OECD

LAUNCH VERSION

Competitiveness and Private Sector Development

Building a Competitive Investment Landscape in Turkmenistan

Funded by the European Union

Competitiveness and Private Sector Development

Building a Competitive Investment Landscape in Turkmenistan

OECD
BETTER POLICIES FOR BETTER LIVES

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of the Member countries of the OECD.

This document was produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union.

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Note by the Republic of Türkiye
The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Türkiye recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Türkiye shall preserve its position concerning the "Cyprus issue".

Note by all the European Union Member States of the OECD and the European Union
The Republic of Cyprus is recognised by all members of the United Nations with the exception of Türkiye. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

Please cite this publication as:
OECD (2025), *Building a Competitive Investment Landscape in Turkmenistan*, Competitiveness and Private Sector Development, OECD Publishing, Paris, https://doi.org/10.1787/84f62768-en.

ISBN 978-92-64-79326-2 (print)
ISBN 978-92-64-85809-1 (PDF)
ISBN 978-92-64-80534-7 (HTML)

Competitiveness and Private Sector Development
ISSN 2076-5754 (print)
ISSN 2076-5762 (online)

Photo credits: Cover © Shawn.ccf/Shutterstock.com.

Corrigenda to OECD publications may be found at: https://www.oecd.org/en/publications/support/corrigenda.html.

© OECD 2025

Attribution 4.0 International (CC BY 4.0)
This work is made available under the Creative Commons Attribution 4.0 International licence. By using this work, you accept to be bound by the terms of this licence (https://creativecommons.org/licenses/by/4.0/).
Attribution – you must cite the work.
Translations – you must cite the original work, identify changes to the original and add the following text: *In the event of any discrepancy between the original work and the translation, only the text of the original work should be considered valid.*
Adaptations – you must cite the original work and add the following text: *This is an adaptation of an original work by the OECD. The opinions expressed and arguments employed in this adaptation should not be reported as representing the official views of the OECD or of its Member countries.*
Third-party material – the licence does not apply to third-party material in the work. If using such material, you are responsible for obtaining permission from the third party and for any claims of infringement.
You must not use the OECD logo, visual identity or cover image without express permission or suggest the OECD endorses your use of the work.
Any dispute arising under this licence shall be settled by arbitration in accordance with the Permanent Court of Arbitration (PCA) Arbitration Rules 2012. The seat of arbitration shall be Paris (France). The number of arbitrators shall be one.

Foreword

This report represents the OECD's first country-specific analysis of Turkmenistan, building on several years of regional engagement and analytical work. The assessment was conducted within the framework of the European Union (EU) Prosperity Programme in Central Asia, which seeks to strengthen the business environment and advance intra- and inter-regional connectivity.

Turkmenistan's unique position as a crossroads for major trade routes will be central to its development and that of the wider region. A dynamic investment climate is essential to transform Turkmenistan's potential into a vibrant and inclusive economy.

Drawing on a survey conducted by the OECD among more than 30 private sector firms operating in Turkmenistan, as well as responses to a questionnaire submitted to the government and interviews with development partners, officials and business people, the report examines recent progress in improving the business climate and the investment landscape, identifies areas for further work, and proposes recommendations grounded in OECD good practices. Key topics include procedures for starting a business, strengthening human capital development, advancing digitalisation, simplifying trade procedures, and establishing an Investment Promotion Agency (IPA).

Acknowledgments

This report was prepared in the Eurasia Division of the OECD Global Relations and Co-operation Directorate (GRC), under the overall direction of Mr Andreas Schaal, Director of the OECD Global Relations and Co-operation and with the thorough review of Mr William Tompson, Head of the OECD Eurasia Division. The report was supervised by Mr Grégory Lecomte, Senior Policy Analyst and Head of the Central Asia Unit, and co-ordinated by Ms Céleste Laporte Talamon, Policy Analyst, OECD Eurasia Division.

The lead author of this report is Mr Daniel Poloyko, Policy Analyst in the OECD Eurasia Division, with guidance and significant analytical support provided by Ms Céleste Laporte Talamon. Ms Ryskul Iskakova, former Policy Analyst, designed the private sector survey and analysed the results. Ms Anna Chahtahtinsky and Ms Elisa Larrakoetxea, Programme Administrators in the OECD Eurasia Division, provided unfailing administrative and logistical support.

The OECD is also grateful to representatives of the public and private sectors, business associations, development partners, and other stakeholders who provided valuable inputs during numerous discussions and through the responses to the survey disseminated by the OECD.

The work was made possible thanks to close interactions with the Ministry of Finance and Economy of Turkmenistan. The OECD would like to thank in particular Ms Galina Romanova, Head of the Consolidated Directorate of Public Finance and Economic Policy, Mr Ata Chapayev, Head of the Department of Development and Finance of the Sectors of the Economy, and Mr Ashirali Gurbanniyazov, Head of the Department for the Development of the Non-State Sector of the Economy, the Regulation of Special Economic Zones (SEZs), and Public-Private Partnerships (PPP), for their valuable comments. Mr Maksat Chariev, Ambassador of Turkmenistan to France and Mr Merdan Ergeshov, Third Secretary at the Embassy of Turkmenistan to France, ensured smooth communication with Ashgabat. The OECD also conveys its appreciation to Ms Svetlana Bairamova of the EU Delegation to Turkmenistan for her invaluable support in facilitating bilateral meetings and in-country workshops.

The present report was greatly improved by the numerous comments from colleagues within the OECD. The team is particularly grateful for the comments and guidance from its reviewers: Mr Alexander Böhmer, Head of the South Asia - South-East Asia Division of the OECD's Global Relations and Co-operation Directorate, and Mr Alexandre De Crombrugghe, Head of the Investment Promotion and Facilitation Team in the OECD Investment Division. Mr Eric Livny, Head of the European Bank of Reconstruction and Development (EBRD) Resident office in Turkmenistan and Mr Daniil Maykovskiy, Business Director at the MCT Agency, both provided valuable inputs and suggestions.

Finally, this work would not have been possible without financial and diplomatic support of the European Union. The OECD is grateful to the EU for its valuable support during working group events in Turkmenistan. In particular, the OECD would like to thank Mr Johannes Baur, Head of Co-operation, and Ms Ewa Żukowska, Programme Manager, both at the Delegation of the EU to Kazakhstan, as well as Ms Beata Pęksa, Ambassador, and Mr Borislav Dimitrov, Programme Manager, both at the Delegation of the EU to Turkmenistan.

Table of contents

Foreword 3

Acknowledgments 4

Abbreviations and acronyms 8

Executive summary 9

1 Economic overview of Turkmenistan 11
1.1. Turkmenistan since independence 12
1.2. Key economic trends and policy context 13
1.3 Private sector, sustainability and connectivity developments 18
1.4 Direct support to domestic industries and import substitution strategies are two key features of Turkmenistan's economic development policy 22
1.5. Focus of this report 25
References 25
Notes 29

2 Insights on Turkmenistan's Business Climate 31
Introduction 32
Firms express cautious optimism, but complimentary data highlight remaining challenges 33
Topic 1: Opening a business 33
Topic 2: Human capital 38
Topic 3: Digitalisation 43
Topic 4: Trade policy and procedures 47
Topic 5: Addressing other operational issues for businesses 50
References 56
Notes 62

3 Attracting FDI: creating an Investment Promotion Agency 63
Introduction 64
Topic 1: Creation and mandate of an Investment Promotion Agency 67
Topic 2: Investment promotion 73
Topic 3: Investment facilitation 79
Topic 4: Additional investment policy responsibilities 82
References 91
Notes 95

FIGURES

Figure 1.1. GDP per capita, PPP (constant 2021 international dollars) 12
Figure 1.2. GDP growth in Turkmenistan and Central Asia (%) 13
Figure 1.3. Turkmenistan's export profile 15
Figure 1.4. Turkmenistan's export basket (selected products, USD) 16
Figure 1.5. Export diversification (destinations) 16
Figure 1.6. Performance of Turkmenistan in the OECD Trade Facilitation Indicators (2023 data) 21
Figure 1.7. Origins of methane plumes recorded by the UNEP, January-June 2025 22
Figure 2.1. Demographics of the respondents' firms 32
Figure 2.2. How would you assess the dynamic of the business climate since 2022? 33
Figure 2.3. How would you rate the ease of starting a business? 34
Figure 2.4. How do you perceive the level of competition in your industry? 35
Figure 2.5. What specific improvements in hard infrastructure would significantly enhance your trade efficiency? 44
Figure 2.6. Fixed broadband basket cost in Central Asia 45
Figure 2.7. How would you rate the effectiveness and efficiency of the legal system in resolving business disputes since 2022? 51
Figure 3.1. FDI inflows in Central Asia relative to GDP (%), 5-year moving average 64
Figure 3.2. FDI stock relative to GDP (%) 65
Figure 3.3. Simplified representation of the Investment promotion and facilitation functions of an IPA according to the OECD Policy Framework for Investment 68
Figure 3.4. Simplified organigram of governmental and non-governmental bodies involved in investment policy in Turkmenistan 70

TABLES

Table 2.1. Monthly internet tariffs, July 2025 45
Table 2.2. Summary of findings and recommendations 54
Table 3.1. Comparative FDI data across Central Asia (2023) 65
Table 3.2. Incentives typology 74
Table 3.3. Action plan 90

BOXES

Box 1.1. Alternative estimates of GDP 14
Box 1.2. The challenge of diversification 17
Box 1.3. The Programme for the Development of the Foreign Economic Activity of Turkmenistan for 2020-2025 18
Box 1.4. TFI efforts in Central Asia 20
Box 1.5. Currency control in Turkmenistan 24
Box 2.1. Profile of survey respondents 32
Box 2.2. OECD *Recommendation of the Council on Competition Assessment* 37
Box 2.3. SMEs Support Strategy in the Czech Republic for the period 2021-2027 38
Box 2.4. OECD suggestions in creating responsive VET systems 40
Box 2.5. The World Bank's Conceptual Framework for EET programmes 42
Box 2.6. OECD Youth Policy Toolkit 43
Box 2.7. OECD Recommendation of the Council on Broadband Connectivity 46
Box 2.8. The Ombudsman for the Protection of the Rights of Entrepreneurs of Kazakhstan 53
Box 2.9. Uzbekistan's experience in liberalising its exchange rate 54
Box 3.1. The OECD Policy Framework for Investment 67
Box 3.2. The Investment Office of the Presidency of the Republic of Türkiye 71
Box 3.3. AZPROMO, an IPA example from Azerbaijan 73
Box 3.4. OECD perspective on the role of incentives in investment promotion 74
Box 3.5. Investment and Trade Agency of Mongolia 78
Box 3.6. Kazakh Invest: IPA example from Kazakhstan 80
Box 3.7. Foreign investors councils in Kazakhstan and Uzbekistan 82

Box 3.8. Typology of different economic zones 84
Box 3.9. OECD Principles on Public Governance of Public-Private Partnerships 87
Box 3.10. Special Economic Zones Authority (SEZA) of Kenya 89
Box 3.11. ProInversión, the Private Investment Promotion Agency of Peru 90

Abbreviations and acronyms

AZPROMO	Export and Investment Promotion Agency of the Republic of Azerbaijan
EU	European Union
FDI	Foreign Direct Investment
FIC	Foreign Investors' Council
GAFI	General Authority for Investment and Free Zones (Egypt)
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Agency for International Cooperation)
GNI	Gross National Income
IMF	International Monetary Fund
IPA	Investment Promotion Agency
ITC	International Trade Centre
ITU	International Telecommunication Union
KPI	Key Performance Indicators
KZT	Kazakhstani tenge
M&E	Monitoring and evaluation
MFE	Ministry of Finance and Economy
OECD	Organisation for Economic Co-operation and Development
PFI	Policy Framework for Investment
PPP	Public-Private Partnership
PPP	Purchasing Power Parity
PR	Public relations
SDG	Sustainable Development Goals
SEZ	Special Economic Zone
SEZA	Special Economic Zones Authority
TCTC	Trans-Caspian Transport Corridor
TMT	Turkmen manat
UAE	United Arab Emirates
UIE	Union of Industrialists and Entrepreneurs
UNEP	United Nations Environment Programme
USD	United States dollar

Executive summary

Turkmenistan has displayed strong growth since independence, but economic diversification will be key to building a resilient economy going forward

Diversification of production, employment and exports will be central to Turkmenistan's long-term prosperity. While the country continues to record positive economic growth amidst global challenges, it remains very dependent on the export of hydrocarbons, stressing the need to advance economic diversification in a context of increasingly fragmented value chains and accelerating climate change. The extractives sector is also highly capital- rather than labour-intensive. Diversification can help the economy generate more – and more productive – jobs for Turkmenistan's people.

The opening and diversification of the economy is showing signs of progress. Steps towards WTO membership have intensified since Turkmenistan obtained acceding country status, with technical working groups and legislative reforms under way. Private sector dynamism is growing, as shown by positive trends in non-hydrocarbon exports and business creation. State policies on import substitution and export promotion have helped to expand production in several sectors over the last decade, including fertilisers, inorganic chemicals, fruits and vegetables. In addition to established strong trade ties with China, Turkmenistan is steadily diversifying trade links, both with Central Asian neighbours and beyond. Attracting foreign direct investment (FDI) to non-resource tradable sectors could further stimulate this economic growth but will require further improvements in the business and investment climate.

An OECD survey of the private sector highlights cautious optimism about the evolving business environment

Survey responses from more than 30 local private sector firms complemented by interviews with development partners reflect some positive developments in the business and investment climate. Reforms have made registering a business and paying taxes easier, but excessive documentation, limited digitalisation, and import substitution strategies hamper new market entrants. Respondents report that skills shortages persist, with education and training programmes yet to respond fully to labour market demands. While the digitalisation of customs and trade procedures is advancing, restricted internet access caused by high tariffs and insufficient infrastructure continues to be a significant constraint. The persistence of the *de facto* dual exchange rate system and convertibility restrictions also represents a significant obstacle for FDI.

To capitalise on recent progress, Turkmenistan should accelerate efforts to ease regulatory barriers, increase internet access and strengthen the competition framework. Easing the regulatory burden for businesses at registration would allow them to be operational faster than at present, while developments in the legal field could strengthen the competition framework and improve access to finance to spur business creation. Human capital shortages could be addressed through the introduction of vocational education and training (VET) programmes involving the private sector, while entrepreneurship

education and training (EET) programmes could contribute to help prospective entrepreneurs further foster the market by establishing new businesses. Expanding the advances in digitalisation would require an increase in digital literacy coupled with investment in infrastructure and a reduction of the existing tariffs, levelling the playing field between domestic and international firms. Digitalisation should also be pursued in trade-related matters to simplify the procedures at the customs for transit drivers and to foster cross-border co-operation, as well as for tax payment procedures. Additional reforms, for instance aligning with international standards in the application by state-owned enterprises (SOEs) of reporting standards, the introduction of a fully functional separate office of the Business Ombudsman and the unification of the exchange could reassure investors and render the country's investment landscape more attractive.

Turkmenistan could benefit from a more proactive approach to FDI attraction through the establishment of an Investment Promotion Agency (IPA)

Turkmenistan manages to attract investment to its extractive sectors but could benefit from a diversification in the nature of investment projects and a streamlined governance framework. The country attracts FDI at the same rate as it neighbours and enjoys a higher investment stock than most of them, a testimony of a solid interest from investors. However, this investment is highly concentrated in hydrocarbons. The country is active on the international stage, organising numerous fora, and it takes part in foreign events to present itself as an attractive destination. However, investment-related competencies are scattered across several governmental and non-governmental institutions.

To realise fully its investment potential, Turkmenistan could establish a specific body dealing with investment – an Investment Promotion Agency (IPA). IPAs are flexible institutions which can adopt various organisational structures and hierarchical subordinations as long as their competencies allow them to realise the objectives set by a targeted national investment strategy that is aligned with the objectives of a national economic strategy. Investment-related matters can be divided in two categories – investment promotion, aiming at sparking the interest in prospective investors, and investment facilitation, being the assistance provided to those that decided to invest. An efficient IPA would need to provide transparent information about the investment landscape and opportunities in the country, but also about its own performance, based on monitoring and evaluation tools, to reach out to prospective investors and serve as an intermediary between the established ones and the government, as well as to present the collected feedback to the government to nurture policy change if it is needed and ensure investment retention. If needed, the IPA could assume additional mandates, such as managing export promotion, but also some less common ones, such as being responsible for economic zones and public-private partnerships (PPP).

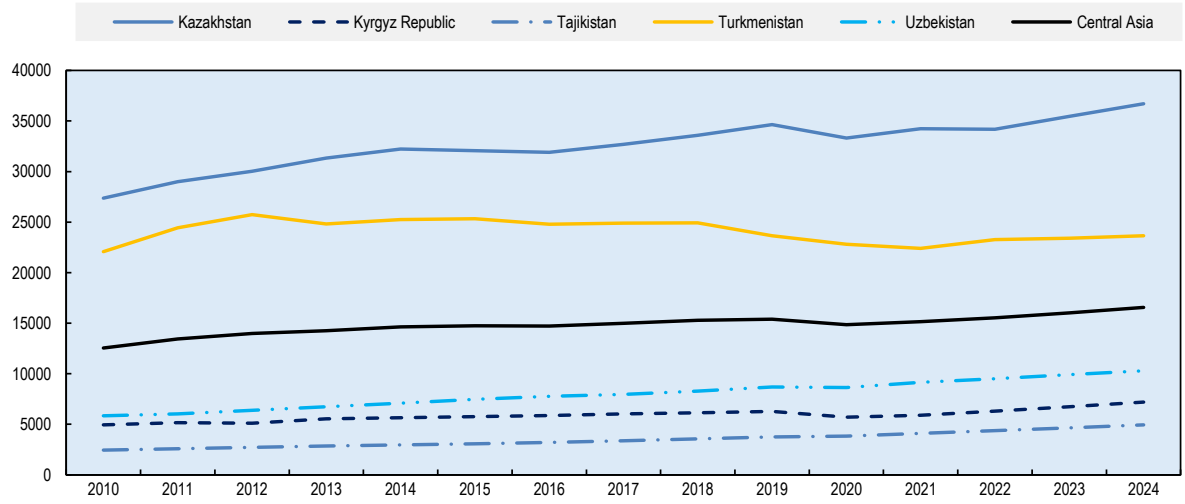
1 Economic overview of Turkmenistan

This chapter provides an overview of recent economic developments in Turkmenistan, with an emphasis on trade, private-sector development and foreign direct investments. Like other economies in the region, Turkmenistan is trying to adjust to the challenges of positive yet decelerating growth trends in the wake of the COVID-19 pandemic and Russia's full-scale invasion of Ukraine. With growing interest in alternative transport routes, the North-South and East-West corridors present significant opportunities for Turkmenistan. Yet it must be able first to implement the necessary reforms to develop a more diversified economy and improve the investment climate.

1.1. Turkmenistan since independence

Endowed with the fourth-largest proven reserves of natural gas in the world, Turkmenistan has benefited since independence from rising hydrocarbon exports. The country has been classified as upper-middle-income since 2012, with a GDP of 64.2 billion current USD in 2024 (World Bank, 2025[1]).[1] Since the 2000s, it continuously ranks second in Central Asia by the amount of GDP per capita in purchasing power parity (PPP) (Figure 1.1). Turkmenistan's gas reserves are estimated to be about 10% of global reserves, making it a significant player in the energy sector (World Bank, 2018[2]). Turkmenistan also appears to be rich in critical raw materials in its soil, such as supposed reserves of lithium needed for the production of batteries, and there are estimates of around 70 million tons of iron ore in the West of the country (Symeonidis, 2024[3]).

Figure 1.1. GDP per capita, PPP (constant 2021 international dollars)



Source: (IMF, 2025[4])

Turkmenistan experienced economic challenges in the mid-2010s (Figure 1.2**), triggered by the end of the commodity super-cycle and the ensuing reduction in hydrocarbon export revenues in 2015-18**. This prompted a devaluation of the manat's official exchange rate, which had been pegged at 2.85 TMT to the US dollar since 2009, to a level of 3.5 TMT/USD from 2015. While the official exchange rate has remained fixed since that time, the parallel market exchange rate has experienced significant fluctuations over time, reaching as high as 38 TMT per USD in April 2021 before recovering to around 18.5 (Gogoberishvili and Bayar, 2023[5]).

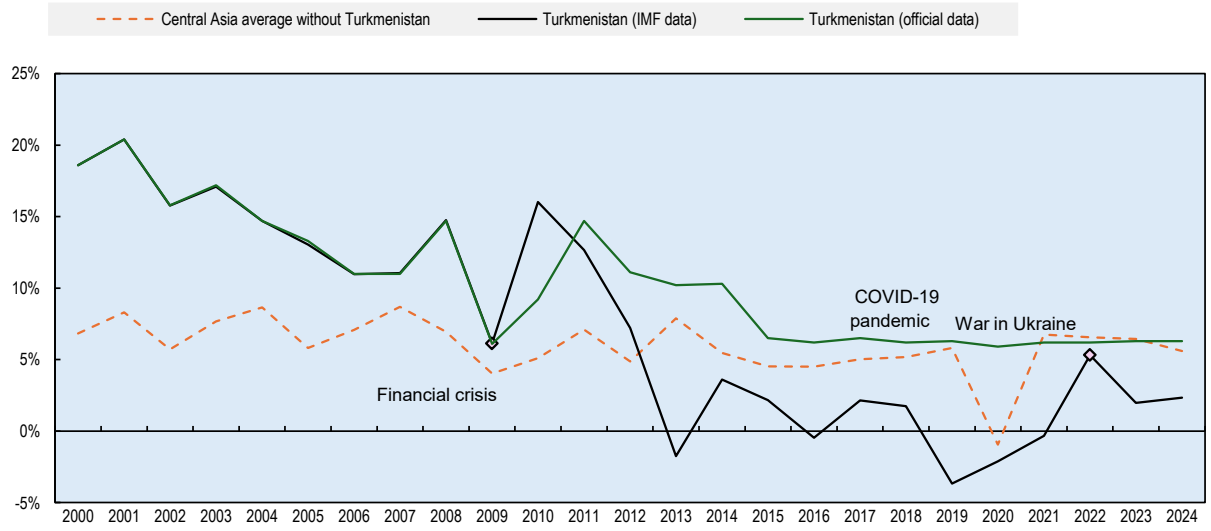
Nevertheless, the economy showed resilience in the face of recent shocks, including the commodity-price adjustments of the mid-2010s, the COVID-19 pandemic and the fall-out from Russia's full-scale invasion of Ukraine in February 2022. In 2024, growth stabilised, with the IMF projecting continued growth, albeit with recommendations for economic diversification and reforms (IMF, 2024[6]).

1.2. Key economic trends and policy context

Economic growth has been positive although decelerating in the last years

Turkmenistan's economy remains heavily reliant on its hydrocarbon sector, with natural gas exports being the primary driver of economic growth. However, in recent years, the country seems to have experienced a slowdown in growth, with GDP growth decelerating from 5.3% in 2022 to 2% in 2023, as estimated by the International Monetary Fund (Figure 1.2). This slowdown reflects both global and domestic challenges, including fluctuating global energy prices and limited economic diversification (IMF, 2024[6]). As can be seen from Figure 1.2, the authorities' official data presents a different picture, with the economy experiencing growth driven by the industrial, services, and agricultural sectors. Box 1.1 provides an overview of the issues surrounding these data. Additionally, official reports indicate that real wages increased by 10% during this period, which in turn bolstered consumer spending (Turkmenistan Altyn Asyr, 2024[7]).

Figure 1.2. GDP growth in Turkmenistan and Central Asia (%)



Source: (IMF, 2024[8]) and official data provided by the government of Turkmenistan.

Box 1.1. Alternative estimates of GDP

Official and IMF data on Turkmenistan show disparities. For instance, the GDP estimates provided by the IMF significantly differ from the official data provided by the government (Figure 1.2).

IMF analysts have provided several reasons for the difference between their results and official data. One issue was simply that published official data relied on official exchange rates, despite the fact that parallel market exchange rates were very different. A working paper published in 2023 indicated that the concerns of international observers and partners (e.g., international organisations, bilateral trade and investment partners, credit rating agencies, and independent forecasters) about GDP data for Turkmenistan intensified during the first year of the COVID-19 pandemic, as the official data showed uninterrupted strong growth (around 6%) despite the large global shock and limited policy response. This led analysts to develop a bottom-up methodology drawing not only on Turkmen official information, but also from external sources, chiefly trade data, which permits reliance on the "mirror statistics" of trade partners.

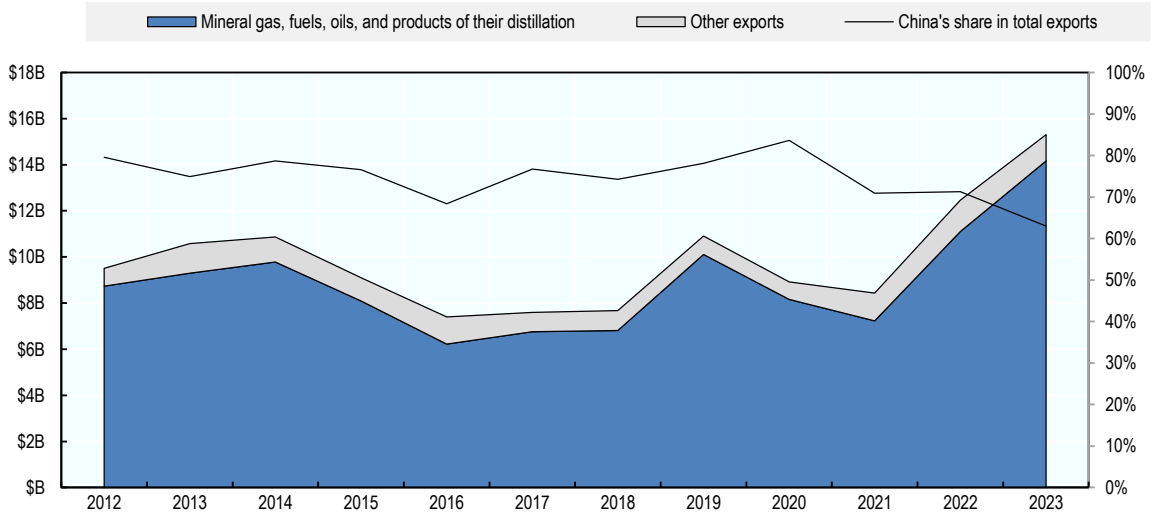
The OECD acknowledges the existence of a difference in approach between the IMF and Turkmenistan. At present, the IMF and Turkmen authorities are in discussions to resolve these disparities. This report uses IMF data for consistency and international comparability, but provides the Turkmen authorities' data, as well, where there are important differences.

Source: Bayar and Gogoberishvili (2023[9]).

The export basket is dominated by hydrocarbon exports to China

Natural gas, mineral oils and products from their distillation constituted on average 90% of the country's total export from 2012 to 2022. China remained the main trading partner, accounting for 75% of Turkmen export on average over the period (Figure 1.3), and bought up to 93% of Turkmen gas in 2024 (Economist Intelligence Unit, 2024[10]). Such an important reliance on one country and a highly concentrated export basket make the economy vulnerable to trade shocks affecting links with China, as was the case during the COVID-19 pandemic with the value of Turkmen exports to China falling by almost 30% (Observatory of Economic Complexity, 2025[11]).

Figure 1.3. Turkmenistan's export profile



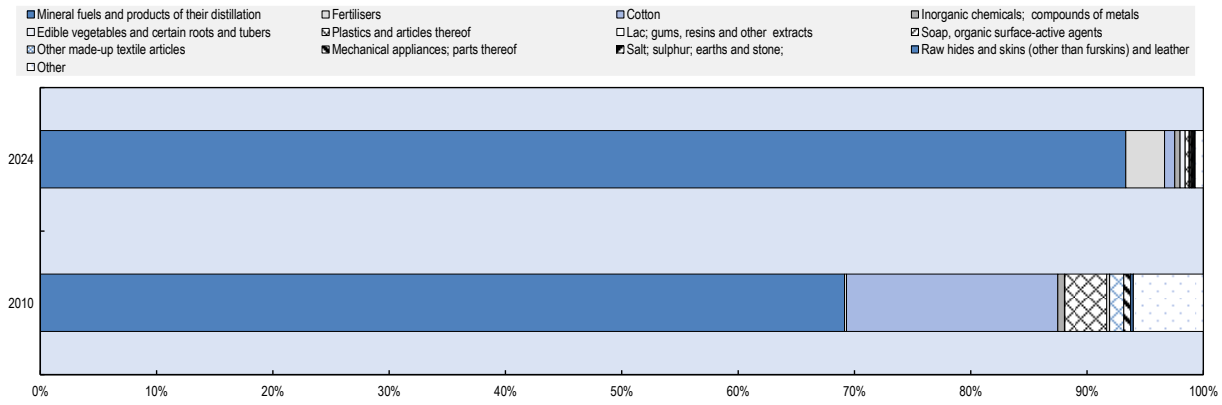
Source: (Observatory of Economic Complexity, 2025[11])

Authorities have pursued economic diversification albeit with limited progress

The authorities have been working to diversify the country's export basket, with other sectors experiencing strong growth, such as agriculture. For example, they report that the production of tomatoes has experienced an unprecedented growth in recent years, with exports more than tripling between 2020 and 2023 (Turkmenistan Habarlary Portaly, 2024[12]). According to interviews conducted by the OECD, tomatoes are grown in gas-heated greenhouses, making the business model attractive to local entrepreneurs due to low energy prices. Thanks to low production costs, Turkmen tomatoes have proven to be highly competitive on foreign markets. Their export is currently directed towards Central Asia and Russia, sometimes even achieving leading positions, such as in the Kyrgyz Republic, where the top-3 import origins of tomatoes are Turkmenistan (15.2 thousand tons), Uzbekistan (3.5 thousand tons) and China (722 tons) (Turkmenistan Habarlary Portaly, 2025[13]). Overall, vegetable exports in 2024 grew 41-fold compared to the value of their export in 2015 (ITC, 2025[14]).

