.</p> | <p>Taxpayers: Physical entities.</p> <p>Objects of Taxation: Payment to gamblers.</p> | | <p>Rate: Not to exceed 5 percent the wins.</p> |
| <p>10. Tax for maintenance and repair of rural roads and streets. Decree of the President of April 25, 1997 No.3128 "On projecting, construction and repair of roads in rural area."</p> | <p>Taxpayers: Enterprises and organizations irrespective of types of ownership including enterprises with foreign investments and representative offices of legal entities which are not tax exempt, located in rural areas. Citizens living and working in rural areas, including entrepreneurs without setting up legal entities.</p> | <p>Object of Taxation: Earnings from sale of goods (works, services) reduced by amount of VAT and excise.</p> | <p>Rate: Tax is fixed at following rates: for all enterprises and organizations (except peasant unions and private producers who are legal entities) – 0.5 percent; for peasant unions – 0.4 percent; for private producers who are legal entities – 0.3 percent. Citizens living and working in rural area pay tax once a year at a rate fixed by local authorities, which should not exceed 10 percent of average wage in the national economy.</p> |
| <p>11. Collection from citizens for policing and organization of public services and amenities.</p> | <p>Taxpayers: enterprises and citizens having resident permits and upon reaching the age 18.</p> | | <p>Rate: 1 percent of 12 min. monthly salaries for physical entities. 1 percent of the annual wage fund basing on the min. salary for enterprises.</p> |

Turkmenistan: Summary of Major Taxes as of July 1999

| Name of Tax | Taxpayers and Tax Objects | Nature of Tax, Deductions, and Exemptions | Rates |
|--|---|---|---|
| 12. Advertisement Tax. | <p>Taxpayers: Enterprises and entrepreneurs without legal entity.</p> <p>Objects of Taxation: Cost of services paid to advertise the product.</p> | | Rate: Not to exceed 5 percent the cost of the services. |
| 13. Collection for license to conduct auctions and lotteries. | <p>Taxpayers: Enterprises and institutions (including budget supported) and entrepreneurs without legal entity.</p> <p>Objects of Taxation: The total cost of bids or value of the lottery.</p> | | Rate: Not to exceed 10 percent the cost of the bids or value of the lottery. |
| 14. Collection on the right to use the local symbol. | <p>Taxpayers: enterprises and entrepreneurs without legal entity.</p> <p>Object of Taxation: The cost of the product sold.</p> | | |
| 15. Collection on the right to conduct cinema and television filming. | <p>Taxpayers: Commercial cinema and television companies.</p> <p>Object of Taxation: Gross earnings of operators.</p> | | Rate: Not to exceed 1 percent of the fixed by law minimum salary of those involved in the filming. |

Table 1. Turkmenistan: GDP, Production Approach, 1994-98
(In billions of manat, current prices)

| | 1994 | | | 1995 | | | 1996 | | | 1997 | | | 1998 (preliminary) | | |
|---|--------------|--------------------------|-------------|--------------|--------------------------|-------------|--------------|--------------------------|-------------|--------------|--------------------------|-------------|--------------------|--------------------------|-------------|
| | Gross output | Intermediate consumption | Value-added | Gross output | Intermediate consumption | Value-added | Gross output | Intermediate consumption | Value-added | Gross output | Intermediate consumption | Value-added | Gross output | Intermediate consumption | Value-added |
| Production sector | 128.0 | 50.3 | 77.7 | 857.2 | 290.3 | 566.9 | 11,221.1 | 4,329.5 | 6,891.6 | 15,503.0 | 6,522.9 | 8,980.1 | 18,242.4 | 7,385.0 | 10,855.0 |
| Industries | 59.9 | 26.7 | 33.2 | 494.8 | 150.6 | 344.2 | 6,680.8 | 2,466.2 | 4,214.6 | 6,815.7 | 3,155.3 | 3,660.4 | 6,985.0 | 3,123.0 | 3,862.0 |
| <i>Of which:</i> Gas | 8.9 | 0.5 | 8.4 | 101.8 | 12.3 | 89.5 | 2,354.3 | 72.9 | 2,281.4 | 962.2 | 94.4 | 867.8 | 92.0 | 9.0 | 83.0 |
| Oil | 1.2 | 0.4 | 0.8 | 11.5 | 2.5 | 9.0 | 147.8 | 52.6 | 95.2 | 294.0 | 80.8 | 213.2 | 1,105.8 | ... | ... |
| Electricity | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 405.9 | ... | ... |
| Cotton | 24.9 | 5.6 | 19.3 | 194.2 | 23.4 | 170.8 | 1,664.2 | 442.5 | 1,221.7 | 842.1 | 549.2 | 292.9 | 643.3 | ... | ... |
| Agriculture | 37.7 | 9.3 | 28.4 | 138.1 | 33.1 | 105.0 | 1,349.2 | 373.9 | 975.3 | 2,771.3 | 546.3 | 2,225.0 | 4,045.4 | 797.0 | 3,248.0 |
| <i>Of which:</i> Cotton | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 728.9 | ... | ... |
| Wheat | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 498.1 | ... | ... |
| Forestry | 0.0 | 0.0 | 0.0 | 0.2 | 0.1 | 0.1 | 1.5 | 0.6 | 0.9 | 4.5 | 1.0 | 3.5 | 7.0 | 1.0 | 5.0 |
| Fisheries | 0.1 | 0.0 | 0.1 | 0.9 | 0.3 | 0.6 | 8.6 | 5.8 | 2.8 | 36.5 | 17.0 | 19.5 | 12.0 | 10.0 | 3.0 |
| Construction | 14.1 | 8.2 | 5.9 | 99.9 | 62.0 | 37.9 | 1,844.9 | 1,043.1 | 801.8 | 3,096.9 | 1,838.8 | 1,258.1 | 3,895.0 | 2,313.0 | 1,582.0 |
| Transportation and communication | 6.3 | 2.2 | 4.1 | 48.5 | 17.0 | 31.5 | 665.1 | 222.8 | 442.3 | 1,669.8 | 521.2 | 1,148.6 | 1,994.0 | 622.0 | 1,372.0 |
| <i>Of which:</i> Transportation | 5.8 | 2.0 | 3.8 | 44.0 | 15.8 | 28.2 | 617.8 | 213.3 | 404.5 | 1,557.6 | 502.7 | 1,054.9 | ... | ... | ... |
| Communication | 0.5 | 0.2 | 0.3 | 4.5 | 1.2 | 3.3 | 47.3 | 9.5 | 37.8 | 112.2 | 18.5 | 93.7 | ... | ... | ... |
| Trade and catering | 6.2 | 1.8 | 4.4 | 39.3 | 13.8 | 25.5 | 340.7 | 105.0 | 235.7 | 640.1 | 243.1 | 397.0 | 815.0 | 309.0 | 505.0 |
| Logistics | 2.4 | 1.1 | 1.3 | 25.8 | 8.3 | 17.5 | 235.7 | 63.3 | 172.4 | 255.4 | 90.9 | 164.5 | 262.0 | 93.0 | 169.0 |
| Procurement | 0.7 | 0.4 | 0.3 | 2.6 | 1.4 | 1.2 | 9.9 | 5.5 | 4.4 | 18.5 | 5.9 | 12.6 | 30.0 | 16.0 | 13.0 |
| Other material production | 0.3 | 0.3 | 0.0 | 0.7 | 0.5 | 0.2 | 11.4 | 3.6 | 7.8 | 180.3 | 96.2 | 84.1 | 185.0 | 98.0 | 87.0 |
| Computer services | 0.0 | 0.0 | 0.0 | 0.3 | 0.1 | 0.2 | 4.9 | 1.2 | 3.7 | 14.0 | 7.2 | 6.8 | 12.0 | 3.0 | 9.0 |
| Other production sector | 0.3 | 0.3 | 0.0 | 6.1 | 3.1 | 3.0 | 68.4 | 38.5 | 29.9 | ... | ... | 0.0 | ... | ... | ... |
| Non-production sector | 11.8 | 5.7 | 6.1 | 85.8 | 37.4 | 48.4 | 961.2 | 509.1 | 452.1 | 2,438.9 | 1,000.3 | 1,438.6 | 2,846.0 | 1,168.0 | 1,678.0 |
| GDP at factor costs | | | 83.8 | | | 615.3 | | | 7,343.7 | | | 10,417.7 | | | ... |
| Taxes | | | 4.8 | | | 48.1 | | | 533.6 | | | 849.1 | | | ... |
| Subsidies | | | 1.4 | | | 11.4 | | | 125.6 | | | 158.0 | | | ... |
| Net taxes -subsidies | | | 3.4 | | | 36.7 | | | 408.0 | | | 691.1 | | | 708.0 |
| Total GDP | | | 87.2 | | | 652.0 | | | 7,751.7 | | | 11,108.8 | | | 13,241.0 |
| Memorandum items: | | | | | | | | | | | | | | | |
| Real GDP growth (in percent) | | | -17.3 | | | -7.2 | | | -6.7 | | | -11.3 | | | 5.0 |
| Share of private sector (in percent of GDP) | | | | | | 18.1 | | | 22.2 | | | 32.5 | | | 34.5 |

Sources: Data provided by the Turkmen authorities; and IMF staff estimates.

Table 2. Turkmenistan: Production and Export of Selected Commodities, 1995-99

| | Unit | 1995 | 1996 | 1997 | | | | | 1998 | | | | | 1999 |
|--------------------------------------|----------------------|--------|--------|--------|-------|-------|-------|--------|-------|--------|-------|-------|--------|--------|
| | | | | QI | QII | QIII | QIV | Annual | QI | QII | QIII | QIV | Annual | QI |
| Energy | | | | | | | | | | | | | | |
| Natural gas | Million cubic meters | 32,264 | 35,175 | 10,090 | 2,061 | 1,761 | 3,406 | 17,318 | 4,806 | 2,351 | 2,213 | 3,887 | 13,257 | 10,407 |
| Exports | Million cubic meters | 22,560 | 24,331 | 6,518 | 0 | 0 | 0 | 6,518 | 428 | 354 | 319 | 644 | 1,745 | 6,424 |
| Domestic consumption 1/ | Million cubic meters | 9,704 | 10,851 | 3,572 | 2,061 | 1,761 | 3,410 | 10,804 | 4,378 | 1,997 | 1,894 | 3,243 | 11,512 | 3,983 |
| Oil and oil products | | | | | | | | | | | | | | |
| Crude oil | | | | | | | | | | | | | | |
| Production 2/ | 1,000 metric tons | 4,394 | 4,147 | 1,192 | 1,254 | 1,360 | 1,563 | 5,369 | 1,522 | 1,570 | 1,584 | 1,962 | 6,638 | 1,716 |
| Exports | 1,000 metric tons | ... | ... | 64 | 104 | 84 | 78 | 330 | 59 | 120 | 216 | 202 | 598 | 1,046 |
| Domestic processing of crude oil | 1,000 metric tons | ... | 4,242 | ... | ... | ... | ... | 4,566 | ... | ... | ... | ... | 5,605 | 1,127 |
| First refinery fraction oil | 1,000 metric tons | 4,220 | 4,511 | 1,063 | 1,116 | 1,129 | 1,433 | 4,741 | 1,246 | 1,249 | 1,356 | 1,483 | 5,334 | 1,215 |
| Gasoline | 1,000 cubic meters | 633 | 751 | 150 | 195 | 172 | 249 | 766 | 178 | 175 | 159 | 219 | 731 | 180 |
| Diesel fuel | 1,000 cubic meters | 1,371 | 1,458 | 303 | 551 | 157 | 506 | 1,517 | 367 | 371 | 412 | 425 | 1,575 | 293 |
| Agriculture | | | | | | | | | | | | | | |
| Cotton | | | | | | | | | | | | | | |
| Area under cultivation | 1,000 hectares | 563 | 530 | ... | ... | ... | ... | 482 | ... | ... | ... | ... | 544 | ... |
| Production raw cotton | 1,000 metric tons | 1,000 | 437 | ... | ... | 317 | 313 | 635 | ... | ... | ... | ... | 707 | ... |
| Production cotton fiber | 1,000 metric tons | 324 | 244 | 22 | 2 | 26 | 92 | 142 | 48 | 15 | 32 | 64 | 159 | 74 |
| Exports cotton fiber | 1,000 metric tons | 267 | 215 | 38 | 6 | 2 | 18 | 64 | 8 | 17 | 46 | 48 | 119 | 61 |
| Domestic use of cotton fiber | 1,000 metric tons | 57 | 76 | ... | ... | ... | ... | 79 | ... | ... | ... | ... | 39 | ... |
| Textile factories | 1,000 metric tons | 15 | 35 | ... | ... | ... | ... | 40 | ... | ... | ... | ... | ... | ... |
| Other (including stocks) | 1,000 metric tons | 42 | 41 | ... | ... | ... | ... | 39 | ... | ... | ... | ... | ... | ... |
| Yield (raw cotton / area cultivated) | Tons/hectare | 2.2 | 0.8 | ... | ... | ... | ... | 1.3 | ... | ... | ... | ... | 1.3 | ... |
| Wheat | | | | | | | | | | | | | | |
| Area under cultivation | 1,000 hectares | 547 | 536 | ... | 373 | 138 | ... | 511 | ... | 446 | 206 | ... | 652 | ... |
| Production | 1,000 metric tons | 896 | 453 | ... | 581 | 126 | ... | 707 | ... | 953 | 292 | ... | 1,245 | ... |
| Yield | Tons/hectare | 1.6 | 0.9 | ... | 1.6 | 0.9 | ... | 1.4 | ... | ... | ... | ... | 2.0 | ... |
| Construction | | | | | | | | | | | | | | |
| Construction glass | 1,000 square meters | 4,403 | 3,560 | 295 | 382 | ... | 92 | 769 | 750 | 855 | 455 | 500 | 2,560 | 754 |
| Cement | 1,000 metric tons | 437 | 438 | 123 | 158 | 123 | 197 | 601 | 160 | 176 | 191 | 223 | 750 | 203 |
| Technical carbon | Metric tons | 6,260 | 4,668 | 967 | 1,300 | 1,350 | 1,119 | 4,736 | 976 | 1,300 | 785 | 190 | 3,251 | 365 |
| Chemicals | | | | | | | | | | | | | | |
| Mineral fertilizers | 1,000 metric tons | 68 | 62 | 14 | 10 | 20 | 10 | 54 | 15 | 17 | 16 | 20 | 68 | 11 |
| Textiles/clothing | | | | | | | | | | | | | | |
| Rugs | 1,000 square meters | 423 | 419 | 216 | 215 | 160 | 195 | 786 | 174 | 181 | 139 | 148 | 642 | 159 |
| Cotton fabrics | 1,000 square meters | 23,167 | 32,217 | 8,337 | 9,851 | 8,045 | 8,722 | 34,955 | 8,740 | 10,527 | 9,943 | 9,676 | 38,886 | 9,579 |
| Food industries | | | | | | | | | | | | | | |
| Vegetable oil | 1,000 metric tons | 47 | 36 | 6 | 2 | 4 | 10 | 22 | 8 | 10 | 6 | 9 | 33 | 11 |

Source: Data provided by the Turkmen authorities.

1/ Domestic consumption is calculated as production minus net exports.

2/ Oil includes gas condensate.

Table 3. Turkmenistan: Index of Gross Output, by Sector, 1994-98
(1993 = 100)

| | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|-------|-------|-------|-------|-------|
| Total industry | 72.1 | 87.5 | 114.4 | 76.7 | 96.5 |
| <i>Of which:</i> | | | | | |
| Heavy industry | 61.0 | 87.6 | 108.6 | 61.0 | 87.6 |
| <i>Of which:</i> | | | | | |
| Energy | 79.6 | 89.8 | 98.1 | 85.2 | 90.7 |
| Electricity | 77.5 | 95.1 | 69.6 | 81.4 | 106.9 |
| Fuels | 56.6 | 80.2 | 104.7 | 51.9 | 79.2 |
| Metals | 70.8 | 260.4 | 487.5 | 206.3 | 247.9 |
| Machinery and metal processing | 87.6 | 110.5 | 196.2 | 102.9 | 102.9 |
| Chemicals and petrochemicals | 52.9 | 133.3 | 91.2 | 138.2 | 109.8 |
| Forestry and woodwork | 64.9 | 103.2 | 125.5 | 130.9 | 87.2 |
| Construction materials | 77.0 | 94.0 | 109.0 | 115.0 | 107.0 |
| Other | 133.8 | 181.3 | 106.3 | 136.3 | 166.3 |
| Light industry | 83.0 | 86.6 | 110.7 | 76.8 | 103.6 |
| <i>Of which:</i> | | | | | |
| Textiles | 81.3 | 89.4 | 157.1 | 68.8 | 104.5 |
| Clothing | 98.3 | 85.8 | 107.5 | 93.3 | 85.8 |
| Leather goods and shoes | 109.0 | 194.9 | 152.6 | 182.1 | 138.5 |
| Food industries | 112.9 | 89.2 | 134.4 | 147.3 | 116.1 |
| <i>Of which:</i> | | | | | |
| Food processing | 132.5 | 114.5 | 100.0 | 124.1 | 126.5 |
| Meat and milk | 107.3 | 79.2 | 68.8 | 92.7 | 99.0 |
| Fish | 141.4 | 125.7 | 90.0 | 174.3 | 148.6 |
| Flour | 89.6 | 88.7 | 61.3 | 87.7 | 111.3 |
| Agriculture | 82.4 | 86.1 | 47.2 | 105.6 | 114.8 |
| Transportation and communication | ... | ... | 103.0 | 73.1 | 57.0 |
| Trade and catering | 97.0 | 109.0 | 146.3 | 155.2 | 152.2 |
| Retail trade | 100.0 | 110.4 | 147.8 | 155.2 | 152.2 |

Source: Data provided by the Turkmen authorities.

