



PROJECT DOCUMENT
[Turkmenistan]



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Project Title: Supporting Business and Digital Transformation in Banking

Project Number:

Implementing Partner: The State Bank for Foreign Economic Affairs of Turkmenistan

Start Date: 01.10.2019

End Date: 31.12.2020

Brief Description

Guided by the Sustainable Development Goals (SDGs) and the National Strategic objectives outlined in the Presidential Programme for Socio-Economic Development for 2019-2025, the National Banking Strategy, the Programme for development of economic, financial and banking sector for 2019-2025 and the Concept for Development of Digital Economy in Turkmenistan for 2019-2025, and inspired by the achievements of the joint project "Support in expanding access to International Development Finance" implemented in 2018, the State Bank for Foreign Economic Affairs of Turkmenistan (TFEB) and United Nations Development Programme (UNDP) engages in the new project to continue cooperation in developing an innovative business model and digitalization of TFEB under the current project. The project will also contribute towards implementation of the Memorandum of Understanding between UNDP and TFEB concerning joint cooperation in mobilizing development financing for the achievement of the Sustainable Development Goals in Turkmenistan.

The overall project objective is to enhance TFEB's capacity for better management of international development finance in order to implement SDGs and support implementation of the business and digital transformation of TFEB. In this regard, the project will include the following components: i) technical expertise for better mobilization and management of international development finance; ii) improving alignment with international financial reporting standards (IFRS); iii) building foundation for digital transformation; and iv) developing capacity and capabilities of TFEB staff.

<p>Contributing Outcome 7 of the UN-TKM PFD 2016-2020: Strategies and simplified regulations are in place to promote high quality inclusive employment through sustainable economic diversification</p> <p>Indicative Output(s): Growth and development are inclusive and sustainable, incorporating productive capacities that create employment and livelihoods for the poor and excluded</p>	Total resources required:	USD 643,903	
	Total resources allocated:	UNDP TRAC:	USD 10,000
	Government:	USD 633,903	

Agreed by (signatures):

The State Bank for Foreign Economic Affairs of Turkmenistan	UNDP
  Rahimberdi Jepbarov Chairman of the Board Date: 7.10.19	  Natia Natsvlishvili Resident Representative a.i. Date:

I. DESCRIPTION OF THE SITUATION

Three years into the implementation of the 2030 Agenda for Sustainable Development, Turkmenistan is translating the Agenda into national development plans and strategies, exploring opportunities for expanding financing for achievement of the Sustainable Development Goals and establishing the national platform for the SDGs monitoring and reporting.

Guided by the priorities and commitments set forth by the Addis Ababa Action Agenda, and recognizing the fact that implementation of the 2030 Agenda for Sustainable Development and its ambitious goals and targets will require huge investments and partnerships, the State Bank for Foreign Economic Affairs of Turkmenistan (TFEB) and the United Nations Development Programme (UNDP) initiated a joint project "Support in expanding access to International Development Finance". The project was implemented in 2018, including the following three components: i) improving coordination mechanisms for external financing; ii) developing the business strategy for TFEB; and iii) preparing the plan for introduction of digital banking in TFEB.

A milestone event in the project was the Financing for Development Conference "Partnership for Development Financing at the Heart of Great Silk Roads" held in Ashgabat in June 2018. The event gathered around 200 representatives from government, business, international financial institutions and commercial banks to discuss the main/most promising new funding streams that can become available to Turkmenistan to support the country's plans and sustainable development priorities, in alignment with the SDGs. The Conference concluded with the State Bank for Foreign Economic Affairs of Turkmenistan signing Memoranda of Understanding concerning joint cooperation in mobilizing development financing for the achievement of SDGs in Turkmenistan with UNDP, and with private Al Qamra Holding Group (Qatar) regarding financing of potential projects in Turkmenistan.

In addition, the project supported development of the guidelines for financing the national development projects through external financing that describes procedures and minimum requirements that prospective borrowers must comply with in submitting applications for development projects financing. This was followed by a series of trainings for TFEB staff to enhance strategic negotiations skills, project management, etc. Also, the impact investment cases, innovative financing mechanisms were also introduced to 50 representatives of bank system and private sector.

To assist TFEB in refining its banking and digital strategies in line with the goals and objectives of the National Programme for Socio-Economic Development for 2011-2030 and the National Banking Strategy, the project engaged PriceWaterhouseCoopers (PWC) to analyse the TFEB's current situation and design Business and digital strategy.

To strengthen and leverage upon TFEB's support from the State, relationships with International Financial Institutions, and reputation among its customers to grow the markets it serves through introducing innovative and digital products and services according to the highest standards in order to better support the State, the public sector, the private sector, and the citizens of the nation, the proposed TFEB's strategy outlines three (3) primary, bank-wide objectives and six (6) sub-objectives:

1. Increase client focus and improve the revenue base:
 - 1.1. Retain state enterprises and diversify into private corporate clients,
 - 1.2. Grow the retail segment,
 - 1.3. Build a sales-oriented bank,
2. Make operations efficient and cost-effective:
 - 2.1. Optimize processes and bank's organization structure,
 - 2.2. Improve the IT and IT security,
3. Improve the capital structure
 - 3.1. Strengthen the capital base by improving the equity/ total capital ratio.

