USAID Macroeconomic Project

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Kazakhstan Quarterly Report

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USAID MEP is implemented
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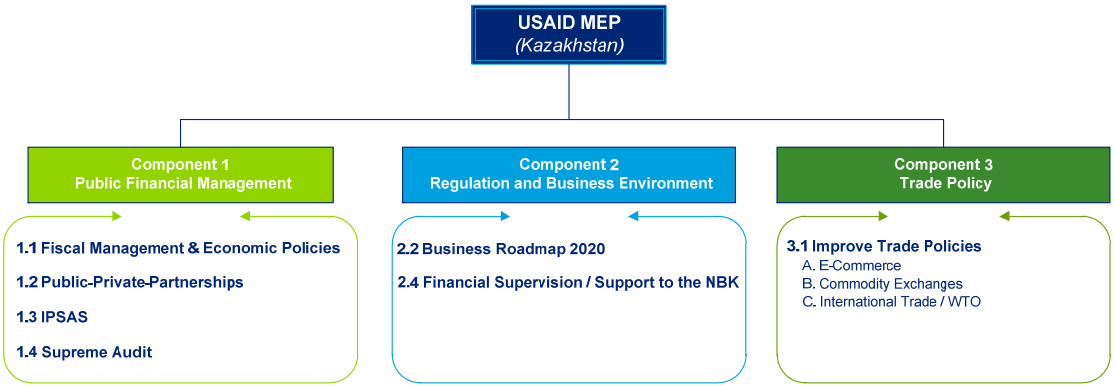
I. Project Management Overview

MEP continued to make progress against work plans in both Kazakhstan and Turkmenistan during the first quarter of 2013. Approximately 7 international deployments were successfully undertaken during this time period, with additional off-site technical assistance being provided by a regional expert in Turkmenistan. Local project experts in both Kazakhstan and Turkmenistan also provided ongoing assistance to public and private sector counterparts. Capacity building efforts demonstrated good results, with technical training programs being imparted to nearly230 public and private sector officials.

II. MEP Kazakhstan

Country Overview

During the first quarter of 2013, MEP made progress against its work plan. Using both local and international advisors, during the first quarter of 2013, MEP provided technical assistance to counterparts in the following activity areas:



During this quarter, three international experts were mobilized to Kazakhstan. Technical assistance was also supported via off-site work. In terms of impact, MEP provided over2,000 total training hoursto public and private sector representatives.

KZ Component 1: Public Financial Management &Economic Policy

Subcomponent 1.1: Economic Policies & Strategy

A. Progress/success against the work plan:

- Technical assistance under this subcomponent within the framework of the approved Work Plan has been completed. In December 2012 and in January 2013, the beneficiary of the technical assistance under this Subcomponent, the Ministry of Economy and Budget Planning, was sent a proposal for future cooperation in the field of economic and fiscal policies development, however, at the end of February MEP received a response that no further assistance is required.

Subcomponent 1.2: Public-Private-Partnerships

A. Progress/success against the work plan:

- In early 2013, the National PPP Center initiated the introduction of changes into the existing Work Plan, followed by a series of negotiations during the 1st quarter of 2013 between the Center and MEP to discuss and agree on the new Work Plan based on the beneficiary's current technical assistance needs.
- The Ministry of Economy and Budget Planning requested MEP to participate in the PPP Draft Law Development Working Group, however the project attended only one meeting that was held.

B. Issues/Obstacles

- Slow, overly bureaucratic Work Plan negotiation and approval processescontinue to negatively impact the pace and depth of implementation, particularly given the limited Project timeframes

C. Donor Coordination

- On January 18, 2013 MEP met with the Asian Development Bank to discuss the letter of request of the National PPP Center regarding the provision of legislative support to the new draft PPP Law. MEP actively participates in donor coordination meetings on PPP as they are called for.

D. Major upcoming Activities (in next reporting period)

- Activities during the coming quarter and beyond continue to be focused on the accelerated delivery of the amended Work Plan activities, provided its timely approval by the Ministry of Economy and Budget Planning.