Table 4. Turkmenistan: Agricultural Production, 1995-98

| | | 1995 | 1996 | 1997 | 1998 |
|-------------------------------|------------------|---------|---------|---------|---------|
| Total area planted with crops | | 1,495.5 | 1,405.2 | 1,266.0 | 1,387.1 |
| Cotton: area | Thousand hectare | 563.1 | 529.6 | 482.0 | 544.0 |
| Production | Thousand tons | 1,000.0 | 437.0 | 635.2 | 707.0 |
| Yield | Tons/hectare | 1.8 | 0.8 | 1.3 | 1.3 |
| Wheat: area | Thousand hectare | 547.0 | 536.0 | 511.0 | 652.0 |
| Production 1/ | Thousand tons | 896.0 | 453.0 | 707.0 | 1,245.0 |
| Yield | Tons/hectare | 1.6 | 0.8 | 1.4 | 1.9 |
| Vegetables and melons: area | Thousand hectare | 23.6 | 21.6 | 16.5 | 12.2 |
| Production | Thousand tons | 199.3 | 189.8 | 117.8 | 122.0 |
| Yield | Tons/hectare | 8.4 | 8.8 | 7.1 | 10.0 |
| Feed crop: area | Thousand hectare | 220.1 | 193.5 | 168.3 | 93.9 |
| Production | Thousand tons | 460.0 | 450.0 | 308.1 | 175.3 |
| Yield | Tons/hectare | 2.1 | 2.3 | 1.8 | 1.9 |
| Orchards and vineyards: area | Thousand hectare | 47.8 | 41.9 | 41.5 | 39.2 |
| Production | Thousand tons | 199.2 | 118.0 | 161.2 | 174.1 |
| Yield | Tons/hectare | 4.2 | 2.8 | 3.9 | 4.4 |
| Fruits and vegetables: area | Thousand hectare | 23.0 | 22.1 | 18.9 | 19.3 |
| Production | Thousand tons | 376.4 | 309.9 | 241.2 | 294.7 |
| Yield | Tons/hectare | 16.4 | 14.0 | 12.8 | 15.3 |
| Potatos: area | Thousand hectare | 6.0 | 7.5 | 6.8 | 3.9 |
| Production | Thousand tons | 20.5 | 21.3 | 17.1 | 28.9 |
| Yield | Tons/hectare | 3.4 | 2.8 | 2.5 | 7.4 |
| Corn: area | Thousand hectare | 28.9 | 19.8 | 16.0 | 5.9 |
| Production | Thousand tons | 66.0 | 15.2 | 5.3 | 7.9 |
| Yield | Tons/hectare | 2.3 | 0.8 | 0.3 | 1.3 |

Source: Data provided by the Turkmen authorities.

1/ Includes both state orders and private sector production.

Table 5. Turkmenistan: Procurement Prices, 1998

| | 1998 | | | |
|---|-----------|-----------|-----------|-----------|
| | Jan. | Jun. | Sep. | Dec. |
| Cotton | | | | |
| Procurement price (manat/ton) | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Procurement price (US\$/ton) 1/ | 240 | 192 | 192 | 192 |
| Estimated domestic producer price of cotton fiber (US\$/ton) 2/ | 944 | 796 | 796 | 796 |
| Export price (fiber,US\$/ton) 3/ | 1,205 | 1,238 | 1,272 | 983 |
| World market price (fiber,US\$/ton) 4/ | 1,539 | 1,462 | 1,501 | 1,274 |
| Wheat | | | | |
| Procurement price (manat/ton) | 400,000 | 400,000 | 400,000 | 400,000 |
| Procurement price (US\$/ton) 1/ | 96 | 77 | 77 | 77 |
| World market price (US\$/ton) | 139 | 127 | 111 | 128 |
| Memorandum item: | | | | |
| Official exchange rate, end of period (manat/US\$) | 4,165 | 5,200 | 5,200 | 5,200 |

Sources: Data provided by the Turkmen authorities; IMF, International Financial Statistics; and Fund staff estimates.

1/ Manat prices converted at the official exchange rate.

2/ Assuming a ratio of raw cotton to cotton fiber of 3.1:1 and US\$200 in ginning and other processing costs.

3/ Average export price per period.

4/ Liverpool index.

Table 6. Turkmenistan: Consumer Price Index, 1996-99
(Percentage changes)

| | Monthly | | | | | Quarterly | | Annual | |
|-------------------|---------|------|---------|----------|----------|----------------|-----------------------|----------------|-----------------------------|
| | Total | Food | Alcohol | Non-food | Services | In the quarter | Over previous quarter | Point to point | Over previous twelve months |
| 1996 January | 62.5 | 70.2 | 54.7 | 44.0 | 86.5 | | | 1,407.2 | 1,095.6 |
| February | 25.0 | 22.4 | 11.2 | 24.1 | 70.1 | | | 1,455.7 | 1,172.3 |
| March | 19.1 | 20.7 | 10.9 | 16.3 | 12.9 | 141.9 | 195.3 | 1,467.5 | 1,233.6 |
| April | 14.8 | 14.9 | 21.0 | 16.1 | 6.2 | | | 1,511.0 | 1,290.1 |
| May | 8.5 | 5.7 | 6.4 | 13.0 | 27.2 | | | 1,538.2 | 1,337.6 |
| June | 5.4 | 0.4 | 11.6 | 16.2 | 16.5 | 31.3 | 47.6 | 1,633.6 | 1,389.3 |
| July | 3.6 | -1.6 | 5.6 | 14.0 | 12.0 | | | 1,597.6 | 1,428.2 |
| August | 10.3 | 8.5 | 6.3 | 10.1 | 27.9 | | | 1,416.1 | 1,440.4 |
| September | 9.0 | 9.5 | 5.5 | 9.5 | 4.7 | 24.6 | 21.3 | 1,166.3 | 1,408.9 |
| October | 12.0 | 13.9 | 4.4 | 10.0 | 4.7 | | | 967.2 | 1,340.0 |
| November | 12.8 | 14.3 | 6.4 | 8.9 | 16.6 | | | 678.2 | 1,194.0 |
| December | 9.2 | 8.8 | 1.2 | 6.4 | 19.7 | 38.0 | 36.9 | 445.8 | 992.4 |
| 1997 January | 6.9 | 6.8 | 3.9 | 5.6 | 12.1 | | | 259.0 | 757.0 |
| February | 2.6 | 2.7 | 0.0 | 2.6 | 2.0 | | | 194.7 | 584.6 |
| March | 1.6 | 0.7 | 1.6 | 1.7 | 1.0 | 11.4 | 20.3 | 151.4 | 458.8 |
| April | 2.5 | 3.0 | 2.0 | 1.9 | 1.0 | | | 124.5 | 366.5 |
| May | 2.6 | 3.4 | 1.6 | 1.3 | 1.3 | | | 112.2 | 300.4 |
| June | -1.5 | -2.3 | 1.5 | 0.6 | 1.7 | 3.6 | 5.7 | 98.4 | 250.8 |
| July | -2.1 | -4.4 | 0.2 | 0.8 | 3.2 | | | 87.4 | 212.6 |
| August | 0.5 | 0.3 | 0.4 | 0.8 | 0.9 | | | 70.8 | 179.6 |
| September | 1.3 | 1.6 | 0.0 | 0.9 | 0.6 | -0.3 | -1.5 | 58.7 | 151.5 |
| October | 2.0 | 2.7 | 0.0 | 1.2 | 0.4 | | | 44.5 | 126.1 |
| November | 0.8 | 0.9 | 0.0 | 0.6 | 0.4 | | | 29.2 | 103.0 |
| December | 2.7 | 3.3 | 0.3 | 0.9 | 0.3 | 5.6 | 4.5 | 21.5 | 83.7 |
| 1998 January | 3.6 | 5.0 | 0.0 | 0.8 | 2.1 | | | 17.7 | 68.8 |
| February | 2.6 | 3.7 | 0.2 | 0.8 | 0.0 | | | 17.7 | 57.4 |
| March | 2.1 | 2.8 | 1.2 | 0.3 | 3.5 | 8.5 | 8.3 | 18.3 | 48.5 |
| April | 2.8 | 4.2 | 0.0 | 0.0 | 2.3 | | | 18.7 | 41.5 |
| May | -0.4 | -0.9 | 0.0 | 0.3 | 1.3 | | | 15.2 | 35.0 |
| June | -1.3 | -2.2 | 0.0 | 0.2 | 0.2 | 1.1 | 4.4 | 15.4 | 29.9 |
| July | -2.1 | -3.5 | 0.2 | 0.6 | 0.2 | | | 15.4 | 25.6 |
| August | -1.0 | -2.0 | -0.1 | 0.2 | 1.3 | | | 13.7 | 22.1 |
| September | 1.8 | 1.9 | 0.4 | 0.1 | 3.1 | -1.3 | -3.2 | 14.3 | 19.4 |
| October | 4.5 | 5.7 | 6.0 | 2.6 | 3.0 | | | 17.1 | 17.6 |
| November | 1.5 | 1.7 | 1.2 | 1.5 | 0.4 | | | 17.9 | 16.8 |
| December | 4.4 | 4.8 | 1.4 | 3.6 | 4.1 | 10.7 | 8.0 | 19.8 | 16.8 |
| 1999 January | 4.0 | 9.3 | 0.0 | 2.8 | 0.7 | | | 20.3 | 17.0 |
| February | 2.4 | 5.6 | 2.3 | 0.7 | 0.2 | | | 20.1 | 17.2 |
| March | 3.1 | 4.5 | 0.5 | 1.1 | 0.3 | 9.8 | 10.4 | 21.2 | 17.5 |
| April | 3.0 | 4.1 | 2.0 | 1.6 | 0.1 | | | 21.5 | 17.8 |
| May | 1.8 | 2.1 | 7.2 | 1.3 | 1.0 | | | 24.1 | 18.6 |
| June | -0.7 | ... | ... | ... | ... | 4.1 | 6.9 | 24.9 | 19.4 |
| Memorandum items: | | | | | | | | | |
| Weights | | | | | | | | | |
| 1996 | | 57.7 | 4.0 | 32.2 | 5.7 | | | | |
| 1997 | | 61.8 | 4.0 | 31.5 | 6.7 | | | | |
| 1998 | | 62.5 | 2.7 | 29.1 | 8.4 | | | | |
| 1999 | | 59.4 | 2.2 | 26.7 | 13.9 | | | | |

Source: Data provided by the Turkmen authorities.

Table 7. Turkmenistan: Goods and Services for which Retail Prices are Regulated by the State, 1996-99
(In manat per units indicated; end-of-period)

| | 1996 | 1997 | 1998 | | | | 1999 | | |
|---|------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Dec. | Dec. | Jan. | Mar. | Sep. | Dec. | Jan. | Mar. | Jun. |
| Food items | | | | | | | | | |
| Flour Grade I (per kilogram) | 10 | 25 | 25 | 25 | 25 | 100 | 100 | 100 | 100 |
| Bread Grade Supreme (per 750 gram) | 450 | 800 | 800 | 800 | 800 | 800 | 1,000 | 1,000 | 1,000 |
| Oil products | | | | | | | | | |
| Petrol AI 93 (per liter) | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 |
| Petrol AI 72, 76 (per liter) | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 |
| Building materials | | | | | | | | | |
| Ceramic bricks (per thousand) | 4000 | 78,050 | 78,750 | 78,750 | 78,750 | 78,750 | 78,750 | 78,750 | 78,750 |
| Asbestos roofing (per sheet) | 300 | 5,780 | 5,780 | 5,780 | 5,780 | 5,780 | 5,780 | 5,780 | 5,780 |
| Cement (per ton) | 2000 | 52,500 | 57,500 | 57,500 | 57,500 | 57,500 | 57,500 | 57,500 | 57,500 |
| Main types of communal services | | | | | | | | | |
| Heating (per square meter) | 10 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| House rent (per square meter) | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Hot water (per person) | 10 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Sanitation (per 10 cubic meter) | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Passenger transport | | | | | | | | | |
| Buses, trolley-buses | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| Express buses | 500 | 50 | ... | ... | 500 | 500 | 500 | 500 | 500 |
| Taxi (per kilometer) | 500 | 500 | ... | ... | 500 | 500 | 500 | 500 | 500 |
| Communications | | | | | | | | | |
| Monthly payment for telephone use | 1000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Charges on use in excess of limits | | | | | | | | | |
| Natural gas (per cubic meter) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Liquified gas (per kilogram) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Electricity (per kilowatt-hour) | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 |
| Water (per cubic meter) | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |

Source: Data provided by the Turkmen authorities.

Table 8. Turkmenistan: Wages by Sector, 1996-99
(In manat; period average)

| | 1996 | 1997 | | | | | 1998 | | | | | 1999 |
|---|---------|---------|---------|---------|-----------|---------|---------|---------|---------|---------|---------|---------|
| | Annual | QI | QII | QIII | QIV | Annual | QI | QII | QIII | QIV | Annual | QI |
| Average wage 1/ | 57,956 | 147,438 | 195,092 | 189,241 | 210,193 | 185,479 | 211,963 | 285,177 | 278,963 | 303,134 | 271,385 | 293,618 |
| <i>Of which:</i> | | | | | | | | | | | | |
| Industry | 93,270 | 180,673 | 208,936 | 231,071 | 237,096 | 216,402 | 243,652 | 263,471 | 277,248 | 300,706 | 275,017 | 304,198 |
| Agriculture 2/ | 41,339 | 86,285 | 130,767 | 137,435 | 98,196 | 113,859 | 121,988 | 199,704 | 195,035 | 201,294 | 185,471 | 209,590 |
| Fisheries | 45,560 | 88,723 | 120,412 | 122,389 | 200,771 | 130,446 | 210,107 | 244,213 | 211,260 | 279,212 | 246,084 | 248,768 |
| Forestry | 38,479 | 99,426 | 127,283 | 132,005 | 154,905 | 128,641 | 145,139 | 233,286 | 260,259 | 285,144 | 233,481 | 231,793 |
| Transportation | 90,986 | 191,673 | 212,047 | 215,594 | 275,968 | 221,656 | 248,031 | 303,783 | 290,564 | 315,309 | 290,856 | 307,910 |
| Communication | 83,837 | 155,994 | 199,413 | 197,007 | 267,299 | 206,507 | 244,850 | 276,611 | 295,395 | 314,627 | 288,706 | 303,510 |
| Construction | 103,867 | 216,438 | 260,243 | 276,746 | 310,188 | 263,861 | 264,015 | 303,144 | 317,508 | 349,880 | 313,693 | 323,793 |
| Geological prospecting and hydrometeorology | 114,733 | 233,062 | 286,723 | 306,518 | 296,438 | 296,104 | 336,963 | 357,591 | 353,732 | 385,995 | 362,877 | 376,552 |
| Trade and catering | 48,336 | 114,142 | 123,855 | 120,860 | 225,940 | 129,804 | 138,240 | 160,838 | 170,416 | 186,751 | 169,676 | 224,031 |
| Information-computing services | 54,041 | 119,812 | 193,772 | 189,059 | 223,069 | 170,181 | 244,169 | 327,326 | 301,843 | 302,356 | 269,948 | 284,788 |
| Real estate operations | ... | 242,452 | 500,733 | 551,267 | 588,889 | 375,819 | 463,709 | 654,419 | 561,519 | 593,019 | 568,167 | 350,287 |
| Distribution | 113,067 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Services and housing | 63,990 | 148,270 | 200,440 | 206,585 | 215,681 | 195,961 | 224,957 | 304,759 | 311,806 | 330,287 | 284,112 | 305,230 |
| Health | 44,882 | 108,101 | 172,732 | 164,413 | 1,524,442 | 151,646 | 197,541 | 291,507 | 284,121 | 308,607 | 267,101 | 287,782 |
| Education | 42,805 | 103,967 | 183,986 | 130,500 | 149,265 | 141,931 | 188,244 | 325,154 | 282,813 | 313,508 | 276,125 | 289,986 |
| Culture and arts | 39,400 | 92,243 | 156,309 | 133,798 | 112,654 | 119,455 | 185,067 | 272,448 | 286,523 | 278,883 | 252,323 | 283,923 |
| Science and research 3/ | 57,639 | 144,302 | 214,411 | 200,474 | 362,560 | 210,025 | 243,180 | 292,225 | 312,241 | 335,556 | 298,919 | 339,848 |
| State insurance | 60,219 | 146,408 | 192,937 | 188,661 | 259,231 | 196,413 | 207,424 | 225,709 | 270,016 | 313,163 | 278,889 | 273,002 |
| Administrative government 4/ | 59,680 | 153,427 | 209,302 | 204,226 | 210,979 | 191,640 | 246,980 | 351,249 | 352,785 | 367,535 | 328,091 | 351,582 |
| Others 5/ | 50,174 | 122,080 | 161,151 | 200,667 | 435,466 | 189,926 | 188,811 | 348,095 | 330,631 | 341,555 | 307,415 | 351,668 |

Source: Data provided by Turkmenstatprognos.

1/ Includes bonuses and premia.

2/ Includes collective farmers and those employed full-time on private plots.

3/ Research and development institutes.

4/ Local and central government agencies.

5/ Includes miscellaneous activities such as hunting, trapping, and printing.

Table 9. Turkmenistan: Nominal and Real Wages, 1996-99
(Period average)

| | Nominal wages | | Average wage 3/ (In U.S. dollar) | Real average wage | |
|----------------|--|--------------------|--|----------------------------|--|
| | Average wage 1/ (In manat per month) | Minimum wage 2/ | | Index (Jan. 1997 = 100) | Percent change over previous month |
| 1996 Jan. | 19,308 | 6,000 | 7.4 | 54.5 | -2.9 |
| Feb. | 21,992 | 6,000 | 9.3 | 49.6 | -8.9 |
| Mar. | 26,219 | 6,000 | 9.9 | 49.7 | 0.1 |
| Apr. | 29,162 | 8,000 | 9.2 | 48.1 | -3.1 |
| May | 45,814 | 8,000 | 12.4 | 69.7 | 44.8 |
| Jun. | 52,060 | 8,000 | 12.1 | 75.1 | 7.8 |
| Jul. | 53,368 | 9,000 | 12.1 | 74.4 | -1.1 |
| Aug. | 54,278 | 9,000 | 12.0 | 68.6 | -7.8 |
| Sep. | 62,060 | 9,000 | 13.0 | 71.9 | 4.9 |
| Oct. | 109,634 | 28,000 | 21.9 | 113.4 | 57.7 |
| Nov. | 102,721 | 28,000 | 20.1 | 94.2 | -16.9 |
| Dec. | 118,857 | 28,000 | 23.2 | 99.8 | 6.0 |
| 1997 Jan. | 127,263 | 28,000 | 23.7 | 100.0 | 0.2 |
| Feb. | 128,824 | 28,000 | 23.8 | 98.7 | -1.3 |
| Mar. | 165,627 | 28,000 | 30.3 | 124.8 | 26.5 |
| Apr. | 183,422 | 28,000 | 33.7 | 134.9 | 8.0 |
| May | 183,191 | 28,000 | 33.9 | 131.3 | -2.7 |
| Jun. | 198,351 | 28,000 | 37.2 | 144.3 | 9.9 |
| Jul. | 189,103 | 28,000 | 35.5 | 140.6 | -2.6 |
| Aug. | 189,411 | 28,000 | 35.5 | 140.1 | -0.3 |
| Sep. | 196,701 | 28,000 | 37.1 | 143.6 | 2.5 |
| Oct. | 209,030 | 28,000 | 39.2 | 149.6 | 4.2 |
| Nov. | 202,901 | 28,000 | 38.5 | 144.1 | -3.7 |
| Dec. | 211,709 | 28,000 | 40.3 | 146.4 | 1.6 |
| 1998 Jan. | 196,796 | 28,000 | 37.5 | 131.3 | -10.3 |
| Feb. | 193,178 | 28,000 | 36.8 | 125.7 | -4.3 |
| Mar. | 255,888 | 28,000 | 48.6 | 163.0 | 29.7 |
| Apr. | 277,369 | 28,000 | 52.4 | 171.9 | 5.4 |
| May | 280,584 | 28,000 | 53.2 | 174.6 | 1.6 |
| Jun. | 288,968 | 28,000 | 54.6 | 182.2 | 4.3 |
| Jul. | 278,847 | 28,000 | 52.5 | 184.2 | 1.1 |
| Aug. | 280,160 | 200,000 | 52.8 | 185.2 | 0.5 |
| Sep. | 285,788 | 200,000 | 54.0 | 184.3 | -0.4 |
| Oct. | 293,911 | 200,000 | 55.5 | 181.1 | -1.8 |
| Nov. | 294,952 | 200,000 | 55.7 | 179.3 | -1.0 |
| Dec. | 303,303 | 200,000 | 58.3 | 175.2 | -2.3 |
| 1999 Jan. | 287,011 | 200,000 | 55.2 | 169.3 | -3.4 |
| Feb. | 291,669 | 200,000 | 56.1 | 166.2 | -1.9 |
| Mar. | 301,552 | 200,000 | 58.0 | 162.0 | -2.5 |
| Apr. | 298,005 | 200,000 | 57.3 | 158.0 | -2.4 |
| May | 309,453 | 200,000 | 59.5 | 156.0 | -1.3 |
| Jun. | 311,329 | 200,000 | 59.9 | 156.8 | 0.5 |
| Annual average | | | | | |
| 1996 | 57,956 | 12,750 | 13.5 | 72.4 | -38.6 |
| 1997 | 182,128 | 28,000 | 34.1 | 133.2 | 83.9 |
| 1998 | 269,145 | 99,667 | 51.0 | 169.8 | 27.4 |

Source: Data provided by Turkmenstatprognos.