In order to enable progress against the proposed strategy, TFEB needs to adopt a 'management by objective' framework, according to which the efforts of TFEB and staff will be measured against specific goals. It is also recommended to manage according to the RACI framework, according to which each task has individuals assigned as Responsible, Accountable, Consulted and Informed). Adopting these two approaches may require changes to the official status of TFEB employees—to

enable reward & consequence-driven compensation plans—but doing so will enable TFEB to manage towards more finely tuned key performance indicators. While implementing the Management by Objective framework, TFEB is also recommended to establish directional goals (KPIs) in the above areas, with associated initiatives to promote them.

Another cornerstone to implementation of TFEB strategy is investment in IT and digitalization. In November 2018, the Government of Turkmenistan adopted the Concept for Development of Digital Economy in Turkmenistan for 2019-2025 that aims at improving Internet speeds and availability and decrease the difference in digital service levels between urban and rural populations. According to PWC assessment, there is an urgent need for TFEB to develop innovations and technologies in the upcoming years to catch up with the competitors.

The PWC assessment shows that TFEB is not ready for introducing the full Digital Banking Operating model. Full Digital Banking is marked by Customer orientation, providing services digital only (no branches), fully digitized end-to-end business processes, automation of IT delivery, using analytics on a high-quality data lake, and sourcing models like cloud delivery. Therefore, TFEB is recommended to undertake the Digital Initiatives which will create the baseline for further development of Digital Business Models. These initiatives will enable sufficient maturity on automation and coverage of the core elements of the bank with IT solutions; and create the solid foundation of further development of IT and Business architecture.

In a view of successful implementation of the project between TFEB and UNDP in 2018 and continued support in developing an innovative business model and digitalization, UNDP and TFEB would like to engage in the new project “Supporting Digital Transformation in Banking”.

The project is in line with the National Strategic Objectives, the Long-Term Banking Strategy that focuses on improving the quality of banks’ products and services, an upgrade to payment systems, digital transformation in all layers of banking, support for the private sector, and compliance with international financial reporting standards. It also aims to promote implementation of the Digital Economy Concept Document, as well as the Memorandum of Understanding between UNDP and TFEB concerning joint cooperation in mobilizing development financing for the achievement of SDGs in Turkmenistan.

II. STRATEGY

Guided by the Sustainable Development Goals and the National Strategic objectives outlined in the Presidential Programme for Socio-Economic Development for 2019-2025, the National Banking Strategy, the Programme for development of economic, financial and banking sector for 2019-2025 and the Concept for Development of Digital Economy in Turkmenistan for 2019-2025, and inspired by the achievements of the joint project implemented in 2018, the State Bank for Foreign Economic Affairs of Turkmenistan (TFEB) and United Nations Development Programme (UNDP) engages in the new project to continue cooperation in developing an innovative business model and digitalization of TFEB under the joint project "Support in expanding access to International Development Finance".

The new project has been also initiated to implement provisions of the Memorandum of Understanding between UNDP and TFEB concerning joint cooperation in mobilizing development financing for the achievement of the Sustainable Development Goals in Turkmenistan with focus on continued strengthening TFEB's capacity to attract external finance and implement the development finance projects.

In this regard, the project identifies the following areas for cooperation:

1. *Technical expertise for better mobilization and management of international development finance*

According to the Addis Ababa Action Agenda, international development cooperation and borrowing play an important role for financing investment projects critical to achieving sustainable development, including SDGs. TFEB being an official Government's agent in attracting international finance will need a strengthened capacity for execution and monitoring of sovereign loans and investment projects. In this regard, the project will engage international and national expertise to provide a long-term advice and mentorship to TFEB at all stages of implementation of the investment projects to ensure quality financial and commercial control. It is expected that the outsourced experts will transfer knowledge and expertise to TFEB staff

The project will also support TFEB in developing a pitch book to be presented during road shows to financial institutions (FIs); and gaining an understanding of the rating process to potentially receive a credit rating from an international agency in the future. This will lead to higher international exposure of TFEB in the international debt markets.

In addition, the project will provide assistance to TFEB to enhance debt management capacity, manage risks and analyse trade-offs between different sources of financing, as well as to help to cushion against external shocks and ensure steady and stable access to financing. It will also expose TFEB staff to the IMF-World Bank analytical tools for assessing debt sustainability and prudent public debt management.

Special attention will be given to leverage the use of different financial instruments and sources to support financing for sustainable development. UNDP and TFEB utilize their distinct comparative advantages – including TFEB's authority as the IDB Governor Office and the government agent for international finance, UNDP's new role as a country support platform for SDGs implementation and close ties of both with ministries and other state agencies implementing development projects – to operationalize the use of international finance towards sustainable and inclusive growth. The project will particularly explore opportunities to utilize outstanding grants and technical assistance obtained from FIs and bilateral financial institutions.

