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I. Project Management Overview

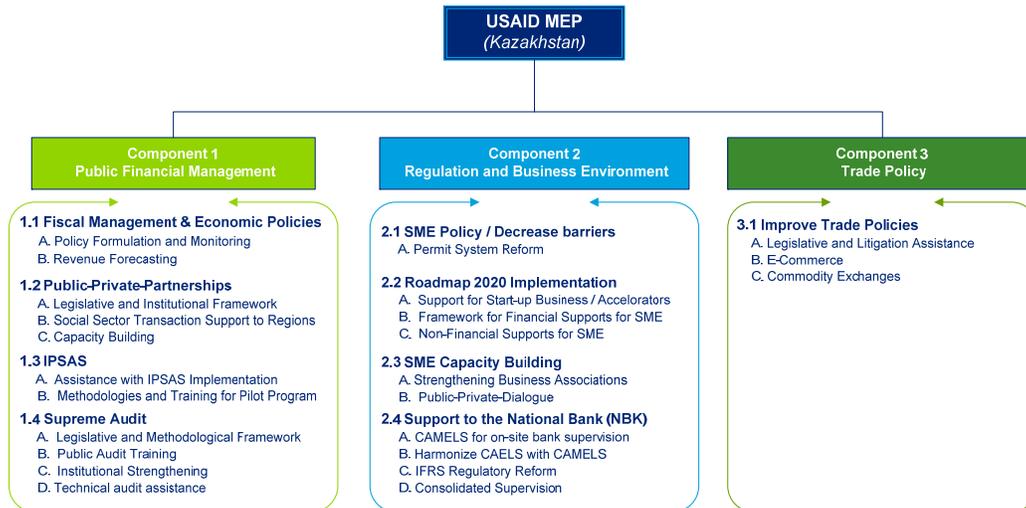
Following the initiation of project operations in October, 2011, MEP made significant progress against work plans in both Kazakhstan and Turkmenistan during the first quarter of 2012. Twelve international deployments were successfully undertaken during this time period, with additional off-site technical assistance being provided by two international experts. Local project experts in both Kazakhstan and Turkmenistan also provided ongoing assistance to approximately 20 technical counterparts. Capacity building efforts demonstrated exceptional results, with technical training programs being imparted to over 330 public officials; while project impact in terms of policy recommendations and methodological support exceeded anticipated targets.

Administratively, MEP was able successfully formalize work plans in outstanding technical areas in Kazakhstan; however, the project is still awaiting a formal response from the Government of Turkmenistan regarding proposed activity areas. Work plan approval delays complicated project management, impacting both budget and expenditures. Despite these challenges, however, project staff was able to meet counterpart needs and expectations in all technical areas during the first quarter of 2012.

II. MEP Kazakhstan

Country Overview

During the first quarter of 2012, MEP activities in Kazakhstan focused principally in two areas: (i) consolidation of project start-up and (ii) delivery of technical assistance in the following areas:



The management of MEP is immensely complex due to the fact that project activity areas are extremely diverse, involving a wide variety of government counterparts with often diverging priorities and interests. While MEP was able to successfully negotiate and formalize work plans in all but a few subcomponent areas during its first months of operations; during the first quarter of 2012, the remaining work plans were formalized, paving the way for technical delivery to commence in all areas.

Citing the fact that MEP is jointly funded through the Program for Economic Development Policies by USAID and the Government of Kazakhstan, pressures continued to be exerted by certain Kazakhstan counterparts to modify MEP budget and reporting requirements. Attempts were made to amend both the MEP budget and delivery areas to meet counterparts' internal cost estimates, a breakdown not envisioned within the MEP contract. Efforts were also made to subordinate MEP staffing and expenditure decisions to counterpart approval, as well as to require MEP personnel to report directly to the MEDT. These requirements are not consistent with the terms and conditions set forth in the MEP contract and would pose a significant risk to the contractor. Although each of these issues was resolved adequately by project management after some effort, MEP management remains concerned about counterpart expectations that seem misaligned with the terms and conditions set forth in the MEP contract.

In an attempt to help government counterparts better understand the scope and structure of the USAID Macroeconomic Project, on 09 February, the project held a kick-off meeting for Kazakh government counterparts. During this event, MEP advisors and management discussed work plans, delivery areas and synergies between subcomponent areas. The event provided an excellent opportunity to introduce counterparts to broader project objectives and activities.