- 1/ Average wage of the public sector (budgetary and off-budget ministries and organizations, and state enterprises).
2/ From 1997 onwards, the minimum wage denotes the wage set by the government for the lowest skilled workers.
3/ Manats converted at the commercial bank exchange rate until November 1998 and at the official rate thereafter.

Table 10. Turkmenistan: Population and Employment, 1994-98

| | 1994 | 1995 | 1996 | 1997 | 1998 |
|--|-------|-------|-------|-------|-------|
| (In thousands of persons; end-of-period) | | | | | |
| Population | 4,045 | 4,478 | 4,552 | 4,612 | 4,708 |
| Of working age 1/ | 2,027 | 2,248 | 2,283 | 2,310 | 2,427 |
| Male | ... | 1,138 | 1,155 | ... | ... |
| Female | ... | 1,110 | 1,128 | ... | ... |
| Total employed | 1,665 | 1,673 | 1,667 | 1,676 | 1,839 |
| Male | 981 | 1,004 | 955 | ... | ... |
| Female | 674 | 669 | 712 | ... | ... |
| <i>Of which:</i> | | | | | |
| State enterprises 2/ | 883 | 798 | 778 | 757 | 716 |
| Farmers associations | ... | ... | 468 | 432 | 459 |
| Government 3/ | 303 | 314 | 306 | 312 | 309 |
| Non-state sector 4/ | ... | ... | 115 | 175 | 356 |
| <i>in percent of total employment</i> | ... | ... | 7 | 10 | 19 |
| (Percentage change over previous year) | | | | | |
| Population | 2.5 | 10.7 | 1.7 | 1.3 | 2.1 |
| Total employment | 1.4 | 0.5 | -0.4 | 0.5 | 9.7 |
| Employment in state enterprises 2/ | 0.0 | -9.6 | -2.5 | -2.7 | -5.4 |
| Employment in farmers associations | ... | ... | ... | -7.7 | 6.3 |
| Employment in Government 3/ | -0.1 | 3.7 | -2.6 | 1.9 | -1.0 |
| Employment in the non-state sector 4/ | ... | ... | ... | 52.4 | 102.7 |

Source: Data provided by the Turkmen authorities.

1/ Defined as men between the ages of 16 and 59 and women between the ages of 16 and 54.

2/ Including consumer cooperatives.

3/ Includes government administration, health and education.

4/ Residual.

Table 11. Turkmenistan: Employment by Sector, 1994-98

| | 1994 | 1995 | 1996 | 1997 | 1998 Prel. |
|---|---------|---------|---------|---------|---------------|
| Total employment | 1,664.8 | 1,672.8 | 1,666.8 | 1,675.9 | 1,838.7 |
| Industry | 165.9 | 165.8 | 172.0 | 188.1 | 226.8 |
| <i>Of which:</i> Gas industry | | | | | |
| Oil industry | | | | | |
| Agriculture | 727.2 | 735.9 | 769.8 | 778.8 | 890.5 |
| Forestry | 2.5 | 2.6 | 2.5 | 2.9 | 1.9 |
| Transport and communications | 83.7 | 82.1 | 77.7 | 77.9 | 90.7 |
| Construction | 168.9 | 156.5 | 136.2 | 122.8 | 108.2 |
| Wholesale and retail trade and catering | 106.6 | 106.7 | 91.8 | 101.2 | 115.8 |
| Information-computing services | 1.6 | 1.9 | 1.3 | 1.0 | 1.2 |
| Services and housing | 46.1 | 45.7 | 50.2 | 46.8 | 48.3 |
| Health | 96.1 | 97.2 | 97.4 | 100.4 | 89.2 |
| Education | 184.9 | 193.4 | 183.8 | 185.9 | 190.5 |
| Science and research institutes | 10.6 | 10.5 | 9.2 | 6.9 | 5.2 |
| Finance and insurance | 7.1 | 8.5 | 8.7 | 9.6 | 12.6 |
| Government 1/ | 21.9 | 23.6 | 24.7 | 25.3 | 28.8 |
| Other | 41.7 | 42.4 | 41.5 | 28.3 | 29.0 |
| | | | | | |
| Total employment | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Industry | 10.0 | 9.9 | 10.3 | 11.2 | 12.3 |
| Agriculture | 43.7 | 44.0 | 46.2 | 46.5 | 48.4 |
| Forestry | 0.2 | 0.2 | 0.1 | 0.2 | 0.1 |
| Transport and communications | 5.0 | 4.9 | 4.7 | 4.6 | 4.9 |
| Construction | 10.1 | 9.4 | 8.2 | 7.3 | 5.9 |
| Transport and communications | 6.4 | 6.4 | 5.5 | 6.0 | 6.3 |
| Information-computing services | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Services and housing | 2.8 | 2.7 | 3.0 | 2.8 | 2.6 |
| Health | 5.8 | 5.8 | 5.8 | 6.0 | 4.9 |
| Education | 11.1 | 11.6 | 11.0 | 11.1 | 10.4 |
| Science and research institutes | 0.6 | 0.6 | 0.6 | 0.4 | 0.3 |
| Finance and insurance | 0.4 | 0.5 | 0.5 | 0.6 | 0.7 |
| Government 1/ | 1.3 | 1.4 | 1.5 | 1.5 | 1.5 |
| Other | 2.5 | 2.5 | 2.5 | 1.7 | 1.6 |

Source: Data provided by the Turkmen authorities.

1/ Employment in the administration of local and central government agencies; excludes services such as education and health.

Table 12. Turkmenistan: Money Incomes and Expenditures of the Population, 1996-99

| | 1996 | 1997 | | | | | 1998 | | | | | 1999 |
|--|---------|-------|-------|-------|-------|---------|-------|-------|---------|---------|---------|---------|
| | Annual | QI | QII | QIII | QIV | Annual | QI | QII | QIII | QIV | Annual | QI |
| (In billions of manat; period average) | | | | | | | | | | | | |
| Total money incomes | 1,147.7 | 586.7 | 789.9 | 781.1 | 926.0 | 3,083.7 | 898.6 | 947.6 | 1,119.2 | 1,203.9 | 4,169.3 | 1,095.3 |
| Wages paid to workers and employees | 636.2 | 314.0 | 513.6 | 470.4 | 620.2 | 1,918.2 | 418.4 | 662.6 | 661.0 | 850.9 | 2,592.9 | 557.7 |
| Wages paid to collective farmers | 126.6 | 125.8 | 101.2 | 146.4 | 112.7 | 486.0 | 273.4 | 17.2 | 193.5 | 68.2 | 552.3 | 292.7 |
| Wages paid to cooperative members | 76.9 | 14.3 | 15.8 | 19.4 | 23.1 | 72.6 | 21.4 | 21.8 | 24.1 | 26.0 | 93.3 | 22.0 |
| Other income from enterprises | 3.8 | 0.4 | 4.2 | 4.4 | 14.3 | 23.4 | 15.9 | 11.6 | 10.9 | 13.6 | 52.0 | 10.6 |
| Income from agricultural sales | 49.7 | 16.2 | 11.7 | 17.4 | 8.5 | 53.8 | 14.0 | 19.2 | 9.7 | 10.8 | 53.7 | 9.5 |
| Pensions, grants, and other | 199.2 | 82.2 | 111.8 | 92.6 | 99.3 | 385.9 | 104.8 | 151.3 | 147.2 | 193.0 | 596.4 | 195.0 |
| Income from sale of foreign exchange | 55.4 | 33.8 | 31.6 | 30.4 | 48.0 | 143.7 | 50.7 | 63.8 | 72.8 | 41.4 | 228.7 | 7.8 |
| Cash expenditures and savings | 941.8 | 547.5 | 734.3 | 754.6 | 873.5 | 2,909.9 | 907.3 | 855.9 | 888.6 | 782.0 | 3,433.9 | 963.9 |
| Goods from government and co-ops | 284.3 | 140.6 | 169.9 | 164.4 | 162.7 | 637.5 | 159.2 | 170.0 | 181.9 | 267.8 | 778.9 | 554.6 |
| Goods from farmers associations | 21.7 | 3.6 | 6.2 | 6.6 | 9.9 | 26.3 | 9.9 | 7.0 | 3.8 | 4.6 | 25.4 | 4.3 |
| Services | 118.8 | 52.9 | 78.6 | 75.3 | 86.1 | 293.0 | 75.5 | 91.2 | 97.8 | 116.9 | 381.3 | 165.4 |
| Taxes and other payments | 74.7 | 49.9 | 70.5 | 70.7 | 80.8 | 271.9 | 82.1 | 99.4 | 106.9 | 116.7 | 405.1 | 182.8 |
| Acquisition of financial assets (including deposits) | 12.3 | 5.6 | 4.9 | 4.8 | 11.5 | 26.7 | 11.8 | 10.4 | 16.6 | 31.0 | 69.8 | 40.0 |
| Purchases of foreign exchange | 430.1 | 295.0 | 404.1 | 432.8 | 522.4 | 1,654.3 | 568.9 | 477.9 | 481.6 | 245.0 | 1,773.4 | 16.7 |
| (In percent of total money income) | | | | | | | | | | | | |
| Total money incomes | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100 |
| Wages paid to workers and employees | 55.4 | 54.0 | 65.0 | 60.0 | 67.0 | 62.0 | 46.0 | 70.0 | 59.0 | 71.0 | 62.0 | 51 |
| Wages paid to collective farmers | 11.0 | 21.0 | 13.0 | 19.0 | 12.0 | 16.0 | 30.0 | 2.0 | 17.0 | 6.0 | 13.0 | 26 |
| Wages paid to cooperative members | 6.7 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2 |
| Other income from enterprises | 0.3 | | 1.0 | 1.0 | 2.0 | 1.0 | 2.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1 |
| Income from agricultural sales | 4.3 | 3.0 | 1.0 | 2.0 | 1.0 | 2.0 | 2.0 | 2.0 | 1.0 | 1.0 | 1.0 | 1 |
| Pensions, grants, and other | 17.4 | 14.0 | 14.0 | 12.0 | 11.0 | 13.0 | 12.0 | 16.0 | 13.0 | 16.0 | 15.0 | 18 |
| Income from sale of foreign exchange | 4.8 | 6.0 | 4.0 | 4.0 | 5.0 | 5.0 | 6.0 | 7.0 | 7.0 | 3.0 | 6.0 | 1 |
| (In percent of cash expenditure and savings) | | | | | | | | | | | | |
| Cash expenditure and savings | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100 |
| Goods from government and co-ops | 30.2 | 26.0 | 23.0 | 22.0 | 19.0 | 22.0 | 18.0 | 20.0 | 21.0 | 34.0 | 23.0 | 58 |
| Goods from farmers associations | 2.3 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 0 |
| Services | 12.6 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 8.0 | 11.0 | 11.0 | 15.0 | 11.0 | 17 |
| Taxes and other payments | 7.9 | 9.0 | 10.0 | 9.0 | 9.0 | 9.0 | 9.0 | 11.0 | 12.0 | 15.0 | 12.0 | 19 |
| Acquisition of financial assets (including deposits) | 1.3 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 2.0 | 4.0 | 2.0 | 4 |
| Purchases of foreign exchange | 45.7 | 53.0 | 55.0 | 57.0 | 60.0 | 57.0 | 63.0 | 56.0 | 54.0 | 31.0 | 51.0 | 2 |

Source: Data provided by the Turkmen authorities.

Table 13. Turkmenistan: Minimum Consumption Basket, 1996-99
(In manat)

| | 1996 | 1997 | | | | | 1998 | | | | | 1999 |
|------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | QI | QII | QIII | QIV | Year | QI | QII | QIII | QIV | Year | QI |
| Minimum consumption basket | 128,182 | 210,879 | 228,305 | 237,803 | 248,301 | 233,479 | 264,372 | 283,681 | 285,022 | 315,968 | 293,205 | 351,671 |
| <i>Of which:</i> | | | | | | | | | | | | |
| Spending categories | | | | | | | | | | | | |
| Food | 48,786 | 88,633 | 98,908 | 102,879 | 107,042 | 99,786 | 122,189 | 130,964 | 125,931 | 139,757 | 132,342 | 161,961 |
| Clothes and footwear | 26,805 | 38,979 | 40,308 | 40,714 | 40,954 | 40,285 | 41,164 | 43,345 | 44,914 | 55,187 | 49,273 | 61,055 |
| Medical goods | 13,855 | 20,222 | 21,965 | 22,020 | 22,127 | 21,627 | 22,383 | 23,520 | 23,833 | 26,573 | 20,464 | 32,034 |
| Furniture | 20,649 | 30,682 | 32,950 | 32,964 | 32,993 | 32,451 | 33,079 | 36,793 | 38,909 | 40,016 | 38,883 | 43,144 |
| Utilities | 153 | 251 | 293 | 312 | 312 | 294 | 312 | 312 | 312 | 313 | 313 | 319 |
| Entertainment | 975 | 1,694 | 1,595 | 1,595 | 1,954 | 1,691 | 2,132 | 2,393 | 2,543 | 2,814 | 2,630 | 3,079 |
| Personal services | 6,327 | 10,672 | 12,391 | 12,941 | 13,470 | 12,433 | 13,470 | 14,359 | 14,802 | 15,470 | 15,026 | 16,991 |
| Transport | 8,133 | 16,109 | 16,109 | 15,879 | 20,887 | 18,632 | 20,887 | 22,392 | 23,145 | 22,002 | 22,429 | 20,473 |
| Communications | 1,131 | 1,666 | 1,667 | 6,378 | 6,378 | 4,154 | 6,378 | 6,513 | 6,580 | 6,580 | 6,563 | 6,719 |
| State charges | 415 | 665 | 665 | 665 | 665 | 665 | 665 | 665 | 665 | 665 | 665 | 665 |
| Tobacco | 3 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Garden tools | 625 | 864 | 913 | 913 | 913 | 902 | 984 | 1,089 | 1,446 | 1,484 | 1,410 | 1,584 |
| Cattle and poultry | 41 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Other | 283 | 542 | 542 | 542 | 605 | 559 | 730 | 1,336 | 1,942 | 5,007 | 3,207 | 4,312 |
| Memorandum items: | | | | | | | | | | | | |
| Average wage | 57,956 | 147,438 | 195,092 | 189,241 | 210,193 | 182,128 | 212,000 | 285,000 | 278,963 | 309,300 | 269,145 | 293,618 |
| Minimum wage (end-of-period) | 12,750 | 28,000 | 28,000 | 28,000 | 28,000 | 28,000 | 28,000 | 28,000 | 200,000 | 200,000 | 99,667 | 200,000 |

Source: Data provided by the Turkmen authorities.

Table 14. Turkmenistan: Public Sector Borrowing Requirement, 1997-98

| | 1997 | 1998 |
|---|----------|----------|
| | Estimate | Estimate |
| (In billions of manats) | | |
| Public sector borrowing requirement | 2,677 | 1,419 |
| State budget government deficit | 4 | 362 |
| State funds (financing) | 2,673 | 1,057 |
| Public sector net external borrowing 1/ 2/ | 2,874 | 1,523 |
| Disbursements | 3,635 | 4,099 |
| Repayments | 760 | 2,576 |
| FERF balance (increase -) 2/ | -211 | -758 |
| Domestic net borrowing | 10 | 292 |
| (In percent of GDP) | | |
| Public sector borrowing requirement | 24.1 | 10.7 |
| State budget deficit | 0.0 | 2.7 |
| State funds (financing) | 24.1 | 8.0 |
| Memorandum items: | | |
| Quasi-fiscal operations (in billions of manats) | 482 | 570 |
| Interest subsidy on directed credits 3/ | 232 | 250 |
| Implicit price subsidies 4/ | 250 | 320 |
| Quasi-fiscal operations (in percent of GDP) | 4.3 | 4.3 |
| Nominal GDP (in billions of manats) | 11,109 | 13,241 |

Sources: Turkmen authorities; and Fund staff estimates and projections.

1/ Includes all government contracted or guaranteed debt; including roll over of cotton loans.

2/ Average official exchange rate used for conversion.

3/ Based on average stock of directed credits and difference between refinance rate and rate on directed credits.

4/ Implicit subsidies on flour, utilities, and other items (authorities' estimate).