2. *Improving alignment with the international financial reporting standards*

Since 2012, TFEB has been preparing its financial reporting in compliance with the International Financial Reporting Standards (IFRS). In July 2014 the International Accounting Standards Board (IASB) published the final version of IFRS 9 Financial Instruments that has a mandatory effective date of 1 January 2018. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 will have an enormous impact on the banking industry, as it requires an adjustment to the classification of financial instruments.

Banks, which typically hold the largest number of financial instruments, will be required to assess if and how classification has changed for each of their instruments. In addition, the introduction of the expected loss model to replace the traditional incurred loss model will require continuous re-assessment to the level of risk of loans throughout the life span of the loan, as opposed to the previous model wherein loans were assessed at one stage in absolute terms. This standard also has an impact on companies that have a hedging program, potentially allowing accounting hedge treatment to be more available.

To support TFEB in IFRS 9 application, the project will conduct a series of training courses for the TFEB staff who are preparers and users of financial statements to evaluate the impact of IFRS 9 on the TFEB business and its financial statement. Particularly, the project will conduct an in-depth analysis of IFRS 9 Financial Instruments, including numerous examples and illustrations to explain the business model and cash flow characteristics test for classification of financial assets, amortized cost and fair value measurement of financial assets and financial liabilities, de-recognition of financial assets (retained servicing, continuing involvement etc.), measurement of expected credit losses and the accounting and impact of different types of hedges on financial statements. In addition, training will cover the disclosures in IFRS 7 and the principles of fair value measurement in IFRS 13. The project will also provide hands-on support for transformation of the TFEB financial statements to address IFRS 9 requirements, including IFRS 9 integration into the existing IT system.

3. Building foundation for digital transformation

Digital transformation of the economy is a key priority area for the country in the upcoming years. In November 2018, the Government of Turkmenistan adopted the Concept for Development of Digital Economy for 2019-2025. The National Banking Strategy also envisages digitalization of the banking sector through Internet and mobile banking platforms. TFEB has also adopted the Business and Digital Strategy for 2018-2021 prepared by PwC within the joint project between TFEB and UNDP.

TFEB is a state commercial bank that serves a wide range of clients that are spread around the country. At present, clients are served primarily through limited branch and ATM networks. The customer base would certainly benefit from wider distribution options, and the Bank would benefit if they could serve remote clients in a cost-effective manner. Implementation of Internet Banking solution can optimize service cost, ease of use and potential for geographic expansion. Internet Banking is not only a convenient way of improving sales orientation (more time to spend on branch sales, and an online sales strategy should increase revenues), but is also an important tool to trim operational costs: in the short term, many service efforts could be moved online. This would require significant investment in TFEB's IT systems.

In this regard, the project will support modernization of IT infrastructure of TFEB through procurement of servers, networks equipment, personal computers, printing devices, ATM/POS equipment, and outsourcing IT services to implement performance measurements, standardise workstations and printers and develop a plan for its ATM and POS network.

Also, the project will outsource IT expertise to provide IT services to TFEB managing processes and systems within the core aspect areas, such as business, information, information systems and technology infrastructure. To enable and develop a professional and highly skilled IT team in an appropriate organizational structure, it is expected that outsourced expert/s will improve TFEB's capacities and capabilities on implementing the standard framework ITIL V3, designing and adopting an IT process model, creating a new IT Governance model, implement a new management model to enable segregation of duties and controls in the IT department, and designing and implementing a skill development plan and a plan to hire new staff according to the needs of the bank's IT department.

4. Developing capacity and capabilities of TFEB staff

People are the key to any successful strategy implementation. TFEB will need to train its existing staff and hire some new people to improve the organization's capacities and capabilities. This is likely to require new human resource approaches to and processes in recruitment, on-boarding, training, ongoing development and retention. The project will support development of new technical skills and capacities of TFEB staff in the following areas of business development and

digitalization: i) sales and relationship skills; ii) product development; iii) IT security; iv) cybersecurity; v) credit risk management; vi) bank process improvement; vii) project management; viii) customer service skills; ix) banking compliance; x) marketing; and xi) financial analysis. The list of trainings can be revised and/or amended based on the emerging needs of TFEB in the course of strategy implementation. Given that more than 60 percent of the TFEB staff are female, the special attention will be given to increasing skills and knowledge of female staff.

Although TFEB is at the forefront of many of Turkmenistan's international initiatives, it is a state-owned bank, with functionally aligned departments and hierarchies reflecting its history. While this organizational structure has served TFEB well for many years, market circumstances have changed. Competition is increasing, the National Banking Strategy has been modernized, and client expectations have changed. In order to best position TFEB to embark upon this transformative programme, TFEB must consider adjusting its organizational structure (which will influence governance, compensation, and others) to make them 'fit for purpose.'