Despite some growth in other sectors, the country's export basket remains heavily dominated by hydrocarbons, which have increased their share in exports since 2010 (Figure 1.4). OECD survey results and interviews with private-sector firms reveal trends such as the rising significance of fertilisers and vegetables among export commodities. However, mineral fuels still accounted for over 90% of exports in 2023. There have been notable increases in the export of fertilisers—some, like sulfuric fertilisers, are by-products of gas production —with fertiliser exports growing more than 18-fold since 2015 and inorganic chemical exports rising by three times during the same period (ITC, 2025[14]). These fertilisers are mainly derived from gas production, so the link to the hydrocarbons sector remains strong. Nevertheless, this growth represents a positive, if modest, step towards diversification of production, employment and exports and official data provided to the OECD by the government also illustrates the same trend.

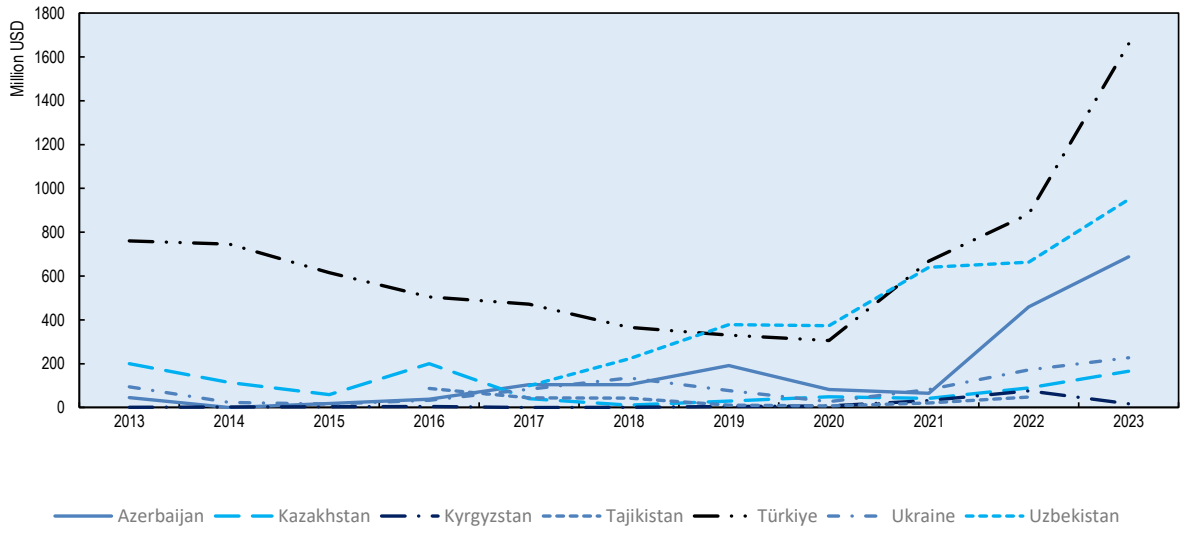
Figure 1.4. Turkmenistan's export basket (selected products, USD)



Source: (ITC, 2025[14])

Turkmenistan has worked to diversify its export destinations (Figure 1.5). According to the Observatory of Economic Complexity data, Turkmenistan has increased its export volume to all its Central Asian neighbours, reaching about 950 million USD with Uzbekistan in 2023 and 165 million USD the same year with Kazakhstan. These efforts are not confined to the region, as Turkmenistan has entered other markets, with increased presence noticeable over the last years in Türkiye and in Azerbaijan.

Figure 1.5. Export diversification (destinations)



Source: (Observatory of Economic Complexity, 2025[11])

The diversification of production, output and exports will be critical to Turkmenistan's long-term future prosperity, particularly as the world economy shifts from hydrocarbons to more sustainable forms of energy. Yet it is a daunting challenge for Turkmenistan in view of its location, size and endowments (Box 1.2).

Box 1.2. The challenge of diversification

An export-oriented economy like Turkmenistan's, located far from the major centres of global demand, faces an exceptional competitiveness challenge, particularly in manufacturing sectors. Tradable goods producers require an edge in terms of efficiency to offset the handicap of distance. If they are to cover higher transport and capital costs and then compete on distant markets with rivals who source inputs and services in deeper, more competitive markets, then they need to be *better* than their rivals; being just as good may not be enough. Moreover, the limited scope for pursuing economies of scale in a large number of sectors, given the overall size of the economy, suggests that producers in the country's non-resource tradable goods sector will need other sources of competitive advantage, e.g., focusing on unique qualities of products, where scarcity can add value. They will also need – despite the issue of transport costs – to focus on external markets, because a strategy focused on import-substitution, in a small economy, is inherently self-limiting. Diversification strategies need to be export-oriented to some degree, though the overriding concern should be neither export promotion nor import substitution but rather *competitiveness in tradable goods and services*.

Economic diversification is, in essence, about identifying one or more new and profitable niches in the international division of labour. While cutting-edge innovations might meet this challenge, for many economies, all that is needed is to discover new potential for producing established products profitably. This is not easy. It is difficult to know *ex ante* what new activities might be competitive, given the cost structure of the economy, because the existing set of market prices in an economy reveal nothing about the potential profitability of alternative (as yet hypothetical) allocations of resources (Rodrik, 2004).

Diversification efforts are likely to involve a great deal of trial-and-error; outcomes cannot generally be determined and planned *ex ante*. This implies that the outcomes of successful diversification policies will be difficult to predict, so policymakers should resist the temptation to try to define the production structure towards which they believe the economy should evolve. The emphasis should be not on pre-determined "strategic sectors" but on fostering the emergence of *new* activities – some of which will fail and others of which will take root. For most mining and hydrocarbon regions, this is likely to involve, to some extent, helping industrial producers to move up the value chain, thus diversifying on the basis of existing strengths. However, the particular directions this evolution will take are impossible to foresee, and other new activities are also likely to take off, given the right conditions.

Source: (OECD, 2014[15]).

Investment opportunities exist beyond the hydrocarbons sector

Turkmenistan offers opportunities for investment beyond hydrocarbons, particularly in sectors such as energy and water efficiency and the modernisation of agriculture, where technological upgrading is a policy priority. While successful entry requires a reliable local partner, often with established links to state institutions, opportunities can be enhanced by the availability of risk-mitigation tools. In particular, foreign businesses can rely on officially supported export credit insurance and guarantees, as well as the protections afforded through bilateral investment treaties (BITs), which the country has signed with 24 countries and which provide additional security in case of litigation (Khadim and Goddard, 2024[16]).

The current legislation provides *de jure* a protective framework for investors but enforcement remains an issue. Investors' rights are protected under the Law on Investment Activity: a law restricting investment can enter into force only 10 years after their publication, the losses suffered because of a

violation of the investors' rights by state authorities are to be compensated by a court decision, and state authorities are not to intervene in the firms' activity, except in cases foreseen by the law. Moreover, the law protects the equal rights of all investors by excluding the application of discriminatory measures that could hinder the management, use and liquidation of investments and by affirming the rule that investment-related assets cannot be nationalised without compensation reflecting their value (Mejlis of Turkmenistan, 2015[17]). Despite regulatory and legislative improvements, the OECD and other international partners note that business- and investment-related legislation is not consistently implemented nor enforced (OECD, 2023[18]). In addition, restrictions on currency conversion and the resulting difficulties in repatriating profits remain a practical obstacle for any FDI in Turkmenistan.

1.3 Private sector, sustainability and connectivity developments

Turkmenistan aims to join the WTO by 2030

As part of its trade diversification efforts, Turkmenistan became a candidate for WTO accession in 2022. This led to several improvements in the legal environment for business and investment, such as the translation of its laws into both English and Russian to improve access to legislation for investors (OECD, 2023[18]). Several new programmes aimed at improving the country's trade performance have also been adopted, such as the Programme for the Development of the Foreign Economic Activity of Turkmenistan for 2020-2025. Other programmes are still being drafted, for instance the Memorandum on the Foreign Trade Regime (Ministry of Foreign Affairs of Turkmenistan, 2024[19]).

Box 1.3. The Programme for the Development of the Foreign Economic Activity of Turkmenistan for 2020-2025

The Programme outlines Turkmenistan's strategic plan for enhancing its foreign economic activities until 2025. It aims to align with Turkmenistan's broader socio-economic development goals, focusing on expanding international economic relations and enhancing the country's presence in the global market, by easing export, as well as attracting import and foreign direct investment. This is expected to be achieved through extensive co-operation with international partners.

The Programme is centred around several key priorities responding to local and foreign businesses' needs. It addresses the questions of logistics and the capacity of Turkmenistan to become a transport hub in the region, the necessity of strategic planning, international co-operation, digitalisation and simplification of administrative procedures, enhanced co-operation with foreign firms and investment attraction.

The development of international co-operation holds a prominent place in the Programme. It involves increased interaction with UN bodies to further improve customs services, develop several industry sectors and conduct reforms to expand trade. Turkmenistan also aims at more co-operation with the OECD, in order to implement the best practices of the organisation's member states and to establish a better partnership. The Programme also prioritises engagement with rating agencies to further establish the country as a credible partner on the world stage.

Source: Unpublished government document provided to the OECD.

WTO accession should strengthen adherence to international trade standards. Government and private stakeholders undertake various training sessions on the expected changes induced by WTO accession. For instance, the United Nations Economic Commission for Europe (UNECE) has conducted

training to officials to better understand the regulatory aspects of the WTO procedures (UNECE, 2023[20]). Furthermore, with support from international development actors, such as the EU-funded project "Turkmenistan: Enhancing Trade Resilience and Integration" implemented by the International Trade Centre (ITC), government officials, policymakers, and private sector representatives have the opportunity to learn more about the WTO rules and accession benefits for Turkmen businesses (ITC, 2025[21]). The United States Agency for International Development (USAID) also organised seminars with the government to help businesses understand the WTO framework, rules and practices (Business Turkmenistan, 2024[22]).

Trade and transport connectivity have improved

Turkmenistan benefits from its location at the nexus of multiple inter-regional trade routes. Turkmenistan is located on the southern branch of the TRACECA corridor and of the Trans-Caspian Transport Corridor (TCTC) linking Europe and China, a route that has attracted increasing attention in recent years, particularly since Russia's full-scale invasion of Ukraine in February 2022 (OECD, 2023[23]). The country also participates in the eastern branch of the International North-South Transport Corridor (INSTC) running along the shore of the Caspian Sea and being the alternative to the Western branch going through Azerbaijan (Caspian News, 2023[24]). Turkmenistan has also been involved in the Lapis Lazuli Corridor, which connects Afghanistan to Türkiye (OECD, 2023[25]).

Turkmenistan intends to position itself as a key player astride regional trade routes by developing its infrastructure. Road transport has benefitted from significant upgrades over the last few years. Examples include the "Ashgabat-Turkmenabad" highway, the 109 km-long second section of which was completed in April 2024 and a 288 km-long third section currently being worked on (News Central Asia, 2024[26]). An agreement for the construction of the 450 km-long high-speed "Sarahs-Mary-Serhetabat" highway was also signed with Chinese partners in September 2024 (Balkan Shipyard, 2024[27]). Moreover, according to the EBRD, the seaport of Turkmenbashi recorded a 2.5-fold increase in transit cargo volumes in 2022 due to the increase in the transit of petroleum products, metals, machinery, food, spare parts, chemical cargo, and construction materials (EBRD, 2023[28]). Turkmenistan seeks to expand its presence in the Caspian Sea by modernising its fleet with the construction of vessels with the support of international financial institutions and foreign shipbuilding companies (Turkmenistan Golden Age, 2025[29]). However, to capitalise on Turkmenistan's geographic opportunities, the government will need to address existing infrastructure bottlenecks, for instance by expanding the country's railways through electrification, signalling and rolling-stock upgrades, as well as facilitate trade by liberalising the visa regime for truck drivers and easing the obtention of transit permits (OECD, forthcoming[30]).

While import tariffs are relatively low, non-tariff barriers, such as administrative obstacles, remain an important issue for importers. There are fixed customs duties for the import of a list of goods, on top of which firms also bear costs due to the need to pay for contract registration and excise taxes (State Customs Service of Tukmenistan, 2025[31]). Firms cite other obstacles to trade, including cumbersome registration procedures for import and export activities and the need to obtain numerous approvals from different government bodies before being scrutinised by the State Commodity and Raw Materials Exchange, which evaluates price justification and contract feasibility (International Trade Administration, 2023[32]). The Single Window could help address some of these issues, as discussed below.

Trade facilitation reforms are being conducted in co-operation with international partners

Turkmenistan participated in the OECD Trade Facilitation Indicators (TFI) for the first time. This first analysis, published in 2023, shows preliminary results, as data could be collected for only about two-thirds of the 11 indicators. Although Turkmenistan did not take part in the subsequent round of data collection, its participation in the first round was an encouraging testimony to the country's determination to improve

both its cooperation with international actors, its trade profile and data access. It helped to identify areas for improvement in trade policy and drew attention to the need to collect further information in areas such as documentation procedures, governance and impartiality, appeal procedures, fees and charges, and other procedures (OECD, 2023[25]). Scarcity of information appears among the significant challenges that businesses, particularly SMEs, encounter in establishing and expanding their operations.

Box 1.4. TFI efforts in Central Asia

OECD Trade Facilitation Indicators database

The TFIs are tools used to assist policymakers to assess the state of trade facilitation to better observe the ongoing progress and confront the challenges. There are 11 TFIs classified in 4 categories:

- **Transparency and predictability**. It covers the indicators A to E, related to information availability, involvement of the trade community, advance rulings, appeal procedures, as well as fees and charges.
- **Automating and streamlining procedures**. It comprises indicators F to H, namely: documents, automation, and procedures.
- **Border agency co-operation**. It is composed by indicators I and J respectively reflecting internal and external border agency co-operation.
- **Governance and impartiality**. Constituted by the single eponym indicator K.

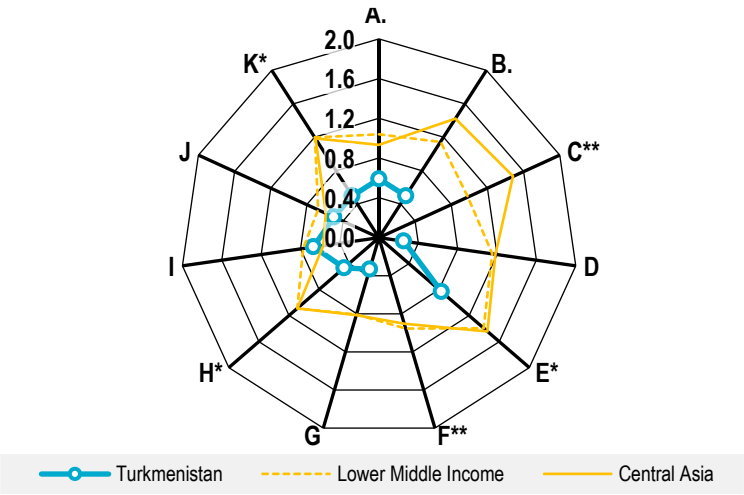
Central Asia has significantly enhanced trade facilitation in recent years. Between 2017 and 2019, impressive results were achieved in documents (+121.2%), procedures (+54.8%), and fees and charges (+25.3%). Between 2019 and 2022, among the three indicators that witnessed the most impressive increase in their score were internal border agency co-operation (+47.1%), governance and impartiality (+35.2%) and information availability (+28.2%). The most noticeable overall improvements between 2017 and 2022 were in documents (+150.9%), procedures (+69.7%) and internal agency co-operation (+35.1%). Therefore, although progress remains unequal between countries, it spans across various areas across the four categories of the TFIs giving hope that the region will continue its advances towards a facilitated trade environment.

Still, there are some areas for improvement at the regional level. The OECD report identifies three main priorities for further development to accelerate trade facilitation: work on reforming and making available trade-related legislation, digitalising and automating the related procedures, and further deepen cross-border co-operation.

Source: (OECD, 2023[25])

Turkmenistan scored lower than the regional average in the 2023 TFI findings, but this was to some extent a result of data scarcity. The country was below the regional averages for the involvement of the trade community (B) and appeal procedures (D), where the difference between the results of Turkmenistan and of the region were substantial. Some indicators, such as advance rulings (C) and documents (F) could not be verified because of a lack of data. Notable exceptions were the country's performance in external border agency co-operation (J), which nearly corresponds to the regional result, and internal border agency co-operation (I), where it even outperforms the regional average (Figure 1.6).

Figure 1.6. Performance of Turkmenistan in the OECD Trade Facilitation Indicators (2023 data)



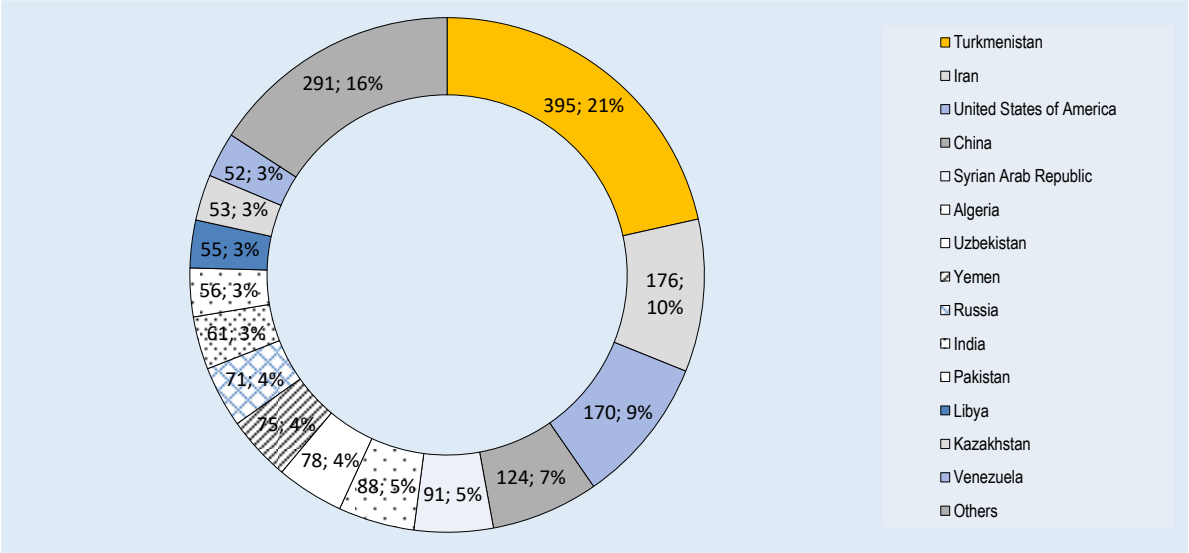
Note: 2 is the maximum score. Central Asia includes information for Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. Provisional information only for Turkmenistan. Dimensions marked with * include less than half of the OECD TFI sub-indicators, while those marked with ** are not presented at all due to insufficient data.
Legend: A - Information availability, B - Involvement of the trade community, C - Advance rulings, D - Appeal procedures, E - Fees and charges, F - Documents, G - Automation, H - Procedures, I - Internal border agency co-operation, J - External border agency co-operation, K - Governance and impartiality.
Source: (OECD, 2023[25]).

The government is working to make trade and investment-related procedures more accessible. Turkmenistan has been actively working since 2020 to modernise the web infrastructure of government bodies related to trade and investment activities. This is illustrated by the implementation of the Trade Information Portal in April 2023 as a result of a regional effort – the Ready4Trade Central Asia (R4TCA) project funded by the EU and implemented by ITC. Later in 2023, the Single Window for Export-Import Operations was launched with UNCTAD support. Its purpose is to allow users to perform all the required administrative tasks for export and import operations on a single platform (State Customs Service of Turkmenistan, 2024[33]). Effort has been put into making these resources accessible for foreign companies as well, as both websites are accessible in Turkmen, English and Russian.

Turkmenistan is taking steps towards "greening" its economy

The economy remains carbon-intensive, but the authorities are working to reduce carbon and methane emissions in co-operation with international partners. The country officially joined the Global Methane Pledge on 1 December 2023 at the COP28 climate summit in Dubai, committing to reduce methane emissions by at least 30% from 2020 levels by 2030 (Turkmenistan Altyn Asyr, 2025[34]). In 2024, the green transition became the first pillar of the ADB Turkmenistan 2024-2028 country strategy, which augurs well for future action on this front (Asian Development Bank, 2024[35]). However, Turkmenistan ranked first in the world according to the number of methane plumes recorded in the first half of 2025 by the International Methane Emissions Observatory of the United Nations Environment Programme (UNEP) (Figure 1.7).

Figure 1.7. Origins of methane plumes recorded by the UNEP, January-June 2025



Note a): The UNEP database is regularly updated. The values represented here reflect the situation in early July 2025.
Note b): The data in the chart correspond to the number of observed methane plumes, followed by the share they constitute on the global scale.
Note c): All countries where the number of observed methane plumes was equal to or below 50 are grouped in the category "Others".
Source: (International Methane Emissions Observatory, 2025[36])

The EU supports the government to "green" the economy. The EU launched a programme to develop the green economy in Turkmenistan with the "EU for a green Turkmenistan: Policy Dialogue and Climate Action 2024-2028", a project conducted by GIZ with funding from both the EU and Germany. The purpose of the project is to establish a productive dialogue between Turkmenistan and the EU by "promoting renewable energy sources and improving energy efficiency by reducing methane and greenhouse gas emissions, building national capacity, and raising public awareness, with a special focus on women and youth" (Green Central Asia, 2024[37]).

Turkmenistan has untapped potential in green electricity generation, yet it requires significant investment and time. Up to 40% of the country's territory is deemed suitable for wind energy generation, while the intensity of sun light is estimated to be sufficient to produce around 70 billion tonnes of oil equivalent of energy per year. The government has announced the construction of a 10-megawatt hybrid solar-wind power plant in the Serdar district, but it is unclear whether the project has been commissioned yet (Altyn Asyr, 2024[38]; UNDP, 2019[39]).

1.4 Direct support to domestic industries and import substitution strategies are two key features of Turkmenistan's economic development policy

Phasing out direct subsidies could make the economy more competitive

The government has implemented a series of targeted measures to support domestic industries and promote import substitution. The country had set in a state programme in 2015 the objective of increasing its production capacity to improve its export results and to be able to proceed with import substitution in several economic sectors, such as manufacturing, agriculture or chemicals (Turkmenistan Altyn Asyr, 2015[40]). Over the years, this resulted in an increase in the production of various goods, with most recent progress in sectors such as vegetables (+8.4%), cotton fabric (+27.1%) and cotton yarn

(+46.7%) (Orient, 2025[41]). The government also cites sausages, detergents and cleaning products as sectors which also saw an important production increase.

The government has also implemented price controls on essential goods to stabilise prices and encourage domestic manufacturing, complemented by significant investments in industrial projects. In an attempt to reduce inflation, the government resorted to price controls on basic products largely through subsidies (ADB, 2024[42]). Yet untargeted subsidies and price controls tend to generate high fiscal costs and do not effectively target the most vulnerable (World Bank Policy Research Working Paper, 2020[43]).

These efforts have yielded some positive results, with latest available data showing Turkmenistan's manufacturing value added at 14% of GDP in 2022 (Government of Turkmenistan, 2023[44]). While this figure is somewhat below the global average and OECD benchmarks, it aligns with many emerging economies and indicates potential for growth in industrial diversification and modernisation. The industrial sector, including construction, has been a significant contributor to growth, with industrial value added reported at 23,9 billion USD in 2022 (World Bank, 2024[45]).

However, the efficiency of import substitution strategies has been largely contested. Turkmenistan has resorted to protectionist measures to support production (Business Turkmenistan, 2024[46]). For instance, the state has limited import competition for local producers by denying importers of competing goods access to foreign exchange or raised import tariffs (EBRD, 2019[47]). Such an approach can lead to negative outcomes, such as resource misallocation and shortages, reduced competitiveness and innovation, lower product quality, higher costs and prices, with obvious negative impact for consumers and potential investors (Cherif and Hasanov, 2024[48]) (Baldwin, 2000[49]).

Private sector development is hampered by a challenging business environment

The business environment in Turkmenistan remains challenging, particularly for private and foreign enterprises. Currency controls (Box 1.5) and issues with property rights constrain business operations. Moreover, disagreements over the reliability of economic data hamper informed decision-making and weaken investor confidence (Box 1.1). The 2025 IMF Article IV consultation confirms that the government has made some efforts to improve the business climate, but finds that significant barriers remain, such as bureaucratic hurdles, corruption, access to foreign currency, and the opaque legal framework (IMF, 2025[50]).

Box 1.5. Currency control in Turkmenistan

Currency conversion in Turkmenistan is regulated by the government. Official mechanisms for converting the Turkmen manat (TMT) to US dollars (or other foreign currency) have long been under state supervision. These controls were intensified in the mid-2010s. Since 2016, the Central Bank of Turkmenistan has imposed strict limitations on access to foreign currency, restricting the exchange of manats for US dollars. Access to US dollars is primarily permitted for authorised individuals or entities and is sometimes conditional on specific circumstances, such as the use of internet-based transactions (U.S. Department of State, 2016[51]). There also appear to be sectoral differences in ease of access to foreign exchange, reflecting government policy priorities.

The foreign-exchange regime is reinforced by other policy instruments. As in many jurisdictions, businesses operating in Turkmenistan are typically required to conduct international transactions predominantly using the national currency, compelling enterprises to convert their forex revenues into Manats. Moreover, repatriation of profits or dividends earned in Turkmenistan requires firms or investors to present the present necessary documentation, including proof of tax compliance and financial statements and evidence of the source of the funds, to the State Bank of Turkmenistan. Such requirements are aimed at combatting fraud, tax evasion and money-laundering, but they also make it more difficult to circumvent the exchange-rate regulations.

These controls have contributed to the development of a *de facto* dual exchange rate system. The official exchange rate, set by the Central Bank since 2015 at 3.5 TMT per USD, coexists with an unofficial (parallel) rate that is significantly higher—typically four to five times the official rate. Conducting currency exchange outside official channels is prohibited under Turkmenistan's Administrative Offenses Code, although enforcement appears to be rare. While many firms operate successfully within the arrangements as they stand, the existence of a dual exchange rate system has been noted as a source of economic distortions, discouraging private sector development and complicating trade (U.S. Department of State, 2024[52]).

These regulations present challenges for companies operating in Turkmenistan, particularly with regard to repatriating profits and managing international financial obligations, which has been highlighted as a barrier to foreign investment and business operations (U.S. Department of State, 2024[52]). Unequal access to foreign exchange also compromises any attempt to ensure a level competitive playing field. The exchange-rate regulations may also deter potential foreign investors (or even local investors with an eye on export markets) from entry, since they require certainty with respect to issues like profit repatriation and cross-border transactions before investing.

As this overview shows, Turkmenistan has been advancing reforms in some key policy areas, with a new impetus observed in private sector development, but there remain opportunities for further improvement. Reforms should focus on reducing the state's dominant role in the economy and fostering transparency in both data and governance. Additionally, promoting private sector development and increasing the efficiency of public spending—particularly through targeted social programmes—will be crucial. This is especially important in light of the challenges faced by Turkmen labour migrants, who have been affected by the end of Türkiye's visa-free regime (EIU, 2024[53]; Ministry of Foreign Affairs of Turkmenistan, 2022[54]). Based on surveys conducted by the OECD, this report explores the recent evolutions in Turkmenistan's business (Chapter 2) and investment (Chapter 3) environments. It analyses the achievements of the last few years, notes areas for improvement and proposes recommendations to address them.

1.5. Focus of this report

This report draws on a private sector survey conducted by the OECD to assess progress and identify ongoing challenges in the country's business environment from the perspective of private domestic firms. By capturing firm-level, bottom-up insights, the report provides a comprehensive view of the operational environment for businesses, shedding light on the practical experiences and concerns of private enterprises in Turkmenistan. This analysis helps pinpoint the key barriers and opportunities that shape private sector development.

Second, the report explores strategies to attract diversified foreign investment, with a particular emphasis on the potential establishment of an Investment Promotion Agency (IPA). Given the importance of FDI for fostering innovation, job creation, and economic diversification, the creation of an IPA could play a pivotal role in positioning Turkmenistan as an attractive investment destination. By offering tailored recommendations and highlighting OECD best practices, the report aims to support efforts to improve investment outreach and facilitation, ultimately enhancing the country's competitiveness.