Table 15. Turkmenistan: State Budget Operations, 1994-99
(In billions of manat)

| | 1994 | 1995 | 1996 | 1997 | 1998 | | | | | 1999 | | | |
|--|------|-------|---------|---------|-----------------|-------|-------|-------|---------|---------|-----------------|--------|-------|
| | | | | | Approved budget | QI | QII | QIII | QIV | Annual | Approved budget | QI | QII |
| Revenue | 14.7 | 133.7 | 1,284.1 | 2,817.6 | 3,655.9 | 376.1 | 724.6 | 773.3 | 1,186.8 | 3,060.8 | 3,693.1 | 488.5 | 786.9 |
| Profit tax | 2.9 | 31.3 | 292.8 | 579.6 | 502.0 | 62.5 | 90.9 | 67.5 | 191.2 | 412.0 | 422.0 | 45.9 | 125.8 |
| Value-added tax | 4.3 | 38.6 | 430.0 | 797.9 | 1,037.8 | 56.1 | 143.6 | 190.4 | 324.8 | 714.9 | 946.3 | 73.4 | 169.2 |
| Natural resources tax | 1.1 | 13.8 | 143.6 | 231.2 | 233.2 | 14.5 | 12.4 | 7.6 | 8.6 | 43.1 | 201.1 | 4.3 | 11.8 |
| Personal income tax | 0.8 | 4.6 | 30.5 | 108.3 | 149.3 | 23.8 | 37.2 | 53.9 | 42.5 | 157.4 | 224.9 | 40.0 | 40.8 |
| Excise tax | 0.5 | 9.5 | 42.0 | 92.4 | 380.8 | 20.8 | 45.9 | 80.7 | 74.0 | 221.3 | 377.8 | 19.1 | 47.8 |
| Pension and Social Security Fund | 3.4 | 19.9 | 168.7 | 471.0 | 758.4 | 83.3 | 172.3 | 197.1 | 258.3 | 711.0 | 832.5 | 106.3 | 217.0 |
| Medical Insurance Fund | ... | ... | 11.1 | 32.7 | 30.0 | 3.6 | 4.2 | 0.3 | 0.0 | 8.2 | ... | ... | ... |
| Other taxes and revenues | 1.7 | 16.1 | 165.4 | 257.9 | 125.4 | 69.9 | 86.1 | 55.9 | 106.9 | 318.8 | 210.1 | 92.3 | 61.2 |
| Repayments of scheduled gas | ... | ... | ... | 246.6 | 439.0 | 41.7 | 132.0 | 120.1 | 180.4 | 474.1 | 478.3 | 107.3 | 113.2 |
| Expenditure | 16.7 | 150.6 | 1,261.8 | 2,814.0 | 3,817.0 | 394.3 | 795.3 | 792.2 | 1,441.1 | 3,422.8 | 3,894.3 | 589.7 | 725.5 |
| National economy expenditure | 6.4 | 46.8 | 432.8 | 843.9 | 873.0 | 65.0 | 79.5 | 131.0 | 185.6 | 461.1 | 623.3 | 44.6 | 78.1 |
| Agriculture | 4.7 | 36.5 | 305.8 | 632.5 | 284.3 | 41.7 | 57.2 | 98.6 | 133.9 | 331.4 | 223.2 | 43.3 | 62.9 |
| Transport and communications | 0.9 | 7.0 | 58.5 | 121.1 | 393.0 | 6.1 | 17.9 | 19.7 | 19.8 | 63.4 | 190.0 | 0.9 | 11.0 |
| Other | 0.9 | 3.3 | 68.6 | 90.3 | 195.6 | 17.3 | 4.4 | 12.7 | 31.9 | 66.3 | 210.1 | 0.3 | 4.3 |
| Socio-cultural expenditures | 7.6 | 55.5 | 571.5 | 1,363.6 | 2,293.0 | 244.7 | 617.7 | 530.3 | 968.7 | 2,361.5 | 2,513.8 | 463.3 | 533.5 |
| Education | 3.1 | 21.1 | 164.8 | 435.3 | 654.3 | 75.1 | 232.5 | 222.9 | 388.6 | 919.2 | 1,048.7 | 184.2 | 197.2 |
| Health | 1.6 | 12.0 | 175.3 | 443.1 | 570.6 | 43.2 | 113.4 | 139.4 | 197.8 | 493.8 | 550.6 | 79.8 | 103.8 |
| Communal services | 0.1 | 1.2 | 4.3 | 9.1 | 200.2 | 20.0 | 67.1 | 52.5 | 198.3 | 337.9 | 188.6 | 32.6 | 65.2 |
| Pension and social security | 2.4 | 18.7 | 211.8 | 387.8 | 776.5 | 96.3 | 178.3 | 88.8 | 148.1 | 511.5 | 605.9 | 149.7 | 143.7 |
| Culture, recreation and other | 0.4 | 2.5 | 15.3 | 88.2 | 91.4 | 10.1 | 26.3 | 26.7 | 36.0 | 99.1 | 120.0 | 17.0 | 23.6 |
| Domestic and foreign debt interest | 0.4 | 6.1 | 10.2 | 72.1 | 38.3 | 0.7 | 4.8 | 4.7 | 0.9 | 11.1 | 18.0 | 2.0 | 0.1 |
| Defense and security 1/ | 1.5 | 15.1 | 158.3 | 440.2 | 461.0 | 67.6 | 67.6 | 92.1 | 208.5 | 435.8 | 582.0 | 61.7 | 89.6 |
| Public administration and other | 0.9 | 27.2 | 89.1 | 94.3 | 151.7 | 16.3 | 25.7 | 34.0 | 77.3 | 153.4 | 157.2 | 18.2 | 24.1 |
| Overall balance cash basis (- deficit) | -2.0 | -16.9 | 22.3 | 3.6 | -161.1 | -18.1 | -70.7 | -18.9 | -254.3 | -362.1 | -201.2 | -101.3 | 61.4 |
| Financing | 2.0 | 16.9 | -22.3 | -3.6 | 161.1 | 18.1 | 70.7 | 18.9 | 254.3 | 362.1 | 201.2 | 101.3 | -61.4 |
| Domestic (net) | 1.9 | 17.4 | 3.4 | 55.0 | 230.8 | 19.6 | 71.2 | 26.2 | 254.9 | 371.9 | 213.2 | 102.0 | -61.3 |
| Of which Central Bank 2/ | 1.9 | 17.4 | 3.4 | 53.3 | 212.0 | 18.6 | 67.2 | 31.0 | 244.0 | 360.9 | 213.2 | 107.8 | 64.8 |
| Foreign (net) | 0.1 | -0.5 | -25.7 | -58.6 | -69.7 | -1.5 | -0.5 | -7.3 | -0.7 | -9.9 | -12.0 | -0.7 | -0.1 |

Sources: Data provided by the Turkmen authorities; and Fund staff estimates.

1/ The coverage of this item varies over the period due to classification changes.

2/ This item reflects net credit from the Central Bank of Turkmenistan in 1998 and 1999 as shown in the Monetary Survey.

Table 16. Turkmenistan: State Budget Operations, 1994-99
(In percent of GDP)

| | 1994 | 1995 | 1996 | 1997 | 1998 | | 1999 |
|--|------|------|------|------|-----------------|---------|-----------------|
| | | | | | Approved budget | Outcome | Approved budget |
| Revenue | 16.9 | 20.5 | 16.6 | 25.4 | 27.6 | 23.1 | 19.1 |
| Profit tax | 3.3 | 4.8 | 3.8 | 5.2 | 3.8 | 3.1 | 2.2 |
| Value-added tax | 4.9 | 5.9 | 5.5 | 7.2 | 7.8 | 5.4 | 4.9 |
| Natural resources tax | 1.3 | 2.1 | 1.9 | 2.1 | 1.8 | 0.3 | 1.0 |
| Personal income tax | 1.0 | 0.7 | 0.4 | 1.0 | 1.1 | 1.2 | 1.2 |
| Excise tax | 0.5 | 1.5 | 0.5 | 0.8 | 2.9 | 1.7 | 2.0 |
| Pension and Social Security Fund | 4.0 | 3.1 | 2.2 | 4.2 | 5.7 | 5.4 | 4.3 |
| Medical Insurance Fund | ... | ... | 0.1 | 0.3 | 0.2 | 0.1 | ... |
| Other taxes and revenues | 1.9 | 2.5 | 2.1 | 2.3 | 0.9 | 2.4 | 1.1 |
| Repayments of scheduled gas | ... | ... | ... | 2.2 | 3.3 | 3.6 | 2.5 |
| Expenditure | 19.2 | 23.1 | 16.3 | 25.3 | 28.8 | 25.9 | 20.1 |
| National economy expenditure | 7.4 | 7.2 | 5.6 | 7.6 | 6.6 | 3.5 | 3.2 |
| Agriculture | 5.4 | 5.6 | 3.9 | 5.7 | 2.1 | 2.5 | 1.2 |
| Transport and communications | 1.0 | 1.1 | 0.8 | 1.1 | 3.0 | 0.5 | 1.0 |
| Other | 1.0 | 0.5 | 0.9 | 0.8 | 1.5 | 0.5 | 1.1 |
| Socio-cultural expenditures | 8.7 | 8.5 | 7.4 | 12.3 | 17.3 | 17.8 | 13.0 |
| Education | 3.6 | 3.2 | 2.1 | 3.9 | 4.9 | 6.9 | 5.4 |
| Health | 1.8 | 1.8 | 2.3 | 4.0 | 4.3 | 3.7 | 2.8 |
| Communal services | 0.2 | 0.2 | 0.1 | 0.1 | 1.5 | 2.6 | 1.0 |
| Pension and social security | 2.7 | 2.9 | 2.7 | 3.5 | 5.9 | 3.9 | 3.1 |
| Culture, recreation and other | 0.4 | 0.4 | 0.2 | 0.8 | 0.7 | 0.7 | 0.6 |
| Domestic and foreign debt interest | 0.4 | 0.9 | 0.1 | 0.6 | 0.3 | 0.1 | 0.1 |
| Defense and security 1/ | 1.8 | 2.3 | 2.0 | 4.0 | 3.5 | 3.3 | 3.0 |
| Public administration and other | 1.0 | 4.2 | 1.1 | 0.8 | 1.1 | 1.2 | 0.8 |
| Overall balance cash basis (- deficit) | -2.3 | -2.6 | 0.3 | 0.0 | -1.9 | -2.7 | -1.0 |
| Financing | 2.3 | 2.6 | -0.3 | 0.0 | 1.2 | 2.7 | 1.0 |
| Domestic (net) | 2.2 | 2.7 | 0.0 | 0.5 | 1.7 | 2.8 | 1.1 |
| Of which Central Bank 2/ | 2.2 | 2.7 | 0.0 | 0.5 | 1.6 | 2.7 | 1.1 |
| Foreign (net) | 0.1 | -0.1 | -0.3 | -0.5 | -0.5 | -0.1 | ... |

Sources: Data provided by the Turkmen authorities; and Fund staff estimates.

1/ The coverage of this item varies over the period due to classification changes.

2/ This item reflects net credit from the Central Bank of Turkmenistan in 1998 and 1999 as shown in the Monetary Survey.

Table 17. Turkmenistan: Gas and Non-Gas Tax Revenue, 1996-98
(In millions of manat; unless otherwise indicated)

| | 1996 | 1997 | 1998 |
|----------------------------|---------|---------|---------|
| Total revenue | 1,284.1 | 2,817.6 | 3,060.8 |
| In percent of GDP | 16.6 | 25.4 | 23.1 |
| Total tax from gas | 360 | 402 | 157 |
| In percent of GDP | 4.6 | 3.6 | 1.2 |
| <i>Of which:</i> | | | |
| Profit taxes | 85.6 | 65.6 | 40.3 |
| Value added tax (VAT) | 135.0 | 168.1 | 93.0 |
| Natural resource tax (NRT) | 139.4 | 168.7 | 23.7 |
| Non-gas revenues | 924.2 | 2,415.1 | 2,903.7 |
| In percent of GDP | 11.9 | 21.7 | 21.9 |
| <i>Of which:</i> | | | |
| Profit taxes | 207.2 | 514.0 | 371.7 |
| Value added tax (VAT) | 295.1 | 629.8 | 621.9 |
| Natural resource tax (NRT) | 4.2 | 62.5 | 19.3 |
| Personal income tax | 30.5 | 108.3 | 157.4 |
| Excises | 42.0 | 92.4 | 221.3 |
| Other taxes and revenues | 345.2 | 1,008.1 | 1,512.1 |

Source: Data provided by the Turkmen authorities.

Table 18. Turkmenistan: Economic Classification of State Budget Expenditure, 1997-98
(In percent of total)

| | 1997 | 1998 | |
|---------------------------------|--------|--------|--------|
| | Actual | Budget | Actual |
| Total expenditure | 100.0 | 100.0 | 100.0 |
| Current expenditure | 78.4 | 83.2 | 86.7 |
| <i>Of which:</i> | | | |
| Wages and benefits | 15.3 | 24.4 | 43.0 |
| Transfers to the population | 13.7 | 19.8 | 13.2 |
| Acquisition of foodstuffs | 6.5 | 6.5 | 3.5 |
| Acquisition of medical supplies | 5.7 | 4.7 | 2.0 |
| Subsidies | 10.2 | 6.3 | 6.4 |
| Capital expenditures | 21.6 | 16.8 | 13.3 |

Sources: Data provided by the Turkmen authorities; and Fund staff estimate.

Table 19. Turkmenistan: Balance Sheet of the Monetary Authorities, 1996-99
(In billions of manat)

| | 1996 | 1997 | 1998 | | | | 1999 | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|
| | Dec. | Dec. | Mar. | Jun. | Sep. | Dec. | Mar. | Jun. |
| Net foreign assets | 4,282 | 3,275 | 3,140 | 4,158 | 4,144 | 4,531 | 4,762 | 4,937 |
| Foreign assets | 4,765 | 5,350 | 5,293 | 6,816 | 6,835 | 7,171 | 7,382 | 7,549 |
| Foreign liabilities | 483 | 2,076 | 2,152 | 2,658 | 2,691 | 2,639 | 2,620 | 2,612 |
| Net domestic assets | -3,904 | -2,587 | -2,536 | -3,347 | -3,148 | -3,124 | -3,011 | -3,499 |
| <i>Of which</i> : Manat net domestic assets | 117 | 190 | 417 | 592 | 870 | 1,219 | 1,344 | 980 |
| Net credit to Government | -4,562 | -4,824 | -5,047 | -6,458 | -6,557 | -6,603 | -6,637 | -6,877 |
| Budgetary support | 8 | 52 | 70 | 137 | 168 | 412 | 519 | 453 |
| Foreign Exchange Reserve Fund (net) | -4,569 | -4,876 | -5,117 | -6,596 | -6,725 | -7,015 | -7,156 | -7,330 |
| Credit to the economy | 567 | 2,118 | 2,184 | 2,675 | 2,732 | 2,722 | 2,995 | 2,899 |
| Credit to State enterprises | 567 | 2,118 | 2,184 | 2,675 | 2,732 | 2,722 | 2,995 | 2,899 |
| In manat | 19 | 19 | 21 | 19 | 24 | 50 | 194 | 48 |
| In foreign currency | 549 | 2,099 | 2,164 | 2,656 | 2,708 | 2,671 | 2,801 | 2,851 |
| Credit to the private sector | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Credit to banks | 278 | 565 | 720 | 756 | 985 | 1,024 | 855 | 836 |
| Other items (net) | -187 | -445 | -393 | -320 | -308 | -267 | -224 | -358 |
| Reserve money | 364 | 545 | 475 | 510 | 718 | 1,157 | 1,509 | 1,223 |
| Currency issued | 281 | 423 | 403 | 461 | 646 | 1,052 | 1,183 | 949 |
| Bank deposits | 83 | 122 | 72 | 50 | 71 | 105 | 326 | 274 |
| Other deposits | 14 | 142 | 129 | 301 | 279 | 251 | 242 | 215 |
| Gross international reserves (in millions of U.S. dollar) | 1,171 | 1,285 | 1,271 | 1,311 | 1,314 | 1,379 | 1,420 | 1,452 |
| In months of imports | 10 | 15 | 13 | 14 | 14 | 15 | 16 | 16 |
| <i>Of which</i> : FERF (in millions of U.S. dollar) | 1,143 | 1,194 | 1,228 | 1,268 | 1,293 | 1,349 | 1,376 | 1,410 |
| CBT (in millions of U.S. dollar) | 27 | 91 | 42 | 42 | 21 | 30 | 43 | 42 |
| Memorandum items: | | | | | | | | |
| Reserve money (percentage change) | | | | | | | | |
| Quarterly | 48.6 | 13.1 | -12.8 | 7.4 | 40.6 | 61.2 | 30.4 | -18.9 |
| Annual | 348.3 | 49.9 | 2.7 | 25.5 | 48.9 | 112.2 | 217.5 | 139.7 |

Sources: Central Bank of Turkmenistan; and Fund staff estimates.

Table 20. Turkmenistan: Monetary Survey, 1996-99
(In billions of manat)

| | 1996 | 1997 | 1998 | | | | 1999 | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
| | Dec. | Dec. | Mar. | Jun. | Sep. | Dec. | Mar. | Jun. |
| Net foreign assets | 3,040 | 879 | 210 | -11 | -999 | -938 | -1,286 | -1,191 |
| Central Bank of Turkmenistan | 4,282 | 3,275 | 3,140 | 4,158 | 4,144 | 4,531 | 4,762 | 4,937 |
| Commercial Banks | -1,242 | -2,396 | -2,930 | -4,169 | -5,143 | -5,469 | -6,048 | -6,128 |
| Net domestic assets | -2,413 | 257 | 738 | 1,243 | 2,451 | 2,816 | 3,455 | 3,359 |
| <i>Of which</i> : Manat domestic assets | -485 | 238 | 331 | 497 | 919 | 1,232 | 1,355 | 1,069 |
| Net credit to Government | -4,566 | -4,820 | -5,045 | -6,461 | -6,560 | -6,612 | -6,658 | -6,900 |
| Budgetary support | 3 | 56 | 72 | 135 | 165 | 403 | 498 | 430 |
| Foreign exchange reserve fund (net) | -4,569 | -4,876 | -5,117 | -6,596 | -6,725 | -7,015 | -7,156 | -7,330 |
| Claims on the economy | 3,083 | 5,757 | 6,447 | 8,400 | 9,521 | 9,935 | 10,553 | 10,868 |
| In manat | 441 | 862 | 924 | 1,059 | 1,263 | 1,336 | 1,297 | 1,248 |
| State enterprises | 398 | 704 | 732 | 770 | 1,088 | 1,112 | 1,120 | 1,102 |
| Private sector | 43 | 157 | 191 | 289 | 175 | 225 | 177 | 146 |
| In foreign currency to state-enterprises | 2,642 | 4,895 | 5,524 | 7,342 | 8,257 | 8,598 | 9,256 | 9,620 |
| Other items (net) | -929 | -680 | -664 | -697 | -510 | -507 | -441 | -609 |
| Currency in circulation | 270 | 408 | 381 | 447 | 630 | 1,040 | 1,159 | 930 |
| Deposits | 159 | 458 | 208 | 381 | 392 | 432 | 522 | 622 |
| Domestic broad money (M2) | 429 | 866 | 590 | 827 | 1,022 | 1,472 | 1,682 | 1,552 |
| Foreign currency deposits | 198 | 270 | 359 | 404 | 429 | 406 | 488 | 616 |
| Broad money (M3) | 627 | 1,136 | 949 | 1,232 | 1,452 | 1,878 | 2,169 | 2,167 |
| Memorandum items: | | | | | | | | |
| Domestic broad money (percentage change) | | | | | | | | |
| Quarterly | 39.7 | 25.0 | -31.9 | 40.3 | 23.5 | 44.1 | 14.2 | -7.7 |
| Annual | 269.8 | 101.8 | 7.8 | 28.1 | 47.5 | 70.0 | 185.1 | 87.6 |

Sources: Central Bank of Turkmenistan; and Fund staff estimates.