Despite these inception challenges, significant progress was made against work plans during the first quarter of 2012. Utilizing both international and local experts, the MEP team provided support to counterparts in virtually every subcomponent delivery area. During this quarter, eight international experts were deployed to deliver technical assistance in Kazakhstan, some of whom were deployed on more than one occasion.

KZ Component 1: Public Financial Management & Economic Policy

Subcomponent 1.1: Economic Policies & Strategy

A. Progress/success against the work plan:

- Changing priorities within the MEDT caused delays in formalizing the work plan for this subcomponent. MEP international advisor, Dr. Stephen Tupper, was deployed on two occasions to undertake an informal needs assessment, develop draft work plans, and negotiate an assistance program for this delivery area. After months of discussion regarding the work plan, the MEDT changed the beneficiary of this subcomponent, identifying the Tax and Budget Policy Department as the primary counterpart. The work plan was finalized at the end of the quarter and includes an analysis of the existing Tax Code, a tax burden assessment, and tax policy recommendations to foster economic growth in selected industries.
- In accordance with the work plan, MEP advisors developed an economic policy training program and training materials for the Economic Research Institute (ERI) and MEDT. As agreed between the parties, the training will take place during the second quarter of 2012.

B. Issues/Obstacles

- Changing counterparts and ministerial priorities significantly complicated and delayed the work planning process, resulting in unforeseen expenditures.
- Due to their work load, the Tax and Budget Policy Department is often unavailable to work with MEP advisors, thereby complicating delivery.

C. Donor Coordination

- MEP has discussed the donor coordination issues with the World Bank's Public Finance Management team leader.

D. Major upcoming Activities (in next reporting period)

- Multiple deployments of international advisors planned to implement the work plan, including trainings.

Subcomponent 1.2: Public-Private-Partnerships

A. Progress/success against the work plan:

- For reasons that are not entirely clear to MEP management, after an original version of the work plan was formalized with the National PPP Center, the MEDT requested that a new version of the work plan be formalized by the MEDT. Due to these changes, there were some delays in initiating work plan activities.
- MEP senior international PPP advisor, Jill Jamieson, supported the Kazakhstan PPP delegation at the United Nations "PPP Days" event in Geneva, Switzerland from February 22-24, 2012. MEP provided guidance and advisory services regarding the content of publicity materials, assisting with the drafting of project descriptions and the country's PPP program overview documents. MEP Chief-of-Party and senior PPP advisor likewise served as a panel moderator for the Kazakhstan panel presentation and separately promoted the Kazakhstan PPP program while giving a speech on behalf of the UN senior PPP experts' panel. In line with current legislation and in order to strengthen the capacity of the Supreme Audit Institution vis-à-vis PPP, MEP also sponsored the participation of a representative of the Accounts Committee to attend the event in Geneva.
- MEP responded to a request by the National PPP Center to provide international best practice guidance on Infrastructure Funds. MEP advisors prepared and delivered a report identifying the benefits and challenges of infrastructure funds, feasibility considerations, best practice examples, infrastructure fund management structures, and both country-specific and regional case studies.
- MEP senior international PPP advisor prepared and submitted an article for publication by the PPP Center entitled "*Delivering Social Sector Infrastructure and Services through Public-Private-Partnerships*". The article discusses international experience, as well as some of Kazakhstan's legislative obstacles that are impeding the use of PPP in social sector.

- On 14 March 2012, MEP PPP advisors participated in the Energy Efficiency Roundtable sponsored by USAID CAEESP. MEP led a panel discussion on “Financing Energy Efficiency: The Role of Public-Private-Partnerships”.
- MEP continued to draft a series of training materials for the regions, finalizing an updated brochure on PPP, as well as detailed documents regarding both financial and legal considerations in PPP. MEP likewise continued to draft advisory notes on PPP, including briefs on alternative dispute resolution, investor outreach and promotion, etc.
- MEP held various meetings with representatives of regional PPP centers to discuss proposed transactions and other PPP-related issues. Targeted assistance will begin once the regional training program has taken place.

B. Issues/Obstacles

- The Ministry of Economic Development and Trade has been identified as the MEP counterpart responsible for decisions relating to the PPP component; nevertheless, it often has difficulty coordinating with the direct beneficiaries of this assistance (National PPP Center, Regional Centers, etc.). This situation is causing delays in implementation of the work plan.
- In general, systemic weaknesses in Kazakhstan’s PPP legal and institutional framework need to be addressed to ensure progress against the work plan.