References

ADB (2024), *Annex 1 to Country Partnership Strategy: Turkmenistan, 2024–2028: Inclusive and Sustainable Growth Assessment*, https://www.adb.org/sites/default/files/linked-documents/cps-tkm-2024-2028-isga.pdf (accessed on 28 February 2025). [42]

Altyn Asyr (2024), *Возобновляемая энергетика одна из основ экономики будущего*, https://turkmenistan.gov.tm/ru/post/89034/vozobnovlyaemaya-energetika-odna-iz-osnov-ekonomiki-budushchego (accessed on 20 January 2025). [38]

Asian Development Bank (2024), *Turkmenistan, 2024-2028 - Transformation into a More Sustainable, Climate Resilient, and Competitive Economy*, https://www.adb.org/sites/default/files/institutional-document/986916/cps-tkm-2024-2028.pdf (accessed on 20 January 2025). [35]

Baldwin, R. (2000), *"Trade and Growth: Still Disagreement about the Relationships"*, OECD Publishing, https://doi.org/10.1787/768732688342. [49]

Balkan Shipyard (2024), *Turkmenistan plans to build a new "Sarahs-Mary-Serhetabat" high-speed highway*, https://balkanshipyard.com.tm/?p=5540&lang=en (accessed on 4 July 2025). [27]

Bayar, Ö. and L. Gogoberishvili (2023), *Reassessing GDP Growth in Countries with Statistical Shortcomings: A Case Study on Turkmenistan (WP/23/207)*, IMF Working Papers, https://www.imf.org/en/Publications/WP/Issues/2023/09/29/Reassessing-GDP-Growth-in-Countries-with-Statistical-Shortcomings-A-Case-Study-on-539482 (accessed on 16 July 2025). [9]

Business Turkmenistan (2024), *Turkmenistan Approves State Program For Biotechnology Development 2024-2028*, https://business.com.tm/post/12259/turkmenistan-produces-paper-from-agricultural-textile-waste (accessed on 27 February 2025). [46]

Business Turkmenistan (2024), *Turkmenistan Continues Preparation for WTO Membership*, https://www.business.com.tm/post/12759/turkmenistan-continues-preparation-for-wto-membership (accessed on 16 January 2025). [22]

Caspian News (2023), *Russia Consents to Turkmenistan Joining North-South Corridor Agreement*, https://www.railfreight.com/railfreight/2023/07/17/turkmenistan-officially-joins-the-instc/ (accessed on 25 Ferbuary 2025). [24]

Cherif, R. and F. Hasanov (2024), *The Pitfalls of Protectionism: Import Substitution vs. Export-Oriented Industrial Policy*, IMF Working Papers, https://www.elibrary.imf.org/view/journals/001/2024/086/article-A001-en.xml. [48]

EBRD (2023), *Regional Economic Prospects - Getting By: high inflation weighs on purchasing power of households*. [28]

EBRD (2019), *Turkmenistan Diagnostic*, https://www.ebrd.com/content/dam/ebrd_dxp/assets/pdfs/country-strategies/turkmenistan/Turkmenistan-Private-Sector-Diagnostic.pdf (accessed on 21 July 2025). [47]

Economist Intelligence Unit (2024), *One-click report : Turkmenistan*, https://viewpoint.eiu.com/analysis/geography/XG/TM/reports/one-click-report (accessed on 13 December 2024). [10]

EIU (2024), *Briefing sheet: Turkmenistan*, https://viewpoint.eiu.com/analysis/geography/XG/TM/reports/one-click-report (accessed on 5 January 2025). [53]

Gogoberishvili, L. and Ö. Bayar (2023), "Reassessing GDP Growth in Countries with Statistical Shortcomings - A Case Study on Turkmenistan", *Working Paper* 207, https://doi.org/10.5089/9798400256646.001. [5]

Government of Turkmenistan (2023), *Voluntary National Review of Turkmenistan: on the progress of implementation of the Global Agenda for Sustainable Development*, https://sdg.stat.gov.tm/books/new_2023_en.pdf. [44]

Green Central Asia (2024), *EU for a green Turkmenistan: official kick-off meeting*, https://greencentralasia.org/en/2024/09/eu-for-a-green-turkmenistan-official-kick-off-meeting/ (accessed on 20 January 2025). [37]

IMF (2025), *IMF Staff Completes 2025 Article IV Mission to Turkmenistan*, https://www.imf.org/en/News/Articles/2025/06/10/pr-25190-turkmenistan-imf-completes-2025-article-iv-mission (accessed on 10 July 2025). [50]

IMF (2025), *World Economic Outlook, April 2025*, https://www.imf.org/en/Publications/WEO/weo-database/2025/april/weo-report?c=916,917,923,925,927,&s=NGDPRPPPPC,&sy=2010&ey=2025&ssm=0&scsm=1&scc=0&ssd=1&ssc=0&sic=0&sort=country&ds=.&br=1 (accessed on 10 July 2025). [4]

IMF (2024), *IMF Staff Completes 2024 Article IV Mission to Turkmenistan*, https://www.imf.org/en/News/Articles/2024/04/15/pr24118-turkmenistan-imf-staff-completes-2024-article-iv-mission. [6]

IMF (2024), *World Economic Outlook Database, October 2024*, https://www.imf.org/en/Publications/WEO/weo-database/2024/October (accessed on 21 January 2025). [8]

International Methane Emissions Observatory (2025), *Eye on Methane Map*, https://methanedata.unep.org/map?mars=&company=&country=&cc=&sat=&limit=1000&pub=#mcoord=2.25/14.5/21.98 (accessed on 8 July 2025). [36]

International Trade Administration (2023), *Turkmenistan - Country Commercial Guide*, https://www.trade.gov/country-commercial-guides/turkmenistan-trade-barriers (accessed on 16 January 2025). [32]

ITC (2025), *List of products exported by Turkmenistan*, https://www.trademap.org/Product_SelCountry_TS.aspx?nvpm=1%7c795%7c%7c%7c%7cTOTAL%7c%7c%7c2%7c1%7c2%7c2%7c2%7c1%7c1%7c1%7c1%7c1 (accessed on 23 January 2025). [14]

ITC (2025), *Turkmenistan's steps toward WTO membership*, https://www.intracen.org/news-and-events/news/turkmenistans-steps-toward-wto-membership (accessed on 4 July 2025). [21]

Khadim, N. and M. Goddard (2024), *FDI and Investment Arbitration in Kazakhstan, Turkmenistan and Uzbekistan*, https://www.youngicca.org/voices/fdi-and-investment-arbitration-kazakhstan-turkmenistan-and-uzbekistan (accessed on 15 September 2025). [16]

Mejlis of Turkmenistan (2015), *Law on Investment Activity*, https://invest.gov.tm/norm/view?id=12. [17]

Ministry of Foreign Affairs of Turkmenistan (2024), *Prospects of Turkmenistan's accession to the World Trade Organization discussed*, https://www.mfa.gov.tm/en/news/4745 (accessed on 16 January 2025). [19]

Ministry of Foreign Affairs of Turkmenistan (2022), *STATEMENT for the mass media*, https://www.mfa.gov.tm/en/news/3299 (accessed on 10 July 2025). [54]

News Central Asia (2024), *Turkmenistan launched second section of the Ashgabat-Turkmenabad high-speed highway*, https://www.newscentralasia.net/2024/04/18/turkmenistan-launched-second-section-of-the-ashgabat-turkmenabad-high-speed-highway/ (accessed on 4 July 2025). [26]

Observatory of Economic Complexity (2025), *What does Turkmenistan export? (2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022)*, https://oec.world/en/visualize/tree_map/hs92/export/tkm/all/show/2012.2013.2014.2015.2016.2017.2018.2019.2020.2021.2022 (accessed on 16 January 2025). [11]

OECD (2023), *Improving the Legal Environment for Business and Investment in Central Asia*, OECD Publishing, https://eu-cai.org/wp-content/uploads/2023/12/LEB-EN-PDF.pdf. [18]

OECD (2023), *Realising the Potential of the Middle Corridor*, OECD Publishing, https://www.oecd.org/en/publications/realising-the-potential-of-the-middle-corridor_635ad854-en.html. [23]

OECD (2023), *Trade Facilitation in Central Asia*, OECD Publishing, Paris, https://doi.org/10.1787/80ed999c-en. [25]

OECD (2014), *OECD Regional Outlook. Regions and Cities: Where Policies and People Meet*, OECD Publishing, https://www.oecd.org/content/dam/oecd/en/publications/reports/2014/10/oecd-regional-outlook-2014_g1g2efb4/9789264201415-en.pdf. [15]

OECD (forthcoming), *Enhancing the Competitiveness of the Trans-Caspian Transport Corridor in Central Asia*. [30]

Orient (2025), *Промышленность в цифрах: добыча углеводородов и рост производства товаров в Туркменистане*, https://orient.tm/ru/post/80983/promyshlennost-v-cifrah-dobycha-uglevodorodov-i-rost-proizvodstva-tovarov-v-turkmenistane (accessed on 28 February 2025). [41]

State Customs Service of Tukmenistan (2025), *Custom duties*, https://www.customs.gov.tm/en/customs-info/customs-fees/duties (accessed on 17 January 2025). [31]

State Customs Service of Turkmenistan (2024), *Features of the Single Window for Export-Import Operations in Turkmenistan*, https://customs.gov.tm/index.php/en/news/925 (accessed on 17 January 2025). [33]

Symeonidis, D. (2024), "Time for "Green" Extractives in Central Asia? How Turkmenistan can Become the Next Critical Raw Materials Powerhouse", *Geopolitical Report*, Vol. 40/8, https://www.specialeurasia.com/2024/03/21/turkmenistan-green-energy/ (accessed on 20 January 2025). [3]

Turkmenistan Altyn Asyr (2025), *Turkmenistan's achievements in reducing methane emissions announced at TESC 2025*, https://turkmenistan.gov.tm/en/post/95714/turkmenistans-achievements-reducing-methane-emissions-announced-tesc-2025#:~:text=The%20country%20has%20set%20an,Change%20and%20the%20Paris%20Agreement. (accessed on 8 July 2025). [34]

Turkmenistan Altyn Asyr (2024), *The GDP growth rate of Turkmenistan for four months of 2024 amounted to 6.3%*, https://turkmenistan.gov.tm/en/post/83340/gdp-growth-rate-turkmenistan-four-months-2024-amounted-63. [7]

Turkmenistan Altyn Asyr (2015), *Приняты госпрограммы по наращиванию экспорта и импортозамещения*, https://turkmenistan.gov.tm/ru/post/24244/prinyaty-gosprogrammy-po-naraschivaniyu-eksporta-i-importozamescheniya (accessed on 28 February 2025). [40]

Turkmenistan Golden Age (2025), *Turkmenistan announced a tender for the construction of three vessels with the support of international financial organizations*, https://turkmenistan.gov.tm/en/post/96776/turkmenistan-announced-tender-construction-three-vessels-support-international-financial-organizations#:~:text=international%20financial%20organizations-,Turkmenistan%20announced%20a%20tender%20for%20the%20constru (accessed on 21 July 2025). [29]

Turkmenistan Habarlary Portaly (2025), *Turkmenistan has become the main supplier of tomatoes to Kyrgyzstan*, https://turkmenistaninfo.gov.tm/news/9177 (accessed on 17 January 2025). [13]

Turkmenistan Habarlary Portaly (2024), *Turkmenistan increased tomato exports by 3%*, https://turkmenistaninfo.gov.tm/news/4829 (accessed on 17 January 2025). [12]

U.S. Department of State (2024), *2024 Investment Climate Statements: Turkmenistan*, https://www.state.gov/reports/2024-investment-climate-statements/turkmenistan/ (accessed on 17 April 2025). [52]

U.S. Department of State (2016), *2016 Investment Climate Statements : Turkmenistan*, https://2009-2017.state.gov/e/eb/rls/othr/ics/2016/sca/254495.htm (accessed on 16 July 2025). [51]

UNDP (2019), *Обзор перспектив развития возобновляемой энергетики в Туркменистане*, https://www.irena.org/-/media/Files/IRENA/Agency/Presentations/Regional-focus/2019/Aug/Saryev_Renewable-development-outlook-energy-Turkmenistan_2019.pdf (accessed on 20 January 2025). [39]

UNECE (2023), *UNECE trains Turkmenistan's government officials on regulatory and procedural trade measures as part of accession to WTO*, https://unece.org/media/news/380043 (accessed on 15 September 2023). [20]

World Bank (2025), *GDP (current US$) - Turkmenistan*, https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=TM (accessed on 27 January 2025). [1]

World Bank (2024), *Turkmenistan - Industry, Value Added*, https://data.worldbank.org/indicator/NV.IND.TOTL.CD?locations=TM. [45]

World Bank (2018), *The World Bank in Turkmenistan*, https://www.worldbank.org/en/country/turkmenistan/overview. [2]

World Bank Policy Research Working Paper (2020), *Price Controls: Good Intentions, Bad Outcomes*, https://documents1.worldbank.org/curated/en/735161586781898890/pdf/Price-Controls-Good-Intentions-Bad-Outcomes.pdf (accessed on 1 August 2025). [43]

Notes

[1] The official Turkmen data present a higher figure of 68.7 billion USD.

2 Insights on Turkmenistan's Business Climate

This chapter presents an overview of Turkmenistan's business climate drawing on a survey of private sector firms conducted by the OECD, as well as external data sources, including OECD interviews and open-access data. The analysis examines five critical aspects for a business: establishment procedures, workforce requirements, digitalisation needs, trade policy frameworks, and the overall operational environment. The findings highlight notable progress in several domains, while also pointing to persistent challenges. The chapter concludes with policy recommendations aimed at addressing these remaining issues.

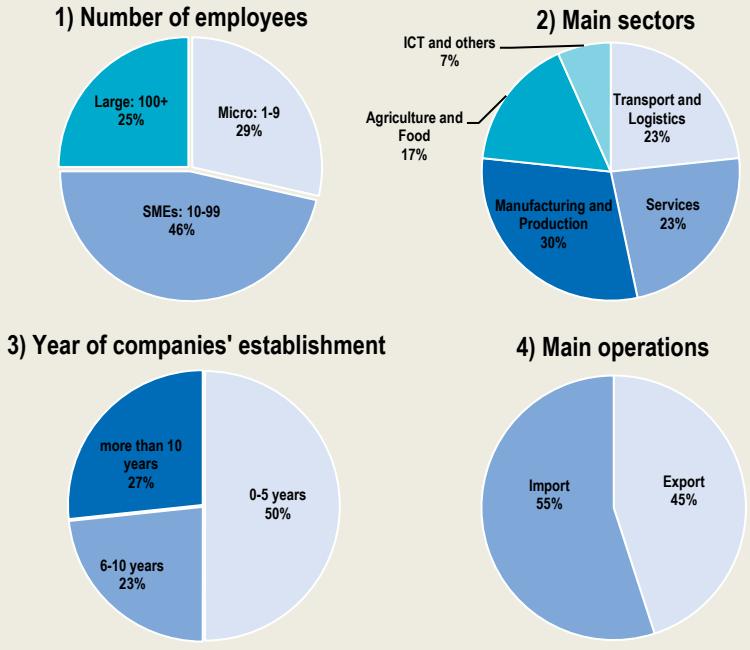
Introduction

This chapter offers an overview of the business climate in Turkmenistan, building on data collected by the OECD in late 2024. Grounded in a survey conducted among private-sector actors (Box 2.1), the OECD has assessed the progress and identified present challenges in the business climate of Turkmenistan. The OECD triangulated the results of the survey by relying on a variety of stakeholders: additional input is derived from a range of interviews conducted with development partners and foreign investors, while the government provided information on policy settings and plans in response to a written questionnaire sent by the OECD. This chapter captures firm-level, bottom-up insights on the business environment and private-sector development in Turkmenistan, with a particular focus on the operational environment for businesses.

Box 2.1. Profile of survey respondents

The survey addressed 30 firms operating in Turkmenistan, including 27 local businesses and three EU companies. The questionnaire consisted of 35 questions divided into five thematic sections: the overall business climate, the operational environment, trade policy and WTO accession, business support, and outlook. It offered a valuable opportunity to capture firm-level insights into the business environment and private-sector development in Turkmenistan. Figure 2.1provides an overview of the surveyed firms in terms of size, age and activities. The survey did not capture firms that were unable to access the Turkmen market.

Figure 2.1. Demographics of the respondents' firms



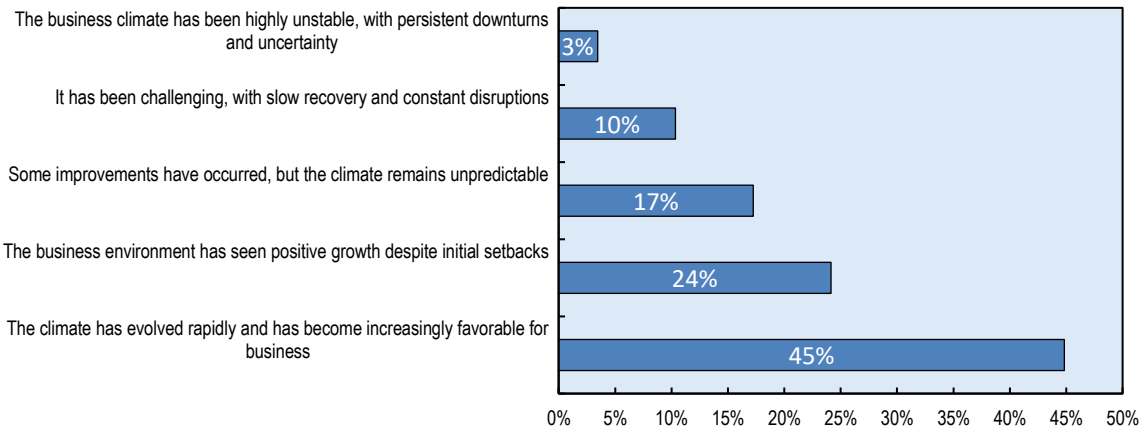
Source: OECD.

The sections of this chapter sequentially outline a succinct presentation of the country's economy and main growth drivers, before turning to thematic analyses informed by the OECD survey. They provide specific policy recommendations along the following areas: market entry conditions for new firms, human capital development, digitalisation, trade policy and operational challenges encountered by firms on the Turkmen market.

Firms express cautious optimism, but complimentary data highlight remaining challenges

Nearly half of the surveyed businesses expressed confidence that the business climate is evolving rapidly and positively for their activities. This optimism is reflected in a significant increase in workforce size, with companies reporting employment growth ranging from 20% to 50%. Twenty-one firms reported an increase in turnover over the past two years, with some estimating growth of 15-20%. Key drivers of this growth included the expansion of exports and an increase in online sales. These positive trends may account for the interest shown by exporting firms in pursuing investment opportunities within the country, with nearly 37% indicating they are "considering the possibility" of making investments (Figure 2.2).

Figure 2.2. How would you assess the dynamic of the business climate since 2022?



Source: OECD Business climate assessment survey in Turkmenistan (2024)

Only a small number of companies reported that doing business in Turkmenistan is very or somewhat challenging. Sixteen percent of respondents highlighted external factors, such as "changes in the global environment"", as key challenges, particularly for businesses reliant on imports. While bureaucratic hurdles, including customs procedures, were noted, the responses suggest that businesses have adapted to these challenges, planning their activities to accommodate expected delays and procedural stages.

Topic 1: Opening a business

The ease of starting a business was rated as moderate by participants in the survey, with issues varying according to the sector of the respondent

There has been growth in entrepreneurship in Turkmenistan since 2022. According to the data provided by the government of Turkmenistan, 823 and 1016 new individual entrepreneurs were registered

in 2023 and 2024 respectively, while 248 and 255 business entities (*khozyaystvennye obshchestva*, *associations of two or more individuals and (or) legal entities*) were established in the same period.

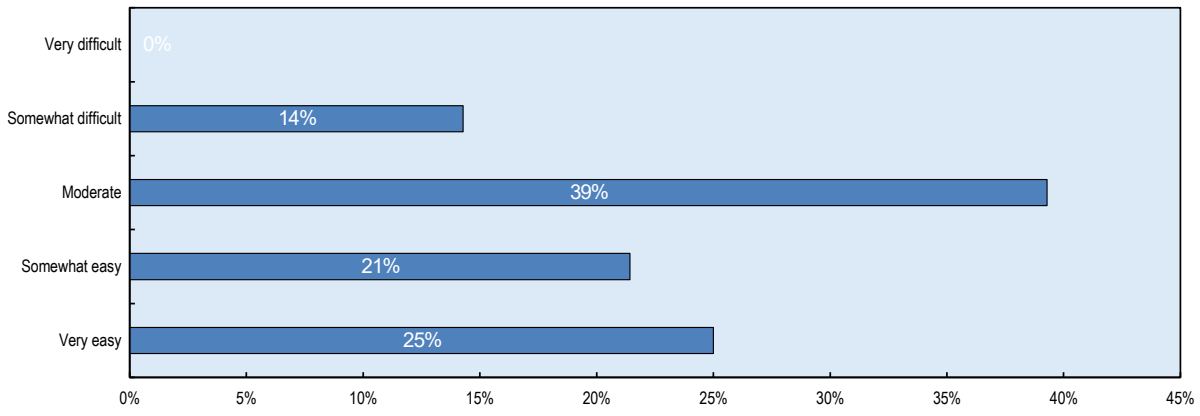
Most respondents to the survey consider that the procedures for opening a business as an entrepreneur are of moderate difficulty (Figure 2.3). It was reported that opening a business only requires applying to the tax service and obtaining a patent, with some respondents indicating that they were able to complete the process over three days. Yet a mixed attitude prevails: while some indicated that the procedures were simple *per se*, others considered bureaucratic hurdles to be a significant issue or pointed out that not all procedures can be conducted online. The respondents' reported estimates of the time involved in starting up a company ranged between a week and 20 days.

Business representatives mention difficulties related to the extensive documentation required for obtaining licenses, a process that can take between 4 to 6 months. Some respondents reported that the process has become easier to handle, as some consulting and legal firms can now provide assistance with company registration in their services lists. However, the very fact that professional services firms, which tend to be expensive, view this activity as a lucrative market niche suggests that there is considerable scope for reducing the time and cost involved. There were also concerns about the need to have a substantial amount of money to launch a business, but it is probable that this is not relevant for all sectors, as it was not a frequently expressed concern.

The survey results also point to issues arising from the size of the country's market. Firms report a "demography" issue, stating that it might be difficult to attract enough clients in certain sectors of the economy, requiring careful business analysis of the market before opening a firm. This was cited by one respondent as an "always challenging" step. Several respondents indicated industrial activity as the hardest to launch because of the need to ensure supplies of primary goods and to acquire machinery and equipment abroad, while also securing a consumer base.

However, state support measures were identified among facilitating factors. Respondents indicated that the state provides various forms of assistance, including financing opportunities. Some mentioned that the state even offers training necessary for obtaining a patent, typically in a 3-day course.

Figure 2.3. How would you rate the ease of starting a business?



Source: OECD Business climate assessment survey in Turkmenistan (2024)

Several mechanisms were introduced by the government to support new firms. In accordance with the Law on State Support to Small and Medium Enterprises (Mejlis of Turkmenistan, 2023[1]), SMEs benefit from preferential customs tariffs (Business Turkmenistan, 2021[2]). Firms involved in the primary sector can benefit from loans at 1% of annual interest for a duration of up to 10 years for the purchase of necessary

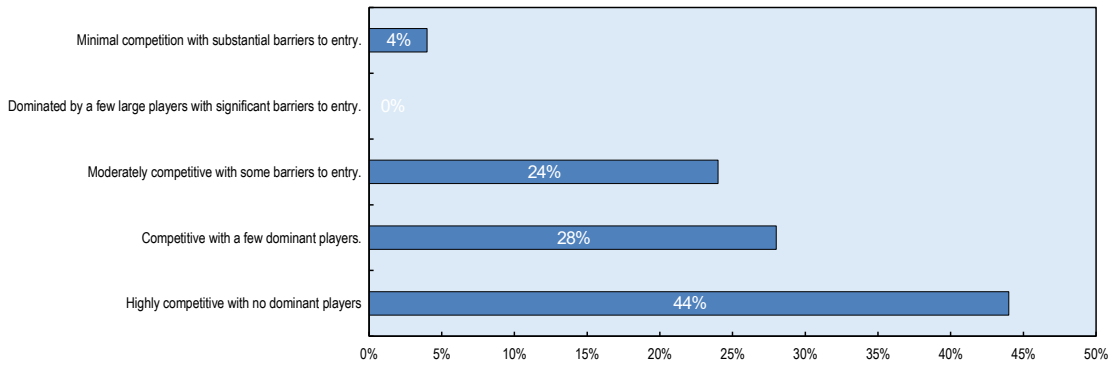
equipment (bulldozers, irrigation pipelines), and at 5% of annual interest also for up to 10 years for farming activities (State Bank of Turkmenistan for Foreign Economic Activity, 2025[3]). It seems that for other types of activity, both for individuals aspiring to open new businesses and for those seeking to expand existing ones, the annual rate is 7% (State Bank of Turkmenistan for Foreign Economic Activity, 2025[4]). In its response to the OECD questionnaire, the government also mentioned two presidential decrees of 2021. The first provides the opportunity to request a loan equivalent to a maximum of 500 times the minimum wage at a 5% interest rate for seven years with a two-year grace period without the need to establish a legal entity. The second grants special five-year loans at 2% to local firms providing digital products.

Competition levels are cited as satisfying, yet should be interpreted with caution given limited exposure to genuine market dynamics

Interviews conducted by the OECD with foreign firms did not reveal a consistent perception of the level of market competition. Nearly half of the survey respondents consider that the competitive environment is favourable for new businesses, with relatively easy and straightforward market entry. However, nearly a third of respondents indicated some perceived limits to competition and market entry. Concerns were raised about what respondents called "price dumping" in the logistics sector because new companies often offer lower prices to attract customers. Firms indicated that while this might seem good for consumers at first, it can lead to lower service quality and financial difficulties for established logistics providers. However, the prevailing business environment still leaves room for market-oriented practices, and firms' concerns might conflate true price dumping (sales below actual costs) with legitimate competitive pricing strategies.

SMEs in Turkmenistan feel the presence of dominant players, but this does not always seem to constitute an issue for them. While some interviewees indicated that the presence of state-owned enterprises (SOEs) did not constrain their activities, others highlighted the positive aspect of having a significant number of both established companies and new entrants in the market. As one respondent to the survey indicated, despite having big enterprises in his sector, smaller ones are "*still*" able to access the market. Most firms interviewed reported few direct interactions with state-owned enterprises (SOEs), with contact limited mostly to the utilities (electricity and water) sector. Among those that have worked with SOEs, the majority expressed satisfaction, describing them as reliable partners. However, some concerns were raised about the unequal dynamics in such partnerships, noting a lack of clarity and feeling of being treated as inferior partners.

Figure 2.4. How do you perceive the level of competition in your industry?



Source: OECD Business climate assessment survey in Turkmenistan (2024).

Yet, other data sources suggest that more can be done to strengthen competition, as Turkmenistan lacks a comprehensive competition law and enforcement. While some provisions addressing competition can be found in the Law on Entrepreneurship (Mejlis of Turkmenistan, 2018[5]) and in article 17 of the Law on State Support to Small and Medium Enterprises (Mejlis of Turkmenistan, 2023[1]), interviewees noted that competition law remains underdeveloped. There is no available information on any government review of the country's competition environment or on any competition-related cases (U.S. Department of State, 2024[6]). While there are some general provisions forbidding monopolistic activity and unfair competition, such provisions are not comprehensive and do not address issues such as the aforementioned case of price dumping. Challenges with competition law are part of a broader concern related to the consistency, transparency and implementation of business-related legislation (U.S. International Trade Administration, 2023[7]). The lack of a specific legal framework may hinder the authorities' ability to address anti-competitive behaviours and ensure a level playing field for businesses operating in the country.

Businesses report enabling macro-financial conditions overall, but differ in their assessment of access to finance

Firms find the financial environment to be relatively stable, citing stable exchange rates and manageable inflation over the past two years. Most respondents consider the informal exchange rate less problematic than in previous years, with the rate largely remaining stable at 19.5 manat since 2016, which has improved confidence in business planning.

However, businesses in Turkmenistan report mixed experiences with access to finance. On one hand, the government offers substantial support, such as 99-year land leases at no cost for agricultural enterprises and favourable taxation for the sector. However, banks primarily provide credit to specific industries, such as agriculture, while others, such as import-based retail, struggle to secure loans. Addressing credit limitations and improving financial mechanisms could further enhance the business climate and investment potential in the country.

Key challenges include high interest rates, rigid requirements, and extensive documentation processes. Some businesses expressed dissatisfaction with what they consider to be the undervaluation of pledged assets during the loan process. Companies hope for future agreements to unlock new investment opportunities and stimulate production.

Recommendations

Recommendation 1.1: Consider easing the regulatory burden for the registration of new businesses

Firms reported that the main complication for setting up a new business comes from the documentation requirements, which can be lengthy to fulfil. Several solutions can be proposed to ease this regulatory burden. The 2024 OECD *Recommendation of the Council on Human-Centred Public Administrative Services* suggests the implementation of the "once-only principle", meaning that citizens are not required to provide the same information over and over to different public bodies (OECD, 2024[8]). This step can be complemented by a consolidation of document submission procedures by setting up one-stop-shops and a single window for businesses to handle all their procedures in one place.

Recommendation 1.2: Develop a competition framework to promote fair market access

Turkmenistan could consider further developing its competition framework to ensure a proper functioning of the market and prevent anti-competitive outcomes. Although Turkmen legislation has provisions on competition, these have not yet been translated into an explicit and coherent policy. A robust

competition framework is essential for identifying and eliminating policies that restrict competition, which in turn supports market efficiency and economic growth. Governments need to be aware of the policies that are harmful to competition to adjust regulatory policies and help protect the proper functioning of the market. The OECD's *Recommendation of the Council on Competition Assessment* highlights the importance of involving officials with competition expertise in regular assessments of public policies when reviewing their effectiveness and/or designing new measures (OECD, 2019[9]). Regular competition assessments help identify barriers to entry, market power or other unfair advantages, and regulatory gaps that may hinder SMEs' ability to compete and grow. The government could also consider assessing the cost of preferential treatment and subsidies provided to SOEs.

Box 2.2. OECD *Recommendation of the Council on Competition Assessment*

The OECD *Recommendation of the Council on Competition Assessment* provides contains a list of recommendations for government on designing efficient competition policies. It is organised around three main parts:

- **Identification of existing or proposed public policies that unduly restrict competition**: governments should establish a process to identify public policies restricting competition, making sure that exceptions are granted only to achieve the country's public interest objectives and that regulatory bodies and policies designed to promote competition do not harm it when implemented.
- **Revision of public policies that unduly restrict competition**: governments should introduce appropriate processes for revising both existing and proposed public policies unduly restricting competition, as well as aim at adopting pro-competitive alternatives if they have a positive assessment of cost and benefits of implementation.
- **Institutional setting**: governments should carry out competition assessments as part of public policy reviews and take into consideration the results when designing new policies.

Source: (OECD, 2019[9])

Recommendation 1.3: Design a targeted business support strategy with a multi-sector approach that allows equal access to finance regardless of the sector of activity

The government should develop and implement a comprehensive, targeted business support strategy that encompasses all aspects and challenges of entrepreneurship. The proposed strategy should focus on enhancing productivity and innovation across the entire business spectrum, by presenting solutions that will help firms deal with contemporary challenges to ensure that they will be able to meet their potential. The example of the Czech Republic, positively assessed in the OECD Scoreboard on Financing SMEs and Entrepreneurs (OECD, 2024[10]), could be considered as a possible model (Box 2.3).