Table 21. Turkmenistan: Banking System Credit to the Economy by Currency, Maturity, and Sector, 1996-99
(In billions of manats, end-of-period)

| | 1996 | 1997 | 1998 | | | | 1999 | |
|-------------------------------------|-------|-------|-------|-------|-------|-------|--------|--------|
| | | | Mar. | Jun. | Sep. | Dec. | Mar. | May |
| Total credit | 3,083 | 5,750 | 6,360 | 8,255 | 9,555 | 9,979 | 10,384 | 10,471 |
| Manat denominated credit | 441 | 818 | 868 | 985 | 1,193 | 1,262 | 1,225 | 1,015 |
| Short-term loans | 413 | 784 | 841 | 953 | 1,170 | 1,236 | 1,038 | 827 |
| Industry | 222 | 279 | 304 | 280 | 300 | 332 | 291 | 148 |
| Agriculture | 25 | 146 | 332 | 400 | 287 | 204 | 161 | 154 |
| Transportation and communication | 1 | 2 | 1 | 1 | 1 | 8 | 1 | 1 |
| Construction | 10 | 10 | 29 | 28 | 24 | 40 | 25 | 25 |
| Trade | 65 | 91 | 94 | 92 | 87 | 67 | 49 | 45 |
| Inventories 1/ | ... | ... | 14 | 77 | 402 | 487 | 422 | 357 |
| Others | 89 | 256 | 67 | 75 | 68 | 97 | 90 | 97 |
| Long-term loans | 29 | 34 | 27 | 31 | 23 | 26 | 186 | 188 |
| Foreign currency denominated credit | 2,642 | 4,932 | 5,492 | 7,271 | 8,362 | 8,716 | 9,159 | 9,456 |

Source: Central Bank of Turkmenistan.

1/ Mostly to agriculture.

Table 22. Turkmenistan: Interest Rates, 1996-99
(In percent)

| | CBT refinance rate | | 3-month Treasury bill rate | Interbank rate |
|-----------|--------------------|---------|-------------------------------|-------------------|
| | Nominal | Real 1/ | | |
| Jan. 1996 | 50.0 | -90.0 | 60.0 | 66.2 |
| Feb. | 86.0 | -88.0 | 60.0 | 94.5 |
| Mar. | 86.0 | -88.1 | 90.0 | 89.3 |
| Apr. | 86.0 | -88.5 | 90.0 | 90.0 |
| May. | 108.0 | -87.3 | 90.0 | 92.0 |
| Jun. | 120.0 | -87.3 | 90.0 | 101.0 |
| Jul. | 120.0 | -87.0 | 90.0 | 110.0 |
| Aug. | 120.0 | -85.5 | 109.7 | 98.0 |
| Sep. | 120.0 | -82.6 | 120.0 | 122.4 |
| Oct. | 120.0 | -79.4 | 120.0 | 130.0 |
| Nov. | 105.0 | -73.7 | 120.0 | 130.0 |
| Dec. | 105.0 | -62.4 | 120.0 | 121.4 |
| Jan. 1997 | 85.0 | -48.5 | 105.0 | 114.0 |
| Feb. | 85.0 | -37.2 | 85.0 | 58.0 |
| Mar. | 68.0 | -33.2 | 85.0 | 51.0 |
| Apr. | 47.0 | -34.5 | 85.0 | 85.6 |
| May. | 47.0 | -30.7 | 50.0 | 73.0 |
| Jun. | 47.0 | -25.9 | 50.0 | 47.0 |
| Jul. | 35.0 | -28.0 | 40.0 | 70.4 |
| Aug. | 35.0 | -21.0 | 40.0 | 50.6 |
| Sep. | 35.0 | -14.9 | 40.0 | 55.0 |
| Oct. | 35.0 | -6.6 | 40.0 | 70.3 |
| Nov. | 35.0 | 4.5 | 40.0 | 43.4 |
| Dec. | 35.0 | 11.1 | 40.0 | 45.2 |
| Jan. 1998 | 35.0 | 14.7 | 40.0 | 37.8 |
| Feb. | 35.0 | 14.7 | 40.0 | 55.0 |
| Mar. | 35.0 | 14.1 | 40.0 | 45.0 |
| Apr. | 35.0 | 13.8 | 40.0 | ... |
| May. | 35.0 | 17.2 | 40.0 | 35.0 |
| Jun. | 35.0 | 17.0 | 38.5 | 43.0 |
| Jul. | 35.0 | 17.0 | 31.4 | 30.6 |
| Aug. | 30.0 | 14.3 | 29.9 | 30.0 |
| Sep. | 30.0 | 13.8 | ... | 30.0 |
| Oct. | 30.0 | 11.1 | ... | ... |
| Nov. | 30.0 | 10.3 | ... | ... |
| Dec. | 30.0 | 8.5 | ... | ... |
| Jan. 1999 | 30.0 | 8.1 | ... | 35.0 |
| Feb. | 30.0 | 8.3 | ... | ... |
| Mar. | 30.0 | 7.2 | ... | ... |
| Apr. | 30.0 | 7.0 | ... | 50.0 |
| May. | 30.0 | 4.7 | ... | 24.0 |
| Jun. | 30.0 | 4.1 | ... | ... |

Source: Data provided by the Central Bank of Turkmenistan.

1/ Real rate calculated by deflating the nominal rate by the twelve month rate of inflation.

Table 23. Turkmenistan: Nominal and Real Exchange Rates, 1996-99

| | Nominal exchange rates | | | | | | Real exchange rates (Jan. 1996 = 100) | | |
|-----------|------------------------|----------------|----------------------|----------------|----------------------|----------------|---------------------------------------|----------------------|----------------------|
| | Official rate | | Commercial bank rate | | Parallel market rate | | Official rate | Commercial bank rate | Parallel market rate |
| | End-of-period | Period average | End-of-period | Period average | End-of-period | Period average | | | |
| Jan. 1996 | 2,400 | 2,400 | 2,177 | 2,545 | 2,500 | 2,702 | 100 | 100 | 100 |
| Feb. | 1,000 | 1,800 | 2,450 | 2,319 | 2,550 | 2,535 | 299 | 111 | 122 |
| Mar. | 1,000 | 1,000 | 2,900 | 2,612 | 3,000 | 2,687 | 354 | 111 | 123 |
| Apr. | 3,000 | 2,333 | 3,250 | 3,107 | 3,300 | 3,210 | 135 | 113 | 128 |
| May | 3,755 | 3,501 | 3,983 | 3,646 | 4,100 | 3,804 | 117 | 100 | 111 |
| Jun. | 3,895 | 3,853 | 4,324 | 4,242 | 4,400 | 4,318 | 119 | 97 | 109 |
| Jul. | 4,025 | 3,965 | 4,456 | 4,364 | 4,600 | 4,507 | 119 | 97 | 108 |
| Aug. | 4,015 | 4,017 | 4,550 | 4,487 | 4,650 | 4,624 | 131 | 105 | 118 |
| Sep. | 4,075 | 4,064 | 4,914 | 4,738 | 5,100 | 4,894 | 140 | 106 | 117 |
| Oct. | 4,045 | 4,056 | 4,908 | 4,946 | 5,100 | 5,113 | 158 | 118 | 130 |
| Nov. | 4,050 | 4,048 | 5,017 | 5,043 | 5,200 | 5,200 | 177 | 130 | 144 |
| Dec. | 4,070 | 4,055 | 5,055 | 5,034 | 5,200 | 5,181 | 193 | 141 | 157 |
| Average | | 3,258 | | 3,924 | | 4,065 | | | |
| Jan 1997 | 4,090 | 4,076 | 5,314 | 5,315 | 5,600 | 5,610 | 204 | 143 | 156 |
| Feb. | 4,100 | 4,095 | 5,443 | 5,316 | 5,500 | 5,494 | 209 | 143 | 162 |
| Mar. | 4,105 | 4,108 | 5,373 | 5,422 | 5,500 | 5,514 | 211 | 146 | 164 |
| Apr. | 4,170 | 4,121 | 5,398 | 5,382 | 5,500 | 5,500 | 213 | 149 | 168 |
| May | 4,165 | 4,166 | 5,252 | 5,313 | 5,500 | 5,486 | 219 | 157 | 173 |
| Jun. | 4,165 | 4,165 | 5,219 | 5,210 | 5,450 | 5,450 | 215 | 156 | 171 |
| Jul. | 4,165 | 4,165 | 5,252 | 5,205 | 5,400 | 5,400 | 210 | 151 | 169 |
| Aug. | 4,165 | 4,165 | 5,201 | 5,214 | 5,400 | 5,400 | 211 | 153 | 170 |
| Sep. | 4,165 | 4,165 | 5,180 | 5,183 | 5,400 | 5,400 | 213 | 156 | 171 |
| Oct. | 4,165 | 4,165 | 5,161 | 5,224 | 5,400 | 5,400 | 217 | 159 | 174 |
| Nov. | 4,165 | 4,165 | 5,250 | 5,164 | 5,350 | 5,354 | 219 | 157 | 177 |
| Dec. | 4,165 | 4,165 | 5,090 | 5,132 | 5,350 | 5,350 | 225 | 167 | 182 |
| Average | | 4,143 | | 5,256 | | 5,446 | | | |
| Jan 1998 | 4,165 | 4,165 | 5,250 | 5,152 | 5,350 | 5,350 | 233 | 168 | 189 |
| Feb. | 4,165 | 4,165 | 5,206 | 5,144 | 5,350 | 5,350 | 239 | 173 | 194 |
| Mar. | 4,165 | 4,165 | 5,161 | 5,169 | 5,350 | 5,350 | 244 | 179 | 198 |
| Apr. | 5,200 | 4,587 | 5,219 | 5,228 | 5,350 | 5,350 | 200 | 181 | 203 |
| May | 5,200 | 5,200 | 5,200 | 5,211 | 5,400 | 5,375 | 199 | 181 | 200 |
| Jun. | 5,200 | 5,200 | 5,248 | 5,245 | 5,450 | 5,450 | 196 | 176 | 195 |
| Jul. | 5,200 | 5,200 | 5,236 | 5,268 | 5,450 | 5,450 | 192 | 173 | 191 |
| Aug. | 5,200 | 5,200 | 5,244 | 5,254 | 6,000 | 5,490 | 190 | 170 | 171 |
| Sep. | 5,200 | 5,200 | 5,233 | 5,235 | 6,500 | 6,100 | 193 | 174 | 161 |
| Oct. | 5,200 | 5,200 | 5,230 | 5,233 | 7,000 | 6,958 | 201 | 181 | 156 |
| Nov. | 5,200 | 5,200 | 5,236 | 5,231 | 10,500 | 9,123 | 203 | 183 | 105 |
| Dec. | 5,200 | 5,200 | ... | ... | 12,100 | 12,571 | 212 | ... | 95 |
| Average | | 4,890 | | 5,215 | | 6,493 | | | |
| Jan 1999 | 5,200 | 5,200 | ... | ... | 16,000 | 14,161 | 220 | ... | 74 |
| Feb. | 5,200 | 5,200 | ... | ... | 15,500 | 14,582 | 225 | ... | 79 |
| Mar. | 5,200 | 5,200 | ... | ... | 16,900 | 16,181 | 231 | ... | 74 |
| Apr. | 5,200 | 5,200 | ... | ... | 18,500 | 18,413 | 237 | ... | 69 |
| May | 5,200 | 5,200 | ... | ... | 14,500 | 15,897 | 241 | ... | 90 |
| Jun. | 5,200 | 5,200 | ... | ... | 14,200 | 13,543 | 239 | ... | 91 |

Source: Data provided by the Turkmen authorities.

Table 24. Turkmenistan: Central Bank Foreign Exchange Sales, 1998-99
(In millions of U.S. dollars)

| | 1998 | | | | | 1999 | |
|-----------------------------------|------|------|------|------|-------|------|------|
| | QI | QII | QIII | QIV | Year | QI | QII |
| Sold in foreign exchange auctions | 25.1 | 16.7 | 10.0 | 16.8 | 68.6 | 50.2 | 68.7 |
| Sold to banks | 53.5 | 38.9 | 49.5 | 34.4 | 176.4 | 3.0 | 0.5 |
| Total sales | 78.6 | 55.7 | 59.5 | 51.2 | 245.0 | 53.2 | 69.2 |

Source: Central Bank of Turkmenistan.

Table 25. Turkmenistan: Summary Balance of Payments, 1996-99
(In millions of U.S. dollars, unless otherwise indicated)

| | 1996 | 1997 | 1998 | | | | | 1999 Actual |
|--|----------|----------|---------|---------|---------|---------|----------|----------------|
| | | | QI | QII | QIII | QIV | Annual | |
| Current account | 1.8 | -579.9 | -342.3 | -246.9 | -215.3 | -129.9 | -934.5 | 0.4 |
| Goods | 303.7 | -230.9 | -210.3 | -161.3 | -80.9 | -70.5 | -523.0 | 155.3 |
| Exports | 1,692.0 | 774.0 | 136.0 | 134.6 | 178.7 | 164.8 | 614.1 | 371.0 |
| Gas | 1,022.0 | 273.7 | 18.0 | 14.5 | 13.0 | 26.2 | 71.7 | 233.8 |
| Oil products | 208.0 | 284.7 | 66.5 | 71.2 | 70.4 | 55.8 | 263.9 | 40.7 |
| Cotton | 327.0 | 86.6 | 9.6 | 20.8 | 58.4 | 46.5 | 135.4 | 59.8 |
| Electricity | 58.0 | 39.3 | 18.7 | 3.7 | 0.8 | 8.6 | 31.7 | 5.7 |
| Other | 77.0 | 89.7 | 23.2 | 24.5 | 36.2 | 27.6 | 111.5 | 31.0 |
| Imports | -1,388.3 | -1,005.0 | -346.3 | -295.9 | -259.6 | -235.2 | -1,137.1 | -215.7 |
| Consumer goods | -480.4 | -316.3 | -139.0 | -126.5 | -140.1 | -94.7 | -500.3 | -43.1 |
| Capital goods | -907.9 | -688.6 | -207.4 | -169.4 | -119.5 | -140.5 | -636.8 | -171.8 |
| Services | -323.4 | -402.5 | -145.3 | -99.0 | -152.6 | -74.2 | -471.0 | -157.2 |
| Construction services | -126.1 | -233.6 | -104.5 | -58.7 | -80.3 | -20.3 | -263.8 | -33.5 |
| Other | -197.3 | -169.0 | -40.7 | -40.3 | -72.3 | -53.9 | -207.2 | -123.7 |
| Factor income | 16.7 | 84.8 | 7.9 | 12.6 | 18.5 | -6.3 | 32.6 | -7.1 |
| Interest inflow | 122.7 | 126.0 | 32.0 | 33.0 | 34.0 | 27.6 | 126.5 | 25.2 |
| Interest outflow | -58.3 | -47.4 | -18.5 | -14.4 | -11.4 | -27.4 | -71.6 | -24.5 |
| Other | -47.7 | 6.3 | -5.7 | -5.9 | -4.2 | -6.4 | -22.2 | -7.9 |
| Current transfers | 4.8 | -31.2 | 5.4 | 0.7 | -0.3 | 21.1 | 26.9 | 9.4 |
| Capital and financial account | -42.8 | 871.8 | 270.5 | 272.8 | 223.5 | 103.5 | 870.3 | -43.5 |
| Net portfolio and foreign direct investment | 108.1 | 102.4 | 6.8 | 20.1 | 20.3 | 16.9 | 64.1 | 14.6 |
| Trade credits (net) | 60.8 | -266.5 | 5.6 | 33.1 | 28.1 | -10.3 | 56.5 | -200.4 |
| Assets (rescheduled debt) | 37.9 | 152.7 | 136.5 | 132.9 | 104.6 | 91.2 | 465.2 | 78.9 |
| Repayment of rescheduled debt | 37.9 | 148.3 | 111.8 | 113.2 | 79.9 | 67.6 | 372.5 | 59.2 |
| Due but not paid | | 4.4 | 24.7 | 19.7 | 24.7 | 23.6 | 92.7 | 19.7 |
| Medium- and long-term (net) | 119.0 | 688.0 | 135.1 | 75.1 | 98.5 | 2.9 | 311.5 | 81.2 |
| Disbursements | 332.6 | 912.1 | 219.5 | 210.8 | 216.6 | 192.3 | 839.2 | 302.0 |
| Amortizations | -213.6 | -224.1 | -84.5 | -135.7 | -118.1 | -189.4 | -527.8 | -220.8 |
| Other | | | | | | | | |
| Other | -212.3 | -56.4 | 17.7 | 23.1 | 43.7 | 8.4 | 92.9 | -5.1 |
| Financing need from arrears/assets extended | -156.2 | 251.6 | -31.1 | -11.5 | -71.8 | -5.6 | -119.9 | -12.8 |
| Arrears to Turkmenistan 1/ | ... | 515.2 | -31.1 | -11.5 | -71.8 | -5.6 | -119.9 | -12.8 |
| Arrears/assets rescheduled | ... | -263.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Errors and omissions | 46.4 | -71.4 | 26.1 | -16.7 | -34.8 | 59.4 | 33.9 | 27.9 |
| Overall balance (-deficit) | 5.4 | 220.6 | -45.7 | 9.1 | -26.7 | 33.0 | -30.3 | -15.2 |
| Financing | -5.4 | -220.6 | 45.8 | -9.1 | 26.7 | -33.0 | 30.4 | 15.2 |
| Reserve assets (- increase) | -2.0 | -113.0 | 14.0 | -40.0 | -3.0 | -65.0 | -94.0 | -41.0 |
| Exceptional financing | -3.4 | -107.6 | 31.8 | 30.9 | 29.7 | 32.0 | 124.4 | 56.2 |
| Arrears by Turkmenistan 1/ | -63.8 | -112.7 | 31.8 | 30.9 | 29.7 | 32.0 | 124.3 | -9.5 |
| New arrears incurred | 71.6 | 47.7 | 33.7 | 34.4 | 40.9 | 56.9 | 165.8 | 19.6 |
| Payment for old arrears made | -135.4 | -160.4 | -2.0 | -3.5 | -11.2 | -24.9 | -41.5 | -29.1 |
| Rescheduling of arrears | 60.4 | 5.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.1 | 65.7 |
| Memorandum items: | | | | | | | | |
| Current account balance (in percent of GDP) | 0.1 | -21.6 | ... | ... | ... | ... | -34.5 | ... |
| Gross official reserves | 1,172.0 | 1,285.0 | 1,271.0 | 1,311.0 | 1,314.0 | 1,379.0 | 1,379.0 | 1,420.0 |
| In months of imports of goods | 10.1 | 15.3 | ... | ... | ... | ... | 14.6 | ... |
| Liquid reserves | ... | ... | ... | ... | ... | ... | 982.0 | ... |
| External public debt: including arrears of principal | 668.0 | 1,355.9 | ... | ... | ... | ... | 1,749.4 | ... |
| External public debt (in percent of GDP) | 28.1 | 50.6 | ... | ... | ... | ... | 64.6 | ... |
| External public debt (in percent of gross reserves) | 57.0 | 105.5 | ... | ... | ... | ... | 126.9 | ... |
| Debt service | 271.9 | 271.5 | ... | ... | ... | ... | 599.4 | ... |
| Debt service ratio (in percent of exports of goods) | 16.1 | 35.1 | ... | ... | ... | ... | 97.6 | ... |
| Excluding roll-over of cotton loans | 16.1 | 35.1 | ... | ... | ... | ... | 49.1 | ... |
| Debt service ratio (in percent of gross reserves) | 23.2 | 21.1 | ... | ... | ... | ... | 43.5 | ... |

Sources: Central Bank of Turkmenistan; and Fund staff estimates.