To address the above, the project will support TFEB in preparing for transformative changes by raising awareness and knowledge about the best corporate banking strategies and 'management by objective' framework, according to which the efforts of TFEB and staff will be measured against specific goals. It will also expose TFEB management to the RACI framework, according to which each task has individuals assigned as Responsible, Accountable, Consulted and Informed.

The proposed project is consistent with the provisions of the United Nations – Turkmenistan Partnership Framework for Development 2016-2020. The PFD "signifies a move away from donor-recipient relations toward a partnership with an Upper-Middle-Income country that aspires to continue with two-digit economic growth rates that are obtained using sustainable development approaches and that contribute to creating of conditions to increase life expectancy, improve health and well-being of the people of Turkmenistan."

Among the eight outcomes identified in the PFD as expected from the partnership between the Government of Turkmenistan and the United Nations agencies, outcome (7) indicates, as a goal, that "Strategies and simplified regulations are in place to promote high quality inclusive employment through sustainable economic diversification." The PFD accordingly identifies the following strategies, among others, that will contribute to achievement of this outcome and corresponding SDGs:

- "Accelerate the country's economic diversification and its transition to a market economy that relies less on hydrocarbons and achieves sustainable, inclusive job-rich growth;"
- "Enhance macroeconomic management to facilitate the expansion of the private sector, which is expected to contribute 70 percent of GDP by 2020, up from 40 percent in 2010;"
- "Promote entrepreneurship and the expansion of the SME sector;" and
- "Develop skills to analyse market needs, collect data and conduct analysis"

The project is also linked to the Theory of Change described in the Country Programme Action Plan between the Government of Turkmenistan and the United Nations Development Programme for 2016-2020 and contributes towards implementation of Priority 3 "Rule of Law and Economic Diversification".

III. RESULTS AND PARTNERSHIPS

Expected Results

The project objective is to support the State Bank for Foreign Economic Affairs of Turkmenistan in developing an innovative business model and digitalization. It is expected that the project will produce the following four results:

Result 1: TFEB's financial statements aligned with IFRS will be achieved by fulfilling the following activities:

- 1.1. Implement transformation of the TFEB financial statements to address IFRS 9 requirements
- 1.2. Conduct a series of trainings on IFRS 9 Financial Instruments;

Achievement of Result 1 will be measured by the following indicators:

- 1.1. TFEB financial statement for 2019 aligned with IFRS 9
- 1.2. Number of TFEB staff trained on IFRS 9
- 1.3. Number of TFEB female staff trained

Result 2: TFEB infrastructure and staff ready for digitalization will be achieved by fulfilling the following activities:

- 2.1. Outsource services for management of the IT infrastructure and implementation of online and mobile banking
- 2.2. Knowledge and experience exchange on IT governance and technologies in banking sector
- 2.3. Procure IT equipment and software

Achievement of Result 2 will be measured by the following indicators:

- 2.1. Number of IT staff trained
- 2.2. IT infrastructure and software upgraded with the modern equipment

Resources Required to Achieve the Expected Results

The project will engage highly qualified international expertise through outsourcing institutions/companies and individual consultants, to produce the above outputs. The experts engaged should have substantial experience in banking, finance and business and development, good knowledge of IFIs, working experience in the CIS region and familiarity with the relevant environment in Turkmenistan, as well as excellent communication and writing skills both English and Russian. The project will also engage a number of local consultants to support international experts who should have an excellent understanding of Turkmenistan's legal and regulatory environment, particularly relating to the country's banking and financial sector and digitalization process. The project will also ensure procurement of the most advanced ICT and banking technologies for TFEB which will be held in compliance with the UNDP rules and procedures.

Partnerships

During the project implementation, UNDP and TFEB will partner with the Central Bank, the Ministry of Finance and commercial banks of Turkmenistan, as well as with international financial institutions, such as the World Bank, European Bank for Reconstruction and Development, and Asian Development Bank working in the area of banking and financial sector development in Turkmenistan.

Development of the relationship between UNDP and TFEB, an anticipated outcome of this project, is expected to contribute to reinforcement of UNDP's relationship with government financial bodies and international financial institutions, in particular with the Islamic Development Bank (IDB). As facilitation of partnership on a strategic basis is, in turn, anticipated as a project outcome, the project will contribute to triangular cooperation (among Turkmenistan, IDB and UNDP).