Box 2.3. SMEs Support Strategy in the Czech Republic for the period 2021-2027

The Strategy to Support Small- and Medium- Sized Enterprises in the Czech Republic (2021-2027) is organised around several topics that were considered as priority by the government:

- **Business environment**, providing broad objectives.
- **Access to financing**, diversifying SME financing sources of financing over the course of their activity.
- **Access to markets**, aiming to support Czech producers in thriving in foreign markets.
- **Workforce, skills and education** to adapt the pupils to the needs of the labour market and ensure a continuous access to further education and building-up of skills.
- **Research, development and innovation** to help SMEs fulfil their innovation potential.
- **Digitalisation** to assist the SMEs in the digital transition.
- **Low-carbon economy and resource efficiency** incentives through the setting of an appropriate legislative and financial framework.

The strategy also contains provisions on how it should be implemented and managed, but also how it can be evaluated, through the provision of a monitoring and evaluation section.

Source: (Ministry of Industry and Trade of the Czech Republic, 2021[11])

Kazakhstan has also developed a framework that could also be useful for this purpose. The Business Roadmap 2025 is a state programme that aspires to help entrepreneurs through four different action pillars. Among them, there is a support to firms engaged in a priority economic sector. Measures include various subsidies, such as lower interest rates on loans issued by banks and leasing companies or for programmes providing long-term liquidity, partial state guarantees on bank loans, provision of government grants, and the establishment of industrial zones (Government of the Republic of Kazakhstan, 2022[12]).

As firms reported difficulties in obtaining loans in some sectors, Turkmenistan could consider providing solutions for firms to access additional financing. For instance, in Kazakhstan, the Fund for the Development of Entrepreneurship, DAMU, has mechanisms to subsidise the loans contracted by enterprises with third-party banks under its Unified Integrated Programme. The key feature of this mechanism is its openness and adaptability to every kind of business, adjusting for each one the maximum sum and the interest rate. It can help micro enterprises (up to KZT 20 million), SMEs (up to KZT 3 billion), big firms (up to KZT 15 billion), and even rural areas and cities (up to KZT 1.5 billion). It also can provide up to KZT 5 billion through the stock market. The application process is simplified by allowing firms to apply online (DAMU, 2025[13]).

Topic 2: Human capital

Survey results reveal concerns about the level of skills found on the labour market

The survey highlights significant skills gaps across sectors. In the logistics industry, a notable shortage of specialists in transport and multimodal logistics was reported, particularly those skilled in handling hazardous materials. The manufacturing sector struggles to find local technologists for specialised products, such as chips and skincare cosmetics, often resorting to the employment of foreign experts. High-skilled professionals in digital technologies are often hired from abroad.

The expansion of production lines has created demand for operators that exceeds local supply. According to OECD interviews and private-sector survey, creative services face a scarcity of experienced professionals, while the sales and marketing sector suffers from a lack of qualified personnel and relevant university programmes. In the confectionery industry, firms provide in-house training for workers due to the shortage of skilled labour, which increases operational costs. Financial consulting also experiences knowledge gaps, particularly in the use of essential tools like the 1C accounting software and proficiency in foreign languages. These shortages across sectors indicate the need for targeted educational and training initiatives to address skills mismatches.

These findings are corroborated by available data on youth employment and tertiary education. According to the Asian Development Bank, the country's tertiary education institutions could accommodate only about 15% of school graduates annually in the early 2020s (ADB, 2024[14]). This limited access to higher education likely contributes to skills gaps in the workforce. Even fewer school-leavers follow vocational training (Central Asia Program, 2025[15]), which is critical to supplying needed technical specialists. Furthermore, youth (ages 15-24) unemployment rate is estimated to have reached 14.1% among males and 5.8% among females in 2024, suggesting that more needs to be done to integrate young people into the labour market (World Bank, 2025[16]).

The authorities are taking steps to increase access to education. The government reported that in 2024 19.5% of school graduates entered high education institutions in the country. The creation of a proper vocational training system is included in the President's Programme for the Socio-Economic Development of Turkmenistan (2022-2028), with the objective of bringing it to UNESCO standards in the national and regional (*welaýat*) capitals, with a focus on including vulnerable youth and increasing the digital and technological knowledge and skills of the pupils (UNDP, 2023[17]). The Tax Code has been amended to encourage young people to open businesses, as they benefit from a 50% reduction in the tax rate during the first year of operation and a 25% reduction in the second and third years. The same three-year system, with the same advantages, is used to encourage business owners to hire young people, as they can benefit from tax reductions if no less than 75% of their staff is composed of people under 35 years of age.

Firms in Turkmenistan are also implementing various strategies to tackle recruitment and retention challenges. These include offering more competitive salaries for skilled workers, providing training opportunities, and implementing bonus systems. Additionally, firms are focusing on transparent communication, regular feedback, employee recognition programmes, workplace flexibility, and investment in employee development.

Recommendations

Recommendation 2.1: Consider developing and expanding comprehensive vocational education and training (VET) programmes

Involving a wide range of stakeholders in any overhaul of the VET system will be critical in ensuring that it better meets employers' needs. The OECD's 2023 *Building Future-Ready Vocational Education and Training Systems* addresses the challenge of identifying skills needs, involving the different actors of the economy in designing training programmes adapted to their economic context (Box 2.4).

Box 2.4. OECD suggestions in creating responsive VET systems

In a 2023 report, the OECD provided some guidance to help governments and businesses in ensuring appropriate education and training for operators. It involves inputs from labour market data, as well as from social partners in order to have a clearer understanding of needed qualifications.

- **Using a wide range of data sources**, such as surveys, vacancies data, graduate tracers, is important to ensure constant awareness of the labour market needs. Implemented by educational facilities, tracer studies require recent graduates to update their institution with various job-related data, such as the duration of search, income level, type of contract, required knowledge and skills. Collecting such feedback can help these institutions in adapting their offer to the labour market needs.
- **Making the data accessible is key for informing the population of prospective new sectors and allowing them to timely inquire about enhancing their skills.** Among recommended best practices, there is the publication of a document presenting occupations experiencing shortages and/or employment growth, such as the List of Occupations in High Demand in South Africa.
- **Engaging social partners in the design of VET policies and programmes** implies giving a bigger role in VET design to professional associations and trade unions. For instance, New Zealand opted for the creation of six different Workforce Development Councils (WDC) being currently rearranged into six to eight Industry Skills Boards (ISB), each corresponding to a specific industry, so that they could set standards for VET according to the needs of the incorporated industries.
- **Designing effective governance arrangements to involve social partners at various levels** could take, as in Sweden, the form of advisory bodies to the government composed of employers, local state agents, teachers and regional organisations, or, as in Norway, of involving employers into apprenticeship programmes, giving them more importance when the apprentice actually starts to work after a preliminary schooling phase.
- **Providing more and better opportunities for work-based learning** by, for instance, having schools design individual curricula for apprentices and having specialised VET teachers that are able to instruct in-company trainers improving therefore the supervision during the apprenticeship, as it is done in Estonia.
- **Companies working together to provide training**, as in Brazil, where firms from each sector are subjected to a specific contribution to a common fund, which allows to collectively bear the costs for apprenticeships.
- **Subsidising apprenticeships** by providing directly funding to companies engaged in this process, as it is done in Austria, or by paying the apprentices wages as it is done in Türkiye.
- **Making higher vocational and professional tertiary education programmes accessible and relevant** by creating a strong engagement with employers. This could take the form of having private-sector representatives in higher education institution boards, as it is the case in France, or having practitioners undergo a partial pedagogical training and share their skills to students as a part-time activity, such as in Spain.

Source: (OECD, 2023[18])

The experience of OECD countries suggests that the Union of Industrialists and Entrepreneurs (UIE) and other such organisations could play a crucial role in identifying skills gaps. As it is

essential to align educational programmes with sectoral demand and SME development needs, the UIE could, for instance, survey its members periodically to assess their evolving needs and submit the results to the government. This could contribute to the design of better-informed policies to involve more young people on the labour market and create a skilled workforce capable of driving innovation and economic growth.

Recommendation 2.2: Consider developing and expanding comprehensive entrepreneurship education and training (EET) programmes

Turkmenistan could also develop an integrated approach to entrepreneurship education and training to help budding entrepreneurs build their businesses. In order to determine the most suitable approaches, Turkmenistan could refer to the conceptual framework for entrepreneurship educational and training (EET) programmes developed by the World Bank (Box 2.5), adapting as needed to fit the needs of entrepreneurs and operators. A more systemic approach will benefit firms by providing solutions better adapted to their needs. Skilled entrepreneurs and workers still need appropriate economic infrastructure and resources, such as a good digital infrastructure, a healthy investment climate, market opportunities, and access to finance (World Bank, 2014[19]).

Box 2.5. The World Bank's Conceptual Framework for EET programmes

The World Bank's Conceptual Framework proposes to assess potential EET programmes through four different outcome types.

Entrepreneurial Mindsets

Covering socio-emotional skills, as well as the broad understanding of motivation and expected success, this outcome is needed to build confidence in participants. For this, programmes need to focus on developing skills for individual (self-confidence, leadership, creativity, self-efficacy, resilience) and group (teamwork) professional growth. It is also important to ensure that participants have a positive vision of entrepreneurial activity, to improve the desirability of work tasks.

Entrepreneurial Capabilities

Related to the technical side of entrepreneurial activity, this outcome is centred on building technical skills. As the Conceptual Framework deals with entrepreneurs, it includes topics such as general business knowledge, information on business opening and operation, management skills, risk assessment and additional sector-related knowledge.

Entrepreneurial Status

This outcome is measuring how do participants behave after their training and the integration of mindset and capabilities. For people starting a business, it meant their decision to attract new capital, start ventures, better deal with income and savings.

Entrepreneurial Performance

Assessing the effectiveness of the intervention, this fourth outcome analyses the changes taking place after the education or training. It mainly assesses quantitative indicators looking at increases in profit and sales, as well as the number of employees and customers.

Source: (World Bank, 2014[19])

Recommendation 2.3: Improve youth integration into the labour market by adapting existing policies

A systematic approach to support skills development and school-to-work transitions could improve youth employment outcomes. The OECD has produced guidance specifically targeted at creating professional opportunities for the youth. The general framework listing several recommendations for that was laid in the 2022 OECD Recommendation of Council on Creating Better Opportunities for Young People, while the 2024 OECD Youth Policy Toolkit aims at complementing it by providing clearly set policy goals, relevant OECD indicators and case studies to help policymakers design long-term comprehensive strategies (OECD, 2024[20]).

Box 2.6. OECD Youth Policy Toolkit

The Youth Policy Toolkit is made of five pillars, each subdivided in detailed recommendations which contain different information relevant for policymakers, including the reasons to support youth, young people's comments, as well as international best practices.

- **Skills and competencies.** This pillar focuses on learning in all its aspects such as access to learning (including during employment) and barriers to it (including financial constraints), its content (including digital skills), the flexibility of the curriculum, teachers and students' well-being, availability of equipment, possibilities for smooth transition between education and work, adaptation opportunities for early leavers, career guidance.
- **Support for young people within the labour market**. This pillar focuses on the labour market, with incentives to job creation and improved support to employment services, a fair and safe environment at the workplace, and equal access to entrepreneurship (including to financing and networks).
- **Social inclusion and youth well-being**. This pillar addresses income support for youth with insufficient means to facilitate independent living, tax systems to be planned in a way not to discourage people from (re-)entering the labour market, support provided by various stakeholders to young people in disadvantaged circumstances, affordable housing for all young people, mental and physical health,
- **Trust of young people in government and public institutions**. This pillar recommends enhancing youth participation in democratic institutions and in decision-making to ensure inclusiveness, promote intergenerational learning (including by integrating youth in the public sector), provide opportunities for civic participation.
- **Administrative and technical capacities to address age-based discrimination.** This pillar is about tracking inequalities faced by young people through better data collection, adopting an all-encompassing approach to policymaking which will consider the impact on youth, ensuring inclusive policy measures for all age groups.

Source: (OECD, 2024[20])

Moreover, it is important to monitor closely the relevance of tax incentives to prevent fraud. Although tax incentives may provide a good stimulus for firms to hire youth, they may also encourage firms to take advantage of the legal framework by creating new small enterprises instead of making an existing firms grow. Such incentives require careful evaluation to minimise "deadweight losses" – i.e., to ensure that they do not merely subsidise investment and activity that would have taken place anyway – and to avoid creating incentives for agents to try to manipulate the system simply to gain tax advantages.

Topic 3: Digitalisation

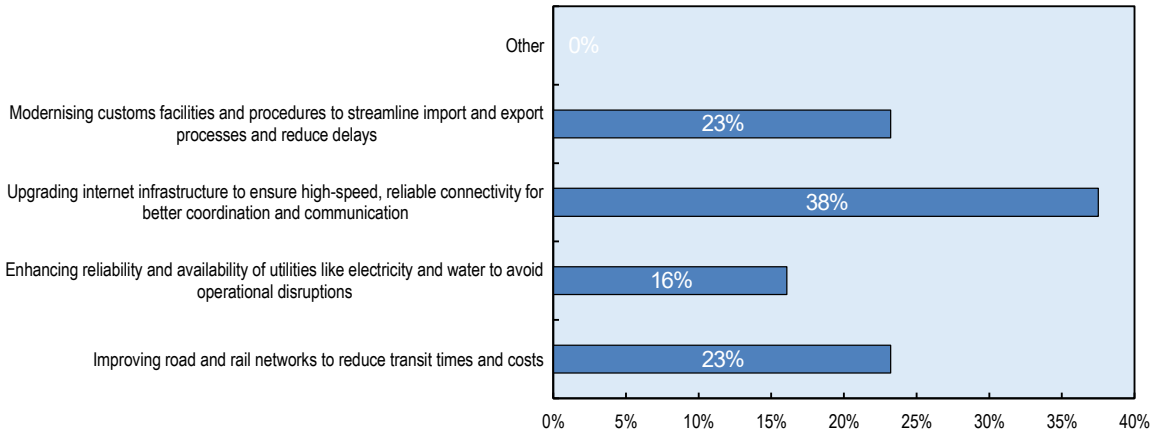
Survey results show that improving digital infrastructure is a priority for businesses

Respondents to the survey generally view the state of infrastructure – particularly internet connectivity – as a critical enabling factor for their operations. Internet access was highlighted as one of the most essential elements for business success by numerous firms at various points in the survey, and many respondents indicated that they wished to see faster development of digital technologies. A third of respondents mentioned that the technological area where innovation and investment would bring the

most benefit to their activity is the digital sector. Moreover, when asked about the type of infrastructure where improvements would benefit business activity, nearly 40% of respondents cited internet infrastructure (Figure 2.5). Respondents reported issues with digital connectivity, as the internet remains inaccessible in some areas of the country, and digital literacy, as local firms were often requesting the assistance of foreigners in dealing with digital services. Foreign firms reported facing significantly higher tariffs for internet compared with local firms.

Many companies emphasised the importance of further advances in logistics and investment in infrastructure. While respondents mentioned tools like ChatGPT as valuable for business operations, some reported that access to this service is not always possible. Nonetheless, businesses are optimistic about the ongoing progress and the potential for future infrastructure developments to better support their needs. While challenges with internet quality persist, businesses expressed overall satisfaction, noting significant improvements over the past decade.

Figure 2.5. What specific improvements in hard infrastructure would significantly enhance your trade efficiency?



Source: OECD Business climate assessment survey in Turkmenistan (2024).

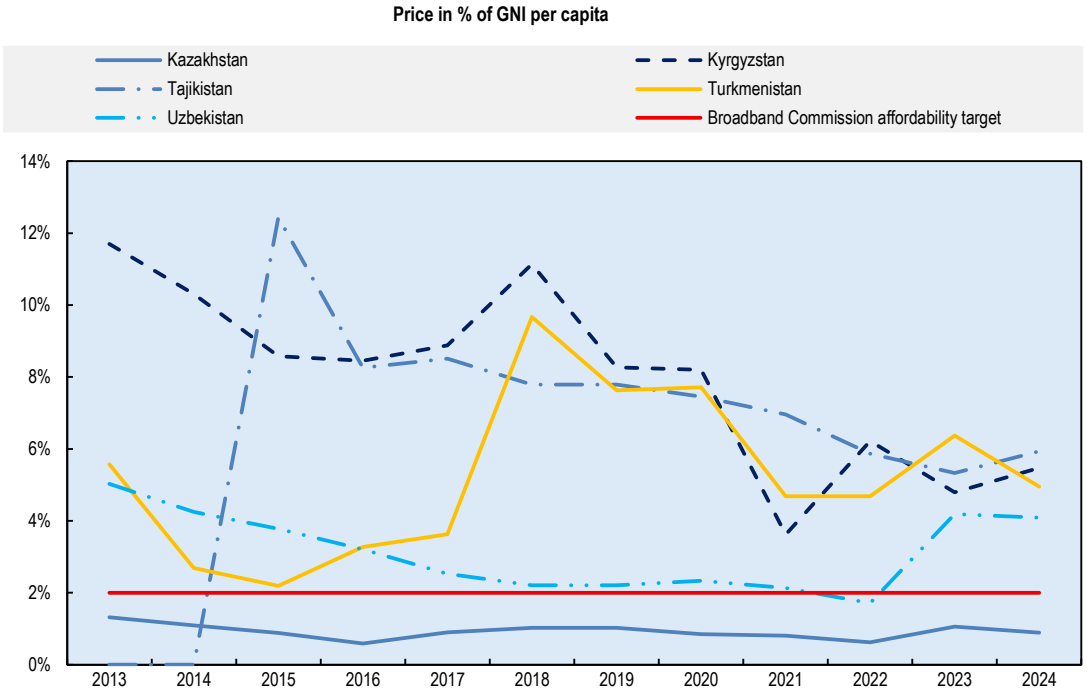
The uptake of online business transactions is constrained not only by limited Internet access but also by a low rate of adoption among the population and high internet costs, especially for foreign firms. Mobile banking usage in the country remains low, amounting to around 92 000 users at the beginning of May 2025 (Central Bank of Turkmenistan, 2025[21]).Using the costs of the fixed-broadband baskets, most representative of the basket type used by business because of its stable connection, it appears that Turkmenistan ranks similarly to other regional peers (except Kazakhstan) in the price as percentage of the Gross National Income (GNI) per capita at around 5%. Yet, OECD interviewees mentioned that internet prices are prohibitively expensive for foreign firms. For instance, unlimited internet at 10 Mbps/s cost foreign companies more than 4,000 USD a month against 2,000 TMT (around 570 USD at the official exchange rate) (Table 2.1). In comparison, the cost of basic broadband at 10 Mbps or higher in middle-income countries ranges between 30 and 40 USD a month according to the ITU and the World Bank[1].

Table 2.1. Monthly internet tariffs, July 2025

	Consumer category					
Speed	**Households**	**Turkmen state bodies**	**Turkmen SOEs, entrepreneurs, private firms**	**Educational institutions**	**Foreign SOEs**	**Private foreign companies**
512kb/sec	n.a.	n.a.	n.a.	TMT 250.00	n.a.	USD 1705.26
1Mb/sec	TMT 150.00	n.a.	n.a.	TMT 350.00	n.a.	USD 3410.53
2MB/sec	TMT 180.00	TMT 1000.00	TMT 1000.00	TMT 500.00	USD1754.39	USD 2192.98
4Mb/sec	TMT 230.00	TMT 1250.00	TMT 1250.00	TMT 600.00§	USD2105.26	USD 2631.58
6Mb/sec	TMT 280.00	TMT 1500.00	TMT 1500.00	TMT 900.00§	USD2526.35	USD 3157.89
8Mb/sec	n.a.	TMT 1750.00	TMT 1750.00	TMT 1200.00§	USD3031.58	USD 3789.47
10Mb/sec	n.a.	TMT 2000.00	TMT 2000.00	TMT 1500.00§	USD3638.60	USD4561.40
Dedicated IFO channel (2Mbt/sec)	n.a.	TMT 1140.00§	TMT 1141.00§	n.a.	USD 1973.68§	USD 2368.42§

Note: monthly charged for unlimited internet (ADSL/VDSL) except where § indicates monthly rent for a dedicated IFO channel.
Source: (Turkmen Telecom, 2025[22]), AOZT "Ashgabadskaya Gorodskaya Telefonnaya Set'"; data downloaded 31 July 2025

Figure 2.6. Fixed broadband basket cost in Central Asia



Source: (ITU, 2025[23])

Recommendations

Recommendation 3.1: Expand broadband coverage to ensure internet accessibility throughout the country

The issue of internet accessibility and speed was raised by respondents to the OECD survey. To address these concerns, the government could consult the OECD *Recommendation of the Council on Broadband Connectivity*. Enhancing internet infrastructure and accessibility nationwide are critical to support digital business growth and ensure equal opportunities for local and international companies, as well as to improve the overall well-being of citizens. Expanding broadband coverage to rural areas will help close the urban-rural digital divide, while continuing to upgrade the national backbone network will further improve connectivity. Simplified licensing and permit procedures for broadband deployment could be used as incentives for broadband deployment (OECD, 2021[24]).

Box 2.7. OECD Recommendation of the Council on Broadband Connectivity

The OECD *Recommendation of the Council on Broadband Connectivity*, as amended in 2021, contains five general principles.

I. **Competition, investment and innovation in broadband development.** This recommendation focuses on promoting non-discriminatory policies, network sharing and co-investment which lead to competitive prices. It encourages investment in resilient infrastructure which facilitates broadband availability. It supports non-discriminatory regulations to foster innovation, and research to improve connectivity. It further suggests resorting to multi-stakeholder dialogue, especially when phasing out legacy networks, and implementing robust legal frameworks for connectivity, reviewed periodically for adequacy.

II. **Broadband network deployment and closing the digital divide.** This recommendation is centred on providing advanced broadband services at affordable prices, making it available for every citizen, including the low-income ones. It supposes timely action to connect underserved locations. It also encourages to strengthen consumer rights by providing fair contracts and ensuring regulatory supervision. Reducing barriers by streamlining licensing procedures, simplifying access to passive infrastructure, and engaging network operators in network development activities is also recommended. It is suggested to support efficient spectrum management and to promote digital skills improvement, including locally relevant applications, to ensure effective broadband use for all citizens.

III. **Resilient, reliable, secure, and high-capacity networks.** This recommendation is focused on data transparency to ensure that networks are continuously improved, network diversification to ensure the resilience of communication towards natural and digital risks.

IV. **Environmental impact of networks.** This recommendation suggests giving preference to the sustainability of the networks and devices, and encouraging operators to make efforts towards an environmentally-friendly connectivity.

V. **Regular assessments of broadband markets.** This recommendation builds upon data collection and analysis of the performance of the services and infrastructure used on the market to determine how related public policies should evolve.

Source: (OECD, 2021[24])

The OECD conducted an analysis of broadband financing practices in 2024. Among the good practices of OECD countries that could be of interest to Turkmenistan is the allocation of state aid according to programmes developed at the national level, such as in Chile, where the Telecommunications Development Fund ensures the provision of communication services in rural areas where there is little incentive for the private sector to invest on its own (OECD, 2024[25]).

Recommendation 3.2: Consider lowering the prices to access internet services

Transparent pricing policies for Internet services are essential elements of a competitive economy with equal opportunities for firms. Despite some improvement in recent years, Turkmenistan has one of the world's most expensive mobile internet systems. Clear regulations should be developed to guarantee equal treatment and pricing for both local and international businesses accessing internet services and to encourage entry and competition in the market, which would put downward pressure on prices and benefit users. The Broadband Commission for Sustainable Development, a joint project of the International Telecommunications Union (ITU) and UNESCO, set in its 2025 recommendations a recommended target of less than 2% of the monthly Gross National Income per capita as a desirable price for broadband entry-level access for low- and middle-income countries (Broadband Commission, 2025[26]), a group to which Turkmenistan belongs (UNDP, 2025[27]). Figure 2.6 shows that there is room for Turkmenistan to bring internet prices closer to the affordability target.

Recommendation 3.3: Improve digital literacy to make full use of the digital transition opportunities

The government should respond to the private sector's concerns by providing support with digital skills development. Turkmenistan can learn from regional peers and refer to findings and recommendations of OECD work on digital skills for the private sector in Uzbekistan and on the framework conditions for the development of digital infrastructure in Kazakhstan (OECD, 2023[28]) (OECD, 2023[29]). Among its recommendations, the OECD suggested to introduce a digital skills self-assessment tool on a website accessible to all businesses. The tool consists of a questionnaire covering common business functions, such as, for instance, marketing, accounting, logistics, to allow businesses to better understand their digital needs. Upon completion of the self-assessment, firms could receive some initial standardised guidance based on their results, as well as further information on how to liaise with contact points for more specific trainings and personalised assistance with targeted digital issues. (OECD, 2023[30]). Designing such a tool and implementing it on the website(s) of the Union of Industrialists and Entrepreneurs and/or of the Chamber of Commerce and Industry could be a solution to ensure a nation-wide reach to the tool.

Topic 4: Trade policy and procedures

Businesses are positive about government export support and optimistic about WTO accession

Trade is facilitated by government support, but barriers remain, including in border procedures

Survey results confirm that business values government support. Notably, small businesses benefit from a low (2%) income tax rate. Agricultural companies have access to long-term leases of up to 99 years, which has encouraged some firms to shift from trade to production. For example, an interviewee reported plans to establish a greenhouse for cultivating tomatoes and cucumbers, reflecting a growing trend toward enhancing domestic production capabilities. Turkmenistan's export destinations have expanded over the

last few years to include Ukraine, Russia, Uzbekistan, Iran, the United Arab Emirates (UAE), and Kazakhstan, reflecting its intention to integrating SMEs into regional and global markets.

The implementation of the ASYCUDA World customs automation system has accelerated customs declarations processing 14-fold (UNCTAD, 2024[31]). These improvements, along with the development of a Trade Information Portal with ITC support and with financial support from the EU, and government-led international trade exhibitions, demonstrate the authorities' commitment to trade facilitation and economic integration, likely reinforcing businesses' positive outlook on WTO accession.

However, businesses involved in export-import operations reported difficulties when dealing with customs authorities. The survey respondents highlighted several key concerns among businesses, one of which is the requirement for paper documents to bear official stamps. Additionally, contracts must be provided in both Turkmen and Russian languages, adding administrative burden for companies. Among interviewees, some mentioned severe fines for exceeding limits set on the transport of certain types of goods, while others reported that obtaining transit permits (*dozvoly*) was subject to having fully loaded trucks and that such permits were issued in limited numbers at increasing prices. Others indicated problems arising because of the number of documents to prepare for customs clearance, which complicates and slows down operations. These challenges underscore the need for reforms in customs procedures to facilitate smoother trade operations and align with international standards as Turkmenistan moves towards WTO membership.

The prospect of WTO accession is met with overall enthusiasm but also some criticism

Overall, survey respondents are positive about the country's potential accession to the World Trade Organisation (WTO). This optimism is likely fuelled by the government's proactive efforts to prepare for WTO membership and enhance trade facilitation. They anticipate significant benefits from WTO accession, including easier access to foreign markets for exporters and reduced tariffs on imported equipment, particularly benefitting industries like construction and manufacturing by facilitating the import of raw materials and machinery. Accession is also seen as beneficial for competitiveness, investment attraction and access to new technologies. Overall, respondents considered that it would help them streamline their operations and improve the efficiency of their spending, allowing them to hire new employees and grow their business faster.

However, some respondents, while acknowledging the economic importance of joining the WTO, expressed concerns about the broader implications of the membership. They argued that the needed convergence of standards with WTO members might lead to an increase in prices in Turkmenistan with consequences for the competitiveness of local services, wages, and overall economic structures of their businesses. Others expressed concern about the need to comply with the rules set by an international organisation, which might go against the interests of local producers.

Import-substitution policies may prove hard to reconcile with WTO accession plans

Import-substitution is one of the pillars of Turkmenistan's economic policy. The State Programme to Support SMEs (2018–2024) emphasises import-substitution measures to enhance local production by supporting the production and the promotion on the market of import-substituting goods, technologies and equipment (Mejlis of Turkmenistan, 2023[1]). For instance, the Turkmen government's commitment to enhancing agricultural productivity is evident in public investments in greenhouses, with 800 hectares currently focused on tomato production and an additional 600-650 hectares under construction (Ballyev, 2023[32]).

However, the IMF recommended in 2019 to phase out import-substitution policies and **to enhance export competitiveness in order to promote economic diversification** (IMF, 2019[33]). This advice aligns with the principles of trade liberalisation and free trade advocated by the WTO. It also reflects the

economic geography of Turkmenistan, as discussed in Box 1.2. By shifting focus from import substitution to export-oriented growth, Turkmenistan could potentially achieve greater economic benefits while adhering to WTO principles.

The government has also taken significant steps to support SMEs as part of its export-promotion strategy. The government has designed support measures to export-oriented industries in the State Programme to Support SMEs (2018–2024) by offering incentives such as tax exemptions for private agricultural producers or ease their access to finance, although no further indications are provided in the document (Mejlis of Turkmenistan, 2023[1]). Another key initiative was the launch of a single digital window for export-import operations in July 2024, which aims to streamline trade processes, reduce transaction costs, and simplify licensing and certification procedures (EBRD, 2025[34]). At launch, about 5,000 firms were registered on the platform, while applications amounted to 20,000 (State Customs Service of Turkmenistan, 2024[35]).

Recommendations

Recommendation 4.1: Turkmenistan could advance the digitalisation of its customs procedures by introducing online authentication tools

As businesses express concern about the need to resort to paper documents with official stamps, Turkmenistan could further advance the digitalisation of its procedures to simplify them. The gradual phase-out of paper-based document requirements would allow closer alignment with the objective set in the Recommendation No. 14 Authentication of Trade Documents of the UNECE and the UN/CEFACT. Possible solutions include, for instance, biometric methods, digital signatures and third-party validations (UNECE, 2014[36]). The Cross-border Paperless Trade Toolkit developed by the WTO also provides information and guidance on the establishment of digital identity (WTO, 2022[37]).

The digitalisation of procedures will facilitate co-operation on a regional level with neighbouring countries and ease transit through Turkmenistan. OECD work on the development of the Trans-Caspian Transport Corridor finds that the digitalisation of procedures has been welcomed by private-sector respondents (OECD, forthcoming[38]). Closer cross-border co-operation with customs agencies, would further reduce trade costs (OECD, 2023[39]) (OECD, forthcoming[38]). Seamless customs procedures will be critical if Turkmenistan is to achieve its ambition of becoming a successful and attractive transit country (UNCTAD, 2024[31]).