1/ Includes arrears on debt service payments and overdue payments on imports of goods and services.

Table 26. Turkmenistan: Balance of Payments - Current Account, 1996-99
(In millions of U.S. dollars, unless otherwise indicated)

| | 1996 | 1997 | 1998 | | | | Annual | 1999 |
|---|----------|----------|--------|--------|--------|--------|----------|--------------|
| | | | QI | QII | QIII | QIV | | QI Actual |
| Current account (deficit -) | 1.8 | -579.9 | -342.3 | -246.9 | -215.3 | -129.9 | -934.5 | 0.4 |
| Trade balance | 303.7 | -230.9 | -210.3 | -161.3 | -80.9 | -70.5 | -523.0 | 155.3 |
| Exports | 1,692.0 | 774.0 | 136.0 | 134.6 | 178.7 | 164.8 | 614.1 | 371.0 |
| Gas | 1,022.0 | 273.7 | 18.0 | 14.5 | 13.0 | 26.2 | 71.7 | 233.8 |
| Oil products | 208.0 | 284.7 | 66.5 | 71.2 | 70.4 | 55.8 | 263.9 | 40.7 |
| Cotton | 327.0 | 86.6 | 9.6 | 20.8 | 58.4 | 46.5 | 135.4 | 59.8 |
| Electricity | 58.0 | 39.3 | 18.7 | 3.7 | 0.8 | 8.6 | 31.7 | 5.7 |
| Other | 77.0 | 89.7 | 23.2 | 24.5 | 36.2 | 27.6 | 111.5 | 31.0 |
| Imports | -1,388.3 | -1,005.0 | -346.3 | -295.9 | -259.6 | -235.2 | -1,137.1 | -215.7 |
| Consumer goods | -480.4 | -316.3 | -139.0 | -126.5 | -140.1 | -94.7 | -500.3 | -43.1 |
| Capital goods | -907.9 | -688.6 | -207.4 | -169.4 | -119.5 | -140.5 | -636.8 | -171.8 |
| Services | -323.4 | -402.6 | -145.3 | -99.0 | -152.6 | -74.2 | -471.0 | -157.2 |
| Transport | -98.1 | -19.7 | -11.3 | 1.0 | 6.3 | 4.7 | 0.7 | -2.4 |
| Travel | -65.9 | -92.0 | -15.7 | -17.6 | -13.6 | -23.1 | -70.1 | -4.9 |
| Communication | -0.6 | -7.9 | 0.3 | 0.0 | -4.2 | -0.4 | -4.9 | -0.9 |
| Construction services | -126.1 | -233.6 | -104.5 | -58.7 | -80.3 | -20.3 | -263.8 | -33.5 |
| Insurance services | -27.0 | -11.2 | -1.9 | -3.2 | 7.4 | 2.2 | 4.5 | -1.3 |
| Government Services | -0.8 | -2.5 | 0.1 | -0.2 | 0.0 | 1.8 | 1.7 | -0.1 |
| Other Services | -5.0 | -35.6 | -12.2 | -20.3 | -68.1 | -39.2 | -139.1 | -114.1 |
| Factor income | 16.7 | 84.9 | 7.9 | 12.6 | 18.5 | -6.3 | 32.6 | -7.1 |
| Compensation of employees | -2.8 | -4.4 | -0.1 | 0.0 | 0.0 | -0.8 | -1.0 | -2.7 |
| Dividends and profits | -44.9 | -6.8 | -5.7 | -5.9 | -4.2 | -5.7 | -21.5 | -5.3 |
| Interest (net) | 64.4 | 78.6 | 13.5 | 18.5 | 22.7 | 0.1 | 54.8 | 0.8 |
| Interest inflow | 122.7 | 126.0 | 32.0 | 33.0 | 34.0 | 27.6 | 126.5 | 25.2 |
| Interest outflow | -58.3 | -47.4 | -18.5 | -14.4 | -11.4 | -27.4 | -71.6 | -24.5 |
| Other Income | 0.0 | 17.5 | 0.1 | 0.0 | 0.1 | 0.1 | 0.3 | 0.2 |
| Current transfers | 4.8 | -31.2 | 5.4 | 0.7 | -0.3 | 21.1 | 26.9 | 9.4 |
| Memorandum items: | | | | | | | | |
| Current account balance (in percent of GDP) | 0.1 | -21.6 | ... | ... | ... | ... | -34.5 | ... |
| Export value growth (in percent) | -18.8 | -54.3 | ... | ... | ... | ... | -20.7 | ... |
| Import value growth (in percent) | -15.5 | -27.6 | ... | ... | ... | ... | 13.1 | ... |

Sources: Central Bank of Turkmenistan; and Fund staff estimates.

Table 27. Turkmenistan: Balance of Payments - Capital and Financial Account, 1996-99
(In millions of U.S. dollars)

| | 1996 | 1997 | 1998 | | | | Annual | 1999 |
|-----------------------------------|--------|--------|-------|--------|--------|--------|--------|--------------|
| | | | QI | QII | QIII | QIV | | QI Actual |
| Capital and financial account | -46.2 | 764.3 | 302.3 | 303.7 | 253.1 | 135.5 | 994.7 | 12.7 |
| Capital account | -156.9 | -8.9 | 5.5 | 0.4 | 12.1 | 1.6 | 19.6 | 1.0 |
| Capital transfers | -156.9 | -8.9 | 5.5 | 0.4 | 12.1 | 1.6 | 19.6 | 1.0 |
| Debt forgiven by Turkmenistan | -159.7 | ... | ... | ... | ... | ... | ... | ... |
| Other | 2.8 | -8.9 | 5.5 | 0.4 | 12.1 | 1.6 | 19.6 | 1.0 |
| Financial account | 110.7 | 773.1 | 296.8 | 303.3 | 241.0 | 133.9 | 975.1 | 11.7 |
| Foreign direct investment | 108.1 | 107.9 | 5.5 | 19.6 | 20.3 | 16.9 | 62.3 | 15.2 |
| Portfolio investment | 0.0 | -5.4 | 1.3 | 0.5 | 0.0 | 0.0 | 1.8 | -0.5 |
| Other investment | 2.6 | 670.7 | 290.1 | 283.3 | 220.7 | 117.0 | 911.0 | -2.9 |
| Assets | -165.3 | 205.6 | 95.9 | 142.9 | 76.2 | 84.9 | 399.9 | -166.0 |
| Trade and commercial credits | 0.0 | -276.5 | -22.6 | 0.1 | 9.8 | -7.3 | -20.0 | -225.3 |
| Medium- and long term assets | 37.9 | 152.7 | 136.5 | 132.9 | 104.6 | 91.2 | 465.2 | 78.9 |
| Repayment of rescheduled debt | 37.9 | 148.3 | 111.8 | 113.2 | 79.9 | 67.6 | 372.5 | 59.2 |
| Repayment due but not received | | 4.4 | 24.7 | 19.7 | 24.7 | 23.6 | 92.7 | 19.7 |
| Currency and deposits | -46.9 | 77.9 | 13.1 | 21.4 | 33.6 | 6.6 | 74.7 | -6.8 |
| Other assets | -156.2 | 251.6 | -31.1 | -11.5 | -71.8 | -5.6 | -119.9 | -12.8 |
| Arrears to Turkmenistan | ... | 515.2 | -31.1 | -11.5 | -71.8 | -5.6 | -119.9 | -12.8 |
| Arrears/assets rescheduled | ... | -263.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Liabilities | 167.9 | 465.1 | 194.1 | 140.3 | 144.5 | 32.1 | 511.1 | 163.1 |
| Trade and commercial credits | 60.8 | 10.0 | 28.2 | 33.0 | 18.3 | -3.0 | 76.5 | 25.0 |
| Medium- and long-term liabilities | 119.0 | 688.0 | 135.1 | 75.1 | 98.5 | 2.9 | 311.5 | 81.2 |
| Disbursements | 332.6 | 912.1 | 219.5 | 210.8 | 216.6 | 192.3 | 839.2 | 302.0 |
| Amortizations | -213.6 | -224.1 | -84.5 | -135.7 | -118.1 | -189.4 | -527.8 | -220.8 |
| Currency and deposits | -8.5 | -125.4 | -0.9 | 1.4 | -2.0 | 0.2 | -1.3 | 0.7 |
| Arrears by Turkmenistan 1/ | -63.8 | -112.7 | 31.8 | 30.9 | 29.7 | 32.0 | 124.3 | -9.5 |
| New arrears incurred | 71.6 | 47.7 | 33.7 | 34.4 | 40.9 | 56.9 | 165.8 | 19.6 |
| Payment for old arrears made | -135.4 | -160.4 | -2.0 | -3.5 | -11.2 | -24.9 | -41.5 | -29.1 |
| Rescheduling | 60.4 | 5.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.1 | 65.7 |
| Memorandum item: | | | | | | | | |
| Reserve assets (- increase) | -2.0 | -113.0 | 14.0 | -40.0 | -3.0 | -65.0 | -94.0 | -41.0 |

Sources: Central Bank of Turkmenistan; and Fund staff estimates.

1/ Includes arrears on debt service payments and overdue payments on imports of goods and services.

Table 28. Turkmenistan: Exports by Product, 1993-99 1/
(In millions of U.S. dollars)

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 Q1 |
|--|---------|---------|---------|---------|-------|-------|------------|
| Natural gas 2/ | 1,860.0 | 1,429.7 | 1,292.3 | 1,021.9 | 273.7 | 71.7 | 233.8 |
| Oil products | 186.3 | 186.1 | 202.8 | 208.5 | 284.7 | 263.9 | 40.7 |
| Cotton-fiber | 427.8 | 364.4 | 435.5 | 326.9 | 86.6 | 135.4 | 59.8 |
| Electricity | 99.2 | 90.8 | 67.7 | 57.5 | 39.3 | 31.7 | 5.7 |
| Minerals and mineral products | 84.3 | 18.6 | 16.8 | 17.0 | 25.8 | 24.1 | ... |
| Textile products | 6.2 | 8.3 | 16.8 | 7.1 | 49.9 | 74.5 | ... |
| Agricultural products (excluding cotton fiber) | 5.4 | 12.9 | 4.8 | 0.0 | 8.0 | 8.0 | ... |
| Others (unspecified) 3/ | 24.0 | 67.0 | 47.0 | 53.2 | 6.1 | 4.8 | 31.0 |
| Total | 2,693.2 | 2,177.8 | 2,083.7 | 1,692.0 | 774.0 | 614.1 | 371.0 |
| Memorandum item: | | | | | | | |
| Export of four main products (in percent of total) | 95.5 | 95.1 | 95.9 | 95.4 | 88.4 | 81.8 | 91.6 |

Sources: Data provided by the Central Bank of Turkmenistan (CBT); and State Customs of Turkmenistan.

1/ The balance of payments is prepared by the CBT while the data on trade by good is provided separately by the State Customs of Turkmenistan and the two sources may not always be entirely consistent.

2/ Until 1996 gas was also exported in payment for transportation and transit fees.

3/ In 1999 all goods except those listed explicitly.

Table 29. Turkmenistan: Export of Major Commodities, 1993-99

| Product | Unit of measure | Annual | | | | | | Quarterly | | | | |
|---|---|---------|---------|---------|---------|---------|---------|-----------|---------|---------|---------|---------|
| | | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1998 | | | | 1999 |
| | | | | | | | | QI | QII | QIII | QIV | QI |
| Natural gas | | | | | | | | | | | | |
| Value | In millions of U.S. dollars | 1,860.0 | 1,429.7 | 1,292.3 | 1,022.0 | 273.7 | 71.7 | 18.0 | 14.5 | 12.6 | 26.6 | 233.8 |
| Transportation cost outside of Turkmenistan 1/ | In millions of U.S. dollars | 287.7 | 351.4 | 379.1 | ... | ... | ... | ... | ... | ... | ... | ... |
| Volume | In billion cubic meter | 51.0 | 24.7 | 22.8 | 24.3 | 6.5 | 1.8 | 0.4 | 0.4 | 0.3 | 0.7 | 6.4 |
| Unit value (net at Turkmen border) | In U.S. dollars per thousand cubic meters | 30.8 | 43.7 | 40.1 | 42.1 | 42.1 | 39.8 | 41.1 | 40.9 | 40.7 | 38.1 | 36.5 |
| Oil and oil products | | | | | | | | | | | | |
| Value | In millions of U.S. dollars | 186.3 | 186.1 | 202.8 | 208.5 | 284.7 | 263.9 | 66.5 | 71.2 | 70.4 | 55.8 | 40.7 |
| Volume | In thousands of tons | ... | 3,501.3 | 2,145.0 | 1,980.3 | 2,458.2 | 4,022.7 | 657.4 | 1,012.0 | 1,254.3 | 1,099.0 | 1,273.5 |
| Unit value | In U.S. dollar per ton | ... | 53.2 | 94.5 | 105.3 | 115.8 | 65.6 | 101.2 | 70.3 | 56.1 | 50.8 | 31.9 |
| Crude oil, world market price | In U.S. dollar per ton | ... | 119.6 | 129.0 | 152.8 | 144.5 | 98.1 | 106.2 | 99.6 | 97.5 | 88.9 | 88.4 |
| Margin of realized price to world market price 2/ | In U.S. dollar per ton | ... | -66.5 | -34.5 | -47.5 | -28.7 | -32.5 | -5.0 | -29.3 | -41.4 | -38.1 | -56.5 |
| Electric power | | | | | | | | | | | | |
| Value | In millions of U.S. dollars | 99.2 | 90.8 | 67.7 | 57.5 | 39.3 | 31.7 | 18.7 | 3.7 | 0.8 | 8.6 | 5.7 |
| Volume | In millions of kilowatts | ... | 1,136.2 | 1,003.3 | 1,487.7 | 1,466.5 | 1,248.4 | 685.0 | 174.4 | 34.1 | 354.9 | 204.2 |
| Unit value | In U.S. dollar per thousand kilowatts | ... | 79.9 | 67.5 | 38.6 | 26.8 | 25.4 | 27.2 | 21.0 | 22.3 | 24.3 | 28.0 |
| Cotton fibre | | | | | | | | | | | | |
| Value | In millions of U.S. dollars | 427.8 | 364.4 | 435.5 | 326.9 | 86.6 | 135.4 | 9.6 | 20.8 | 44.9 | 60.0 | 59.8 |
| Volume | In thousands of tons | 423.9 | 429.0 | 266.8 | 226.0 | 64.0 | 114.8 | 8.2 | 15.2 | 36.8 | 54.6 | 61.2 |
| Unit Value | In U.S. dollar per ton | 1,009.2 | 849.4 | 1,632.3 | 1,446.5 | 1,353.6 | 1,179.0 | 1,174.4 | 1,370.4 | 1,221.2 | 1,098.0 | 977.5 |
| Cotton, world market price (Liverpool index) | In U.S. dollar per ton | 1,279.1 | 1,757.4 | 2,167.2 | 1,775.6 | 1,746.7 | 1,444.7 | 1,538.8 | 1,462.4 | 1,502.3 | 1,275.3 | 1,239.5 |
| Margin of realized price to world market price 3/ | | -269.9 | -908.0 | -534.9 | -329.1 | -393.1 | -265.7 | -364.4 | -92.0 | -281.1 | -177.3 | -262.0 |
| Total export of major commodities | In millions of U.S. dollars | 2,573.3 | 2,071.0 | 1,998.3 | 1,614.9 | 684.3 | 502.6 | 112.8 | 110.1 | 128.7 | 151.0 | 340.0 |
| Paasche price index for major export goods (1996 = 100) | | ... | 62.1 | 108.5 | 100.0 | 100.6 | 67.6 | 88.2 | 70.7 | 62.2 | 59.7 | 46.1 |

Sources: Data provided by the Turkmen authorities; and Fund staff estimates.

1/ In 1993 and 1994 all transportation costs were paid in gas, in 1995 some cash payments were made.

2/ Transportation costs for crude oil are currently about US\$ 35 per ton, for refined products they can reach US\$ 60 per ton.

3/ Transportation discount given by Turkmenpahta is US\$ 220 to US\$ 250 per ton.

Table 30. Turkmenistan: Imports by Product, 1993-99
(In millions of U.S. dollars)

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 Q1 |
|--|-------|-------|-------|-------|-------|-------|------------|
| Total official imports according to custom's statistics | 1,593 | 1,691 | 1,644 | 1,532 | 1,228 | 978 | 249 |
| Consumer goods | 623 | 594 | 537 | 534 | 391 | 170 | 51 |
| Food products | 322 | 247 | 358 | 341 | 289 | 91 | 34 |
| Medicines | 43 | 16 | 21 | 39 | 16 | 21 | 4 |
| Nonfood items | 258 | 331 | 158 | 154 | 87 | 57 | 13 |
| Industrial goods | 583 | 970 | 801 | 896 | 800 | 785 | 194 |
| Chemical products | 46 | 67 | 77 | 56 | 87 | 58 | 18 |
| Building materials | 24 | 41 | 4 | 14 | 35 | 16 | 4 |
| Other materials | 285 | 229 | 293 | 251 | 256 | 266 | 79 |
| Machinery and equipment | 227 | 632 | 427 | 574 | 421 | 444 | 92 |
| Unspecified | 387 | 127 | 305 | 103 | 37 | 24 | 4 |
| Adjustments (net) 1/ | ... | ... | ... | -144 | -223 | 159 | -33 |
| Total imports according to BOP | ... | ... | ... | 1,388 | 1,005 | 1,137 | 216 |

Source: Data provided by the Turkmen authorities.