IV. RESULTS FRAMEWORK

<p>Intended Outcome as stated in the UN Country Programme results matrix: Strategies and simplified regulations are in place to promote inclusive employment through sustainable economic diversification.. Source: UN -TKM PFD 2016-2020 Outcome 7.</p> <p>Outcome indicators as stated in the UN Country Programme results matrix, including baseline and targets: The number of state, sector ad regional programmes, including on SME development, aimed at new pilot initiatives related to the diversification of economy.</p> <p>Applicable Output(s) from the UNDP Strategic Plan: Strategies and simplified regulations are in place to promote inclusive employment through sustainable economic diversification. Source: UNDP -TKM Action plan for 2016-2020.</p> <p>Project title and Atlas Project Number: Supporting Business and Digital Transformation in Banking</p>											
EXPECTED OUTPUTS	OUTPUT INDICATORS	DATA SOURCE	BASELINE			TARGETS			DATA COLLECTION METHODS & RISKS		
			Value	Year	Year 1	Year 2	FINAL				
<p>Output 1 TFEB's financial statements aligned with IFRS</p>	1.1 TFEB financial statement for 2019 aligned with IFRS 9	Project progress report	0	2018	1	-	1	Project progress report prepared by the project manager			
	2.2 T Number of TFEB staff trained on IFRS 9	Project progress report	No	2018	-	5	5	Project progress report prepared by the project manager			
	2.1 Number of IT staff trained	Project progress report	No	2018	-	2	2	Project progress report prepared by the project manager			
<p>Outcome 2 TFEB infrastructure and staff ready for digitalization</p>	2.2 IT infrastructure upgraded with the modern equipment and software	Project progress report	0	2018	-	Yes	Yes	Project progress report prepared by the project manager			
	2.3 Number of TFEB staff passed through the specific trainings	Project progress report	0	2018	20	-	20	Project progress report prepared by the project manager			

V. MONITORING AND EVALUATION

Monitoring Activity	Purpose	Frequency	Expected Action
Track results progress	Progress data against the results indicators in the RRF will be collected and analysed to assess the progress of the project in achieving the agreed outputs.	Quarterly, or in the frequency required for each indicator.	Slower than expected progress will be addressed by project management.
Monitor and Manage Risk	Identify specific risks that may threaten achievement of intended results. Identify and monitor risk management actions using a risk log. This includes monitoring measures and plans that may have been required as per UNDP's Social and Environmental Standards. Audits will be conducted in accordance with UNDP's audit policy to manage financial risk.	Quarterly	Risks are identified by project management and actions are taken to manage risk. The risk log is actively maintained to keep track of identified risks and actions taken.
Learn	Knowledge, good practices and lessons will be captured regularly, as well as actively sourced from other projects and partners and integrated back into the project.	At least annually	Relevant lessons are captured by the project team and used to inform management decisions.
Annual Project Quality Assurance	The quality of the project will be assessed against UNDP's quality standards to identify project strengths and weaknesses and to inform management decision making to improve the project.	Annually	Areas of strength and weakness will be reviewed by project management and used to inform decisions to improve project performance.
Review and Make Course Corrections	Internal review of data and evidence from all monitoring actions to inform decision making.	At least annually	Performance data, risks, lessons and quality will be discussed by the project board and used to make course corrections.
Project Report	A progress report will be presented to the Project Board and key stakeholders, consisting of progress data showing the results achieved against pre-defined annual targets at the output level, the annual project quality rating summary, an updated risk log with mitigation measures, and any evaluation or review reports prepared over the period.	Annually, and at the end of the project (final report)	
Project Review (Project Board)	The project's governance mechanism (i.e., project board) will hold regular project reviews to assess the performance of the project and review the Multi-Year Work Plan to ensure realistic budgeting over the life of the project. In the project's final year, the Project Board shall hold an end-of-project review to capture lessons learned and discuss opportunities for scaling up and to socialize project results and lessons learned with relevant audiences.	Two times per year	Any quality concerns or slower than expected progress should be discussed by the project board and management actions agreed to address the issues identified.

VI. WORK PLANS

Period: 01.10.2019 – 31.012.2019

Expected Outputs	Planned Activities	Timeframe				Responsible party	Funding Source	Planned Budget	
		Q1	Q2	Q3	Q4			Budget Description	Amount (in USD)
Output 1 TFEB's financial statements aligned with IFRS	1.1 Implement transformation of the TFEB financial statements to address IFRS 9 requirements					International experts	GoT	71200 International consultancy (1 expert *30 days*\$750)	22500
								71600 Travel expenses (\$250*30 days+\$1,250 (ticket)*1trip+\$29(visa)+\$188 (terminal)	8967
					Local consultants		71300 Local consultancy fee (2 national experts*\$1000*3 months)	6000	
							64300, 74500 Operating expenses	750	
	Total Output 1: GMS, 7%							38217	
	Total Output 2, including GMS 7%							2675	
								40892	
Output 2 TFEB infrastructure and staff ready for digitalization	2.1 Outsource services for management of the IT infrastructure and implementation of online and mobile banking					International and Local IT consultants	GoT	72100 International experts (2 experts * 20 days*\$600)	24000
								71600 Travel expenses (\$250*10days*2experts*2trips+\$750 (ticket)*2+\$29*2(visa)+\$188*2 (terminal)	13868
							71300 Local consultancy fee (2 national experts *3 months*\$1000)	6000	
	2.2 Knowledge and experience exchange on best banking practice					International consultant	UNDP	71200 International consultancy (1 expert *7 days*\$600)	4200
							71600 Travel expenses (\$250*5days+\$1,215 (ticket)*1trip+\$29(visa)+\$188 (terminal)	2682	