C. Donor Coordination

- MEP is working closely with the IFC, World Bank, Asian Development Bank and the EC on a broad variety of PPP-related issues and initiatives. MEP coordinates closely with other donors on a regular basis.

D. Major upcoming Activities (in next reporting period)

- A two-day regional PPP training is scheduled for May 14-15 in Astana for the central and regional PPP institutions to include the Ministry of Economic Development and Trade, Ministry of Transport and Communications, Agency on Construction and Utilities, Ministry of Health, National PPP Center, Karaganda and East-Kazakhstan Regional PPP Centers, and Social and Entrepreneurship Development Corporations from all regions.

Subcomponent 1.3: Public Sector Accounting Standards (IPSAS)

A. Progress/success against the work plan:

- Jointly with the Ministry of Finance (MoF), MEP conducted two large scale seminars on *International experience in the transition of public institutions to accrual-based IPSAS and practical applications for the Republic Of Kazakhstan*. Seminars were attended by nearly 200 participants from 41 line ministries and agencies, Treasury Committee of the MOF, the Accounts Committee as well as representatives of oblast akimats and Revision Commissions. The adoption of IPSAS is expected to lead to a significant increase in the quality of financial reporting by public sector entities, thereby fostering greater transparency, accountability and efficiency in the use of public resources.
- MEP international IPSAS experts, Ms. Jenifer Austin and Mr. William Radburn, prepared summary articles about international experience with IPSAS implementation for publication by the MOF.
- MEP continued to provide methodological support and quality control of the drafted regulatory acts that reflect recent amendments to the Budget code; supported the development of amendments to the Accounting Rules, Chart of Accounts for public institutions. MEP contributed to the development of the comparative aggregate table on amendments to the existing legislation.
- MEP likewise continued its assistance with drafting the Instruction on accounting in foreign entities of the Republic of Kazakhstan. MEP IPSAS consultant and representatives of the MOF were in close contact with representatives of the Ministry of Foreign Affairs to discuss accounting for advance payments, petrol and many others in overseas based RK entities.
- MEP provided its input for the development of methodological recommendations on the procedures for initial recognition and de-recognition of investments in quasi-public sector entities on the balance sheet of

state institutions for the purposes of preparing an opening balance sheet during state institutions' pilot transition from the cash basis to the accrual basis during pilot project implementation.

- MEP provided assistance to the Gumilyov Accounting and Audit Chair of Eurasian National University by providing methodological recommendations for drafting standard educational and practical programs that need to reflect the new methodology on accrual accounting in Kazakhstani public institutions being introduced into the curricular for future accountants and auditors.
- MEP continued to provide ongoing methodological support in preparation for the pilot project. MEP IPSAS Expert, representatives of the MOF and representative of 1.C Accounting (Karaganda) were jointly discussing the issues of testing software on accrual-based accounting in state institutions. MEP likewise continued to answer questions from pilot ministries and oblasts, and the Treasury.
- MEP provided technical assistance in preparations for the pilot project on the transition of state institutions to accrual-based IPSAS and supported the development of the Draft Methodological Guidance on Transition of State institutions to the accrual-based accounting.

B. Issues/Obstacles

- According to results of the on-going monitoring by the Ministry of Finance, more than 50% of accountants in pilot state institutions have not yet received training on IPSAS.

C. Donor Coordination

- MEP coordinates closely with IMF representatives.

D. Major upcoming Activities (in next reporting period)

- Possible regional seminars on international experience in IPSAS implementation in pilot regions.