1/ Adjustments to custom's statistics are made for coverage, classification, timing, and goods procured in ports.

Table 31. Turkmenistan: Trade by Type of Payment, 1995-99 1/
(In percent of total)

| | 1995 | | 1996 | | 1997 | | 1998 | | 1999 QI | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Exports | Imports | Exports | Imports | Exports | Imports | Exports | Imports | Exports | Imports |
| Cash | 19.8 | 8.0 | 23.9 | 6.0 | 56.0 | 34.0 | 57.7 | 9.0 | 25.7 | 7.6 |
| <i>Of which:</i> | | | | | | | | | | |
| Gas | 14.3 | ... | 9.1 | ... | ... | ... | 50.7 | ... | 0.0 | ... |
| Cotton | 40.0 | ... | 57.0 | ... | 100.0 | ... | 90.5 | ... | 95.0 | ... |
| Oil products | 8.8 | ... | 35.0 | ... | 94.0 | ... | 63.6 | 12.7 | 75.1 | 0.7 |
| Electricity | 0.0 | ... | 0.0 | ... | ... | ... | 100.0 | ... | 0.0 | ... |
| Others | 42.0 | 8.0 | 67.0 | 6.0 | 81.0 | 34.0 | 24.5 | 10.4 | 37.4 | 6.7 |
| Barter and other in-kind transactions | 55.9 | 58.0 | 48.4 | 53.0 | 6.0 | 38.0 | 6.5 | 26.7 | 35.2 | 22.9 |
| <i>Of which:</i> | | | | | | | | | | |
| Gas | 60.2 | ... | 55.9 | ... | 22.5 | ... | 0.0 | ... | 52.9 | ... |
| Cotton | 22.1 | ... | 25.5 | ... | ... | ... | 0.5 | ... | 0.8 | ... |
| Oil products | 86.7 | ... | 54.0 | ... | ... | ... | 7.8 | 37.5 | 2.7 | 1.5 |
| Electricity | 100.0 | ... | 46.5 | ... | 100.0 | ... | 0.0 | ... | 0.0 | ... |
| Others | 55.0 | 58.0 | 33.0 | 53.0 | 19.0 | 38.0 | 13.7 | 30.8 | 17.3 | 20.2 |
| Construction | 7.5 | 16.0 | 5.7 | 21.0 | 2.0 | 7.0 | 7.1 | 13.9 | 4.2 | 6.7 |
| <i>Of which:</i> | | | | | | | | | | |
| Gas | 0.0 | ... | 1.6 | ... | ... | ... | 36.1 | ... | 4.1 | ... |
| Cotton | 33.0 | ... | 17.5 | ... | ... | ... | 1.0 | ... | ... | ... |
| Oil products | 4.6 | ... | 11.0 | ... | 6.0 | ... | 2.3 | 0.2 | 2.4 | 27.2 |
| Electricity | 0.0 | ... | 0.0 | ... | ... | ... | 0.0 | ... | ... | ... |
| Others | 3.0 | 16.0 | 0.0 | 21.0 | ... | 7.0 | 5.6 | 16.5 | 15.9 | 5.2 |
| Arrears, credit and other commercial transactions | 15.8 | ... | 22.0 | ... | 36.0 | ... | 27.5 | 36.5 | 33.8 | 78.8 |
| <i>Of which:</i> | | | | | | | | | | |
| Gas | 25.5 | ... | 33.4 | ... | 77.5 | ... | 13.1 | ... | 43.0 | ... |
| Cotton | 0.0 | ... | 0.0 | ... | ... | ... | 8.0 | ... | 4.2 | ... |
| Oil products | 0.0 | ... | 0.0 | ... | ... | ... | 26.3 | 49.6 | 19.8 | 70.5 |
| Electricity | 0.0 | ... | 53.5 | ... | ... | ... | 0.0 | ... | ... | ... |
| Others | 0.0 | ... | 0.0 | ... | ... | ... | 56.2 | 42.3 | 29.4 | 67.8 |
| Unspecified and adjustments | 1.0 | 18.0 | 0.0 | 20.0 | | 21.0 | 1.2 | 14.0 | 1.1 | -16.0 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Central Bank of Turkmenistan.

1/ In percent of total exports and total imports of the category concerned.

Table 32. Turkmenistan: Direction of Trade, 1994-99
(In millions of U.S. dollars)

| | Exports | | | | | | Imports | | | | | |
|---------------------------|----------------|----------------|----------------|--------------|--------------|--------------|----------------|----------------|----------------|----------------|----------------|--------------|
| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 Q1 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 Q1 |
| CIS countries | | | | | | | | | | | | |
| Armenia | 70.0 | 130.8 | 0.9 | 0.2 | 0.6 | 0.0 | 66.7 | 98.0 | 23.1 | 23.0 | 34.6 | 2.4 |
| Azerbaijan | 212.0 | 54.6 | 11.2 | 29.2 | 42.6 | 12.5 | 90.0 | 56.0 | 34.9 | 21.5 | 15.2 | 1.2 |
| Belarus | ... | ... | 0.5 | 0.9 | 0.5 | 0.2 | 14.3 | 14.0 | 0.9 | 8.1 | 4.4 | 0.9 |
| Georgia | 207.0 | 53.0 | 0.2 | 10.5 | 12.4 | 4.2 | 137.3 | 180.0 | 13.9 | 9.0 | 13.1 | 1.0 |
| Kazakhstan | 261.0 | 253.5 | 54.1 | 29.0 | 25.2 | 5.7 | 59.5 | 56.0 | 22.2 | 86.9 | 28.6 | 6.5 |
| Kyrgyz Republic | ... | ... | 0.9 | 13.4 | 5.8 | 0.2 | 22.4 | 14.0 | 1.2 | 2.3 | 2.1 | 0.4 |
| Moldova | ... | ... | 4.7 | 0.1 | 0.2 | 0.1 | 2.7 | ... | 3.5 | 1.4 | 17.5 | 2.1 |
| Russia 1/ | 136.0 | 159.5 | 1,055.5 | 331.0 | 29.0 | 8.6 | 148.7 | 154.0 | 154.6 | 164.0 | 131.8 | 54.4 |
| Tajikistan | 0.0 | 0.0 | 10.1 | 29.7 | 27.6 | 2.2 | 31.2 | 35.0 | 2.1 | 8.8 | 7.4 | 1.8 |
| Ukraine | 600.0 | 686.0 | 0.3 | 1.0 | 1.3 | 212.1 | 375.0 | 388.0 | 266.1 | 283.9 | 183.6 | 37.2 |
| Uzbekistan | 183.0 | 85.0 | 3.8 | 5.0 | 7.1 | 1.0 | 25.2 | 28.0 | 5.5 | 87.9 | 58.8 | 17.0 |
| Total CIS | 1,669.0 | 1,422.4 | 1,142.2 | 450.0 | 152.4 | 246.9 | 972.9 | 1,023.0 | 528.0 | 696.8 | 497.1 | 124.8 |
| Non-CIS countries | | | | | | | | | | | | |
| Afghanistan | 19.8 | 3.9 | 12.9 | 20.9 | 20.4 | 7.6 | 25.3 | 5.0 | 4.1 | 2.6 | 0.4 | ... |
| Austria | 6.6 | 18.4 | 12.7 | 8.9 | 7.5 | 4.7 | 25.1 | 12.0 | 4.4 | 2.2 | 7.0 | 0.6 |
| Belgium | ... | ... | ... | 0.2 | 0.4 | ... | ... | ... | ... | 5.3 | 5.2 | 0.5 |
| Bermuda Islands | ... | ... | ... | ... | 0.6 | 1.1 | ... | ... | ... | ... | ... | ... |
| Bulgaria | 0.9 | 9.9 | 7.9 | 0.6 | 0.2 | 0.0 | 6.3 | 1.0 | 5.4 | 6.0 | 2.1 | 0.0 |
| China | 0.1 | 1.2 | 1.8 | 2.2 | 5.6 | 2.3 | 1.6 | 2.0 | 11.4 | 7.0 | 6.1 | 2.0 |
| Cyprus | 35.4 | 3.5 | 9.1 | ... | 15.2 | 1.1 | 7.7 | 10.0 | 59.3 | 0.7 | 0.6 | 0.0 |
| Czech Republic | 27.9 | 1.6 | 1.9 | 1.0 | 0.5 | 0.5 | 18.3 | 1.0 | 8.0 | 1.9 | 2.3 | 0.9 |
| Denmark | ... | ... | ... | 0.2 | ... | 0.0 | ... | ... | ... | 2.0 | 1.0 | ... |
| England | ... | ... | ... | ... | 0.1 | ... | ... | ... | ... | ... | 1.0 | 0.8 |
| Estonia | 2.1 | 0.7 | 3.5 | 0.0 | 0.0 | 0.0 | 1.3 | 0.6 | 2.7 | 4.0 | 1.1 | ... |
| Finland | ... | ... | ... | ... | 1.0 | 0.0 | ... | ... | ... | 12.2 | 1.7 | 0.7 |
| France | ... | ... | ... | 0.5 | 0.4 | 0.1 | ... | ... | ... | 16.3 | 17.9 | 6.9 |
| Germany | 47.9 | 14.7 | 17.8 | 2.7 | 6.3 | 0.6 | 55.6 | 56.0 | 51.3 | 47.9 | 78.8 | 10.5 |
| Gibraltar | 8.1 | 16.9 | 3.3 | 0.0 | ... | ... | ... | ... | ... | 0.0 | ... | ... |
| Greece | 0.6 | ... | 0.0 | 0.9 | 1.5 | ... | 20.8 | 0.1 | 0.1 | ... | 0.4 | 0.1 |
| Hong Kong | 11.9 | 46.7 | 104.1 | 16.2 | 0.1 | ... | 11.8 | 3.0 | 29.3 | 2.7 | 2.3 | ... |
| Hungary | 0.1 | 3.7 | ... | ... | 0.7 | 0.7 | 13.4 | ... | 1.5 | 1.7 | 2.7 | 0.8 |
| India | ... | ... | ... | 0.7 | 0.5 | 0.3 | ... | ... | ... | 5.4 | 3.4 | 2.0 |
| Iran, Islamic Republic of | 21.2 | 4.9 | 16.9 | 123.5 | 148.2 | 36.3 | 70.8 | 70.0 | 45.2 | 38.8 | 18.0 | 5.2 |
| Ireland | 11.0 | ... | 14.3 | 0.3 | 0.9 | ... | 5.5 | 1.0 | 2.0 | 3.3 | 2.1 | 0.2 |
| Israel | ... | ... | ... | 0.4 | ... | ... | ... | ... | ... | 1.9 | 2.5 | 0.3 |
| Italy | 30.2 | 24.7 | 1.2 | 6.3 | 16.8 | 5.3 | 38.9 | 42.0 | 5.2 | 5.2 | 14.7 | 1.2 |
| Japan | ... | ... | ... | 0.1 | 0.0 | ... | ... | ... | ... | 6.7 | 8.0 | 0.4 |
| Kuwait | ... | ... | ... | ... | ... | ... | ... | ... | ... | 5.9 | 1.9 | ... |
| Korea, Republic of | ... | ... | ... | 0.6 | ... | ... | ... | ... | ... | 0.5 | 1.3 | 0.5 |
| Latvia | 13.1 | ... | 0.1 | ... | 1.4 | 2.9 | 15.3 | 0.1 | 1.4 | 2.0 | 1.4 | 0.1 |
| Lebanon | ... | ... | ... | ... | ... | ... | ... | ... | ... | 1.7 | 0.5 | ... |
| Libya | ... | ... | ... | 2.4 | 1.3 | ... | ... | ... | ... | ... | ... | ... |
| Lithuania | 4.5 | 9.3 | 1.8 | 0.5 | 0.0 | 0.1 | 13.7 | ... | 15.7 | 14.4 | 6.1 | 0.2 |
| Netherlands | ... | ... | ... | 7.0 | 0.9 | ... | ... | ... | ... | 12.3 | 5.4 | 1.8 |
| Pakistan | 0.0 | 68.9 | 12.7 | 1.0 | 2.1 | 0.7 | 2.3 | 0.2 | 10.4 | 1.5 | 0.5 | 0.4 |
| Poland | ... | ... | ... | 0.2 | 0.2 | 0.0 | ... | ... | ... | 2.8 | 1.4 | 1.0 |
| Romania | ... | ... | ... | 0.5 | 2.4 | 0.1 | ... | ... | ... | 1.6 | 2.4 | 0.0 |
| Sweden | 10.7 | 18.4 | 12.9 | 11.1 | 9.8 | 0.0 | 10.5 | 1.0 | 7.4 | 18.4 | 3.3 | 0.0 |
| Singapore | ... | ... | ... | 9.4 | 1.1 | 1.7 | ... | ... | ... | 0.3 | 3.4 | ... |
| Slovakia | ... | ... | ... | 0.1 | 0.0 | 2.4 | ... | ... | ... | 0.7 | 1.4 | 0.1 |
| Switzerland | 39.6 | 117.2 | 110.2 | 18.2 | 48.7 | 19.9 | 9.6 | 11.6 | 19.0 | 6.4 | 6.0 | 0.6 |
| Thailand | ... | ... | ... | 0.1 | 2.4 | 0.3 | ... | ... | ... | 0.0 | ... | ... |
| Turkey | 71.7 | 143.6 | 79.3 | 51.0 | 112.5 | 16.4 | 145.3 | 168.0 | 200.3 | 153.6 | 149.1 | 28.4 |
| United Arab Emirates | 0.1 | 6.0 | 21.1 | 0.5 | 2.3 | 0.1 | 15.3 | 10.0 | 10.7 | 25.9 | 22.3 | 11.9 |
| United Kingdom | 46.8 | 26.1 | 40.5 | 9.9 | 30.0 | 11.4 | 17.5 | 1.5 | 18.7 | 18.9 | 21.6 | 5.3 |
| United States | 17.0 | 23.1 | 43.4 | 0.8 | 0.5 | 1.5 | 54.4 | 14.0 | 395.2 | 88.0 | 72.9 | 40.3 |
| Virgin Islands (British) | ... | ... | ... | ... | 2.2 | 1.1 | ... | ... | ... | ... | 0.3 | ... |
| Yugoslavia | 1.2 | 0.4 | ... | ... | ... | ... | 23.1 | ... | ... | 0.0 | ... | ... |
| Others | 78.9 | 97.9 | 19.4 | 1.3 | 0.9 | 1.2 | 107.8 | 210.9 | 95.3 | 2.3 | 0.2 | 0.7 |
| Total Non-CIS | 507.0 | 661.6 | 548.9 | 300.3 | 445.6 | 120.3 | 717.3 | 621.0 | 1,004.0 | 530.9 | 480.7 | 124.2 |
| Adjustments | 0.0 | 0.0 | 0.0 | 23.7 | 16.0 | 3.9 | 0.0 | 0.0 | -143.7 | -222.7 | 159.3 | -33.4 |
| Total | 2,176.0 | 2,084.0 | 1,691.0 | 774.0 | 614.0 | 371.0 | 1,690.1 | 1,644.0 | 1,388.3 | 1,005.0 | 1,137.1 | 215.7 |

Source: Data provided by the Central Bank of Turkmenistan.

1/ From 1996, gas exports are recorded against Russia rather than against the final importing countries (Ukraine, Georgia, Armenia and Azerbaijan) as in earlier years.

Table 33. Turkmenistan: Gas Debt Owed to Turkmenistan, 1995-99
(In millions of U.S. dollars)

| Remarks | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 Jan.-May |
|--|---------|---------|---------|---------|---------|-------|------------------|
| Current year exports | | | | | | | |
| Value of exports | 1,860.0 | 1,429.7 | 1,292.3 | 1,022.0 | 273.7 | 71.7 | 344.0 |
| Gas export for transport outside of Turkmenistan | 287.7 | 351.4 | 325.0 | | | | |
| Net payments due | 1,572.3 | 1,078.3 | 967.3 | 1,022.0 | 273.7 | 71.7 | 344.0 |
| Received | 657.0 | 484.0 | 638.0 | 603.0 | 27.0 | 71.7 | 49.0 |
| In percent of payments due | 41.8 | 44.9 | 66.0 | 59.0 | 9.9 | 100.0 | 14.2 |
| Unpaid exports | 915.3 | 594.3 | 329.3 | 419.0 | 246.7 | 0.0 | 295.0 |
| Rescheduled gas debt (end-of-period stock) | ... | ... | 1,448.3 | 1,544.7 | 1,287.8 | 903.1 | 807.1 |
| Long-term, outstanding at year end | ... | ... | 1,214.2 | 1,166.8 | 1,041.2 | 867.3 | 788.1 |
| Ukraine | | | 721.5 | 704.3 | 563.4 | 422.5 | 352.3 |
| Repayment period: 1997 - 2001 | | | | | | | |
| Interest: 7 year deposit rate + 1 percent | | | | | | | |
| Loan is serviced. | | | | | | | |
| Armenia | ... | ... | ... | 31.2 | 25.5 | 19.1 | 15.9 |
| Repayment period: 1997 - 2001 | | | | | | | |
| Interest: Libor + 0.3 percent | | | | | | | |
| Loan is serviced. | | | | | | | |
| Armenia, assigned from Itera | ... | ... | ... | ... | 20.0 | 20.0 | 14.2 |
| Azerbaijan | ... | ... | 52.7 | 37.7 | 38.7 | 31.8 | 31.8 |
| Repayment period: 1997 - 2001 | | | | | | | |
| Interest: Libor + 1 percent | | | | | | | |
| Overdue. | | | | | | | |
| Georgia | ... | ... | 440.0 | 393.6 | 393.6 | 373.9 | 373.9 |
| Repayment period: 1998 - 2002 | | | | | | | |
| Interest: 4 percent fixed | | | | | | | |
| Loan is not serviced; payments overdue. | | | | | | | |
| Short-term, and other | ... | ... | 234.1 | 377.9 | 246.6 | 35.8 | 19.0 |
| Ukraine | ... | ... | 149.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Armenia | ... | ... | 41.9 | 5.8 | 0.8 | 0.8 | 0.8 |
| Azerbaijan | ... | ... | 42.6 | 3.0 | 0.0 | 0.0 | 0.0 |
| Georgia | ... | ... | ... | 9.6 | 5.8 | 0.4 | 0.4 |
| Itera 1/ 2/ | ... | ... | ... | 359.5 | 240.0 | 34.6 | 17.8 |
| Loan is being serviced. | | | | | | | |
| Payments received on rescheduled debt | ... | ... | ... | ... | 549.8 | 462.5 | 106.1 |
| Payments received on long term debt | ... | ... | ... | ... | 144.0 | 168.2 | 79.4 |
| Interest payments on long term debt 2/ | ... | ... | ... | ... | 63.4 | 64.0 | 9.9 |
| Payments received on short term debt 3/ | ... | ... | ... | ... | 342.4 | 230.3 | 16.7 |
| Debt forgiveness 4/ | ... | ... | ... | 45.0 | ... | ... | ... |

Sources: Turkmen authorities; and Fund staff estimates.