Subcomponent 1.3: Public Sector Accounting Standards (IPSAS)

A. Progress/success against the work plan:

- MEP continued to advise on methodologies for accounting in public institutions, and provide technical assistance in developing methodological guidance for preparation of the separation balance sheet and accounting during merger, consolidation, separation, segregation of functions an duties, merger of functions and duties, etc.); capturing investments in quasi-public sector, joint stock companies and national public enterprises.
- MEP continued to provide technical assistance in drafting methodological recommendations for restoration of accounting of all assets and liabilities in line with IPSAS requirements, and recognition of previously not accounted for financial investments in quasi-public sector on balance sheets of public institutions and budget programs administrators, as well as liabilities for accounting for external loans and budget credits.
- MEP participated in development of methodology guidelines that relate to accounting of concessions in line with IPSAS 32 “Concessions” as well as continued to participate in elaborating amendments to legislative acts in the area of public accounting.
- MEP continued its work on translating The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities developed by IFAC into Russian.
- MEP participated in consultations with Geology and Subsoil Management Committee of the Ministry of Industry and New Technologies, Ministry of Foreign Affairs, Committee for National Security and others, on issues that relate to IPSAS-based accounting methodology.
- MEP participated in consultations, contributed to the amendments to the Album of Accounting Forms.

B. Issues/Obstacles

- Lack of knowledge in applying IPSAS-compliant accrual accounting, as well as lack of experience and skills on keeping accounting applying the new Accounting Rules may cause issues in preparing the initial balance and financial statements using new methodology for accrual-based accounting.
- Lack of training materials and case studies for IPSAS-based transactions, as well as lack of experience in teaching public accountants. Not all accountants were trained in IPSAS application.

C. Donor Coordination

- MEP continues to coordinate closely with IMF representatives.

D. Major upcoming Activities (in next reporting period)

- MEP will advise line ministries on issues related to establishing accrual-based accounting system; provide technical assistance with preparation of accrual-base financial statements and consolidated financial statements for all public agencies and budget program administrators. MEP will continue to provide ongoing consultations on actual-based accounting to line ministries.

- MEP will continue contributing to the development of methodologies for accounting of financial investments to quasi-public entities as well as provide consultations with regard to this area.
- MEP will continue to participate in drafting amendments to various regulations on IPSAS-compliant accounting in public institutions; provide technical assistance through supporting drafting recommendations for compiling consolidated financial statements and for accounting of concessions.
- MEP will continue to provide technical assistance in the area of improvement and integration of accounting and budgetary accounting, giving attention to the issues that mat permit to introduce accrual method in budgetary accounting.

Subcomponent 1.4: Public Audit

A. Progress/success against the work plan:

- In line with duly approved Work Plan, MEP was working on delivering further assistance outlined in paragraphs 1.1-1.3. In addition to previously submitted paper on harmonization of Standards of State Financial Control of the RK, MEP provided a List of internal auditing standards that outlined codifications and titles of seven new standards on internal auditing for public sector of Kazakhstan as well as the List of practical guidelines on internal auditing standards' implementation that outlines codifications and names of seven packages of guidelines on implementation of new standards on internal auditing for public sector of Kazakhstan.
- In January 2013, at the request of the Economic Research Institute of the Ministry of Economy and Budget Planning of the Republic of Kazakhstan (hereinafter - ERI), MEP Regional Public Audit Advisor, Ms. Mukhamediyeva, met with Director of ERI's Center of Strategic Development and Economic Research, Ms. Zhakupova, and Deputy Director of ERI's Center of Strategic Development and Economic Research, Ms. Khambar to consult them on issues related to organization of public audit, generally recognized classification of audit by types, auditing standards, modern trends in developing public audit (based on advanced counties' examples).
- In February 2013, MEP Public Audit Advisors, Ms. Austin and Ms. Mukhamediyeva, successfully delivered two Regional Training Programs for Revision Commissions.
    - On February 7-8, 2013, in Astana, the Program was delivered to 27 participants from Revision Commissions of Astana city, Akmolinskaya, Karagandinskaya, Pavlodarskaya and Kostanaiskaya oblasts, including the invited representatives from the ERI.
    - On February 14-15, 2013, in Aktau, the Program was delivered to 33 participants from Revision Commissions of Aktubinskaya, Atyrauskaya, Mangistauskaya, West-Kazakhstanskaya oblasts, and Revision Commission of Astana city as well took part this training program.