Subcomponent 1.4: Public Audit

A. Progress/success against the work plan:

- MEP finalized the results of a Training Needs Assessment for the Revision Commissions. The report and draft Training Plan for 2012-2013 will be submitted to the AC and Research Center for their review and approval in April 2012.
- MEP contributed to the development of financial audit methodology and practice by presenting translated versions of the INTOSAI Financial Audit Guidelines (ISSAIs) and IPSAS.
- During the 1st quarter of 2012, MEP continuously supported the AC on conducting a financial audit of the Ministry of Transport and Communications (MTC) and the Ministry of Finance (MOF):
 - MEP developed draft audit plan for the MTC financial statements; contributed to the preparation of the draft audit statement and prepared recommendations for further enhancement of said statement; prepared a draft audit report which meets the ISSAIs' requirements; and provided recommendation regarding financial reporting.
 - MEP conducted a preliminary research on the MOF operational practices and developed audit plan that identified the objective and scope of the audit. MEP developed a questionnaire and identified several risk-sensitive areas, and elaborated a list of 15 processes and systems to be tested during the audit. MEP likewise developed questions aimed at testing the public debt management system, prepared best practice case studies in public debt management, and provided recommendations for the implementation of the system-based audit of public debt.
- MEP prepared a technical paper entitled "*New scheme, codification and list of updated and new public auditing standards of the Republic of Kazakhstan*" that outlines new public auditing standards and implementation guidelines, and the system of codification for standards and guidelines.
- In accordance with the work plan, MEP delivered a training session on "International Standards of Supreme Audit Institutions". The objective of the training was to increase the AC employees awareness about the new structure of the ISSAI, introduce the content of new standards, discuss ISSAI's provisions applicable to Kazakhstan, present case studies on using the ISSAI in conducting compliance, financial and

performance audits. 32 AC staff members, including directors and representatives from all departments of the Accounts Committee participated in this event.

- MEP international Public Audit advisor, Mr. William Radburn, delivered a two-day training on “Audit of financial statements”. The objective was to present advanced methodology on conducting financial audit, deliver practical guidance on main audit stages and procedures; to discuss challenges on alignment of the AC current practices with the ISSAIs and best practices. More than 20 AC staff participated in this training activity.
- MEP supported the participation of the AC representative in “Public-Private Partnership Days” in Geneva, Switzerland organized. This event offered a unique opportunity to expose the Accounts Committee to PPP and other supreme audit institutions (SAI) related practices.
- MEP developed training materials on (1) performance audit of internal control, and (2) public debt audit. The training sessions on these topics are scheduled for April, 2012.
- In response to ad-hoc request of the Chairman of the AC, MEP worked to support communication with International Organization of Supreme Audit Institutions Development Initiative (IDI INTOSAI) with regard to organizing an international training for Russian-speaking SAI under IDI auspices.
- MEP continues its support to the AC in organizing a peer review of the AC. This activity was initiated under EREC in 2011 but was not completed due to unavailability of a peer. In 2012, experts of the Accounts Chamber of the Russian Federation will commence the review, and MEP expert would participate in preparation for this activity along with the AC staff.

B. Issues/Obstacles

- Ad-hoc requests from the AC threaten to impede progress against the work plan.

C. Donor Coordination

- MEP is coordinating with the World Bank on assistance regarding financial audits.

D. Major upcoming Activities (in next reporting period)

- Various training events.

KZ Component 2: Regulation and Private Sector Development

Subcomponent 2.1: SME Policy / Business Climate

A. Progress/success against the work plan:

- In accordance with its mutually agreed work plan, MEP senior international Permit System legal expert, Mr. Lars Grava, was deployed on multiple occasions during the first quarter of 2012 to continue working with MEP local experts, the MEDT and other stakeholders on developing a viable concept for the permit system reform. Work included a wide variety of activities, such as meeting with stakeholders, reviewing concepts prepared by third parties (including the World Bank), training and capacity building, participation in roundtables, and developing a draft concept paper.
- On March 29, MEP organized a Workshop and presented its recommendations for the Concept Paper on the permit system reform in Kazakhstan. The workshop was attended by representatives of state agencies, business associations and international organizations.
- In line with work plan, MEP submitted its recommended Concept paper to the MEDT at the end of the quarter (with official submission in early April). The proposed Concept presents a vision and ideas for implementation of broad-based permitting system reform, taking into account Kazakh realities and best international practices. The ultimate goal of the reform is to significantly reduce costs and risks to businesses, while providing the basis for an evolving regulatory system that meets the country needs.
- MEP advisors participated actively in a number of working groups and meetings regarding the permit system reform and provided advice and recommendations on implementing a sustainable permit system reform in line with international best practice.

- In accordance with the work plan, MEP advisors presented the MEDT with a document detailing options for a proposed study-tour; but to date, MEDT has failed to identify a destination or confirm their interest in a capacity building activity of this nature.