1/ Itera, a Russian company, marketed Turkmenistan's gas in 1996 and 1997. Itera's debt was in arrears at the end of 1996, rescheduling took place in mid-1997.

2/ In 1999 as of March 31, 1999.

3/ Includes interest for Itera.

4/ De facto debt forgiveness was likely higher (especially for penalty and other interest), as most of the agreements were renegotiated a few times. In addition, cash obligations were often converted into barter transactions.

Table 34. Turkmenistan: External Debt by Country, 1996-99
(In millions of U.S.dollars)

| Creditor country | Total contractual credit line 1/ 31-Dec-98 | Amount drawn 2/ 31-Dec-98 | Debt service | | | | | | | | Amount overdue | | Amount outstanding 3/ | | |
|-----------------------------|---|------------------------------|--------------|--------------|---------------|--------------|---------------|--------------|------------------|--------------|----------------|--------------|-----------------------|-----------------|-----------------|
| | | | 1996 | | 1997 | | 1998 | | 1999 (Jan.-Jun.) | | 31-Dec-98 | 1-Jun-99 | 31-Dec-97 | 31-Dec-98 | 1-Jun-99 |
| | | | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Total | Total | | | |
| Bahrain | 10.80 | 8.17 | 0.00 | 0.00 | 0.81 | 0.67 | 1.64 | 0.44 | 0.50 | 0.26 | 0.00 | 0.33 | 6.54 | 5.72 | 5.22 |
| Belgium | 8.40 | 8.38 | 0.43 | 0.38 | 0.81 | 0.21 | 0.59 | 0.16 | 0.57 | 0.21 | 0.99 | 1.27 | 3.75 | 6.13 | 5.57 |
| China | 6.02 | 6.02 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2.56 | 2.56 | 6.02 | 6.02 | 6.02 |
| Czech Republic | 35.04 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 3.26 | 0.00 | 0.00 | 0.00 | 0.00 | 5.37 |
| France | 145.80 | 86.81 | 1.34 | 0.65 | 4.13 | 1.91 | 2.86 | 1.10 | 1.35 | 0.44 | 0.00 | 0.00 | 14.53 | 78.48 | 88.96 |
| Germany 4/ | 1,046.03 | 810.47 | 13.60 | 3.03 | 92.75 | 14.84 | 67.01 | 31.59 | 12.74 | 9.38 | 12.70 | 14.58 | 615.58 | 641.15 | 770.22 |
| India | 15.00 | 5.69 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.01 | 1.30 | 1.74 | 4.99 | 5.69 | 5.69 |
| Iran, Islamic Republic of | 216.05 | 181.08 | 1.90 | 0.58 | 0.14 | 0.06 | 32.13 | 2.24 | 11.16 | 0.63 | 0.35 | 0.35 | 152.76 | 118.62 | 107.46 |
| Israel | 52.17 | 18.66 | 2.21 | 1.31 | 4.44 | 1.58 | 2.17 | 0.60 | 1.72 | 0.35 | 1.49 | 0.02 | 9.95 | 9.84 | 8.13 |
| Japan | 857.62 | 157.17 | 0.00 | 0.00 | 2.67 | 0.73 | 3.24 | 0.64 | 1.54 | 1.71 | 0.00 | 0.00 | 52.51 | 150.17 | 306.08 |
| Kuwait | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Malaysia | 30.00 | 16.09 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.60 | 0.00 | 0.00 | 0.90 | 16.09 | 17.67 |
| Pakistan | 10.00 | 9.84 | 0.00 | 0.00 | 6.78 | 0.82 | 0.00 | 0.00 | 0.00 | 0.16 | 2.97 | 2.81 | 3.29 | 2.81 | 2.81 |
| Saudi Arabia | 16.25 | 5.86 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.47 | 4.88 | 5.86 | 5.75 |
| Sweden | 16.60 | 16.60 | 0.00 | 0.00 | 0.00 | 0.00 | 5.53 | 1.12 | 5.53 | 0.75 | 0.00 | 0.00 | 16.60 | 11.07 | 5.53 |
| Switzerland 4/ | 170.40 | 170.40 | 0.00 | 0.00 | 40.50 | 2.15 | 0.00 | 0.00 | 129.90 | 5.08 | 0.00 | 0.00 | 89.18 | 129.90 | 0.00 |
| Turkey | 111.66 | 93.83 | 0.00 | 5.17 | 14.80 | 5.08 | 6.52 | 2.03 | 45.70 | 3.51 | 31.55 | 0.00 | 53.04 | 50.33 | 65.58 |
| Great Britain | 85.45 | 83.08 | 0.00 | 1.43 | 0.00 | 4.34 | 4.79 | 4.88 | 6.37 | 2.50 | 5.46 | 0.00 | 47.48 | 78.29 | 71.91 |
| United States | 529.32 | 455.13 | 4.06 | 2.44 | 31.75 | 10.95 | 35.96 | 12.76 | 54.01 | 12.23 | 32.98 | 18.28 | 264.74 | 380.78 | 327.40 |
| Multi-country | 50.32 | 39.77 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.60 | 0.00 | 0.00 | 0.00 | 39.77 | 41.36 |
| International organizations | 90.30 | 12.70 | 0.00 | 0.55 | 0.00 | 0.42 | 0.00 | 0.83 | 0.52 | 0.36 | 0.00 | 0.00 | 8.78 | 12.70 | 12.84 |
| Total | 3,503.23 | 2,185.75 | 23.54 | 15.54 | 199.58 | 43.76 | 162.44 | 58.39 | 271.61 | 43.04 | 92.34 | 42.41 | 1,355.52 | 1,749.42 | 1,859.57 |

Sources: Data provided by the Central Bank of Turkmenistan; and Fund staff estimates.

1/ This is the maximum loan amount according to the contract.

2/ This is the total loan amount that was actually drawn. A positive difference between 'total contractual credit line' and 'amount drawn' does not necessarily imply that there is an open line of credit.

3/ Some loans are denominated in euro and in yen; exchange rate changes influence the amount outstanding.

4/ Debt service to these countries includes short-term debt that is sometimes rolled over explicitly and recorded, but sometimes rolled over by extension of contract and not recorded.

Table 35. Turkmenistan: External Debt by Sector, 1996-99
(In millions of U.S.dollars)

| Sector | Total contractual credit line 1/ | | | Amount drawn 2/ | Amount available for disbursement 3/ 4/ 5/ | Amount outstanding | | | | Amount overdue | |
|--|----------------------------------|-----------|-----------|-----------------|---|--------------------|-----------|-----------|----------|----------------|----------|
| | 31-Dec-96 | 31-Dec-97 | 31-Dec-98 | | | 31-Dec-96 | 31-Dec-97 | 31-Dec-98 | 1-Jun-99 | 31-Dec-98 | 1-Jun-99 |
| | | | | 31-Dec-98 | 1999 and later | | | | | | |
| Agriculture | 444.0 | 1,079.0 | 1,081.9 | 1,079.5 | 149.2 | 281.0 | 686.9 | 818.2 | 776.3 | 46.6 | 31.6 |
| Aviation | 200.0 | 200.0 | 230.5 | 228.1 | 0.0 | 161.0 | 187.0 | 192.0 | 174.8 | 5.5 | 1.3 |
| Construction | 38.0 | 37.0 | 239.8 | 135.5 | 151.5 | 34.0 | 58.8 | 83.3 | 98.1 | 32.1 | 0.4 |
| Energy sector | 535.0 | 797.0 | 1,717.9 | 636.5 | 1,032.8 | 144.0 | 367.1 | 572.8 | 731.9 | 0.5 | 0.3 |
| Government | 25.0 | 29.0 | 64.1 | 15.3 | 30.9 | 3.0 | 8.8 | 15.3 | 14.7 | 0.0 | 0.0 |
| Health | 39.0 | 47.0 | 38.0 | 38.3 | 0.2 | 30.0 | 26.9 | 29.1 | 28.5 | 7.6 | 8.9 |
| Transportation, communication and infrastructure | 11.0 | 110.0 | 121.0 | 51.9 | 39.6 | 10.0 | 20.0 | 38.1 | 34.7 | 0.0 | 0.0 |
| Other | 7.0 | 38.0 | 10.0 | 0.7 | 9.3 | 4.0 | 0.0 | 0.7 | 0.7 | 0.0 | 0.0 |
| Total | 1,299.0 | 2,337.0 | 3,503.2 | 2,185.8 | 1,413.4 | 667.0 | 1,355.5 | 1,749.4 | 1,859.6 | 92.3 | 42.4 |

Sources: Data provided by the Central Bank of Turkmenistan; and Fund staff estimates.

1/ This is the maximum loan amount according to the contract.

2/ This is the total loan amount that was actually drawn.

3/ Includes only existing contracts. Estimates are based on loan agreement dates, repayment dates, and undrawn amounts relative to contract amount.

4/ Amount available for disbursements' for 'Agriculture' is the actual roll-over of cotton loans as of June 1999.

5/ Amount available for disbursements' for 'Construction' includes the rescheduled loans in 1999 of US\$ 48 million.

Table 36. Turkmenistan: External Debt by Guarantor, 1998-99
(In millions of U.S. dollars; unless otherwise indicated)

| | Maturities as of 31-Dec-98 1/ | | | Total credit line | Amount drawn | As of 31-Dec-98 | | | | Amount disbursed in 1992 2/ | As of 1-Jun-99 | | | | |
|--|-------------------------------|----------------------|------------------|-------------------|--------------|--------------------|----------------|-----------|----------|-----------------------------|-----------------------|----------------|-----------|----------|--|
| | Original maturity (years) | Remaining | | | | Amount outstanding | Amount overdue | | | | Amount outstanding 3/ | Amount overdue | | | |
| | | Grace period (years) | Maturity (years) | | | | Total | Principal | Interest | | | Total | Principal | Interest | |
| Total | 0.0 | 0.0 | 0.0 | 3,503.2 | 2,185.8 | 1,749.4 | 92.3 | 79.5 | 12.8 | 395.7 | 1,859.6 | 42.4 | 36.1 | 6.3 | |
| Loans administered by the Central Bank | 0.0 | 0.0 | 0.0 | 957.1 | 844.6 | 625.4 | 0.0 | 0.0 | 0.0 | 148.5 | 626.2 | 0.0 | 0.0 | 0.0 | |
| Borrowed from banks that manage reserves | 3.2 | 0.2 | 1.5 | 676.8 | 676.8 | 511.0 | 0.0 | 0.0 | 0.0 | 148.1 | 521.0 | 0.0 | 0.0 | 0.0 | |
| International organization | 17.5 | 1.8 | 14.0 | 90.3 | 12.7 | 12.7 | 0.0 | 0.0 | 0.0 | 0.3 | 12.8 | 0.0 | 0.0 | 0.0 | |
| No known foreign guarantor | 4.9 | 0.0 | 1.5 | 190.0 | 155.1 | 101.7 | 0.0 | 0.0 | 0.0 | 0.0 | 92.4 | 0.0 | 0.0 | 0.0 | |
| Loans administered by Vnesheconombank | 0.0 | 0.0 | 0.0 | 2,546.2 | 1,341.2 | 1,124.0 | 92.3 | 79.5 | 12.8 | 247.2 | 1,233.4 | 42.4 | 36.1 | 6.3 | |
| Borrowed from banks that manage reserves | 2.4 | 0.0 | 0.0 | 30.0 | 30.0 | 10.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.4 | 1.3 | 1.3 | 0.0 | |
| Hermes (Germany) | 11.2 | 1.2 | 8.8 | 405.0 | 221.8 | 192.3 | 12.7 | 10.5 | 2.2 | 0.1 | 172.7 | 13.3 | 10.9 | 2.5 | |
| US Eximbank | 6.1 | 0.2 | 4.1 | 484.3 | 410.5 | 336.2 | 32.1 | 27.7 | 4.5 | 1.2 | 282.8 | 17.1 | 16.1 | 1.0 | |
| US Government | 28.5 | 2.8 | 24.4 | 45.0 | 44.6 | 44.6 | 0.9 | 0.0 | 0.9 | 0.0 | 44.6 | 1.2 | 0.0 | 1.2 | |
| Other export credit agencies for energy sector | 11.6 | 2.5 | 10.7 | 896.7 | 229.2 | 229.0 | 0.0 | 0.0 | 0.0 | 112.9 | 341.9 | 0.0 | 0.0 | 0.0 | |
| Other export credit agencies for other sectors | 8.7 | 0.9 | 6.4 | 369.0 | 255.4 | 173.4 | 41.2 | 36.5 | 4.7 | 60.9 | 181.5 | 9.2 | 7.6 | 1.7 | |
| No known foreign guarantor | 10.1 | 2.9 | 8.8 | 316.1 | 149.7 | 138.6 | 5.5 | 4.8 | 0.7 | 72.1 | 203.4 | 0.3 | 0.3 | 0.0 | |

Sources: Data provided by the Central Bank of Turkmenistan; and Fund staff estimates.

1/ Maturities were weighted by total credit line as of March 1999.

2/ Inferred. Imprecise due to exchange rate changes.

3/ Exchange rate depreciations of the euro to the U.S. dollar during 1999 also reduced Turkmenistan's debt.

Table 37. Turkmenistan: Claims on BRO Countries
(In millions of U.S. dollar)

| | | |
|--|---|---------|
| Total claims 1/ | | 1,376.0 |
| Rescheduled gas debt | | 869.8 |
| Unpaid gas deliveries in 1999 | | 268.0 |
| Interbank transactions | | 169.5 |
| Other | | 68.8 |
| Ukraine (as of Jun. 1, 1999) | Total | 674.9 |
| | Rescheduled gas debt (repayment 1997 - 2001) 2/ | 387.2 |
| | Unpaid gas deliveries in 1999 | 268.0 |
| | Total for interbank transactions 3/ | 19.7 |
| | Interbank transactions | 14.2 |
| | Interest on interbank transactions (as of Jan. 1998) | 5.5 |
| | Memorandum item: | |
| | Owed to Itera for gas deliveries from Turkmenistan in 1996-97 | 19.5 |
| Georgia (as of Jan. 14, 1999) | Total | 374.4 |
| | Rescheduled gas debt (repayment 1998 - 2002) 4/ | 373.9 |
| | Of which: Overdue | 59.3 |
| | Short-term gas debt (overdue) | 0.5 |
| Azerbaijan (as of Jun. 1, 1999) | Total | 53.4 |
| | Total on rescheduled gas debt | 31.8 |
| | Rescheduled gas debt, due in cash (overdue) | 21.0 |
| | Rescheduled gas debt, due in barter | 6.3 |
| | Interest on overdue foreign exchange payments | 4.2 |
| | Penalty for short delivery of goods | 0.2 |
| | Total on interbank operations 3/ | 21.7 |
| | Interbank operations | 15.0 |
| | Interest on interbank operations | 6.7 |
| Armenia (as of Aug. 29, 1998) | Total | 42.3 |
| | Rescheduled gas debt (repayment 1997 - 2001) 2/ | 22.3 |
| | Rescheduled gas debt assigned from Itera 5/ | 20.0 |
| Tajikistan (as of Jun. 1, 1999) | Total | 30.1 |
| | Total from 1992-94 | 27.0 |
| | Interbank settlements 3/ | 16.8 |
| | Electricity deliveries 1992-94 (unsettled) | 5.9 |
| | Accrued interest | 4.3 |
| | Total recent electricity deliveries | 3.1 |
| | Electricity deliveries 1997 | 0.1 |
| | Electricity deliveries 1998 | 3.0 |
| Russia | Interbank settlements | 107.0 |
| Kazakhstan (as of Dec. 1, 1998) | Total | 49.0 |
| | Grain products (after off-sets) | 4.2 |
| | Electricity deliveries 1995-98 | 27.8 |
| | Gas deliveries 1994 (unsettled) | 17.0 |
| Uzbekistan (as of Aug. 16, 1998) | Total | 10.3 |
| | From trade in 1997, regulated in agreement from March 98 | 2.8 |
| | From trade in 1998, regulated in agreement from May 98 | 7.5 |
| Itera (Russia) (as of Jan. 1, 1999) 6/ | Rescheduled gas debt | 34.6 |

Sources: Data provided by Turkmen authorities; and Fund staff estimates.

1/ This table provides a snapshot of the situation; the exact amounts outstanding are reduced by repayments, but also increased through accumulation of unpaid interest and new arrears on exports.

2/ This debt is being serviced according to schedule.

3/ Ruble balances have been agreed with Azerbaijan and Tajikistan, but exchange rates for the conversion into U. S. dollar are in dispute.

4/ No principal payments on this debt (US\$ 19.7 million per quarter) are being made; interest including penalty interest is paid.

5/ First repayments on this debt were made in first quarter of 1999, no formal payment schedule exists.

6/ The private company Itera marketed Turkmen gas in 1996 and 1997. This debt is being serviced and final payment expected during 1999.

Table 38. Turkmenistan: Privatization of State Enterprises, 1993-99
(Units)

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 Jan.-Jun. | Total |
|---|------|-------|------|------|------|------|-------------------|-------|
| Consumer services | 13 | 1,003 | 201 | 45 | 1 | 1 | 2 | 1,266 |
| Trade and catering | 0 | 61 | 201 | 167 | 96 | 89 | 28 | 642 |
| Manufacturing | 0 | 0 | 0 | 2 | 3 | 16 | 22 | 43 |
| Unfinished construction | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 |
| Motor vehicles | 0 | 0 | 0 | 10 | 38 | 0 | 0 | 48 |
| Total | 13 | 1,064 | 402 | 224 | 138 | 107 | 52 | 2,000 |
| <i>Of which</i> : Small-scale enterprises | 13 | 1,064 | 401 | 219 | 97 | 91 | 30 | 1,915 |
| Medium- and large-scale enterprises | 0 | 0 | 1 | 5 | 41 | 16 | 22 | 85 |

Sources: Data provided by the Turkmen authorities; USAID; and Fund staff estimates.

Table 39. Turkmenistan: Method of Privatization, 1993-99
(Number of enterprises)

| | Auction | Direct sale | Management/ employee buyout | Total |
|-------------------------|------------|----------------|-----------------------------------|--------------|
| Consumer services | 77 | 0 | 1,189 | 1,266 |
| Trade and catering | 349 | 0 | 293 | 642 |
| Manufacturing | 34 | 7 | 2 | 43 |
| Unfinished construction | 1 | 0 | 0 | 1 |
| Motor vehicles | 48 | 0 | 0 | 48 |
| Total | 509 | 7 | 1,484 | 2,000 |

Sources: Data provided by the Turkmen authorities; USAID; and Fund staff estimates.