Recommendation 4.2: Turkmenistan could consider phasing out import-substitution support

The OECD has long argued that import substitution policies generally do not deliver the intended economic benefits (OECD, 2000[40]). Such policies often lead to inefficiencies, reduced competitiveness and slower growth compared with export-oriented strategies (OECD, 2024[41]). As noted in chapter 1, they are also self-limiting, especially in a small economy, which, other things being equal, will typically rely on trade more than a larger one. Support for local producers should be resorted to as a means towards building an industry able to compete on export markets rather than constituting a goal in its own. Orienting the firms towards export through better access to finance, which encompasses financing licenses for technology transfers, grant support from public research institutes or tax incentives could aim at increasing the revenues of the firms operating in the sectors engaged in export operations and could be an incentive for businesses to innovate to better perform in their target markets, gradually making them less sensitive to the opening of the economy under WTO rules (IMF, 2024[42]).

Topic 5: Addressing other operational issues for businesses

Survey results indicate that the state has an enabling role in market activity despite being confronted with challenges

Surveyed firms are mostly satisfied with recent progress in tax legislation and tax administration, finding it fair and transparent, yet not always efficient

Firms recognise the favourable tax regime, and highlighted clear and timely communication from tax authorities, often facilitated by updates on their website. The twice-yearly tax filing process is seen as straightforward, and many respondents noted the responsiveness of tax authorities when businesses are properly registered. Businesses also rely on newspapers for updates on legislative changes, however, which points to the need for more modern communication channels.

There are ongoing efforts to avoid tax evasion through the improvement of the audit framework. International development partners are assisting Turkmenistan in this regard by providing technical assistance. For example, the Caucasus, Central Asia, and Mongolia Regional Capacity Development Centre (CCAMTAC) of the IMF has conducted an audit training for officials engaged in tax administration in October 2024 (IMF-CCAMTAC, 2024[43]).

Many firms suggested the further digitalisation of tax services to improve efficiency, including online banking for tax payments, real-time information on inspections, and online consultations for accountants. Businesses also expressed a desire for faster processing times at tax offices, more flexibility in cash withdrawals and deposits, and reduced administrative fines. Recent reforms, such as differentiated inspection intervals (every 3–5 years), were welcomed as positive steps, but additional improvements could make tax administration even more business-friendly. The introduction of a new public services portal (e.fineconomic.gov.tm) and mobile application by the Ministry of Finance and Economy allows legal entities and entrepreneurs to submit tax documents online, reducing the need for in-person visits to tax offices.

Tax administration is being progressively digitalised. The introduction of an online platform for taxpayers by the Ministry of Finance and Economy is a welcome step for faster and simpler tax administration. However, as of May 2025, it seemed to exist only in a Turkmen version, making it difficult for foreign firms to use, and can contain outdated information, as the last annual report goes back to 2022 (Tax Department of the Ministry of Finance and Economy of Turkmenistan, 2025[44]). The website also had several malfunctioning links at the time of drafting the report.

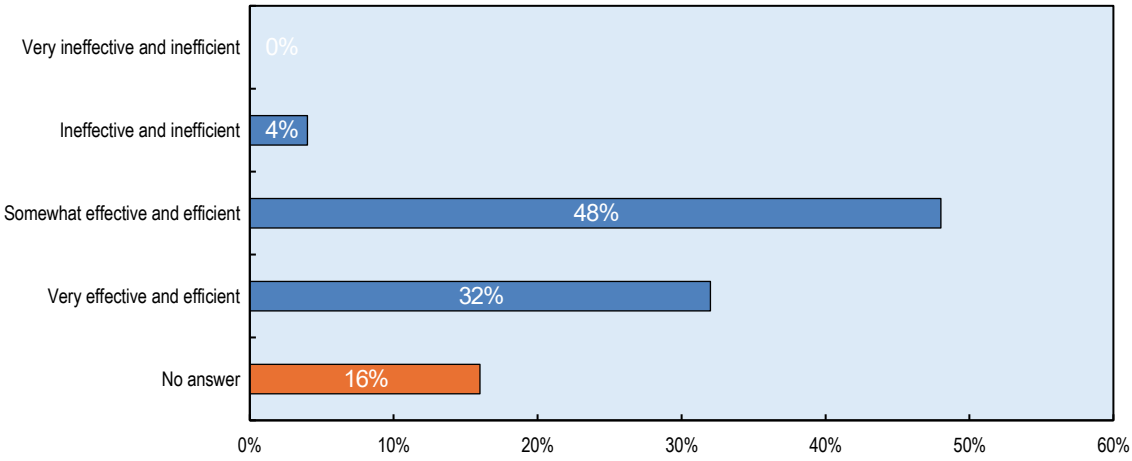
Firms prefer out-of-court dispute resolution mechanisms, as court proceedings are considered opaque and costly

The judicial process is perceived as opaque and complicated, which further exacerbates the legal situation for businesses. In one illustrative case reported during one of the interviews conducted by the OECD, a dispute over USD 15,000 was resolved with a judicial ruling requiring that payment be made in manats at the official exchange rate. Consequently, the business received only about USD 2,000, a fraction of the amount owed. The process took nearly four years, highlighting issues with the timeliness and objectivity of the judiciary and the challenges posed by the dual exchange-rate system.

Businesses in Turkmenistan tend to favour alternative methods of dispute resolution, primarily through direct, informal negotiations rather than through courts (Figure 2.7). From the perspective of business owners, taking a dispute to court is often seen as an unnecessary operational cost and negotiations in an informal setting to settle any disagreements are preferred. However, the Union of

Industrialists and Entrepreneurs pointed out that the country lacks an institutionalised system for out-of-court dispute resolution, although its creation is being considered.

Figure 2.7. How would you rate the effectiveness and efficiency of the legal system in resolving business disputes since 2022?



Source: OECD Business climate assessment survey in Turkmenistan (2024).

The development of alternative dispute resolution (ADR) mechanisms is still ongoing. The OECD (2023[45]) found that ADR mechanisms were still insufficient in Turkmenistan, which could be dissuasive for investors, because of the delays and costs associated with litigation in national courts. Nonetheless, there have been visible efforts by the government to address this problem. One of them is the country's accession in 2022 to the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards, also called the "New York Convention", which is expected to strengthen the trust of the foreign investors (Ministry of Foreign Affairs of Turkmenistan, 2022[46]). This concords with educational efforts to familiarise officials with ADR as evidenced by an online course on the topic "International Commercial Arbitration and Mediation" delivered to students of the Civil Service Academy in November 2024 in the framework of the USAID programme "Governance Activity in Turkmenistan" (GAT) (Turkmenistan Altyn Asyr, 2024[47]).

The dual exchange-rate system in Turkmenistan is differently perceived by business depending on activity

Survey results indicate that access to foreign currency varies depending on whether firms are engaged in domestic or international activities. Firms operating domestically generally do not view currency controls or the dual exchange rate as problematic, as they rarely require foreign currency—payments, even from foreign clients, are typically made in Turkmen manats. Some domestic firms maintain foreign currency accounts but report little or no need to use them. While a few respondents acknowledged that currency controls can sometimes cause minor difficulties, most felt they could adapt to these challenges. In contrast, firms involved in international trade frequently cited restricted access to foreign currency as a significant barrier, and some expressed a desire for a freer, market-based exchange rate system.

The government seems to have implemented a prioritisation system for currency conversion, favouring certain sectors over others. According to respondents, entrepreneurs in food production receive priority, followed by those in industrial goods production. However, importers of finished products face greater challenges, as they have no guaranteed entitlement to currency conversion. Instead, it was

reported during interviews that importers must rely on the discretion of authorised banks, subject to the availability of foreign exchange.

Therefore, producers can face severe restrictions when attempting to acquire foreign currency for essential imports. Firms are limited in their ability to convert currency, with conversion authorisations of 2% of the total contract value granted on a biweekly basis, which severely hampers their ability to purchase machinery, equipment, and inputs from abroad. Foreign firms have also faced non-payments or delays because of currency controls (U.S. Department of State, 2022[48]). This constraint forces businesses to delay crucial investments and upgrades, ultimately affecting their competitiveness and growth potential.

Recommendations

Recommendation 5.1: Evaluate opportunities to increase the effectiveness of tax administration through digitalisation and the adoption of international audit standards

Turkmenistan should consider implementing the possibility to pay taxes online, a recurring request by firms. It could consider the case of Tajikistan, which recently introduced such an online service with the services.andoz.tj website and on the related app "Andozi Man" (OECD, 2023[45]). Now, alongside the possibility to submit forms online, users, both legal persons and individuals, can also pay their taxes online. The implementation of this dematerialised procedure on the already existing website (e.fineconomic.gov.tm) would greatly help streamline the process, as respondents to the survey considered the need to reach the office of a tax administration and queue there before being able to proceed a waste of time.

The government could consider closer application by SOEs of international reporting standards, such as the International Financial Reporting Standards (IFRS), to improve tax administration. Despite the official recognition and partial adoption of the IFRS and the presence of independent auditors in the country, including offices of some international professional services companies, the current application of financial reporting standards does not meet its function of providing comparable information. The production of standardised financial statements and accounting can contribute to making audited information more reliable for tax assessments and investment decisions. The use of such standards can be used by firms to signal their quality and is reassuring for foreign investors, as it lowers the "information asymmetry" between investors and firms (Bertrand, de Brebisson and Burietz, 2021[49]). Focusing first on large SOEs could pave the way for easier access to financing from international developments partners as well as to cross-border investment flows. In parallel, IFRS-related university courses could also be introduced.

Recommendation 5.2: Consider establishing the office of the Business Ombudsman

Survey respondents suggested creating a business ombudsman or similar institution to help address disputes and provide guidance. According to a presidential decree adopted in June 2024, a department for the protection of human rights in the private sector was established under the apparatus of the Ombudsman. It is not clear yet if this department can address business disputes, offer independent consultations, or mediate conflicts before they escalate to lengthy and unpredictable court proceedings (OECD, 2024[50]). Turkmenistan could refer to the example of Kazakhstan's Business Ombudsman (Box 2.8). A business ombudsman would not only help individual companies navigate legal complexities, but it could also serve as a catalyst for broader judicial and regulatory reforms, ultimately helping to improve the overall business environment in Turkmenistan.

Box 2.8. The Ombudsman for the Protection of the Rights of Entrepreneurs of Kazakhstan

Legal regime

The office of the Business Ombudsman in Kazakhstan is set into a clear legal framework. It is regulated by a special chapter in the Entrepreneurial Code. The President appoints the Business Ombudsman for a four-year term, which can be followed by another term, but there cannot be more than two terms in a row. Working in close co-operation with the National Chamber of Entrepreneurs (Atameken), the Business Ombudsman has representatives across all the regions of the country. He is accountable only to the President.

Powers

Being a key link between the private sector and government representatives, the Business Ombudsman has wide competencies, including:

- making proposals to state bodies regarding new measures able to better protect the rights of entrepreneurs,
- suggesting measures to restore entrepreneurial rights, if they were violated,
- petitioning the prosecution on behalf of the business community in case he considers that the state bodies do not make appropriate measures to restore entrepreneurial rights,
- requesting information from state bodies, except cases foreseen by law.

The Business Ombudsman has 30 days to answer filled complaints, yet this deadline can be extended as long as the sender has been notified of it.

Statistics

The Business Ombudsman is actively engaged in the protection of entrepreneurial rights. From 2020 to 2023, the office received 17 205 requests out of which 6043 (35%) claims were granted (e.g., recognition of a fine issued against a firm by a state agency as null or the recognition by the Supreme Court of an increase in tax for a company as illegal), representing litigation amounting to a total of 174 billion Kazakhstani tenge (approximately 348 million euros). He is also engaged in close co-operation with ministries: there are consultations with the prosecution bodies to amend criminal legislation, joint fora with the Anti-corruption Agency and the Supreme Court attended by the private sector to discuss, clarify and improve the legal framework. There are also contacts with foreign Business Ombudsman institutions across Europe and Asia to share best practices and protect Kazakh businesses abroad.

Source: (The Ombudsman for the Protection of the Rights of Entrepreneurs of Kazakhstan, 2025[51]; OECD, 2024[52])

Recommendation 5.3: Consider unifying the official and parallel exchange rates

Turkmenistan could consider easing currency controls as it approaches WTO accession. Economic reforms in Uzbekistan were mentioned by some respondents as worthy of being taken as an example. Indeed, the country unified the official and informal exchange rates in late 2017, effectively eliminating the parallel currency market (Box 2.9). Together with tax cuts that followed two years later, this step was welcomed as the removal of "a *top binding constraint to business*" (World Bank, 2019[53]).

The IMF has long advised Turkmenistan to unify exchange rates. This would support the country's diversification objectives and reduce economic distortions (IMF, 2025[54]). A single exchange rate would eliminate privileged access to foreign currency and would level the playing field among firms and across

sectors. Where the authorities see a need to offer support to certain sectors that may be adversely affected by the unification of exchange rates, they may want to consider other policy measures that can provide such support in a fashion that is less likely to create distortions across the economy (e.g., accelerated depreciation, subsidised lending, tax credits, etc).

The path towards the liberalisation of the exchange rate can differ from country to country to better adapt to the specific features of an economy. In a World Bank blog publication (Estevao et al., 2021[55]), analysts propose two possible approaches: large and quick (also called a "big bang") or slow and gradual. The first is a one-time measure and no further devaluation needs to be expected, but it will temporarily disrupt trade and may lead to some inflation and to the dollarisation of the economy if the authorities do not maintain a firm grip on monetary policy. Exchange rate unification thus needs to be accompanied by a monetary policy framework that can manage exchange rate volatility and limit post-liberalisation inflation. The second approach usually leads to improvements in trade and does not produce any considerable negative shock, but its success depends on the elaboration and implementation of a credible devaluation path by the central bank, e.g., via a crawling-peg exchange rate, and on sufficient levels of foreign exchange reserves, as well as flanking reforms to enhance competitiveness and facilitate export growth.

Box 2.9. Uzbekistan's experience in liberalising its exchange rate

In order to eliminate the parallel market for currency, Uzbekistan proceeded to a big-bang liberalisation of its monetary policy. After Shavkat Mirziyoyev succeeded Islam Karimov as President of Uzbekistan in 2017, he undertook several reforms, including the decision to let the Uzbek sum to freely fluctuate.

Despite an initial spike in inflation, the reform has proven to be very beneficial to Uzbekistan's economy. Economic growth fell by 1.5% in one year from 5.9% to 4.4% and inflation even reached 20% in early 2018, requiring the intervention of the Central Bank. Yet growth quickly resumed, and the country has now recovered both from this shock and the pandemic, showing growth of more than 6% since 2023.

In case of liberalisation, financial authorities should prevent excessive dollarisation of the economy, which can occur when people shift their savings into dollars in response to high inflation. Although it is valuable to learn from the positive experiences of neighbouring countries, caution remains necessary. For example, following Uzbekistan's exchange rate liberalisation in 2017 and the issuance of its first dollar-denominated bonds in 2019, investor demand far exceeded expectations, reaching $8.5 billion. As a result, Uzbekistan has had to make ongoing efforts to reduce dollarisation and improve monetary policy transmission.

Source: (World Bank, 2025[56]) (World Bank, 2019[53]) (World Bank, 2019[53]) (IMF, 2024[57]).

Table 2.2. Summary of findings and recommendations

Topic	Observation	Recommendation	Stakeholder involved	Timeframe
Opening a business	Business registration was facilitated, but suffers from lengthy documentation procedures	1.1 Consider **easing the regulatory burden** for the registration of new businesses	Ministry of Finance and Economy	Short to Mid-term → →→
	Turkmenistan has provisions on competition, but needs to improve them	1.2 **Develop a competition framework** able to respond to market needs	Ministry of Finance and Economy	Mid-term →→

Topic	Observation	Recommendation	Stakeholder involved	Timeframe
	Turkmenistan has a national economic strategy, but lacks a framework designed for firms. Firms involved in certain sectors of the economy face more restrictions for obtaining loans than others.	1.3 Design a targeted business support strategy with a multi-sector strategy which allows **equal access to finance regardless of the sector of activity**	Ministry of Finance and Economy	Medium to Long-term →→ →→→
Human capital	Turkmenistan is planning to develop VET programmes and could benefit from additional advice.	2.1 Consider **developing and expanding comprehensive vocational education and training** (VET) programmes	Ministry of Education, Ministry of Labour and Social Protection	Medium-term →→
	There are incentives for young people to set up their business (e.g., preferential tax regime), but they should be well informed of what entrepreneurship is.	2.1 Consider developing and expanding comprehensive **entrepreneurship education and training (EET) programmes**	Ministry of Education, Ministry of Labour and Social Protection	Medium-term →→
	Limited access to higher education likely contributes to skills gaps in the workforce.	2.3 Improve youth integration into the labour market by adapting existing policies	Ministry of Education, Ministry of Labour and Social Protection	Short to Medium-term → →→
Digitalisation	Access to the Internet remains limited in some parts of the country	3.1 Evaluate the possibilities to **expand broadband coverage to ensure internet accessibility throughout the country**	Ministry of Communications	Short-term →
	High Internet prices hinder its use among the population	3.2 Consider lowering the prices to access internet services, **harmonise internet prices between domestic and foreign firms**	Cabinet of Ministers	Short-term →
	Firms report a lack of qualified specialists able to work with digital technologies	3.3 Improve digital literacy with digital trainings to make full use of the digital transition opportunities	Ministry of Education, Ministry of Labour and Social Protection Ministry of Communications	Short to Medium-term → →→
Trade policy and procedures	Customs procedures might be lengthy and lead to a slowdown for firms engaged in trade	4.1 Advance the digitalisation of its customs procedures by resorting to **online authentication measures**	State Customs Service	Short to Medium-term → →→
	Import substitution policies might negatively affect the competitiveness of the local firms in the perspective of WTO accession	4.2 **Consider phasing out import-substitution policies**	Ministry of Finance and Economy Ministry of Trade and Foreign Economic Relations	Medium to Long-term →→ →→→

Topic	Observation	Recommendation	Stakeholder involved	Timeframe
Addressing other operational environment issues	Tax payment procedures are conducted on site and can lead to negative effects such as corruption Reporting standards do not seem to be consistently applied	5.1 Evaluate opportunities **to digitalise tax payment procedures** **Consider closer application by SOEs of international reporting standards**, such as IFRS, to improve tax administration and transparency	Tax Department of the Ministry of Finance and Economy	Short to Medium-term → →→
	Alternative dispute resolution tools are still at an early stage in Turkmenistan	5.2 Consider establishing the office of the **Business Ombudsman**	Cabinet of Ministers, Ministry of Justice, Ministry of Finance and Economy	Short-term →
	Businesses cite the dual exchange rate as a constraint for conducting operations with foreign partners	5.3 Consider **unifying the exchange rates**	Ministry of Finance and Economy Central Bank of Turkmenistan	Short-term →

References

ADB (2024), *Turkmenistan - Asian Development Outlook April 2024*, https://www.adb.org/sites/default/files/publication/957856/tkm-ado-april-2024.pdf (accessed on 25 September 2025). [14]

Ali, J. (2024), *Central Asia's Transition to a Digital Economy*, https://caspian-alpine.org/central-asias-transition-to-a-digital-economy/ (accessed on 5 June 2025). [78]

Altyn Asyr (2021), , https://turkmenistan.gov.tm/ru/post/57298/v-tamozhennyh-organah-turkmenistana-vnedrena-informacionnaya-sistema-asycuda-world. [70]

Ballyev, D. (2023), "95% of greenhouses in Turkmenistan specialize in tomato production", *HortiDaily*, https://www.hortidaily.com/article/9582263/95-of-greenhouses-in-turkmenistan-specialize-in-tomato-production/. [32]

Bertrand, J., H. de Brebisson and A. Burietz (2021), "Why choosing IFRS? Benefits of voluntary adoption by European private companies", *International Review of Law and Economics*, Vol. 65, https://www.sciencedirect.com/science/article/pii/S0144818820301812 (accessed on 19 July 2025). [49]

Broadband Commission (2025), *2025 Broadband Advocacy Target 2: Make Broadband Affordable*, https://broadband.itu.int/advocacy-targets/2-affordability/? (accessed on 7 April 2025). [26]

BTI Transformation Index (2022), *BTI 2022 Country Report - Turkmenistan*, https://bti-project.org/en/reports/country-report/TKM#pos8. [59]

Business Turkmenistan (2021), *Как реализуется государственная поддержка малого и среднего бизнеса в Туркменистане?*, https://www.business.com.tm/ru/post/6825/kak-realizuetsya-gosudarstvennaya-podderzhka-malogo-i-srednego-biznesa-v-turkmenistane? (accessed on 17 April 2025). [2]

Central Asia Program (2025), *Resource Dependency: A Critical Look at Human Development and Inequality in Turkmenistan*, Institute for European, Russian and Eurasian Studies of the George Washington University, https://centralasiaprogram.org/publications-all/resource-dependency-a-critical-look/. [15]

Central Bank of Turkmenistan (2025), *"Мобильный банк"*, https://www.cbt.tm/ru/payment/mobil_bank.html (accessed on 5 May 2025). [21]

DAMU (2025), *Subsidies within the framework of a Unified Integrated Programme*, https://damu.kz/en/programmi/subsidy/enterprise_development/ (accessed on 18 April 2025). [13]

EBRD (2025), *Turkmenistan: Transition Report 2024-25*, https://2024.tr-ebrd.com/countries/# (accessed on 8 April 2025). [34]

EBRD (2024), *Transition Report 2024-25: Navigating industrial policy*, https://www.ebrd.com/home/news-and-events/publications/economics/transition-reports/transition-report-2024-25.html. [76]

EBRD (2023), *Country Assessments Turkmenistan*, https://2022.tr-ebrd.com/. [62]

EBRD (2023), *Regional Economic Prospects - Getting By: high inflation weighs on purchasing power of households*. [64]

EIU (2024), *Briefing sheet: Turkmenistan*, https://viewpoint.eiu.com/analysis/geography/XG/TM/reports/one-click-report. [66]

EIU (2023), *Country Report Turkmenistan 3rd Quarter 2023*, https://country.eiu.com/turkmenistan (accessed on 21 July 2023). [63]

EIU (2022), *Country Report Turkmenistan 1st Quarter 2022*, http://www.eiu.com/FileHandler.ashx?issue_id=1251756108&mode=pdf (accessed on 24 July 2023). [61]

Estevao, M. et al. (2021), *What countries need to consider when dual exchange rates are a problem*, https://blogs.worldbank.org/en/allaboutfinance/what-countries-need-consider-when-dual-exchange-rates-are-problem (accessed on 7 April 2025). [55]

Government of the Republic of Kazakhstan (2022), *Государственная программа поддержки и развития бизнеса «Дорожная карта бизнеса 2025»*, https://egov.kz/cms/ru/articles/road_business_map (accessed on 17 April 2025). [12]

Government of Turkmenistan (2023), *Voluntary National Review of Turkmenistan: on the progress of implementation of the Global Agenda for Sustainable Development*, https://sdg.stat.gov.tm/books/new_2023_en.pdf. [69]

Government of Turkmenistan (2018), . [80]

IMF (2025), *IMF Staff Completes 2025 Article IV Mission to Turkmenistan*, https://www.imf.org/en/News/Articles/2025/06/10/pr-25190-turkmenistan-imf-completes-2025-article-iv-mission (accessed on 7 July 2025). [54]

IMF (2024), *IMF Staff Completes 2024 Article IV Mission to Turkmenistan*, https://www.imf.org/en/News/Articles/2024/04/15/pr24118-turkmenistan-imf-staff-completes-2024-article-iv-mission. [65]

IMF (2024), *Republic of Uzbekistan: 2024 Article IV Consultation-Press Release; and Staff Report*, https://www.elibrary.imf.org/view/journals/002/2024/210/article-A001-en.xml (accessed on 28 March 2025). [57]

IMF (2024), *The Pitfalls of Protectionism: Import Substitution vs. Export-Oriented Industrial Policy*, IMF. [42]

IMF (2023), *World Economic Outlook Database, April*, https://www.imf.org/en/Publications/WEO/weo-database/2023/April. [60]

IMF (2019), *IMF Staff Completes 2019 Article IV Mission to Turkmenistan*, https://www.imf.org/en/News/Articles/2019/04/10/pr19112-turkmenistan-imf-staff-completes-2019-article-iv-mission#:~:text=Natalia%20Tamirisa%20visited%20Ashgabat%20during,sectors%2C%20and%20the%20diplomatic%20community. (accessed on 8 April 2025). [33]

IMF (2019), *IMF Staff Concludes Staff Visit to Turkmenistan*, https://www.imf.org/en/News/Articles/2019/11/14/pr19414-turkmenistan-imf-staff-concludes-staff-visit (accessed on 21 July 2023). [58]

IMF-CCAMTAC (2024), *Turkmenistan*, https://ccamtac.imf.org/content/CCAMTAC/home/Technical-Assistance/Turkmenistan.html (accessed on 4 July 2025). [43]

ITU (2025), *Measuring Digital Development : The Affordability of ICT services in 2024*, https://www.itu.int/en/ITU-D/Statistics/Pages/ICTprices/default.aspx (accessed on 11 July 2025). [23]

Khronika Turkmenistana (2025), *Пациенты больниц Туркменистана покупают лекарства за свой счет*, https://www.hronikatm.com/2025/02/hospitals/ (accessed on 4 June 2025). [79]

Mejlis of Turkmenistan (2023), *ЗАКОН ТУРКМЕНИСТАНА О государственной поддержке малого и среднего предпринимательства*, https://mejlis.gov.tm/single-law/260?lang=ru (accessed on 15 July 2025). [1]

Mejlis of Turkmenistan (2018), *Закон Туркменистана о предпринимательской деятельности*, https://minjust.gov.tm/ru/hukuk/merkezi/hukuk/192 (accessed on 16 April 2025). [5]

Ministry of Foreign Affairs of Turkmenistan (2022), *Меджлис Милли Генгеша Туркменистана принял постановления о присоединении страны к двум конвенциям ЮНСИТРАЛ*, https://www.mfa.gov.tm/ru/articles/558 (accessed on 11 June 2025). [46]

Ministry of Industry and Trade of the Czech Republic (2021), *Strategy to Support Small- and Medium-Sized Enterprises in the Czech Republic (2021-2027)*, Ministry of Industry and Trade of the Czech Republic, https://www.czechia.eu/wp-content/uploads/2021/12/Strategy-to-support-SMEs-in-the-Czech-Republic-2021-2027.pdf (accessed on 17 April 2025). [11]

OECD (2024), "Business ombudsman institutions in Eastern Europe and Central Asia: New trends and good practices", *OECD Business and Finance Policy Papers*, No. 42, OECD Publishing, Paris, https://doi.org/10.1787/7d994c17-en. [50]

OECD (2024), "Business ombudsman institutions in Eastern Europe and Central Asia: New trends and good practices", *OECD Business and Finance Policy Papers*, No. 42, OECD Publishing, Paris, https://doi.org/10.1787/7d994c17-en. [52]

OECD (2024), *Competitive Neutrality Toolkit: Promoting a Level Playing Field*, OECD Publishing. [74]

OECD (2024), *Financing Broadband Networks of the Future*, OECD Publishing. [25]

OECD (2024), *Financing SMEs and Entrepreneurs 2024: An OECD Scoreboard*, OECD Publishing, https://www.oecd.org/en/publications/2024/03/financing-smes-and-entrepreneurs-2024_015c0c26.html. [10]

OECD (2024), *OECD Youth Policy Toolkit*, OECD Publishing, https://www.oecd.org/en/publications/2024/11/oecd-youth-policy-toolkit_3de4a9f0.html. [20]

OECD (2024), *Recommendation of the Council on Human-Centred Public Administrative Services*, https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0503 (accessed on 11 June 2025). [8]

OECD (2024), "The return of industrial policies: Policy considerations in the current context", *OECD Economic Policy Papers* 34, https://doi.org/10.1787/051ce36d-en. [41]

OECD (2023), *Building Future-Ready Vocational Education and Training Systems*, OECD Publishing, https://www.oecd.org/en/publications/building-future-ready-vocational-education-and-training-systems_28551a79-en.html. [18]

OECD (2023), *Digital Skills for Private Sector Competititveness in Uzbekistan*, OECD Publishing, https://www.oecd.org/en/publications/digital-skills-for-private-sector-competitiveness-in-uzbekistan_6c54f447-en.html. [30]

OECD (2023), *Digital Skills for Private Sector Competitiveness in Uzbekistan*, OECD Publishing, https://doi.org/10.1787/6c54f447-en. [29]

OECD (2023), *Improving Framework Conditions for the Digital Transformation of Businesses in Kazakhstan*, OECD Publishing, https://doi.org/10.1787/368d4d01-en (accessed on 5 May 2025). [28]

OECD (2023), *Improving the Legal Environment for Business and Investment in Central Asia*, OECD Publishing, https://www.oecd.org/en/publications/2023/12/improving-the-legal-environment-for-business-and-investment-in-central-asia_d8c3ca85.html. [45]

OECD (2023), *Trade Facilitation in Central Asia*, https://www.oecd.org/en/publications/2023/12/trade-facilitation-in-central-asia_93190ff4.html. [39]

OECD (2021), *Recommendation of the Council on Broadband Connectivity*, https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0322 (accessed on 7 April 2025). [24]

OECD (2019), *Recommendation of the Council on Competition Assessment*, OECD Publishing, https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0455 (accessed on 10 June 2025). [9]

OECD (2000), "Trade and Growth: Still Disagreement about the Relationships", *OECD Economics Department Working Papers* 264, https://doi.org/10.1787/768732688342. [40]

OECD (forthcoming), *Enhancing the Competitiveness of the Trans-Caspian Transport Corridor in Central Asia*. [38]

OECD/EBRD (2023), *SME Policy Index: Eastern Partner Countries 2024: Building Resilience in Challenging Times*, SME Policy Index, OECD Publishing, Paris, https://doi.org/10.1787/3197420e-en. [75]