B. Issues/Obstacles

- Counterpart actions, changing criteria and the proliferation of unforeseen deliverables (i.e., preparing a second concept paper), are causing significant cost overruns in this delivery area.
- Lack of stakeholder consensus on the scope and content of the permit system reform threatens its success and poses a significant reputational risk for USAID.
- EDD views MEP as a budget support program to be managed directly by them, not a donor-funded technical assistance program.

C. Donor Coordination

- MEP is closely coordinating its Permitting System Reform work with the World Bank, which has been tasked by the MEDT to develop risk criteria to classify permits/licenses.

D. Major upcoming Activities (in next reporting period)

Subcomponent 2.2 and 2.3: Business Road Map 2020

A. Progress/success against the work plan:

- Working in close coordination with the MEDT Entrepreneurial Development Committee (EDC), MEP made significant progress in this subcomponent during the first quarter of 2012, deploying international advisors to address both financial and non-financial support elements of the Business Road Map 2020
- With the assistance of senior MEP Incubator expert, Mr. Krzysztof Zasiadly, MEP conducted an assessment of Kazakhstan's existing model for business-incubators, industrial zones, and techno-parks in order to propose concrete recommendations to resolve deficiencies and improve impact. During the assessment phase in February-March 2012, the team familiarized themselves with various Innovation and Entrepreneurship Support Programs in Kazakhstan, and also met with the related agencies and visited business support institutions in Astana, Almaty and Shymkent. On March 2, MEP took part in an extended conference on the further development of the Business Road Map 2020, organized by the Damu Fund. With input from the EDC and DAMU, MEP delivered its diagnostic and recommendations, in accordance with the work plan.
- In accordance with Subcomponent 2.2 "Financial support for SME", MEP undertook a comprehensive analysis of the existing financial instruments for SMEs in Kazakhstan, including state programs for subsidized lending and credit guaranteeing for the Second tier banks within the Program "Business Road Map 2020". Under the guidance of senior international MEP SME Finance Advisor, Mr. Michael McNertney, MEP also carried out diagnostic analysis of the micro-finance sector in Kazakhstan. In undertaking its analysis, MEP met with the MEDT EDC, top 4 commercial banks in Kazakhstan, IFC, EBRD, business-association "Atameken", MFI "Kaz Micro Finance", Damu Fund and JSC "Agriculture Financial Support Fund". The final report includes specific recommendations on how to improve the SME banking sector in Kazakhstan and parameters for a model of micro-credit organization.

B. Issues/Obstacles

- Changing priorities in this area may impact project progress.

C. Donor Coordination

- MEP participates in the MEDT Entrepreneurial Development Committee's Donor Coordination Council for SME issues and has coordinated closely with the ADB, IFC, World Bank, and UNDP on related issues.

D. Major upcoming Activities (in next reporting period)

- MEP will work on the development of Business-incubator and Business Development Center models, one of the key instruments to deliver the State Program on the Mono-town Development in Kazakhstan.
- MEP participation in technical working groups organized by the EDC.

Subcomponent 2.4: Assistance to the National Bank of Kazakhstan (NBK)

A. Progress/success against the work plan:

- MEP continued to support implementation of new CAELS methodology for off-site supervision. Advisor participated in the preparation of a presentation by Working Group of final version of CAELS methodology including analytical and rating components. The new regime will be enhanced by a rating system that is consistent with on-site rating methodology, CAMELS. MEP also began on-the-job training for off-site supervisors in the implementation of new CAELS, assisting in the preparation of year-end reports on bank financial conditions. The FSC identified three banks for the preparation of off-site analytical reports of bank financial condition based on the new methodology. MEP assisted in the preparation of new financial condition status reports and participated in the management approval process. MEP likewise assisted in conducting data quality review of the regulatory reporting in order to prepare major banks for the implementation of CAELS rating off-site analysis at the end of the first quarter of 2012.
- MEP assisted on-site supervision teams in the implementation of CAMELS risk based inspection process. Advisor continued to meet with examiners and review the results of their findings based on new qualitative and quantitative indicators. Likewise, MEP met with examiners and assisted in the preparation of the first on-site examination to be carried out according to the new CAMELS methodology.
- From February 20, 2012 to February 24, 2012, MEP delivered a ten hour training course on New CAMELS methodology for inspection process to inspectors. The course included main aspects of on-site inspection preparation and the review of all main components of the rating systems. The financials of a bank where the next examination was scheduled was used as a training material. This will be the first comprehensive examination conducted according to new methodology and MEP will participate in the review of the results.
- MEP continued to assist the Consolidated Supervision team in the preparation of Early Warning System's indicators for financial conglomerates. Advisor also reviewed newly created input reports that will constitute basis for analyses of condition of financial conglomerates.
- MEP continued to assist the FSC in the development of new reporting aimed at reflecting all the changes connected with the harmonization of the domestic accounting rules with the IFRS requirements.
- MEP, together with a team of analysts, visited three major banks in order to discuss a role of internal audit, internal controls and risk management in bank's operations. Visits were designed to aid the Committee in the preparation of a new version of an instruction that regulates the risk management and corporate governance in the banking sector.
- MEP continuously supports the FSC in the development of the revised regulation on risk management. This effort is coordinated with the implementation of new CAMELS risk based on-site examination process.