											75700 Training and workshops (20 participants*1 course) 64300, 74500 Operating expenses	3118
	Total, Output 2:											54868
	Of which Government											44868
	UNDP											10000
	GMS, 7%										75100	3141
	Total Output 3, including GMS 7%											58009
Project Management	Project staff salaries										71400 (Project manager \$ 2559 and Assistant (15%) \$213 *3 months)	8316
	Connectivity and Communications Charges										72400	1000
	Stationery & other office suppliers										72500	200
	Total											9516
	GMS, 7%										75100	666
	Total PM:											10182
TOTAL												109083
Government of Turkmenistan												99083
UNDP												10000

Period: 01.01.2020 – 31.12.2020

Expected Outputs	Planned Activities	Timeframe				Responsible party	Funding Source	Planned Budget	
		Q3	Q4	Q1	Q2			Budget Description	Amount (in USD)
Output 1 TFEB's financial statements aligned with IFRS	1.1 Training on IFRS 9 Financial Instruments					International expert	GoT	71600 Travel expenses participants*250*5 days+\$482 (ticket)+\$80 (visa)+\$188 (terminal)	10000
								75700 Training and workshops (5 participants *\$2000)	10000
								64300, 74500 Operating expenses	1000
	Total Output 1:								21000
Output 2 TFEB infrastructure and staff ready for digitalization	GMS, 7%							75100	1470
	Total Output 1, including GMS 7%								22470
	2.1 Outsource services for management of the IT infrastructure and implementation of online and mobile banking					International and Local experts	GoT	71200 International experts (2 experts *30 days*\$600)	36000
								71600 Travel expenses (\$250*10days*2experts*2trips+\$700 (ticket)*2+\$29*2(visa)+\$188*2 (terminal)	20502
								71300 Local consultancy fee (2 national experts \$1000*12 months)	24000
2.2 Knowledge and experience exchange on IT governance and technologies in banking sector						International expert	GoT	71600 Travel expenses (2 participants \$259*5days+\$700+\$100+\$188)	4566
								75100 Training and workshops (2 participants*1+\$2000 course)	4000
2.3 Procure IT equipment and software						ICT company	GoT	72400 Computer and server equipment	150000
								72800 Software	200000

										64300, 74500 Operating expenses	2000
	Total, Output 3:										441068
	GMS, 7%									75100	30875
	Total Output 3, including GMS 7%										471943
Project Management	Project staff salaries									71400 (Project manager \$ 2559 and Assistant (15%) \$213 *3 months)	33264
	Connectivity and Communications Charges									72400	4000
	Stationery & other office suppliers									72500	500
	Total:										37767
	GMS, 7%									75100	2643
	Total:										40407
TOTAL											534820
Government of Turkmenistan											534820

VII. STRUCTURE AND MANAGEMENT ARRANGEMENTS

The project will be implemented under a National implementation modality (NIM). As the national implementing partner, the State Bank for Foreign Economic Affairs of Turkmenistan (TFEB) will oversee all aspects of project implementation. TFEB will appoint a senior staff member to serve as the National Project Coordinator (NPC), who will be the lead individual responsible for overseeing the project.

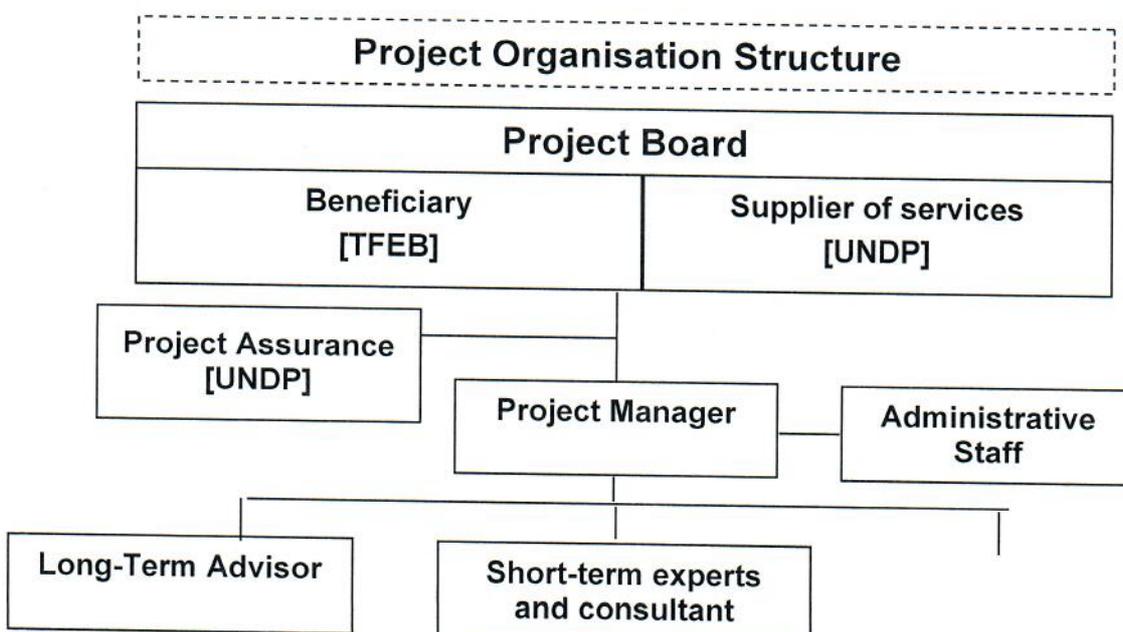
Overall governance of the project will be carried out by the Project Board, which will include TFEB and UNDP. The National Project Coordinator will serve as Chair of the Project Board, with support from UNDP in organizing and running all meetings and other exchanges of information. Meetings of the Project Board will take place at least twice annually in time for approval of the following year's Annual Work Plan and the previous year reports. Additional meetings may be called as needed by the NPC. The Board is the overall authority for the Project and is responsible for its initiation, direction, review and eventual closure. Within the confines of the Project, the Board is the highest authority. It ensures that required resources are committed and arbitrates on any conflicts within the project or negotiates a solution to any problems between the project and any parties beyond the scope of the project.