  The objective of the program is to increase knowledge and improve skills of the Revision Commissions' staff in execution audit related mandates in accordance with international standards and best practices. The program consisted of 11 training modules (covering among others: compliance, financial and performance audits, audit of public procurement, tax audit, evaluation of internal control, detection and prevention of fraud, designing annual audit plans and annual reports), as well as practical and testing exercises.

  Training programs in both locations were very well received by participants, including Chairmen of Revision Commissions of Astana city, Mangistauskaya and West-Kazakhstanskaya oblasts. MEP was invited to expand the program to 5 days and deliver it to broader audience.

  The complete package of training materials for this Program was submitted to the Accounts Committee, so the latter could use it in its work including for (i) development of methodological documents, (ii) planning and conducting audits and strategic plans evaluation, (iii) annual planning, (iv) annual reporting, and (v) designing and delivering training programs by employees of the Accounts Committee.

  This activity marked the completion of paragraphs 3.1-3.4 of the approved Work Plan for 2011-2013.
- In February 2013, at the request of the Revision Commission of Astana city, MEP Regional Public Audit Advisor, Ms. Mukhamediyeva, met with the Member of Revision Commission Mr.Kurman to provide

consultations on preparing audit conclusion with regard to budget execution by local executive bodies and using budget funds by public and quasi-public entities at the regional level.

- On March 18, 2013, at the request of ERI, MEP Regional Public Audit Advisor, Ms. Mukhamediyeva, participated in hosted by ERI Brain-Storming Seminar on State Planning System (hereinafter - Seminar) with participation of representatives of the Ministry of Economy and Budget Planning of the Republic of Kazakhstan, line ministries, private research companies, and other organizations. The presentation of MEP Regional Public Audit Advisor "Promoting improvements in planning through development and qualitative improvement of performance audit" was submitted to the Accounts Committee.

- In line with paragraph 2.5 of the approved Work Plan, MEP Public Audit Advisors, Ms. Austin and Ms. Mukhamediyeva, developed and submitted to the Accounts Committee a technical paper "ICT Using by SAIs: overview of international practice and conceptual recommendations". The document provides:
    - An overview of global practices in applying new technologies by Supreme Audit Institutions (SAIs), and analyzes some of the key aspects of implementation and efficient application of ICT by public auditors;
    - A detailed overview of practical application of IT used by Australian National Audit Office – from development of IT Strategy to applying a Teammate software;
    - A detailed overview of initiatives of the Board of Audit and Inspections of Korea with regard to implementation of 3-year project on establishment of national e-Audit System and applied software products for conducting audits and inspections;
    - Eight conceptual recommendations on effective use and development ICT for whole public auditing system generally and ICT for the Accounts Committee in particular.

B. Issues/Obstacles

- n/a.

C. Donor Coordination

- MEP coordinates the areas of assistance with the World Bank project in order to avoid duplication.

D. Major upcoming Activities (in next reporting period)

- MEP expects to complete the development of 5 draft national public audit standards and implementation guidelines.

- MEP plans to commence the development of training materials on (i) environmental audit and (ii) audit of PPP project.

- MEP will start working on drafting recommendations on harmonizing the legislation with international standards.

KZ Component 2: Regulation and Private Sector Development

Subcomponent 2.1: SME Policy / Business Climate

A. Progress/success against the work plan:

- USAID MEP officially ceased providing assistance to the MEDT EDD on the development of the Law on Permit System.