SECCA (2024), *Turkmenistan adopts new Law "On Energy Saving and Energy Efficiency"*, https://secca.eu/turkmenistan-adopts-law-on-energy-saving-and-ee/. [72]

State Bank of Turkmenistan for Foreign Economic Activity (2025), *Для финансирования новых производств, инвестиционных проектов и расширения действующих производств*, https://tfeb.gov.tm/page/62 (accessed on 17 April 2025). [4]

State Bank of Turkmenistan for Foreign Economic Activity (2025), *Предпринимателям, частным предприятиям, в целях развития среднего и малого бизнеса*, https://tfeb.gov.tm/page/61? (accessed on 17 April 2025). [3]

State Customs Service of Turkmenistan (2024), *Features of the Single Window for Export-Import Operations in Turkmenistan*, https://customs.gov.tm/index.php/en/news/925 (accessed on 8 April 2025). [35]

Tax Department of the Ministry of Finance and Economy of Turkmenistan (2025), *Main page*, https://www.tax.gov.tm/ (accessed on 11 June 2025). [44]

The Ombudsman for the Protection of the Rights of Entrepreneurs of Kazakhstan (2025), *History of the Institution*, https://ombudsmanbiz.kz/eng/ (accessed on 26 March 2025). [51]

Turkmen News (2024), *Internet in Turkmenistan is the slowest and most expensive*, https://turkmen.news/internet-v-turkmenistane-samyy-medlennyy-i-dorogoy-k-vystavke-turkmentel-2024/ (accessed on 16 January 2025). [77]

Turkmen Telecom (2025), *Internet Tariffs*, https://telecom.tm/en/tarif-gov/ (accessed on 1 August 2025). [22]

Turkmenistan Altyn Asyr (2024), *The GDP growth rate of Turkmenistan for four months of 2024 amounted to 6.3%*, https://turkmenistan.gov.tm/en/post/83340/gdp-growth-rate-turkmenistan-four-months-2024-amounted-63. [67]

Turkmenistan Altyn Asyr (2024), *Слушатели Академии государственной службы при Президенте Туркменистана прошли онлайн-обучение по государственному управлению*, https://turkmenistan.gov.tm/ru/post/89140/slushateli-akademii-gosudarstvennoj-sluzhby-pri-prezidente-turkmenistana-proshli-onlajn-obuchenie-po-gosudarstvennomu-upravleniyu (accessed on 11 June 2025). [47]

U.S. Department of State (2024), *2024 Investment Climate Statements: Turkmenistan*, https://www.state.gov/reports/2024-investment-climate-statements/turkmenistan/#:~:text=Turkmenistan%20is%20currently%20considered%20high,commercial%20law%20and%20regulatory%20regime. (accessed on 17 April 2025). [6]

U.S. Department of State (2022), *2022 Investment Climate Statements: Turkmenistan*, https://www.state.gov/reports/2022-investment-climate-statements/turkmenistan/#:~:text=for%20More%20Information-,Executive%20Summary,and%20strict%20foreign%20currency%20controls. (accessed on 15 July 2025). [48]

U.S. International Trade Administration (2023), *Turkmenistan Country Commercial Guide: Market Challenges*, https://www.trade.gov/country-commercial-guides/turkmenistan-market-challenges (accessed on 17 April 2025). [7]

UNCTAD (2024), *Turkmenistan: Trade single window eases transit, powers growth*, https://unctad.org/news/turkmenistan-trade-single-window-eases-transit-powers-growth (accessed on 8 April 2025). [31]

UNDP (2025), *UNDP Turkmenistan: About Turkmenistan*, https://www.undp.org/turkmenistan/about-turkmenistan#:~:text=Turkmenistan%20is%20an%20upper%20middle,economic%20growth%20in%20recent%20decade. (accessed on 7 April 2025). [27]

UNDP (2024), , https://www.undp.org/turkmenistan/press-releases/undp-and-turkmenistan-launch-electronic-statistical-reporting-and-business-register-platform. [71]

UNDP (2023), *Voluntary National Review of Turkmenistan on the progress of implementation of the Global Agenda for Sustainable Development 2023*, Turkmen State Publishing Service. [17]

UNDP (2022), *Strengthening the Trade Capacity of Turkmenistan*, https://www.undp.org/turkmenistan/projects/strengthening-trade-capacity-turkmenistan (accessed on 27 February 2025). [73]

UNECE (2014), *Revision of Recommendation 14: Authentication of Trade Documents*, United Nations, https://unece.org/sites/default/files/2023-09/Rec14-ECE_TRADE_C_CEFACT_2014_6E.pdf. [36]

World Bank (2025), *GDP growth (annual %) - Uzbekistan*, https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=UZ (accessed on 28 March 2025). [56]

World Bank (2025), *Turkmenistan: Youth unemployment rate (%), ages 15-24*, https://humancapital.worldbank.org/en/economy/TKM#other-indicators (accessed on 18 April 2025). [16]

World Bank (2024), , https://tradingeconomics.com/turkmenistan/industry-value-added-us-dollar-wb-data.html. [68]

World Bank (2019), *Uzbekistan: Toward a New, More Open Economy*, https://www.worldbank.org/en/country/uzbekistan/publication/economic-update-summer-2019 (accessed on 28 March 2025). [53]

World Bank (2014), *Entrepreneurship Education and Training Programs around the World. Dimensions for Success*, World Bank, https://openknowledge.worldbank.org/server/api/core/bitstreams/866201e2-a876-5434-a6d6-0f536968bdb6/content. [19]

WTO (2022), *Cross-border Paperless Trade Toolkit*, World Trade Organization, https://www.wto.org/english/res_e/booksp_e/paperlesstrade2022_e.pdf. [37]

Notes

[1] The ITU's official target is that entry-level broadband services should be made affordable in low- and middle-income countries (LMICs) at less than 2% of monthly Gross National Income (GNI). If monthly GNI per capita is $1,500 in a typical middle-income country, 2% is $30.

3 Attracting FDI: creating an Investment Promotion Agency

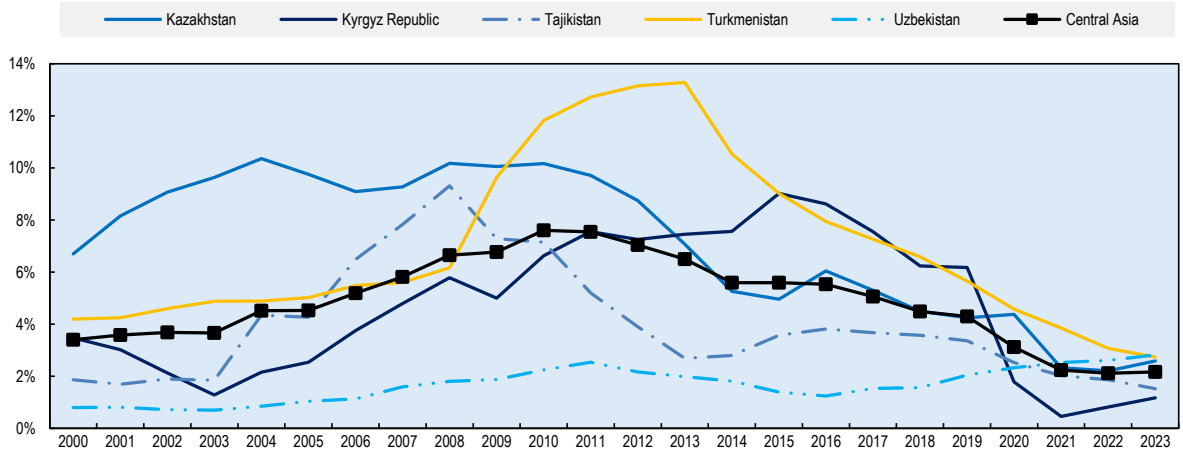
In an attempt to diversify the sources and destinations of foreign direct investment (FDI) and enhance its impact on the country's economic development, the government has been developing strategies and increasing Turkmenistan’s global visibility. This chapter provides insights into the investment framework with a focus on a key investment promotion tool the government does not have currently and could consider developing – an Investment Promotion Agency (IPA). It also addresses some priority areas identified by the government that an IPA could cover. The chapter provides other recommendations, to ensure a coherent general picture.

Introduction

Turkmenistan has been pursuing a policy of external opening and investment promotion, as outlined in its Foreign Trade Strategy for 2021-2030. According to the strategy, Turkmenistan established new trade links with other countries and major foreign companies, fostering the development of trade and economic co-operation. It also states that Turkmenistan aims to create a competitive business environment and investment climate, focusing on attracting foreign direct investment to expand and diversify its foreign trade. The strategy emphasises several key measures to achieve these goals, including stimulating investment activity, increasing the presence of national brands in foreign markets, simplifying administrative procedures, and eliminating technical barriers.

Turkmenistan currently attracts investment at levels similar to those of its Central Asian peers (Figure 3.1)**.** Taking into account the five-year moving average of FDI inflows as a share of GDP, it appears that after a spike in the early 2010s, FDI inflows have been steadily declining relative to GDP. Despite the rather positive investment attraction record, particularly in the late-2000s/early 2010s, Turkmenistan's recent performance in attracting new investment has been weaker (Kepbanov, Horák and Ovezmyradov, 2022[1]).

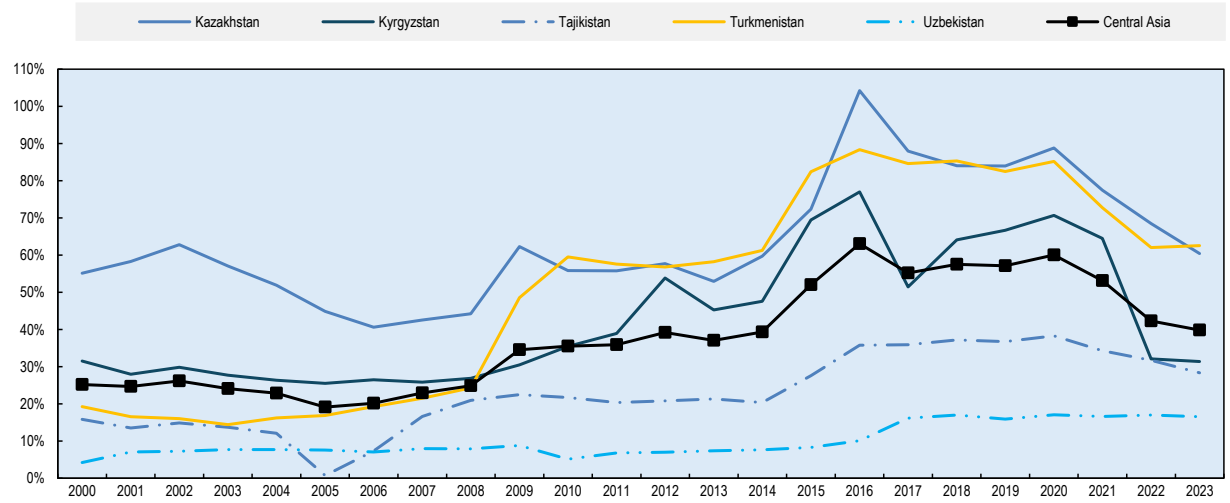
Figure 3.1. FDI inflows in Central Asia relative to GDP (%), 5-year moving average



Source: (World Bank, 2025[2])

Nevertheless, Turkmenistan's FDI stock ranks among the highest in the region. Relative to GDP, Turkmenistan's FDI stock has been 20-30 percentage points higher than the average for the region. Turkmenistan and Kazakhstan are the two leaders of FDI stock in the region, which indicates a long-lasting presence of investors and increased economic opportunities (Figure 3.2).

Figure 3.2. FDI stock relative to GDP (%)



Source: (UNCTAD, 2025[3])

Data provided by the authorities to the OECD point to limited FDI attraction in sectors beyond hydrocarbons. According to the government's responses to the OECD questionnaire, seven FDI projects are planned for 2025: four focused on constructing fertiliser production facilities and three in the gas industry. Notably, gas industry projects far surpass fertiliser initiatives - themselves a by-product of gas - in terms of project value, accounting for 98.7% of total FDI for that year.

Projections for 2026 point to greater diversification despite the continued dominance of the gas sector. In 2025, gas projects are set to attract around 98 billion TMT (or 28 billion USD), while investments in other sectors for 2026 are projected at just 4.1 billion TMT (or 1.2 billion USD). Planned investments for 2026 include not only continued development in established sectors but also new projects in medical facilities and the agribusiness industry. There is also a clear commitment to expanding renewable energy, with investments in hydropower and solar plants on the agenda.

Table 3.1, which sums up the findings presented above, suggests that Turkmenistan could benefit from further improvement in investment promotion to support diversification. The creation of an Investment Promotion Agency mandated to attract investment towards selected industries would provide a clear avenue to support the government's ambition to diversify its economy and develop more export-oriented industries (Chapter 1).

Table 3.1. Comparative FDI data across Central Asia (2023)

	FDI inflows in bn U.S. $, 2023 data	FDI stock as % of GDP, 2023 data	FDI inflows as % of GDP, 2023 data
Kazakhstan	3,223	60	1.2
Kyrgyz Republic	0.5	31	4
Tajikistan	0.1	28	1.2
Turkmenistan	1,221	63	1.9
Uzbekistan	2,187	17	2.4

Source: (UNCTAD, 2025[3]) and Turkmen official data.

The OECD has been asked by the government of Turkmenistan to provide recommendations on investment promotion. The focus of the present chapter is to explore the possibility of creating an Investment Promotion Agency (IPA) in the country. Recommendations are derived from the OECD Policy Framework for Investment (PFI), which offers guidance on the design of policies and institutions conducive to investment growth, as well as further OECD work on investment promotion and facilitation. The PFI presents an overview of the different aspects of investment policy and helps policymakers identify areas where reforms may be needed (Box 3.1). Figure 3.3 in particular presents a brief overview of the key elements of the design of an IPA, including organisational considerations, as well as the two pillars of the agency's activity – investment promotion, which consists in presenting the country as a promising investment destination and attracting new investments, and investment facilitation, which refers to facilitating (re-)investment by easing the different processes in which a prospective investor must engage (OECD, 2015[4]). This Chapter will cover these three topics, while also exploring the possibility of including Special Economic Zones (SEZ) and the management of Public-Private Partnerships (PPP) in the functions of the IPA, as requested by the government of Turkmenistan.

Box 3.1. The OECD Policy Framework for Investment

The OECD's 2015 Policy Framework for Investment provides a comprehensive approach to help states design legislation enabling investment across twelve policy areas. The framework offers recommendations, core questions for identifying areas of improvement, and supplemental questions for deeper analysis. Key recommendations include:

- **Investment policy**: Establish transparent, non-discriminatory rules protecting investors' rights and ensuring fair treatment.
- **Investment promotion and facilitation**: Implement strategies to attract and retain investment, including creating an IPA and reducing administrative barriers.
- **Trade policy**: Ensure trade policies complement investment objectives by facilitating market access and reducing trade barriers.
- **Competition policy**: Promote fair competition through efficient competition law and enforcement.
- **Tax policy**: Design transparent and efficient tax incentives while countering abusive tax planning.
- **Corporate governance**: Establish frameworks for responsible corporate management and accountability.
- **Responsible business conduct**: Encourage ethical business practices and contributions to sustainable development.
- **Human resources development**: Enhance education and training systems to equip the workforce with needed skills.
- **Investment in infrastructure**: Mobilise public and private investment in essential infrastructure.
- **Financing investment**: Develop financial markets and institutions to provide accessible financing options.
- **Public governance**: Ensure effective public institutions and simplified administration supporting policy coherence.
- **Investment framework for green growth**: Promote investments in sustainable infrastructure and environmental goods and services.

Source: (OECD, 2015[4]).

Topic 1: Creation and mandate of an Investment Promotion Agency

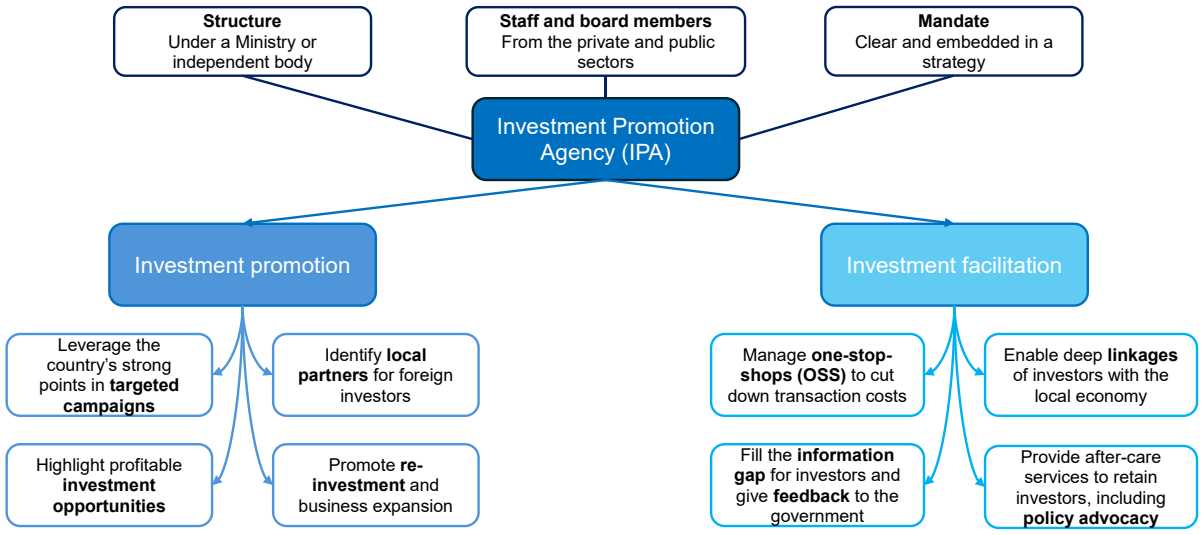
Turkmenistan could benefit from the creation of an IPA and the formulation of a comprehensive national investment strategy to guide its work

The creation of an IPA could enhance Turkmenistan's ability to attract and facilitate high quality FDI

IPAs play a crucial role in actively promoting the country and facilitating investor entry and expansion in line with national development goals. These agencies are particularly effective when they

align investment promotion strategies with broader public policy objectives such as job creation, productivity growth, and economic diversification. For Turkmenistan, an IPA could support targeted attraction of investments in emerging sectors beyond hydrocarbons, such as agriculture, energy and water efficiency, while also providing essential services that reduce barriers for investors and prompt them to reinvest. Moreover, IPAs help governments navigate increasingly complex global economic conditions by focusing on higher-impact, sustainable, and inclusive investment opportunities (OECD, 2019[5]). Most OECD countries have created such agencies to enhance investment attraction.

Figure 3.3. Simplified representation of the Investment promotion and facilitation functions of an IPA according to the OECD Policy Framework for Investment



Source: based on information in (OECD, 2015[4])

There is a broad vision for investment policy, but the strategic vision seems to be short-term

The government has been promoting foreign direct investment through a series of legal and regulatory reforms. It has adopted several economic strategies, namely the *Programme "Revival of a new era of a powerful state: the National programme of socio-economic development of Turkmenistan for 2022 – 2052"* and the *Programme of the President of Turkmenistan for the Socio-Economic Development of the Country for 2022–2028*. Key initiatives reported in the government's responses to the OECD questionnaire include the establishment of special economic zones (SEZs), a simplified taxation system, programmes supporting digitalisation, and the promotion of public-private partnerships (PPPs). Mentioned reforms include the improved protection of intellectual property rights and the relaxation of restrictions on joint ventures, yet the OECD could not determine whether and to what extent these have been consistently applied.

Additionally, Turkmenistan's investment policy is guided by a range of legislative acts aimed at regulating and promoting investment activities. The legal framework supporting investment includes laws on hydrocarbon resources, currency regulation, foreign investments, and investment activities[1]. In 2017, the government introduced legislation on SEZs to provide additional support for both local and foreign companies. Turkmenistan's investment strategy focuses on attracting fixed capital investment and directing it toward innovation, high-value-added production, job creation, and human capital development, while also prioritising the country's environmental and socio-economic security.

Specific investment strategies exist, but do not seem to reflect a unified long-term vision. In addition to the broad guidelines established by the economic and trade strategies mentioned above, Turkmenistan also has strategies tailored for investment policy. However, available information provides contradictory insights. Taking only the example of recent years, it seems there was an independent investment strategy in 2024 (Turkmenistan Altyn Asyr, 2024[6]), while in 2025 the investment strategy is part of the *Programme for the Socio-Economic Development of Turkmenistan and Investment in 2025*, which is said to contain some tasks to foster investment policy, including through the modernisation of the legislative framework (The State News Agency of Turkmenistan, 2025[7]), as well as technical data about the various investment projects planned for the year such as the description of the projects, their locations and costs (Turkmen Portal, 2025[8]). The existence of several unrelated strategies points to the lack of a long-term strategic vision on attracting FDI.

Responsibilities in investment policy are dispersed across several institutions in the absence of an IPA

The development and implementation of investment policy is primarily entrusted to the Cabinet of Ministers, with the Ministry of Finance and Economy playing a leading role. The Cabinet of Ministers, where the President personally instructs government members to work on improving the investment climate and increasing foreign investment inflow (The State News Agency of Turkmenistan, 2025[7]), makes decisions on priority investment projects and oversees the preparation and conclusion of investment agreements. Meanwhile, the Ministry of Finance and Economy (MFE) registers investment projects and economic entities, co-ordinates and analyses investment activities, and provides information and consulting support to investors. Moreover, the MFE collaborates with other ministries and departments to prepare the investment programme for the upcoming fiscal year and led the organisation of the first international investment forum in Ashgabat in 2024, as well as a second one in Avaza in 2025.

The Agency for Protection against Economic Risks under the MFE submits proposals to the Interdepartmental Commission for the Protection of the Economy from Risks on state registration, re-registration and refusal to register branches, representative offices of foreign legal entities and enterprises with foreign investment, and issues conclusions based on the decision of the Interdepartmental Commission. Thus, the MFE has a very broad mandate on investment, ranging from investment policy development to attracting and supporting foreign investment.

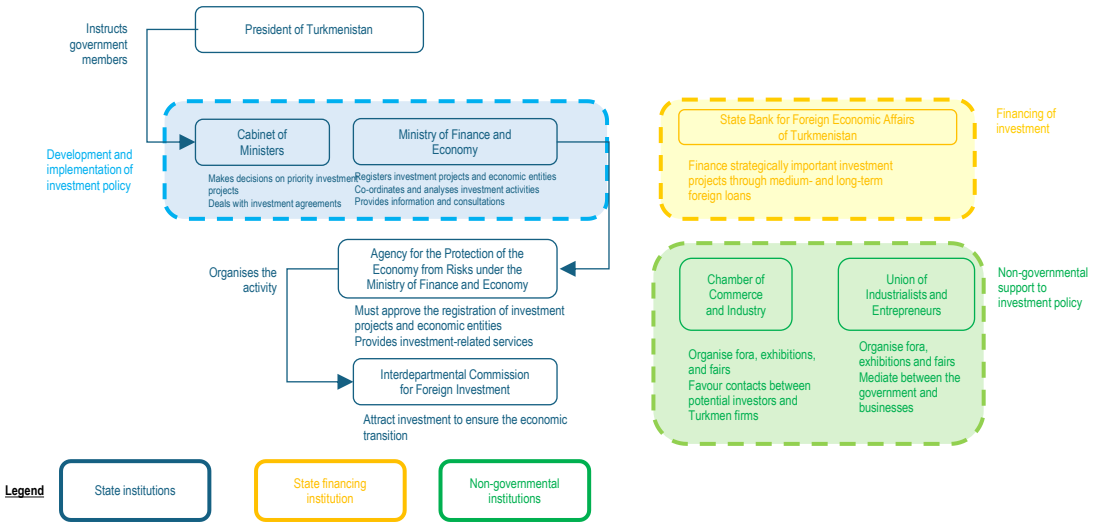
Banks also plays an important role in enabling the country's investment activities. The State Bank for Foreign Economic Affairs of Turkmenistan is the government's designated agent in international capital markets: it attracts medium- and long-term foreign loans to finance strategically important investment projects (State Bank for Foreign Economic Affairs of Turkmenistan, 2025[9]). The Central Bank of Turkmenistan also plays an important role in regard to investment : it exercises control over the country's currency, including by restricting conversion operations from Turkmen manats (TMT) to U.S. dollars (USD) (U.S. Department of State, 2016[10]).

Investment policy efforts are supported by the Chamber of Commerce and Industry of Turkmenistan, which is responsible, among other functions, for attracting foreign businesses to the country. In 2024, the Chamber organised 27 exhibitions as part its promotional activities. International fora, comprising events in Turkmenistan and abroad, were used to promote legislative changes and to demonstrate opportunities for foreign investors (Chamber of Commerce and Industry of Turkmenistan, 2024[11]).

The Union of Industrialist and Entrepreneurs serves as a bridge between business and the government, acting as the government's "listening" body. However, there is no dedicated Council under the President or the Cabinet of Ministers for investment, nor any high-level platform for regular dialogue with investors. This fragmented approach to investment promotion and facilitation highlights the

need for a more streamlined and co-ordinated institutional framework to effectively attract and manage foreign investments in Turkmenistan.

Figure 3.4. Simplified organigram of governmental and non-governmental bodies involved in investment policy in Turkmenistan



Source: OECD analysis.

Recommendations

Recommendation 1.1: Establish an IPA

The government of Turkmenistan could establish an IPA. It should first clearly define the IPA's mandate and align it with national development priorities, ensuring it can act as a one-stop shop for investors. Establishing a legal and institutional framework that grants the agency adequate autonomy and resources is essential for effectiveness, although there is no single path to follow as each country adjusts the mandate, accountability and resources of the IPA to its own institutional structure. Initial steps include appointing a skilled leadership team, creating inter-agency coordination mechanisms, and developing a comprehensive investment promotion strategy targeting priority sectors. The IPA's basic functions should encompass proactive investor targeting and outreach, facilitation of investment procedures (including licensing and permits), provision of accurate market research and intelligence, aftercare services, and the monitoring of investment projects to ensure compliance and evaluate impact. Moreover, the agency should foster public-private dialogue to address investment climate challenges and leverage international cooperation and best practices (OECD, 2015[4]).

Recommendation 1.2: Craft a clear investment strategy, embedded within a broader economic development strategy

A coherent and structured investment strategy presenting key sectors and measures for FDI attraction could help Turkmenistan offer a clear direction for potential investors, ensuring that they understand the country's economy-wide and sectoral priorities. The strategy could offer a roadmap outlining the steps required to promote and facilitate export-oriented FDI. The resources of the OECD's

FDI Qualities Policy Toolkit could help highlight measures that could ensure that FDI inflows contribute to skills and technology transfers, the integration of local firms into global value chains and other positive spill-over effects of FDI, such as in the digital transition and green development.

The mandate of the agency should align with the objectives laid out in the investment strategy. The strategy should also define FDI priorities, and the IPA needs to be structured and resourced with a stable budget to address them. A 2020 OECD report on *Investment Promotion in Eurasia: A Mapping of Investment Promotion Agencies* showed that IPAs in the Eurasia region were often struggling because of constrained resources, as it was found that IPA budgets are often correlated with the country's GDP per capita. Nonetheless, Kazakh Invest in Kazakhstan constitutes a notable exception, operating with more than 100 staff members, which is nearly three times as much as the average among OECD countries, and has offices abroad to ensure a better representation of the country (OECD, 2020[12]).However, as the attractiveness of the economy depends on developments in a range of policy domains, the strategy also needs to define the roles and responsibilities of other government bodies, as was done in Türkiye, to foster co-ordination between the different institutions towards a common goal (Box 3.2).

Box 3.2. The Investment Office of the Presidency of the Republic of Türkiye

Investment-related matters in Türkiye are dealt with by a state body reporting to the President – the Investment Office. The Office acts as an IPA responsible for the design of the nation-wide investment strategy, in which it does not play an exclusive role. Indeed, alongside the Office, the strategy envisions a considerable role for numerous Ministries, such as the Ministry of Treasury and Finance, the Ministry of Justice, the Ministry of Industry and Technology, the Ministry of Energy and Natural Resources, the Ministry of Environment, Urbanisation and Climate Change, the Ministry of Treasury and Finance, the Ministry of Transportation and Infrastructure, the Ministry of Trade, the Ministry of Employment and Social Security, the Ministry of National Education, the Ministry of Family and Social Services, as well as other bodies, such as the Council of Higher Education and the Digital Transformation Office of Türkiye.

Such a combination of different actors allows the Office to concentrate on specific tasks. These are mainly related to promotion, covering topics such as the conduct of communication activities, the development of the co-operation programs with national and international stakeholders alike or identifying prospective investment areas. Therefore, the facilitation efforts related to concrete policy areas are directly undertaken by the appropriate Ministry, while the Office's contribution to facilitation is mainly manifested in dealing with the administrative difficulties faced by investors. Such an approach has an advantage as its frames a global vision, in which the actors are expected to act in a co-ordinated manner.

Source: (Investment Office of the Presidency of the Republic of Türkiye, 2024[13])

Recommendation 1.3: The structure of the IPA must be conducive to private sector engagement, but there is no single model that ensures success

There is no single model that constitutes a best practice with respect to IPAs' institutional format. Successful agencies operate under various institutional arrangements: some are more or less autonomous bodies, while others are integrated into ministries or government departments. They may report directly to the President or Prime Minister or to a specific Ministry. The same is true with respect to authority and mandates: there are diverse models which seem to deliver. The effectiveness of IPAs depends not only

on their institutional setting but also on the allocation of adequate human and financial resources. That said, clear and effective governance and reporting lines contribute significantly to an IPA's effectiveness. Successful IPAs often operate with a high degree of autonomy and maintain strong ties to the private sector, frequently incorporating private sector representatives among their staff and on their boards, to ensure a deep understanding of investors' needs and to deliver more relevant services (World Bank, 2023[14]). In Turkmenistan, the government could consider establishing an IPA either as part of the existing government structure or as a semi-autonomous body. Given the current institutional framework, the IPA could potentially report to the Ministry of Finance and Economy or directly to the Cabinet of Ministers.