B. Issues/Obstacles

- The FSC has requested that the MEP's international advisor be converted to resident status (full-time) to be able to better address the FSC's technical assistance needs.

C. Donor Coordination

- n/a

D. Major upcoming Activities (in next reporting period)

- Continued training and assistance.

KZ Component 3: Trade Policy

Subcomponent 3.1: Improve Trade Policies

A. Progress/success against the work plan:

- Due to MEDT internal approval procedures, the formalization of the Work Plan for Trade Policy Development was delayed until February 2012. This holdup caused in a significant delay of all planned activities.

- During the first quarter of 2012, MEP e-commerce experts began working on a diagnostic assessment of the existing legislation and regulatory acts to identify legislative gaps that may inhibit the growth and development of e-commerce in Kazakhstan (B2C principle). The assessment evaluates (1) whether the proposed amendments to improve the e-commerce regime comport with international best practice; (2) whether, assuming the amendments comply, there is a need for additional refinements to the terms; and (3) whether, more broadly, there are public policy reasons for adding additional provisions to the draft. The context for this legal diagnostic is the conduct, in parallel, of an e-commerce market assessment to identify the current status of business-to-consumer (B2C) e-commerce in Kazakhstan.

B. Issues/Obstacles

- Delayed formalization of trade policy work plan.

C. Donor Coordination

- Donors in the field include the World Bank, European Commission, and Asian Development Bank.

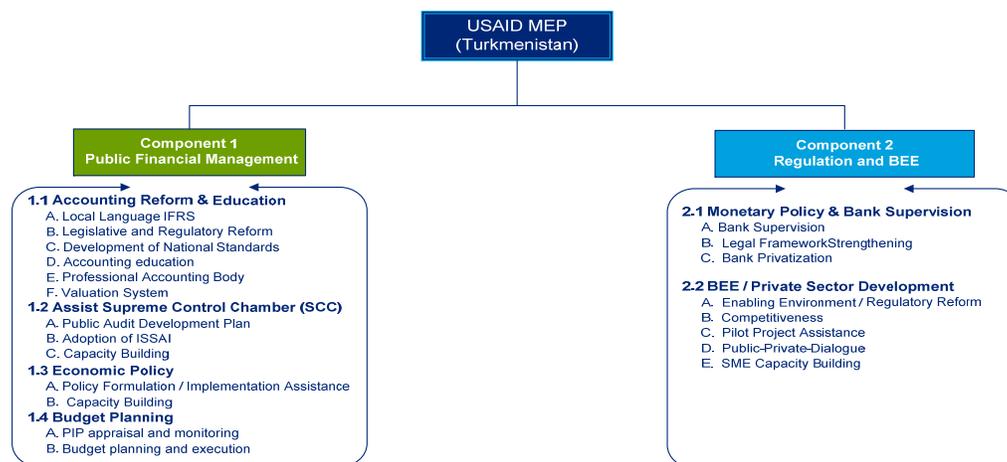
D. Major upcoming Activities (in next reporting period)

- Technical mission of international advisor is planned for April 2012 to finalize the legislative analysis and proceed with the stakeholders' meetings and data mining to complete the technical assessment of the e-commerce market in Kazakhstan.

III.MEP Turkmenistan

Country Overview

During the first quarter of 2012, MEP activities in Turkmenistan were principally focused on technical delivery, despite the fact that MEP had not yet received formal approvals from the Government of Turkmenistan on the majority of the work plans. This lack of formal approval has complicated project operations, resulting in a disproportionately high number of visa rejections, suspended training events, and difficulty meeting counterpart expectations.