UNDP will join TFEB in managing the project and providing quality assurance, in accordance with plans approved by the Project Board. Most of UNDP's work for the project will be based in its Country Office (CO) in Ashgabat, under the supervision of the UNDP Deputy Resident Representative and the UNDP Resident Representative as warranted.

The day-to-day operations of the project will be carried out by a project manager, who will lead the work of International and National Technical Experts and any support staff needed. The project team will be responsible for carrying out the activities of the project as set forth in this Project Document and any revisions approved by the Project Board. For each meeting of the Project Board, the Project manager will prepare a progress report on project activity, including recent accomplishments, risks, and proposed mitigation measures. The Project manager will also be responsible for preparing all required annual reports for UNDP and the Government as required by the documents signed about this project. Consistent with the Article III of the SBAA, the Project manager will be based in the premises of TFEB.

The project will engage experts to carry out specific project work, including a long-term national consultant and short term international experts. The specialists from UNDP regional hub (IRH) will be engaged, too, in support of project activities. The project will cover the costs of the experts.

UNDP country office staff will provide assistance to the project in performing all administrative work, including logistics and clerical work. In addition, the country office will provide administrative support to the Government with regard to various specific administrative functions (such as those involving procurement and financial management). Costs associated with these latter functions will be billed as Direct Project Costs according to the provisions outlined in Section "Special clauses".



VIII. LEGAL CONTEXT AND RISK MANAGEMENT

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government of Turkmenistan and UNDP, signed on 5 October 1993. All references in the SBAA to “Executing Agency” shall be deemed to refer to “Implementing Partner.”

This project will be implemented by the State Bank for Foreign Economic Affairs of Turkmenistan “Implementing Partner” in accordance with its financial regulations, rules, practices and procedures only to the extent that they do not contravene the principles of the Financial Regulations and Rules of UNDP. Where the financial governance of an Implementing Partner does not provide the required guidance to ensure best value for money, fairness, integrity, transparency, and effective international competition, the financial governance of UNDP shall apply.

Risk management standards

1. Consistent with the Article III of the SBAA, the responsibility for the safety and security of the Implementing Partner, its personnel and property, and of UNDP’s property in the Implementing Partner’s custody, rests with the Implementing Partner. To this end, the Implementing Partner shall:
 - a) develop and adhere to an appropriate security plan, taking into account the security situation in the country where the project is being carried;
 - b) assume all risks and liabilities related to the Implementing Partner’s security, and carry out the full implementation of the security plan.
2. UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of the Implementing Partner’s obligations under this Project Document.
3. The Implementing Partner agrees to undertake all reasonable efforts to ensure that no UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml. This provision must be included in all sub-contracts or sub-agreements entered into under/further to this Project Document.
4. Consistent with UNDP’s Programme and Operations Policies and Procedures, social and environmental sustainability will be enhanced through application of the UNDP Social and Environmental Standards (<http://www.undp.org/ses>) and related Accountability Mechanism (<http://www.undp.org/secu-srm>).
5. The Implementing Partner shall: (a) conduct project and programme-related activities in a manner consistent with the UNDP Social and Environmental Standards, (b) implement any management or mitigation plan prepared for the project or programme to comply with such standards, and (c) engage in a constructive and timely manner to address any concerns and complaints raised through the Accountability Mechanism. UNDP will seek to ensure that communities and other project stakeholders are informed of and have access to the Accountability Mechanism.
6. All signatories to the Project Document shall cooperate in good faith with any exercise to evaluate any programme or project-related commitments or compliance with the UNDP Social and Environmental Standards. This includes providing access to project sites, relevant personnel, information, and documentation.