Subcomponent 2.2: Business Road Map 2020

A. Progress/success against the work plan:

- In line with clause I.E. of the Activity Plan for 2011 – 2013, on January 9-23, 2013 Macroeconomic Project delivered 3 two-day regional workshops on *Practical and organizational aspects in the operation of the business-incubator and Entrepreneurship Development Center*. Workshops were organized on site of the operating business-incubators in Shymkent, Atyrau and Pavlodar. "InfoDev" Certified Trainer, Director of "SodBi" business-incubator, Shymkent and MEP staff specialists trained 70 representatives of local authorities, regional offices of JSC "EDF" Damu and EDCs from all 14 regions of Kazakhstan.

Workshop program included the following topics: "Principles and Elements in Establishing a Business-incubator and Entrepreneurship Development Center", "Business-incubator Models. Success Factors", "Legal Form for a Business-incubator", "Pitfalls in Managing a Business-incubator", "Self-financing Strategy for a Business-incubator", "Planning for a Business-incubator/EDC", "Feasibility Study Development", etc.The training equipped participants with analytical skills, experiences, models and examples of business-incubators in line with best practices and also raised awareness of existing business-incubators' operation, infrastructure and activities analysis, including the historical background, start-up funding, legal and administrative structure, mission and objectives, services, network of partners, etc.

B. Issues/Obstacles

N/A

C. Donor Coordination

- On March, 13, 2013 MEP participated in the Ministry of Regional Development EDC's Donor Coordination Council SME issues session. MEP defined its areas of involvement in line with the 2.2 MEP's Work Plan such as establishment of effective business-infrastructure including Entrepreneurships' Service Center, Entrepreneurship Support Centers, Mobile Entrepreneurship Support Centers, business-incubators and business associations' capacity building.

D. Major upcoming Activities (in next reporting period)

- MEP local experts will support drafting the Concept Paper on establishing a regional network of business-incubators.

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

A. Progress/success against the work plan:

- MEP continued to assist the NBK's teams in on-site examinations of commercial banks. During the first quarter 2013, MEP Advisor reviewed the findings of an examination of a major bank, assisted in the preparation of a final report and CAMELS rating. In addition, Advisor participated in preparing documents for a meeting of the NBK Management with bank's Board of Directors and conducted the debriefing of the NBK's Management before the meeting. These meetings were recently instituted by the NBK in order to improve Board's participation in the on-site inspection process and strengthen corporate governance and the quality of risk management at commercial banks.
- MEP Advisor continued to support the preparation for on-site examinations. Advisor conducted six preparatory sessions for three teams of inspectors getting ready to enter three commercial banks. The sessions included review of banks' financial condition, quality of off-site reporting, risk management concerns and sampling of a credit portfolio for the on-site review by the inspectors.
- MEP continued to support the on-site examination process, by preparing a new model for calculation of discounted value of distressed assets in accordance with the IFRS provisioning requirements and by training inspectors in their use. The Advisor also assisted in review of loan dossiers at one of the examined banks in order to improve the process of evaluation of financial condition of borrowers. This process is very critical for the implementation of the new IFRS's based provisioning methodology. Advisor also supported the evaluation of collateral valuation methodologies and discussed with the management of the NBK the need to incorporate licensed appraisers in the examination process.
- MEP continued to review the CAMELS and CAELS ratings and used these results to recalibrate several ratios and ratings for Capital and Asset components. At the request of the NBK management, MEP Advisor participated in the preparation of the automation of CAMELS and CAELS process that is scheduled to commence during the second quarter of 2013.
- MEP continued to support the IT Department in the preparation of automated reports for consolidated supervision. Advisor met with the IT Department and assisted in the programming of intergroup transactions and Consolidated Profit and Loss reports.
- MEP Advisor continued to support the preparation of new risk management regulation meant to replace the existing regulation that was developed in 2004 and as such does not adequately support the implementation of new CAMELS and CAELS methodologies and the full implementation of the IFRS in the

banking sector. The new regulation is reviewed in order to eliminate inconsistencies with CAMELS and CAELS methodologies as well as with Early Warning System.