Despite this challenge, however, MEP was able to make significant progress in key technical areas, such as accounting reform and private sector development. One-off government approvals for specific activities, coupled with an approved work plan with the Union of Industrialists and Entrepreneurs, ensured continuity in operations.

During the first quarter of 2012, on-site technical assistance was complemented by off-site work, to compensate for visa rejections. Approximately 40 persons were trained during this quarter, while the project delivered close to 10 policy recommendations and methodologies.

TM Component 1: Public Financial Management & Economic Policy

Subcomponent 1.1: Accounting Reform and Education

A. Progress/success against the work plan:

- MEP delivered a 90-hour training course on Valuation of Commercial and Residential Real Estate Property to 20 public and private sector professionals nominated by the Ministry of Economy and Development and the Union of Economists. This course supports the sustainable development of the valuation profession in Turkmenistan, enhancing the country's capacity in this area.
- MEP facilitated the participation of two representatives of the Ministry of Finance in the International Financial Reporting Standards for Small and Medium Enterprises (IFRS for SMEs) workshop held in Astana, Kazakhstan, on March 13-15, 2012. The study tour was arranged to provide some knowledge base for the Turkmen MOF representatives that would enable a successful implementation of the National Accounting and Auditing Reform Program, which also envisions the development of internationally compliant National Accounting Standards for SMEs. Two MEP specialists participated in the workshop as well, and they will conduct similar training sessions in Turkmenistan for public and private sector accountants.

- MEP analyzed the results for the fourth round of Accounting Principles/Financial Accounting-1 training courses delivered to 160 public accountants. The low pass rate of 20% is explained by the fact that the courses were conducted in regions and delivered by less experienced trainers.
- At the end of February 2012, MEP launched the 5th round of Accounting Principles/Financial Accounting-1 courses for another group of 160 public accountants. This training program was subsequently suspended by the Government of Turkmenistan.
- MEP international IFRS advisor drafted a guidance note on a specific issue of interest for MoF (handover of assets to public agencies), and revised the internationally-benchmarked accounting education curriculum for Turkmen universities and course materials for the IFRS application seminar for commercial banks managers.
- MEP continues to facilitate communication between the Turkmen Ministry of Finance and the IFRS Foundation with regard to translating IFRS into the Turkmen language. MEP assisted the MOF by developing project management tools (i.e., a Gantt chart) for the translation of individual standards and identifying the appropriate translation tools to allow the Turkmen texts to be stored in a format compatible with IFRS Foundation's requirements and preferences. Likewise, MEP facilitated discussions on signing the agreement between the Union of Economists and the IFRS Foundation on the publication of the next edition of the Turkmen-English-Russian IFRS Glossary.

B. Issues/Obstacles

- MEP international IFRS advisor was twice refused a visa to Turkmenistan by government authorities.
- The Financial Accounting-1 course jointly implemented by MEP and GSP was suspended by the government of Turkmenistan due to a failure to inform the government of this event through official channels.

C. Donor Coordination

- Ongoing coordination with the EU.

D. Major upcoming Activities (in next reporting period)

- In April 2012, MEP will support the next round of the course on Valuation of Commercial and Residential Real Estate Property.
- MEP intends to support the development of training materials on valuation of movable property, intellectual property, other types of intangible assets, and valuation of businesses. These materials would be used for training specialists and enhancing Turkmenistan capacity in this area.
- MEP accounting specialists will deliver the IFRS for SMEs course to a broad audience of both public and private sector accountants.
- Ongoing assistance and training on accounting reform and education, including more off-site assistance to be provided by the international advisor followed by the planned on-site visit in May 2012.

Subcomponent 1.2: Supreme Control Chamber (SCC)

A. Progress/success against the work plan:

- No progress to report due to the lack of the approved Work Plan.
- MEP regional Public Audit advisor prepared a Gantt chart for the off-site assistance in QII of 2012 to support the development of the practical audit guidance and prepare cases studies.
- MEP regional Public Audit advisor has been preparing and providing best practice materials (INTOSAI) to the SCC through informal channels.

B. Issues/Obstacles

- Lack of formal approval of the work plan submitted to the SCC at the end of December 2011 creates a project risk.

C. Donor Coordination

- n/a

D. Major upcoming Activities (in next reporting period)

- Possible deployment of international advisor (depending on approval of the work plan), and off-site assistance delivered by the MEP regional advisor.