Recommendation 1.4: The mandate of the IPA can go beyond investment

While the aspects of investment promotion and facilitation will be discussed below, it is worth mentioning that IPAs can perform other duties contributing to the development of the national economy. A 2020 survey of IPAs in Eastern Europe, the South Caucasus and Central Asia revealed that agencies in this region often have additional responsibilities beyond traditional investment promotion. These extra mandates include support for SMEs, export promotion, regional development promotion, PPPs, privatisation programmes and investment screening and approval activities (OECD, 2020[12]). For instance, the government of Turkmenistan could consider adding export support functions to the IPA's mandates, aligning with the government's policy of export promotion. For example, Azerbaijan's IPA, AZPROMO, combines investment promotion with export promotion activities, a model also found in some OECD countries (Box 3.3). This approach could serve as a model for Turkmenistan to enhance its trade capacity and support its economic diversification efforts.

Box 3.3. AZPROMO, an IPA example from Azerbaijan

The Export and Investment Promotion Agency of the Republic of Azerbaijan (AZPROMO) plays a key role in boosting the country's non-oil sector. Established in 2003 and reshaped in 2021, it serves as a single-window platform with a dual mandate: supporting exporting firms and attracting investment in non-oil production to increase this sector's share in Azerbaijan's GDP – a model that could support Turkmenistan's economic diversification.

AZPROMO provides valuable information on the legal framework and investment opportunities. Its website (AZPROMO | AZPROMO) hosts all relevant legislation for investors and exporters, categorized by hierarchy of acts in Azerbaijan, including regulatory acts from executive authorities. This allows users to quickly and efficiently assess the necessary legal information, along with reports, investment project presentations, guides, and audit results.

The agency also actively engages with the private sector to promote exports. Through the Club of Exporters, it offers operational support and hosts meetings to enhance firms' knowledge of formal procedures like packaging, labelling, and logistics. The Export Academy further strengthens this by providing a three-month online training program where state officials teach business export strategy, operations and procedures.

Source: (AZPROMO, 2025[15])

Topic 2: Investment promotion

Turkmenistan relies on several methods for investment promotion, but it could benefit from a more centralised approach

Some investment promotion measures already exist

Currently, Turkmenistan offers targeted investment promotion measures by offering sector-specific incentives to attract foreign capital and drive economic growth. The government prioritises sectors, such as oil and gas, agriculture, and tourism, providing tailored benefits such as tax breaks, import duty exemptions, and access to special economic zones. Sector-targeted policies are important, as they constitute an incentive for FDI attraction. Box 3.4 presents the OECD perspective on the role of incentives in investment promotion. Additionally, the 2024 EBRD Transition report finds that sectors which benefitted from targeted policies tend to experience a 2.8-fold increase in FDI projects ten years after the roll out of the policy (EBRD, 2024[16]).

Box 3.4. OECD perspective on the role of incentives in investment promotion

Investment incentives are used to provide investors with specific benefits that are not available to other businesses in a jurisdiction. They are a policy tool used by governments to promote investment according to their strategic policy goals by making conditions more attractive to prospective investors, often focusing on fostering productivity, innovation, and job creation. The OECD differentiates among four categories of incentives (Table 3.2).

Table 3.2. Incentives typology

Type	Description	Examples
Tax incentives	Investment incentives that affect government revenue collection, such as preferential treatment under tax and customs duties and other benefits	Corporate income tax, value added tax, customs and import duties
Financial incentives	Direct transfer of government funds, other government financing mechanisms or support	Direct grants, subsidised loans, loan guarantees
In-kind incentives	State provision of goods and services at below market value or for free, with an identifiable monetary value	Provision of land or infrastructure for specific projects or areas at below market value, such as in economic zones
Regulatory & non-financial incentives	Derogations from standard rules and regulations, some specialised regulations, specialised assistance and services, and other non-financial government support	Preferential standards and regulations, such as eased administrative requirements and procedures, administrative and regulatory exemptions

Source: Table taken from (OECD, 2024[17])

However, investment incentives are but one of the factors entering into consideration in a firm's decision to invest. Feedback from OECD IPAs shows that they find the effectiveness of investment incentives to attract investors rather low when compared to factors such as connectivity and infrastructure, highly skilled human capital, estimated growth, market size and an enabling legal and administrative environment. This shows that investment promotion is tightly linked to the general business climate of the country rather than to only one of its components.

Where it is deemed expedient to introduce specific fiscal incentives for investors, these should focus on forms of support that will foster new, self-sustaining activities. If direct tax incentives are considered, for example, they should be linked to the process of capital formation. Thus, accelerated depreciation, investment tax credits or temporary exemptions from duties on capital goods would be preferable. These can directly reduce the cost of capital for new investment projects, thereby encouraging investment that might not otherwise occur. Such cost-based measures can also be easier to phase out than income-based incentives like corporate income tax (CIT) holidays, as their significance tends to wane as the project matures.

By contrast, **income-based incentives, such as CIT holidays and exemptions, are generally undesirable.** They may offer little to start-ups, innovative firms or established firms engaged in large *new* projects that, in the early stages of development, may not generate a profit and may thus have no tax to pay. However, they can offer windfall benefits to already profitable projects and can often encourage tax planning and transfer pricing in an effort to shift activity from non-exempt to exempt enterprises. To the extent that they generate new investment at all, they tend to benefit projects with relatively short payback times (i.e., within the holiday period) at the expense of longer-term ventures.

Moreover, international experience shows that such incentives can be difficult to phase out, as beneficiaries have strong incentives to press for their extension.

The effectiveness of tax incentives will also be affected by their interaction with losses carried forward by companies. This raises a number of design issues. Interactions may partially or fully neutralise the value of cost-based tax incentives, and the value of profit-based tax incentives will be reduced when losses can be carried forward.

Source: (OECD, 2024[17])

Both governmental and non-governmental institutions contribute to investment promotion

As discussed above, the responsibility for investment policy design and implementation is currently dispersed across a number of state bodies in Turkmenistan, and this situation is reflected when analysing investment promotion. According to the Law on Foreign Investment, the Cabinet of Ministers defines policy on international investment co-operation, as well as the state programmes aimed at attracting investment. The identification of priority targets, sectors, and areas for investment, a key prerequisite for efficient investment promotion, is also handled by the Cabinet of Ministers.

The Law also refers to the Ministry of Finance and National Economy as a "competent organ" tasked *inter alia* with coordinating government activity on foreign investment, managing the registration of foreign investment projects, and introducing to the Cabinet of Ministers proposals to improve the investment climate (Mejlis of Turkmenistan, 2019[18]). The Law does not define the competent organ any further than through its objectives, but its tasks seems to be divided between the Interdepartmental Commission for Foreign Investment, which is responsible for attracting foreign investment to ensure the country's transition to "modern market relations" (The State News Agency of Turkmenistan, 2019[19]) and the Agency for Protection from Economic Risks under the Ministry of Finance and Economy of Turkmenistan, which extended its competence with the presidential resolution n°1370 of 9 August 2019 to the organisation of the activity of the Interdepartmental Commission for Foreign Investment (Ministry of Finance and Economy of Turkmenistan, 2022[20]). The Agency for Protection from Economic Risks collects information on foreign legal entities as well as enterprises with foreign investment, verifies their "reliability" and advises the Interdepartmental Commission on whether a company should be granted the right to carry out investment projects in the country. Ensuring that primary and secondary legislation governing these institutions and their activities was easily available online, ideally in multiple languages, would make it easier for potential investors to navigate their approach to Turkmenistan.

Investment promotion in Turkmenistan is also undertaken by non-governmental bodies. For instance, the Chamber of Commerce and Industry is responsible for attracting foreign businesses to Turkmenistan, which is mainly undertaken through the organisation of exhibitions and fairs, aiming at creating a positive impression about the country among foreign partners (Chamber of Commerce and Industry of Turkmenistan, 2025[21]). Its action is complemented by the Union of Industrialists and Entrepreneurs, which also plays an important role in investment promotion, ensuring (in addition to the defence of the local entrepreneurs' interests) the organisation of various fora, fairs and exhibitions, providing help in establishing links between investors and local businesses, conducting marketing activities and matching interested investors with Turkmen entrepreneurs (Union of Industrialists and Entrepreneurs of Turkmenistan, 2025[22]).

Investment promotion is conducted at different levels, but further engagement with potential investors is needed

Investment promotion activity seems to focus on the organisation of international fora. The country organises investment forums in the country and abroad, such as the “Investment in the Future of Turkmenistan” (IFT) Forum 2025. These serve as platforms for experience exchange, establishing partnerships, and ‘’implementing ambitious projects across various economic sectors’’ (Government of Turkmenistan, 2024[23]). Turkmenistan has had the opportunity to engage in investment promotion in international fora organised by partners, such as the Investors Forum for EU-Central Asia Transport Connectivity, where a session dedicated to Turkmen investment projects in the transport sector was organised (Business Turkmenistan, 2024[24]). The presence of Turkmenistan on the international stage is increasing, as evidenced by the 16 investment promotion events planned for various sectors for 2025 (Business Turkmenistan, 2025[25]). Moreover, bilateral business council meetings, such as the France-Turkmenistan Business Council, are crucial for investors to learn more about Turkmenistan's investment opportunities and economic potential (MEDEF, 2025[26]).

Turkmenistan has developed a single website, www.invest.gov.tm, to improve investors’ access to information about investment opportunities, legislation, and procedures. It provides general information about investment policy (although this information needs more frequent updating), a description of legal support available to investors (albeit without reference to specific legal acts), as well as previous and currently available tenders. It also features an interactive investment map, although it does not seem to reflect all investment projects as of the time of writing (June 2025) (Invest in Turkmenistan, 2025[27]).

While the website is a commendable initiative, a number of changes could strengthen it. For instance, the "Industry" section of the Investor’s Guide is currently empty; filling it with explanations about priority projects and sectors as well as government stakeholders involved would address an important gap. Similarly, it would be good to provide content for the section dedicated to Turkmenistan’s regions, which was likewise empty as of mid-2025 to better present to prospective investors the country in which they are to invest.

It would also be helpful to potential investors to provide more information on such issues as the labour market, FDI statistics, and visa procedures. Moreover, although the website is available in three languages – Turkmen, English, and Russian – not all the external links it contains offer the same accessibility, as only six of nine websites referenced in the Investor’s guide had fully functioning English versions (Invest in Turkmenistan, 2025[27]). The available official information on investment performance is sometimes difficult to interpret, making it difficult to use such information to guide action. For example, the authorities announced that the 2024 investment plan for agriculture was fulfilled at 388.5% (Government of Turkmenistan, 2024[28]), but this raises more questions than it answers in the absence of information about the basis for the original plan, as well as the sources and destinations of the investment.

Foreign investors also report difficulties liaising with local partners and government institutions. Foreign investors interviewed by the OECD team reported challenges in sustaining effective communication with state institutions when following up on meetings at international fora or during visits to the country. Additionally, the interviewees reported difficulties finding local partners. An IPA could help establish such contacts and ensure effective follow-up with state bodies.

Recommendations

Recommendation 2.1: The IPA should provide investors with better information access and engage in outreach activities by organising international events

Turkmenistan is already advancing on the development of its investment promotion policy through international fora and should continue such outreach activities. Image-building measures such as public relations (PR) activities or advertising are helpful in building awareness of Turkmenistan among the international investors. Designing a targeted approach based on sectors would be beneficial, as it would present in more detail the national needs and objectives pertaining to specific sectors (GIZ, 2020[29]). The government could consider organising side events to connect local and international businesses and could also invite more international companies, as participants have to a large extent focused on development partners.

The existing website is a key instrument for promoting investment and should further concentrate on facilitating investors' access to key data. Thus, the government should populate its website detailing investment opportunities by sector. The existing website could benefit from regularly updated and easily accessible content, which would focus on the main information needed by investors, eventually accompanying it with online guides. Providing tools allowing investors to benchmark Turkmenistan against its peers would be beneficial, as investors will be able to gain a better picture of the comparative advantages of the economy (UNCTAD, 2023[30]). The government can consult the website of the Estonian IPA, *Invest in Estonia*, which presents in its "Opportunities" section 20 categories belonging to different economic sectors, such as food, business services, health, financial technologies and even defence. Each category contains a description of the country's advantages in the sector, an overview of the market, and several case studies (Invest in Estonia, 2025[31]).

Recommendation 2.2: Define an M&E system and clear KPIs to ensure the IPA's work align with the government's broader economic development objectives

Effective monitoring and evaluation (M&E) systems are essential for IPAs to attract quality investment and maximise the impact of FDI on national development. For Turkmenistan, robust M&E mechanisms could play a transformative role in enhancing transparency, guiding policy, and strengthening communication with investors. This requires access to relevant and regularly updated data, a common challenge for many IPAs. In an attempt to solve the issues created by potential biases in firms' self-reporting, the OECD has suggested linking IPA support to firms with a requirement for them to properly report on their activity. For instance, Ireland's Foreign Direct Investment Agency, IDA Ireland, uses this to gather employment and economic activity data through mandatory surveys with the results being available to third party users (OECD, 2024[32]). Engaging directly with investors to collect feedback and real-time data would thus allow Turkmenistan to enhance the accuracy and relevance of the information gathered (OECD, 2019[33]). .

However, internal data has limits for analysis. Therefore, the IPA could establish institutional links connecting it to external sources able to monitor parameters that are usually challenging to measure for IPAs, such as skills or innovation-related questions. Although private data providers can be seen in OECD countries for this type of operation, external data collection can also be performed by public entities. For instance, InvestChile is receiving data from the Ministry of Finance, the Internal Revenues Service and the National Customs Service, and its experience shows that IPAs can benefit from suggesting new targeted questions to their institutional partners, making the data collection process more precise (OECD, 2024[34]).

Among different available M&E tools, an IPA would benefit from the design of clear Key Performance Indicators (KPIs) to ensure that its work aligned with national investment strategies and the country's broader economic development ambitions. These could include qualitative

indicators such as economic diversification, regional development, and investment in research and development, decarbonisation, job quality and skills, gender equality, and productivity – all key aspects of FDI qualities. However, they are most easily tracked when linked to a quantitative indicator with a specific target, thus orienting the agency's operations.

In addition, several global IPAs have adopted innovative approaches to track their impact against the Sustainable Development Goals (SDGs). For instance, ProColombia tracks investment projects contributing to at least three or more SDGs, while IDA Ireland monitors the percentage of clients with corporate climate action plans (OECD, 2024[34]). The Mongolian IPA uses an SDGs Investment Map (Box 3.5). Adopting similar practices would enable Turkmenistan's IPA to monitor and evaluate its contribution to sustainable development and other policy goals, strengthening both investor confidence and long-term economic resilience.

Box 3.5. Investment and Trade Agency of Mongolia

Like Turkmenistan, Mongolia's economy relies heavily on its extractive sector and on mining in particular. To attract investment, Mongolia provides detailed maps, a list of strategic deposits, key statistics, and links to a dedicated website for ongoing tenders, along with procedural explanations. The website also features standard IPA components, such as investment-related legislation, opportunities, and a guide for foreign firms to understand local conditions.

Mongolia's experience offers valuable lessons, especially in increasing information availability. For example, the investor's guide is available in multiple languages, including English, Chinese, Kyrgyz, and Russian, to maximise outreach. Additionally, the agency's policy objectives and action plans are available online, promoting transparency and reassuring investors.

Another feature of Mongolia's IPA is its focus on sustainability. The website includes a Sustainable Development Goals (SDG) Investor Map that categorises projects based on their direct and indirect impact on SDGs. Each project is presented with a business model, impact thesis, market study, and economic and risk profiles, offering a comprehensive approach to investment.

Source: (Investment and Trade Agency of Mongolia, 2025[35]).

Recommendation 2.3: The IPA should more actively engage with prospective investors

Besides creating an appealing presentation of the country, the IPA could reach out directly to investors who had expressed interest in the country. "Lead generation campaigns" present an example of such action, with "lead" referring to the potential investor with an already expressed interest. The main purpose of such a campaign is to identify the decision-makers in the potential investor company and send them emails and contact packages. If they declare themselves unable to invest now, it is useful to ask them to provide a list of reasons why they cannot, which can serve as an additional input for improving the country's investment framework (GIZ, 2020[29]).

Engagement with investors can also take place through intermediaries. Intermediaries can come from industry and cluster associations, from embassies or from finance, consulting or legal services firms, working as agents and consultants or even operating as industrial park residents. Being acquainted with firms of their activity sector and developing professional relationships with them, intermediaries can constitute an asset for an IPA and prove to be valuable links with foreign investors. Collaboration with them can take the form of joint events and announcements (GIZ, 2020[29]).

Topic 3: Investment facilitation

Facilitation mechanisms exist, but they do not seem to be specific to investment

Investment facilitation can improve the investment climate

Investment facilitation refers to a combination of tools, policies, and processes aimed at creating a transparent, predictable, and efficient regulatory and administrative framework that makes it easier for investors to establish, operate, and expand their investments (Novik and De Crombrugghe, 2018[36])**.** It focuses on reducing or eliminating barriers investors face once they have decided to invest, such as unclear legislation, complex administrative procedures, high costs in terms of time and resources, limited government capacity, and risks of corruption. For instance, the government is establishing a new online system called "e-Salgyt" for online tax declarations, making it more efficient and user-friendly for taxpayers. Unlike investment promotion, which is about marketing and attracting potential investors, investment facilitation starts at the pre-establishment phase and continues throughout the investment lifecycle, including aftercare and retention.

No institution or strategy is in place for investment facilitation in Turkmenistan

No institution currently specialises in investment facilitation, with only a few support tasks available on the *Invest in Turkmenistan* website. There is a contact section on the website with phone numbers, and electronic and physical addresses, as well as the possibility to submit a contact form, but it is not clear to which agency the query leads. Webpages that should redirect towards external resources, such as the State Bank for Foreign Economic Activity or the State Migration Service for assistance in visa procedures, often contain either outdated or invalid links as of May 2025 (Invest in Turkmenistan, 2025[27]).

In the Eurasia region, IPAs often prioritise image-building and promotional campaigns, while placing less focus on crucial functions like investment facilitation, aftercare and policy advocacy (OECD, 2020[12]). Turkmenistan, being less well-known to many potential investors from outside Central Asia, also emphasises promotional activities. Yet it should not concentrate on promotion alone. Turkmenistan would benefit from granting its IPA facilitation tasks as well.

Investment retention and after-care are important components of investment facilitation

After-care measures and investment retention strategies play an important role in retaining investors and can be a determining factor in a decision to reinvest, especially as attracting new investors can be more challenging and costly than supporting reinvestment and expansion activities. After-care services can include regular updates on relevant legislative reforms, legal support by establishing formal communication channels with top decision-makers and assessments to identify bottlenecks in the investment climate (OECD, 2015[4]).

Recommendations

Recommendation 3.1: Closing the information gap should be among the first priorities of the IPA

The first recommendation on investment facilitation concerns information availability. In investment promotion, closing the information gap means having clear and precise information to arouse the investor's interest, but the concept takes a different meaning in investment facilitation, where the issue is to meet the specific needs an investor may encounter when wishing to proceed with a given investment. This requires the implementation of transparent communication channels, such as fast response to an enquiry

comprising already available information and indicating the approximate time for the final response. It can also include the assignment of a staff member to develop personal contact and build trust with the investor and the introduction of standardised document and presentation templates that would be used by the agency's staff in their interactions with businesses, showing a consistent and coordinated framework across the institution. The IPA could prepare in advance some service packages or brochures that detail key information points related to business activity, such as financing solutions or recruiting personnel (GIZ, 2020[29]).

Recommendation 3.2: The IPA's investment facilitation mandate should focus on ensuring a smooth interaction of investors with authorities and business partners alike

The IPA's investment facilitation tools could be developed and delivered, at least in part, via the implementation on its website of a Single Window where investors can interact with IPA staff to address questions and solve problems at every stage of the investment process. The objective is to establish a reliable and trusted connection of the investor with a defined interlocutor, who would not only be able to provide them with information about the different administrative procedures but also to support them in the fulfilment of these, cutting down the number of steps an investor would need to undertake on their own towards the administration (OECD, 2015[4]). Examples of this practice abound and are noticeable even within the region (Box 3.6).

In addition to assistance in the interaction with the government, the IPA could link investors with local firms. By acting as intermediaries, IPAs facilitate business-to-business matchmaking, creating opportunities for local suppliers to participate in the value chains of foreign investors. This linkage is important because it fosters technology transfer, capacity building, and the integration of domestic companies into wider markets, which ultimately stimulates local economic growth and job creation. To support this, IPAs often maintain databases of local firms' capabilities, organise networking events, and provide mentoring and upgrading programmes to strengthen these connections. Effective linkage facilitation builds investor confidence by ensuring they can source reliable local inputs, while also enabling domestic enterprises to benefit from increased demand and improved standards. This will both support the national economy and reduce divestment risks (OECD, 2015[4]; Novik and De Crombrugghe, 2018[36]). In Cambodia for instance, the Suppliers Database with Sustainability Dimensions allows local suppliers to register in the database and be linked to investors who are keen to support sustainable development projects linked to specific SDGs (Council for the Development of Cambodia, 2025[37]).

Box 3.6. Kazakh Invest: IPA example from Kazakhstan

Kazakh Invest, operating under the Ministry of Foreign Affairs, serves as Kazakhstan's national investment promotion agency. It provides comprehensive support to foreign investors, offering information on legislation, business guides, and insights into priority sectors. Acting as a single point of contact, Kazakh Invest assists investors throughout the entire investment process, ensuring smooth market entry and operations. As the single negotiator on behalf of the government for investments, plays a pivotal role in the government's efforts to attract FDI. It is part of Kazakhstan's strategy to reach $150 billion in FDI over the next five years (Government of Kazakhstan, 2024[38]).

The agency's website stands out for its detailed content and interactive features. It offers step-by-step guides for starting and running a business and valuable data, such as a list of insurance companies. Its interactive smart map allows investors to assess potential projects by overplaying key information, such as the locations of major cities, SEZs, industrial zones, hotels and population density.

A key strength of Kazakh Invest is its focused approach on investment facilitation. Rather than handling both investment promotion and facilitation, it concentrates solely on investment facilitation, outsourcing promotional activities to foreign representatives of the Ministry of Foreign Affairs. Users can find on Kazakh Invest website a section dedicated to their requests, which proposes four types of interactions: investing in Kazakhstan, connecting with partners, getting a consultation and filling a complaint. The digitalisation of investment facilitation is currently being expanded with the progressive introduction of the National Digital Investment Platform (NDPI), a new Single Window aimed at directly integrating online all government agencies to ensure fast-track communication and timely project support for prospective and established investors. This model encourages closer collaboration between the public and private sector and could serve as an example for other countries.

Source: (Kazakh Invest, 2025[39]; National Digital Investment Platform, 2025[40]).

Recommendation 3.3: Ensure reinvestment by taking into consideration investors' feedback and provide policy advice to the government

Investment retention is a key component of investment facilitation, designed to ensure that investors stay in the country and continue investing in other local projects. Close co-operation with other institutions is required to identify the sectors where it is most important to retain investment, based on employment numbers, location and current national strategies, and to dissuade possible divestment threats by actively engaging with investors. Moreover, the IPA should assess the existing divestment risks in order to be able to address proactively any emerging issues (World Bank, 2023[41]).

The IPA could take an active role in organising a foreign investor council to collect feedback from existing investors. It could, for instance, consider the approach of regional peers such as Uzbekistan and Kazakhstan, which have both established foreign investors' councils subordinated to their respective Presidents (Box 3.7). Although in both cases the investors' councils are not related to an IPA, it is possible to align this platform with the country's existing governance structure either as a governmental initiative or as a competence of the IPA.

Box 3.7. Foreign investors councils in Kazakhstan and Uzbekistan

Kazakhstan was the first country of the region to create a Foreign Investors' Council (FIC) in 1998. Its main purpose is to ensure the existence of a direct dialogue between the government and the foreign investors to efficiently address any possible issues to their investment activities, contributing to an improved investment climate. To reach this objective, the Council formulates recommendations to the President and the government on the determination of the priority areas for the investment policy and the integration of the country into the global economy, the identification of issues encountered by the foreign firms operating in Kazakhstan, as well as the creation of a legal framework which favours investment and contributes to the diversification of the economy. The exchange of views takes place during annual plenary sessions chaired by the President of the Republic, but the preliminary results of the implementation of the decisions reached during the plenary sessions are addressed at interim sessions chaired by the Prime-Minister. There are also working groups on specific subjects, such as investment policy, labour legislation, energy and ecology, digitalisation, health and pharmaceuticals. They include the other members of the Council and are conducted throughout the year.

In Uzbekistan, the FIC holds similar functions to the one in Kazakhstan, yet it also has some differences in its organisation. Indeed, the FIC focuses as well on the analysis and the identification of the issues investors face in the country, as well as to their correction. However, while the President of the Republic is the chair of the annual plenary session, the President of the European Bank for Reconstruction and Development (EBRD) is the co-chair. The interim sessions held on a biannual basis are chaired in Uzbekistan by the Minister of Investments, Industry and Trade. The FIC in Uzbekistan also has some working group thematics not present in Kazakhstan, such as financial sector and banking, investing across borders and privatisation and Public-Private Partnerships (PPP), which illustrates that it is important to adapt the working groups to the needs of the country.

Sources: (Foreign Investors Council chaired by the President of the Republic of Kazakhstan, 2025[42]), (Foreign Investors Council under the President of the Republic of Uzbekistan, 2025[43]).

To communicate effectively with investors, Turkmenistan could also create something similar to Kazakhstan's recently established investment headquarters, which helps address key issues faced by investment projects, ensuring they are promptly brought to the attention of government leadership for resolution. Moreover, under the Decree of the President of Kazakhstan (December 2023), the Investment Headquarters was granted the authority to make binding protocol decisions (Government of Kazakhstan, 2024[38]). This gives the Investment Headquarters significant decision-making power to address urgent matters related to investments.

Moreover, the IPA will need to implement mechanisms ensuring an easy way for investors to reach out in case of difficulties. For instance, the IPA of the Republic of Korea has introduced the office of the Foreign Investment Ombudsman, who has a website to receive investor's grievances online and who provides confidential online consultation if requested (Office of the Foreign Investment Ombudsman, 2025[44]). In addition, Kazakhstan is introducing a Unified Registry of Problems and Investor Complaints, a tool that records and tracks challenges in investment projects, including any concerns raised by investors (UNCTAD, 2024[45]).

Topic 4: Additional investment policy responsibilities

A further issue on the policy agenda in Turkmenistan is the question of granting the IPA additional competencies pertaining to Special Economic Zones (SEZs) and Public-Private Partnerships (PPPs).

Turkmenistan has various policies on SEZs and PPPs, but implementation remains unclear

SEZs are characterised by specific regulations to attract foreign investment, often for export

Special Economic Zones (SEZs) serve as geographically defined areas where governments offer tailored regulatory, fiscal, and administrative incentives to attract investment, stimulate exports, and promote industrial development. Their primary purpose is to create a better business environment compared to the rest of the country, often by providing streamlined customs procedures, tax holidays, and enhanced infrastructure, thereby directly influencing multinational enterprises' location decisions. SEZs can support regional economic development and help reduce inequalities by concentrating investment in less developed areas (OECD, 2023[46]). However, SEZs also entail caveats: their benefits may remain geographically confined, limiting broader spillover effects; they require effective governance to avoid inefficiencies or rent-seeking behaviour; and reliance on fiscal incentives can be costly and subject to evolving international tax rules that increasingly constrain preferential tax regimes.

Turkmen legislation addresses SEZs at a national level, but not all provisions seem to be operational

Legislative provisions on SEZs are contained in several legal texts. The Law on Investment explains the role of SEZs as investment incentives through different protections of investors' rights and benefits accessible in the zones. It includes the absence of the requirement to obtain a license if export and import operations are conducted for the firm's needs, the right to rent land on certain conditions, as well as exemption from fees on various procedures (Mejlis of Turkmenistan, 2019[18]). Provisions from the Tax Code contribute to framing the legal framework concerning tax exemptions (Mejlis of Turkmenistan, n.d.[47]), while a dedicated Law on Free Economic Zones defines the different types of zones, their organisation, and the conditions for their creation and closure (Mejlis of Turkmenistan, 2019[48]).

However, certain important organisational aspects are not properly explained yet or do not lead to further action. An IPA could help address these *lacunae*. For instance, according to the Law on Free Economic Zones, the competence for the design of the SEZ strategy belongs to the Cabinet of Ministers, while its implementation is the prerogative of a "competent organ" («*upolnomochennyy organ* »), which corresponds to the Ministry of Finance and Economy (Mejlis of Turkmenistan, 2019[48]). The government indicated in its responses to the OECD questionnaire that the IPA should ideally be responsible for the design and implementation of the SEZ strategy as well, which could ease the burden of the Ministry through the creation of a specialised body.

Box 3.8. Typology of different economic zones

The first "modern" zone was created in Ireland in 1959. Since then the number of SEZs has exponentially increased and has resulted in a lack of consensus on definition of the concept. A commonly agreed definition is based on the following key criteria for SEZs.

- **Spatial**: A clearly demarcated geographical area of the national territory and/or legal space.
- **Regulatory**: a regulatory regime distinct from the rest of the economy (most often customs and fiscal rules, but potentially covering other relevant regulations, such as foreign ownership rules, access to land or employment rules). The business environment in the zone is more liberal from a policy perspective and more efficient from an administrative perspective.
- **National governance of SEZs**: a dedicated governance and institutional structure for efficient management.
- **Amenities**: Infrastructure support offering physical infrastructure, facility services and provisions as well as (financial or fiscal) incentives.