- Also as a result of restructuring of the Committee, off-site analyses department acquired new members. At the request of its management, Advisor began to deliver training on Analyses of financial condition of banks according to new CAELS methodology. So far four sessions were delivered. The sessions will continue in April 2013 in order to prepare analysts for first quarter 2013 reports.
- MEP Advisor participated in the preparation of a new instruction meant to supersede Regulation # 296 revoked as a result of the full implementation of the IFRS provisioning requirements. New regulation requiresclassifying distressed assets based on the financial condition of the borrower and supports the provisioning requirements set out in the IFRS # 39. The regulation is currently reviewed by the Methodology Department of the NBK.
- In March 2013, MEP Financial Sector Development Advisor conducted an assessment of the Kazakhstani authorities' existing methods for liquidating or resolving troubled banks and is preparing a white paper with recommended actions to improve these methods in line with international standards. The an onsite assessment and included a series of interviews and coaching sessions with central bank, supervision, and deposit insurance authorities and a review of Kazakhstani laws and regulations relating to the central bank, banking, deposit insurance, and the liquidation and resolution of troubled or failing banks. Both advisors participated in debriefing meetings with Deputy Governor of the NBK, Mr. Akishev and the Chairman of the Committee, Mr. Kozhakhmetov.

B. Issues/Obstacles

N/A

C. Donor Coordination

N/A

D. Major upcoming Activities (in next reporting period)

- MEP will continue to deliver technical assistance to the FSC in line with the activities included in the duly approved Work Plan.
- As a result of recent restructuring of the Committee, the NBK consolidated all its reporting and data validation departments. The Director of the new Department requested that MEP Advisor delivers training for its staff regarding reporting requirements for the regulatory reports and assists the staff in data validation programming. Advisor met with the management of the department and the training is planned for the second quarter of 2013.
- MEP will deliver theConcept paper on Bank Resolution and Liquidation in the second quarter of 2013.

KZ Component 3: Trade Policy

Subcomponent 3.1: Improve Trade Policies

A. Progress/success against the work plan:

- In line with the duly approved Work Plan, in February MEP initiated a meeting with the MEBP External Trade Regulation Department to agree the scope and timelines of the WTO accession part of the Work Plan. The scope has been mutually agreed between the MEBP trade agencies and MEP.
- On February 25, 2013 MEP delivered the technical report with attachments on commodity exchange market in Kazakhstan to benchmark it against best international standards and provide recommendations for mid-term development.
- MEP was requested by the MEBP Trade Department to review and provide comments to the draft law on safeguard, anti-dumping and countervailing measures, and MEP WTO advisor started to work on the comments to be provided in early April.

B. Issues/Obstacles

- N/A.

C. Donor Coordination

- N/A.

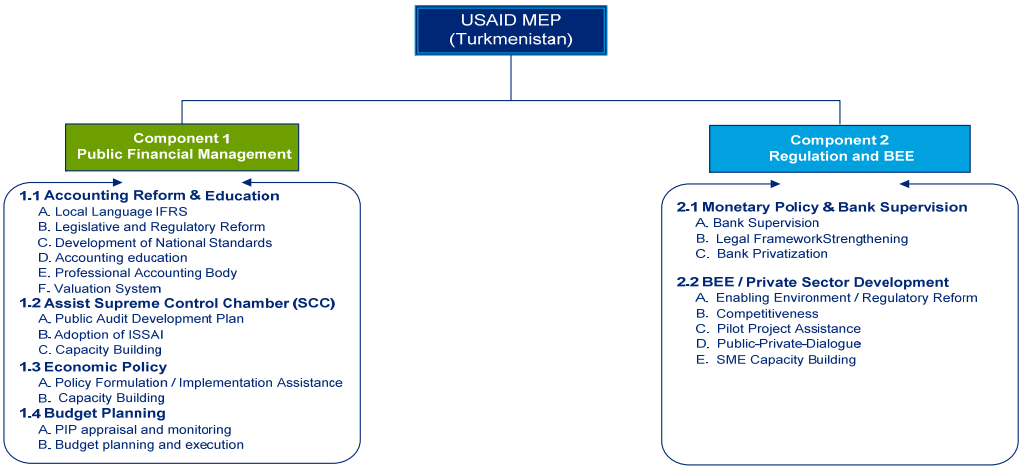
D. Major upcoming Activities (in next reporting period)

- MEP will provide its comments to the draft law on safeguard, anti-dumping and countervailing measures in early April and hold a preliminary technical discussion with the counterpart
- MEP will deliver the WP activities that include both written deliverables and a series of capacity building events.