Subcomponent 1.3: Economic Policy**A. Progress/success against the work plan:**

- The finalized version of the Work Plan was submitted to the Ministry of Economy and Development and the Institute of Strategic Planning and Economic Development (ISPED) at the end of December. MEP is still awaiting formal notification regarding the approval/amendment of the proposed work plans.

B. Issues/Obstacles

- Delays in the approval of work plans create a project risk.

C. Donor Coordination

- n/a

D. Major upcoming Activities (in next reporting period)

- MEP shall commence discussions with the Union of Economists and other counterparts on alternative delivery strategies for this subcomponent.
- Pending approval of the Work Plan by Turkmen Government, MEP plans a visit of Dr. Stephen Tupper to conduct training activities on policy formulation and macroeconomic policy tools.
- MEP is preparing training programs to be delivered by Turkmen nationals, in the event that international advisors are not awarded visas.

Subcomponent 1.4: Budget Planning**A. Progress/success against the work plan:**

- MEP is still awaiting a formal response on the Work Plan submitted to MoF in December 2011.

B. Issues/Obstacles

- Lack of approval of the work plan represents a significant project risk.

C. Donor Coordination

- MEP coordinates planned activities with the EU.

D. Major upcoming Activities (in next reporting period)

- Activities dependent on approval of work plan, but Dr. Stephen Tupper is currently on stand-by to deliver training and provide technical assistance as soon as approvals are in place.
- Alternative delivery options through the Union of Economist are being developed.

TM Component 2: Regulation and Private Sector Development**Subcomponent 2.1: Monetary Policy and Bank Supervision****A. Progress/success against the work plan:**

- At the request of the Central Bank of Turkmenistan (CBT), MEP included bank privatization activities in its Work Plan and formally submitted it for the approval.

B. Issues/Obstacles

- Delays in the approval of work plans create a project risk.

- Despite the CBT's interest in working with USAID MEP, there is a high probability that the work plan in this area will NOT be approved.

C. Donor Coordination

- In anticipation of a possible rejection of the work plan, discussions have begun with other donors (IFC, IMF) to jointly address some of requested assistance areas.

D. Major upcoming Activities (in next reporting period)

- Activities dependent on approval of work plan.

Subcomponent 2.2: Private Sector Development / Business Climate

A. Progress/success against the work plan:

- MEP and the Union of Industrialists and Entrepreneurs (UoIE) formalized the work plan in January 2012 via a Memorandum of Cooperation. The activities indicated in the Work Plan for this subcomponent will be implemented within the framework of the Memorandum.
- MEP deployed international expert, Mr. Rodrigo Ortiz, to provide strategic recommendations to the UoIE regarding global best practices and trends for special economic zones. The advisor drafted an extensive technical roadmap with recommendations regarding special economic zones, such as global trends, planning, environmental and compliance issues and requirements to assist the UoIE in the initial stages of the development of one or more industrial parks and/ or free zones. Likewise, the MEP international expert made a presentation on Global Trends in Free Zones to the UoIE to provide an overview of different types of zones, their use, objectives and requirements as well as to highlight the applicability of certain practices to Turkmenistan.
- To improve the legislative environment for doing business, during the first quarter of 2012, MEP international legal advisor, Mr. William Klawonn, provided on-site technical assistance to the UoIE aimed at developing the legal and regulatory framework for property rights, leasing and privatization in Turkmenistan. It is expected that the UoIE will draft several laws, such as the Law on State Registration of Property Rights, the Law on Leasing and the Law on Privatization using the recommendations of MEP advisor, as well as identified best international practices applicable to Turkmenistan considering the existing legal framework.
- In order to promote private sector growth, MEP began planning the implementation of the International Labor Organization's Start and Improve Your Business (SIYB) Program in Turkmenistan. In coordination with the ILO and the UoIE School of Business, it is envisioned that implementation of the SIYB program will begin in the second quarter of 2012 with a train-the-trainer program.
- MEP prepared a paper outlining key benefits of an effective website to UoIE, so the UoIE could further identify its needs and priorities. MEP would provide further consultations on the web site development and its content.

B. Issues/Obstacles

N/A

C. Donor Coordination

N/A

D. Major upcoming Activities (in next reporting period)

- Multiple deployments of international experts to provide technical assistance under the Memorandum of Cooperation.