IX. SPECIAL CLAUSES

1. The State Bank for Foreign Economic Affairs of Turkmenistan (TFEB) guided by the provisions of the Co-financing Agreement between the Government of Turkmenistan and the United Nations Development Programme signed on 22 June 2016, will provide contribution for implementation of the current Project in the amount of 633,903.00 (six hundred thirty three thousand nine hundred three) US dollars, which will be transferred to the following accounts of UNDP as follows.
2. TFEB shall, in accordance with the schedule of payments set out below, deposit in manat equivalent the contribution in the amount of 316,951.50 (three hundred sixteen thousand nine hundred fifty-one US dollars and fifty cents) US dollars in the Turkmen-Turkish Commercial Bank, account no. 23203934273168502583000.

Date payment due	Amount
20.10.2019	USD 49,541.50
10.01.2020	USD 267,410.00

3. TFEB shall, in accordance with the schedule of payments set out below, deposit in USD equivalent the contribution in the amount of 316,951.50 (three hundred sixteen thousand nine hundred fifty-one US dollars and fifty cents) US dollars in the Citibank N.A, 111 Wallstreet New York, NY 10043, account no. 36349562 and details: SWIFT no.CITIUS33, ABA no. 021000089:

Date payment due	Amount
20.10.2019	USD 49,541.50
10.01.2020	USD 267,410.00

4. The value of the payment, if made in a currency other than United States dollars, shall be determined by applying the United Nations operational rate of exchange¹ in effect on the date of payment. Should there be a change in the United Nations operational rate of exchange prior to the full utilization by the UNDP of the payment, the value of the balance of funds still held at that time will be adjusted accordingly. If, in such a case, a loss in the value of the balance of funds is recorded, UNDP shall inform the Government with a view to determining whether any further financing could be provided by the Government. Should such further financing not be available, the assistance to be provided to the project may be reduced, suspended or terminated by UNDP.
5. The above schedule of payments takes into account the requirement that the payments shall be made in advance of the implementation of planned activities. It may be amended to be consistent with the progress of project delivery.
6. UNDP receives, manages and uses the Contribution aimed at attaining the project objectives and in accordance with its applicable regulations, rules and directives of UNDP, including, in particular financial regulations issued by the UNDP Executive Board.
7. UNDP shall submit to TFEB reports on the project implementation and financial report in accordance with Article 4 of the abovementioned Co-financing Agreement dated 22 June 2016. All financial accounts and statements shall be expressed in United States dollars.
8. If unforeseen increases in expenditures or commitments are expected or realized (whether owing to inflationary factors, fluctuation in exchange rates or unforeseen contingencies), UNDP shall submit to the government on a timely basis a supplementary estimate showing the further financing that will be necessary. The Government shall use its best endeavours to obtain the additional funds required.
9. If the payments referred above are not received in accordance with the payment schedule or additional arrangements, is not forthcoming from the Government or other sources, the assistance to be provided to the project under this Agreement may be reduced, suspended or terminated by UNDP.
10. Any interest income attributable to the contribution shall be credited to UNDP Account and shall be utilized in accordance with established UNDP procedures.

In accordance with the decisions and directives of UNDP's Executive Board:

¹ The United Nations operational rate of exchange for Turkmenistan is based on the official exchange rate of the Central Bank of Turkmenistan.

The contribution shall be charged:

- (a) 7% cost recovery for the provision of general management support (GMS) by UNDP headquarters and country offices
 - (b) Direct cost for implementation support services (ISS) provided by UNDP and implementing partner.
11. Ownership of equipment, supplies and other properties financed from the contribution shall vest in UNDP until its delivery and installation. Ownership over equipment purchased from the contribution will be transferred to TFEB from UNDP upon its installation in accordance with the relevant policies and procedures of UNDP.

X. ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
CIS	Commonwealth of Independent States
CO	Country Office
EBRD	European Bank for Reconstruction and Development
GDP	Growth Domestic Product
IDB	Islamic Development Bank
IFI	International Financial Institution
IRH	UNDP Istanbul Regional Hub
ISS	Implementation Support Service
GMS	General Management Costs
GSC	Government Cost-Sharing
MoU	Memorandum of Understanding
NPC	National Project Coordinator
OND	Export Credit Agency
PFD	Government of Turkmenistan-UN Partnership Framework for Development [2016-2020]
RBM	Results Based Management
SBAA	Standard Basic Assistance Agreement
SME	Small and Medium Enterprises
SWOT	Strengths, Weaknesses, Opportunities, and Threats
SDG	Sustainable Development Goal
TFEB	The State Bank for Foreign Economic Affairs of Turkmenistan
TKM	Turkmenistan
TRAC	Regular Financial Resources
UNDP	United Nations Development Programme
WTO	World Trade Organization