Note: Classifications may vary according to the source used.
Source: (OECD, 2023[46])

Despite their popularity, international experience with special zones is mixed

Overall, the cross-country evidence on economic zones suggests the following general lessons that the IPA – or any other body charged with oversight of Turkmenistan's zone programmes – should bear in mind in determining when, where and why to create new SEZs:

- **They are usually not a first-best solution**. The first-best option is generally to improve the overall investment climate. Zones may make sense as an intermediate step, if their creation will facilitate progress towards that goal. However, because it is often easier to extend fiscal, regulatory and customs privileges than to tackle major institutional reforms, zones can easily become alternatives to reform rather than reform facilitators. Indeed, once privileges are provided to residents of special zones, a lobby begins to form with an interest in maintaining those privileges.
- **They are only one instrument among many for promoting export development and growth**. They are most likely to be an attractive option if they are designed in co-ordination with other investment-promotion efforts and in such a way as to generate the broadest possible benefits for the economy as a whole rather than to operate as *de facto* offshore enclaves. For this reason, they work best in countries with good infrastructure and financial markets, where downward linkages can be developed to domestic economic activity. (Farole and Kweka, 2011[49])notes that SEZ investment, employment and exports tend to be strongly and positively correlated with a country's overall score on the World Economic Forum's Global Competitiveness Index – in other words, zones do not compensate for a poor surrounding investment climate; rather, they are more likely to succeed where the overall investment climate is good.
- **Zones are distortionary instruments** with respect to foreign trade and domestic markets and need to be designed with WTO obligations, in particular, in mind. Even if wholly WTO-compliant, they can distort domestic competition and foster segmentation in domestic labour markets.

Successful zone programmes tend to share certain common features:

- They require **a high degree of policy consistency**, across both time and policy domains. (Charitar and Narrainen, 2009[50]) highlight the extent to which the disappointing experience of

many African zones is linked to lack of consistency in both the framework of rules for zones and implementation of zone programmes. These are highly relevant concerns for the IPA or any other institutions involved in SEZ governance.

- Ensuring that zones develop positive **linkages to the domestic economy** often requires complementary, economy-wide policies in areas like skills development, knowledge-sharing and cluster policy (FIAS, 2008[51]).
- Successful zones provide **quality infrastructure and a good environment for doing business**; they do not always require very highly geared fiscal incentives. A survey of zone investors in ten countries in 2009 found that levels of corporate taxation ranked fifth among their concerns, behind cost/quality of utilities, access to transport infrastructure, regulatory environment for business and trade facilitation (Farole and Kweka, 2011[49]). Given Turkmenistan's overall low-tax regime, fiscal incentives would likely be still less important.
- **Special zones should bring significant benefits to those outside them**. The case for SEZs rests on their success in generating positive externalities to the wider economy. These could, for example, involve upskilling segments of the work force, facilitating the absorption of technology and expertise from abroad or stimulating innovation.
- Zones should respect the **principle of non-discrimination between foreign and domestic investors**. Failure to do so can lead to all manner of strategies for gaming the system, as investors seek to operate through structures that qualify for privileged treatment (e.g. domestic players using offshore holdings to gain benefits reserved to foreign investors) rather than generating truly new investment.

There is no track record of PPPs in either national or international investment projects in Turkmenistan

Turkmenistan recently adopted a law on PPPs, although it is not clear whether there is any existing or potential PPP project in the country. The Law "On Public-Private Partnership", adopted in 2021 aims to expand private-sector participation by providing a legal framework for such co-operation. The promotion of public-private partnership is also among the objectives of the Programme of the President of Turkmenistan for the Socio-Economic Development of Turkmenistan (2022-2028).

The link between foreign direct investment activities in Turkmenistan and PPPs has also not been established yet. The website *Invest in Turkmenistan* does not have any specific information on PPPs, nor is there a category which would allow foreign direct investment in existing PPP projects (Invest in Turkmenistan, 2025[27]). Closing the information gap with modest efforts in this area could help Turkmenistan advance in its plans to rely more on PPPs.

As it implements its new PPP framework, Turkmenistan may want to consider a number of lessons emerging from international experience in the use of PPPs to provide services or infrastructure. PPPs are complex instruments that involve setting up a robust system of assessing value for money using a prudent public-sector comparator and transparent and consistent guidelines regarding non-quantifiable elements in the value for money judgement. The authorities must be able to classify, measure, and allocate risk to the party best able to manage it and to adhere to sound accounting and budgeting practises.

The starting point for assessing the desirability of a PPP is the public sector comparator, a comparison of the net present cost of bids for the PPP project against the most efficient form of delivery according to a traditionally procured public-sector reference project. The comparator takes into account the risks that are transferable to a probable private party, and those risks that will be retained by the government. Thus, the public sector comparator serves as a hypothetical risk-adjusted cost of public delivery of the project. The risk here is of manipulation in favour of PPPs, not least because much depends

on the discount rate chosen or on the value attributed to a risk transferred. The evaluation, moreover, encompasses qualitative aspects that involve an element of judgement on the part of government.

The second challenge is risk management. To ensure that the private partner operates efficiently and in the public interest, a sufficient, but also appropriate, amount of risk needs to be transferred. In principle, risk should be carried by the party best able to manage it. In this context, "best" means the party able to manage the risk at least cost. This may mean the party best able to prevent a risk from materialising (*ex ante* risk management) or the party best able to deal with the results of realised risk (*ex post* risk management). However, not all risks can be managed and cases may exist where none of the parties to a contract are unable to manage a risk. To those parties, such unmanageable risks are exogenous risks (an example is uninsurable *force majeure* risk that affects all parties).

The third key issue is affordability. A project is affordable if government expenditure associated with a project (whether or not it is a PPP) can be accommodated within the intertemporal budget constraint of the government. A PPP can make a project affordable if it results in increased efficiency that causes a project that did not fit into an intertemporal budget constraint of the government under traditional public procurement to do so with a PPP. It can be tempting to ignore the affordability issue where PPPs are off budget, but PPPs should not be undertaken to keep future expenditure "hidden" in this way. The system of government budgeting and accounting should provide a clear, transparent and true record of PPP activities in such a way that there is no incentive take the PPP route based on its accounting treatment (OECD, 2011[52]).

With these challenges in mind, there are a number of specific steps the authorities can take to maximise the likelihood of success. Ultimately, they should aim for consistent adherence to the OECD principles for the governance of PPPs (Box 3.9).

Box 3.9. OECD Principles on Public Governance of Public-Private Partnerships

Establish a clear, predictable and legitimate institutional framework supported by competent and well-resourced authorities

1. The political leadership should ensure public awareness of the relative costs, benefits and risks of Public-Private Partnerships and conventional procurement. Popular understanding of Public-Private Partnerships requires active consultation and engagement with stakeholders as well as involving end-users in defining the project and subsequently in monitoring service quality.
2. Key institutional roles and responsibilities should be maintained. This requires that procuring authorities, Public-Private Partnerships Units, the Central Budget Authority, the Supreme Audit Institution and sector regulators are entrusted with clear mandates and sufficient resources to ensure a prudent procurement process and clear lines of accountability.
3. Ensure that all significant regulation affecting the operation of Public-Private Partnerships is clear, transparent and enforced. Red tape should be minimised and new and existing regulations should be carefully evaluated.

Ground the selection of Public-Private Partnerships in Value for Money

4. All investment projects should be prioritised at senior political level. As there are many competing investment priorities, it is the responsibility of government to define and pursue strategic goals. The decision to invest should be based on a whole of government perspective and be separate from how to procure and finance the project. There should be no institutional, procedural or accounting bias either in favour of or against Public-Private Partnerships.
5. Carefully investigate which investment method is likely to yield most value for money. Key risk factors and characteristics of specific projects should be evaluated by conducting a procurement option pre-test. A procurement option pre-test should enable the government to decide on whether it is prudent to investigate a Public-Private Partnerships option further.
6. Transfer the risks to those that manage them best. Risk should be defined, identified and measured and carried by the party for whom it costs the least to prevent the risk from realising or for whom realised risk costs the least.
7. The procuring authorities should be prepared for the operational phase of the Public-Private Partnerships. Securing value for money requires vigilance and effort of the same intensity as that necessary during the pre-operational phase. Particular care should be taken when switching to the operational phase of the Public-Private Partnerships, as the actors on the public side are liable to change.
8. Value for money should be maintained when renegotiating. Only if conditions change due to discretionary public policy actions should the government consider compensating the private sector. Any re-negotiation should be made transparently and subject to the ordinary procedures of Public-Private Partnership approval. Clear, predictable and transparent rules for dispute resolution should be in place.
9. Government should ensure there is sufficient competition in the market by a competitive tender process and by possibly structuring the Public-Private Partnerships program so that there is an ongoing functional market. Where market operators are few, governments should ensure a level playing field in the tendering process so that non-incumbent operators can enter the market.

Use the budgetary process transparently to minimise fiscal risks and ensure the integrity of the procurement process

10. In line with the government's fiscal policy, the Central Budget Authority should ensure that the project is affordable and the overall investment envelope is sustainable.
11. The project should be treated transparently in the budget process. The budget documentation should disclose all costs and contingent liabilities. Special care should be taken to ensure that budget transparency of Public-Private Partnerships covers the whole public sector.
12. Government should guard against waste and corruption by ensuring the integrity of the procurement process. The necessary procurement skills and powers should be made available to the relevant authorities.

Source: (OECD, 2012[53])

Recommendations

Recommendation 4.1: The integration of SEZ functions into IPAs is not common, but it is possible to draw some lessons from similar projects

The integration of SEZ management is not very common in OECD countries' IPAs, opting instead for a co-ordination of the IPA with the authority responsible for the SEZ (OECD, 2015[4]). France, for instance, does not have any body co-ordinating its SEZs. Other members, such as Türkiye, do have some functions related to SEZs, but they are very scattered and are part of larger policy objectives, being a secondary element taken into consideration rather than the focus of a dedicated team in the IPA. The case of Türkiye, with its rather deconcentrated management of SEZ matters, can constitute for Turkmenistan an insightful example of an alternative institutional framework and provide a better picture of the variety of existing solutions to approaching the topic. In Türkiye, the FDI strategy developed by the Investment Office requires the Ministry of Transport and Infrastructure to ensure the connections between the different zones, while the Ministry of National Education and the Ministry of Industry and Technology in collaboration with other institutions, such as the Organised Industrial Zones (OIZ) Supreme Organisation, have objectives concerning the planning of vocational and technical education opportunities in SEZs. The Turkish example can also be used as a model for SEZ investment promotion, as it is a clearly visible category for the users upon entering on the website (Investment Office of the Presidency of the Republic of Türkiye, 2024[13]).

Although there are no examples among OECD economies of a truly united SEZ structure in an IPA, Turkmenistan can find some inspiration in the experience of SEZ promotion agencies. They function in a similar way to IPAs, but instead of attracting investment to the whole country, they concentrate on concrete economic zones (Box 3.10). As the example of the General Authority for Investment and Free Economic Zones (GAFI) in Egypt shows, such institutions could have a special committee dedicated to reviewing and approving firms' applications to establish themselves in a zone, engaging the private sector to discuss the need for the design of a new zone, and offer investors a dedicated alternative dispute resolution (ADR) mechanisms (OECD, 2020[54]). However, the practice of having an SEZ promotion agency together with an IPA could lead to unwanted consequences, such as a parallel functioning and, therefore, reduced effectiveness (Farole and Kweka, 2011[49]).

Box 3.10. Special Economic Zones Authority (SEZA) of Kenya

Kenya has opted for the creation of a specific SEZ promotion authority independent of the country's IPA. It transposes the functions of a classic IPA to the setting of SEZs. It conducts investment promotion in the zones by making accessible the policy framework and presenting market opportunities, as well as proposes facilitation services through the implementation of one-stop-shops. It puts an emphasis on the collaboration with both private and public stakeholders to ensure its advisory work on policies is performed efficiently and responds to market needs.

However, there are also tasks undertaken by the SEZA which exclusively belong to SEZ activity. For instance, the Authority performs advisory activity to the government on all aspects of SEZs, from their designation and approval to establishment and operation. This means that the SEZA is also responsible for identifying and mapping land areas to be used for the SEZ, making sure, if needed, of their availability.

Source: (SEZ Authority, 2025[55]).

Recommendation 4.2: If properly designed, the inclusion of PPP management among IPA functions can help attract private investment

PPP management functions do not typically belong to IPAs yet can constitute a welcome addition. Not many IPAs resort to the promotion and facilitation of PPP projects. However, the presence in an IPA of a dedicated team whose work is regulated by a clear mandate and accountability can be instrumental in project design and implementation, assistance in procurement processes, monitoring of the performance of the projects, the organisation of capacity-building measures, as well as stakeholder engagement (OECD, 2015[4]).

Prerogatives on PPPs can be integrated into the IPA's functions, as evidenced from the experience of other countries. Turkmenistan could transfer some aspects of PPP management to the IPA to make full use of its new legal framework for PPPs (Box 3.11). The IPA could be tasked with the promotion and facilitation of PPPs, and this aspect does not require considerable additions compared to regular promotion and facilitation tasks. Indeed, promotion will still include access to information about the legal framework and the economic opportunities of the projects, while facilitation measures will require assisting interested investors in the practical questions they might have.

Box 3.11. ProInversión, the Private Investment Promotion Agency of Peru

ProInversión is the Peruvian IPA, providing both promotion and facilitation services to domestic and foreign investors. Its website www.investinperu.pe/en contains the needed information on investment incentives, the legal framework (including indications on dispute resolution), labour regimes, as well as on taxes and tariffs.

The agency's mandate clearly indicates its involvement in the design of PPP-related policies. Article 3 of the Regulation governing the activity of the agency specifically mentions the role of ProInversión regarding PPP. It may propose recommendations in investment policy based on lessons learned from implemented projects. It also provides specialised assistance to public entities (under the executive branch) and subnational governments in promotion processes, including those involving private investment in state projects.

ProInversión is also tasked with the implementation of PPP projects. It is therefore granted the right to reorganise into PPPs the public investment projects proposed in public infrastructure and priority public services, as long as they are not under execution yet. Based on its analysis and in co-operation with representatives of a sector of the economy related to public infrastructure and priority public services, ProInversión can also declare an interest in developing new co-financed private initiatives.

The agency's website simplifies investment in PPPs. When opening the website, the user immediately sees a panel leading to various PPP formats, such as the Projects in Assets, executed with private money on public entities' assets, or Self- and Co-financed Initiatives. There is also a portfolio of projects in which it is possible to participate. For transparency purposes, awarded projects are also accessible.

Source: (ProInversión, 2017[56])

Table 3.3. Action plan

	Observation	Recommendation	Stakeholder	Timeframe
Topic 1: Creation and mandate of an IPA	Turkmenistan does not have an IPA and lacks a comprehensive national investment strategy	Establish and IPA and develop a **clear investment strategy**, embedded within a broader economic development strategy	Cabinet of Ministers, Ministry of Finance and Economy	Short term →
	Responsibilities in investment policy are dispersed across several institutions	The structure of the IPA must be conducive to **private sector engagement**	Cabinet of Ministers, Ministry of Finance and Economy	Short term →
		The mandate of the IPA can go **beyond investment**	Cabinet of Ministers, Ministry of Finance and Economy	Short term →
Topic 2: Investment promotion	Both governmental and non-governmental institutions contribute to investment promotion	The IPA should generate interest from potential investors through **outreach and better information access**	Future IPA	Short term →
		Define KPIs and a M&E system to ensure the IPA's work align with the government's broader economic development	Future IPA	Short term →

	Observation	Recommendation	Stakeholder	Timeframe
		objectives		
	Investment promotion is conducted on different levels, but further engagement with investors is needed	The IPA should more actively **engage with investors**	Future IPA	Short term →
Topic 3: Investment facilitation	Facilitation mechanisms exist, but they do not seem to be specific to investment	**Closing the information gap** should be among the first priorities of the IPA	Future IPA	Short term →
		The IPA can have match-making functions	Future IPA	Mid-term →→
	Investment retention procedures are an important component of investment facilitation	Ensure reinvestment by **taking into account investors'** feedback and provide **policy advice** to the government	Future IPA	Mid-term →→ Long-term →→→
Topic 4: Involving the IPA in additional investment policy tasks	Turkmen legislation addresses SEZs at a national level, but not all provisions seem to be operational	The **integration of SEZ functions into IPAs** is not common, but it is possible **to draw some lessons from similar projects**	Future IPA	Mid-term →→
	PPPs hold an important role in national strategies, but are not covered in investment-related resources	**Prerogatives on PPPs could be integrated into the IPA's functions**, as evidenced from the experience of other countries	Future IPA	Mid-term →→

Source: OECD analysis

References

AZPROMO (2025), *Export and Investment Promotion Agency of the Republic of Azerbaijan - AZPROMO*, https://azpromo.az/en/page/haqqimizda/azpromo (accessed on 6 February 2025). [15]

Business Turkmenistan (2025), *Туркменистан анонсировал масштабные международные выставки и форумы 2025 года*, https://business.com.tm/ru/post/12936/turkmenistan-anonsiroval-masshtabnye-mezhdunarodnye-vystavki-i-forumy-2025-goda (accessed on 22 January 2025). [25]

Business Turkmenistan (2024), *На инвестфоруме в Брюсселе представлен транспортный потенциал Туркменистана*, https://www.business.com.tm/ru/post/11337/na-investforume-v-bryussele-predstavlen-transportnyi-potencial-turkmenistana (accessed on 21 January 2025). [24]

Chamber of Commerce and Industry of Turkmenistan (2025), *О деятельности ТППТ*, https://cci.gov.tm/about/o-deyatelnosti-tppt (accessed on 1 July 2025). [21]

Chamber of Commerce and Industry of Turkmenistan (2024), *Chamber of Commerce and Industry of Turkmenistan*, https://cci.gov.tm/about/o-deyatelnosti-tppt. [11]

Charitar, C. and N. Narrainen (2009), *Africa-Asia Experience Exchange on Special Economic Zones and Competitive Clusters*, The World Bank. [50]

Council for the Development of Cambodia (2025), *The Suppliers Database with Sustainability Dimensions (SD2)*, https://sd2.cdc.gov.kh/ (accessed on 12 May 2025). [37]

EBRD (2024), *Transition Report 2024-25: Navigating industrial policy*, https://www.ebrd.com/transition-report-2024-25. [16]

Farole, T. and J. Kweka (2011), *Institutional Best Practices for Special Economic Zones: An Application to Tanzania*, World Bank Group, https://documents1.worldbank.org/curated/en/885991468341087176/pdf/644830BRI0Tanz00Box0361538B0PUBLIC0.pdf. [49]

FIAS (2008), *Special Economic Zones: Performance, Lessons Learned, and Implications for Zone Development, Foreign Investment Advisory Service*, The World Bank Group. [51]

Foreign Investors Council chaired by the President of the Republic of Kazakhstan (2025), *Mission of the FIC*, https://fic.kz/en/fic/mission (accessed on 7 July 2025). [42]

Foreign Investors Council under the President of the Republic of Uzbekistan (2025), *Foreign Investors Council under the President of the Republic of Uzbekistan*, https://fics.uz/ (accessed on 7 July 2025). [43]

GIZ (2020), *IPA Toolbox: A practical guide to support Investment Promotion Agencies*, Deutsche Gesellschaft für Internationale Zusammenarbeit, https://www.giz.de/en/downloads/giz2020-en-toolbox-investment-promotion-agencies.pdf. [29]

Government of Kazakhstan (2024), *On Approval of the Concept of Investment Policy of the Republic of Kazakhstan until 2029*, https://adilet.zan.kz/rus/docs/P2400000868#z187. [38]

Government of Turkmenistan (2024), *Extended meeting of the Cabinet of Ministers of Turkmenistan*, https://turkmenistan.gov.tm/ru/post/91837/rasshirennoe-zasedanie-kabineta-ministrov-turkmenistana-26. [28]

Government of Turkmenistan (2024), *Turkmenistan Investment Forum*, https://tif-turkmenistan.com/storage/app/media/brochure/tif_brochure_eng.pdf. [23]

Invest in Estonia (2025), *Game-changing business opportunities from tech to timber*, https://investinestonia.com/business-opportunities/ (accessed on 6 May 2025). [31]

Invest in Turkmenistan (2025), *Invest in Turkmenistan*, https://invest.gov.tm/ (accessed on 28 February 2025). [27]

Investment and Trade Agency of Mongolia (2025), *Investment and Trade Agency of Mongolia*, https://investmongolia.gov.mn/ (accessed on 10 February 2025). [35]

Investment Office of the Presidency of the Republic of Türkiye (2024), *Türkiye Foreign Direct Investment Strategy*, Investment Office of the Presidency of the Republic of Türkiye, https://www.invest.gov.tr/en/Documents/turkiye-fdi-strategy-action-plans-2024.pdf. [13]

Kazakh Invest (2025), *Invest in Kazakhstan*, https://invest.gov.kz/ (accessed on 11 February 2025). [39]

Kepbanov, Y., S. Horák and B. Ovezmyradov (2022), *The investment climate in Turkmenistan: Challenges and possible ways of attracting foreign investment*, Lund University, https://lucris.lub.lu.se/ws/portalfiles/portal/116796662/web_RRSL_2022_3_The_investment.pdf. [1]

MEDEF (2025), *Réunion du conseil d'entreprises France-TURKMÉNISTAN autour M. Philippe MERLIN, ambassadeur de France au Turkménistan*, https://www.medefinternational.fr/actions/ambassadeur-de-france-85/. [26]

Mejlis of Turkmenistan (2019), *Law of Turkmenistan on Foreign Investment*, https://invest.gov.tm/norm/view?id=14. [18]

Mejlis of Turkmenistan (2019), *Law of Turkmenistan on Free Economic Zones*, https://mejlis.gov.tm/single-law/116?lang=ru (accessed on 2 May 2025). [48]

Mejlis of Turkmenistan (n.d.), *Tax Code of Turkmenistan*, https://fineconomic.gov.tm/ru/legal-act/9/88. [47]

Ministry of Finance and Economy of Turkmenistan (2022), *Агентство по защите экономики от рисков при министерстве финансов и экономики Туркменистана*, https://fineconomic.gov.tm/ru/static-pages/6/15 (accessed on 30 June 2025). [20]

National Digital Investment Platform (2025), *National Digital Investment Platform - About Us*, https://investkz.gov.kz/#/about-us (accessed on 29 September 2025). [40]

Novik, A. and A. De Crombrugghe (2018), "Towards an International Framework for Investment Facilitation", *OECD Business and Finance Policy Papers*, https://www.oecd.org/en/publications/towards-an-international-framework-for-investment-facilitation_b82771dc-en.html (accessed on 24 September 2025). [36]

OECD (2024), "Monitoring and evaluating sustainability in investment promotion: Evolving practices in OECD member countries", *OECD Business and Finance Policy Papers*, No. 74, OECD Publishing, https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/12/monitoring-and-evaluating-sustainability-in-investment-promotion_79b829c9/da22c153-en.pdf. [34]

OECD (2024), *The Role of Incentives in Investment Promotion. Trends and Practices in OECD Member Countries*, OECD Publishing, https://www.oecd.org/en/publications/the-role-of-incentives-in-investment-promotion_e3338264-en.html. [32]

OECD (2024), *The Role of Incentives in Investment Promotion: Trends and Practices in OECD Member Countries*, OECD Publishing, https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/12/the-role-of-incentives-in-investment-promotion_f27f6ff4/e3338264-en.pdf. [17]

OECD (2023), *Best practices in investment promotion: An overview of regional state aid and special economic zones in Europe*, OECD Publishing, https://doi.org/10.1787/0c8e6ca3-en (accessed on 15 September 2025). [46]

OECD (2020), *Investment Promotion in Eurasia: A Mapping of Investment Promotion Agencies*, OECD Publishing, https://www.oecd.org/content/dam/oecd/en/publications/reports/2020/09/investment-promotion-in-eurasia_c59d04a4/8e76dbc2-en.pdf. [12]

OECD (2020), *OECD Investment Policy Review - Egypt*, OECD Publishing, https://www.oecd.org/content/dam/oecd/en/publications/reports/2020/07/oecd-investment-policy-reviews-egypt-2020_dfdf7de2/9f9c589a-en.pdf (accessed on 2025). [54]

OECD (2019), *Mapping of Investment Promotion Agencies: Middle East and North Africa*, https://south.euneighbours.eu/wp-content/uploads/2022/07/Mapping-of-Investment-Promotion-Agencies-MED-1.pdf (accessed on 15 September 2025). [5]

OECD (2019), *Monitoring and Evaluation: A Brief Guide for Investment Promotion Agencies*, OECD Publishing, https://www.oecd.org/content/dam/oecd/en/publications/reports/2019/12/monitoring-and-evaluation_30a9e9a7/82d55c1a-en.pdf. [33]

OECD (2012), *Recommendation of the Council on Principles for Public Governance of Public-Private Partnerships*, OECD Publishing, https://legalinstruments.oecd.org/en/instruments/oecd-legal-0392 (accessed on 13 October 2025). [53]

OECD (2011), *From Lessons to Principles for the Use of Public-Private Partnerships*, OECD Publishing, http://www.oecd.org/gov/budgeting/48144872.pdf. [52]

Office of the Foreign Investment Ombudsman (2025), *Organizational Chart*, Office of the Foreign Investment Ombudsman, https://ombudsman.kotra.or.kr/ob-en/cntnts/i-2643/web.do (accessed on 12 May 2025). [44]

ProInversión (2017), *Reglamento de organización y funciones de la agencia de promoción de la inversión privada – proinversión*, ProInversión, https://www.investinperu.pe/RepositorioAPS/0/1/JER/REGLAMENTO_ROF/ROF%20Publicado%20Rectificado.pdf. [56]

Publishing, O. (ed.) (2015), *Policy Framework for Investment, 2015 Edition*, OECD Publishing, https://www.oecd.org/en/publications/policy-framework-for-investment-2015-edition_9789264208667-en.html (accessed on 2025). [4]

SEZ Authority (2025), *About Us*, https://www.sezauthority.go.ke/fr/about-us (accessed on 29 April 2025). [55]

State Bank for Foreign Economic Affairs of Turkmenistan (2025), , https://www.tfeb.gov.tm/. [9]

The State News Agency of Turkmenistan (2025), *Заседание Кабинета Министров Туркменистана*, https://www.tdh.gov.tm/ru/post/43714/zasedanie-kabineta-ministrov-turkmenistana-142 (accessed on 1 July 2025). [7]

The State News Agency of Turkmenistan (2019), *Interdepartmental commission for foreign investments*, https://www.tdh.gov.tm/en/post/18467/interdepartmental-commission-for-foreign-investments (accessed on 30 June 2025). [19]

Turkmen Portal (2025), *Туркменистан представил инвестиционную программу развития на 2025 год с крупными инфраструктурными проектами*, https://turkmenportal.com/blog/87205/turkmenistan-predstavil-investicionnuyu-programmu-razvitiya-na-2025-god-s-krupnymi-infrastrukturnymi-proektami (accessed on 1 July 2025). [8]

Turkmenistan Altyn Asyr (2024), *Инвестиционная программа Туркменистана на 2024 годы предусматривает реализацию ряда масштабных проектов*, https://turkmenistan.gov.tm/ru/post/79447/investicionnaya-programma-turkmenistana-na-2024-gody-predusmatrivaet-realizaciyu-ryada-masshtabnyh-proektov (accessed on 1 July 2025). [6]

U.S. Department of State (2016), *2016 Investment Climate Statements : Turkmenistan*, https://2009-2017.state.gov/e/eb/rls/othr/ics/2016/sca/254495.htm (accessed on 16 July 2025). [10]

UNCTAD (2025), *Foreign direct investment: Inward and outward flows and stock, annual*, https://unctadstat.unctad.org/datacentre/dataviewer/US.FdiFlowsStock (accessed on 24 April 2025). [3]

UNCTAD (2024), *Kazakhstan - Approves the Concept of Investment Policy 2024-2029*, https://investmentpolicy.unctad.org/investment-policy-monitor/measures/4895/kazakhstan-approves-the-concept-of-investment-policy-2024-2029 (accessed on 12 May 2025). [45]

UNCTAD (2023), *The Digital Transformation of Investment Promotion Agencies*, UNCTAD, https://unctad.org/system/files/official-document/diaepcbinf2022d9_en.pdf. [30]

Union of Industrialists and Entrepreneurs of Turkmenistan (2025), *About CCT activity*, https://cci.gov.tm/about/o-deyatelnosti-tppt (accessed on 12 May 2025). [22]

World Bank (2025), *Foreign direct investment, net inflows (% of GDP) - Turkmenistan, Uzbekistan, Kazakhstan, Kyrgyz Republic, Tajikistan*, https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?locations=TM-UZ-KZ-KG-TJ (accessed on 1 July 2025). [2]

World Bank (2023), *Divestment Drivers and FDI Retention*, World Bank Group, https://documents1.worldbank.org/curated/en/099090823160521679/pdf/P1755380f72a400b20b136007a5c61ac2b4.pdf. [41]

World Bank (2023), *What makes an Investment Promotion Agency Effective? Findings from a Structural Gravity Model*, https://documents1.worldbank.org/curated/en/099144501132320106/pdf/IDU0db197ce406d740471308edd040f4f19f6f35.pdf. [14]

Notes

[1] Namely the Laws ‘On Hydrocarbon Resources,’ ‘On Currency Regulation and Currency Control in Foreign Economic Relations,’ ‘On Foreign Investments’, ‘On Investment Activities in Turkmenistan’, and ‘On Free Economic Zones’

Competitiveness and Private Sector Development

Building a Competitive Investment Landscape in Turkmenistan

Turkmenistan aims to attract greater levels of foreign direct investment (FDI), especially outside the hydrocarbon sector, as a foundation for long-term and sustainable growth. This report offers a fresh look at the country's investment environment, highlighting opportunities and challenges for businesses and investors. It examines recent trade performance and the broader business climate, including regulatory and labour-market challenges. Drawing on a private sector survey of firms, interviews with government officials development partners, and data from government and other sources, the report offers unique insights into Turkmenistan's business environment and investment landscape. It also suggests investment promotion and facilitation tools that the government could develop, including the creation of a dedicated Investment Promotion Agency (IPA) to streamline support for investors. Drawing on the perspectives of both domestic and foreign stakeholders, as well as a broad range of international experience, this publication will be of interest to policy-makers, international organisations, researchers, and private sector actors seeking to understand — and engage with — Turkmenistan's investment future.

Funded by
the European Union

PRINT ISBN 978-92-64-79326-2
PDF ISBN 978-92-64-85809-1