III. MEP Turkmenistan

Country Overview

During the first quarter of 2013, MEP activities in Turkmenistan, with some exceptions, were mainly focused on technical delivery in the area of private sector development and accounting reform. The major event was held under Sub-component 1.3 Economic Policy and was aimed at providing highlights in the area of trade policy formulation:



The lack of response from the Turkmen authorities regarding the work plan as well as extended negotiation phase for MEP contract extension has caused delays in providing technical assistance, (specifically in the accounting reform and education area). Despite these problems, however, MEP was able to make progress in key technical areas by delivering on-site and off-site assistance.

During the first quarter of 2013, MEP delivered nearly1,000 person-hours of training to approximately 80 people.

TM Component 1: Public Financial Management & Economic Policy

Subcomponent 1.1: Accounting Reform and Education

A. Progress/success against the work plan:

- In late March 2013, MEP regional IFRS advisor, Ms. Getman, started on the 2nd stage of off-site technical assistance to the Accounting methodology department of Ministry of Finance of Turkmenistan. She continued working on the development of additional provisions and methodological recommendations to the National Financial Reporting Standards (NFRS).
- In 1st Quarter of 2013, MEP project specialists, Ms. Agiarova and Mr. Tuvakov, developed presentations and other complimentary materials for "IFRS statements analysis" course that had been initially developed by MEP International IFRS Advisor, Mr. Fawcett.It is planned that this course will be delivered to accountants and financial decision makers from private companies that are members to Union of Entrepreneurs and Industrialists. The course is intended to provide necessary skills to analyze financial statements of companies reporting under IFRS.

B. Issues/Obstacles

- Valuation trainings have been temporarily suspended due to the fact that theSchool of Economics and Business (SEB) is undergoing through re-registration. There was also a management change within the SEB that requires building new relationship with the newly appointed director.MEP's valuation primary point of contact at the Ministry of Economy and Development (MoED) resigned, and MEP would need to establish a contact with the newly appointed official.

- The Union of Economists (UoE) plans to open a subsidiary training center to provide trainings on economics, business, accounting and valuation.

C. Donor Coordination

- There is no other donor assisting in this area.

D. Major upcoming Activities (in next reporting period)

- Upon the Ministry of Finance (MOF)'s request and subject to additional funding allocation, MEP plansto developtraining materials on IFRS-based National Financial Reporting Standards (NFRS) and proceed with a series of trainings for accountants from government agenciesin IFRS and NFRS to further propel the accounting reform. MEP intends to submit a comprehensive proposal including the above-mentioned activities to the MOF through official channels.
- IFRS regional advisor, Ms. Getman will be working on: 1) Development of model accounting policy for the commercial enterprises; 2) Correspondence of accounts on various accounting transactions; 3) Development of provision on "Accounting rules for economic entities". Upon the finalization of development, MoF will review the documents and will enact them into accounting regulation in the form of recommendations.
- Trainings on valuation subjects are expected to resume once SEB is officially re-registered with Ministry of Education and new school's new management is ready for cooperation. Valuation trainings could be also conducted in partnership with new training center under UoE.

Subcomponent 1.2: Supreme Control Chamber (SCC)

A. Progress/success against the work plan:

- No activity to report.

B. Issues/Obstacles

- Lack of formal approval of the work plan submitted to the SCC at the end of December 2011 makes it impossible to provide on-site assistance to the SCC.

C. Donor Coordination

- n/a

D. Major upcoming Activities (in next reporting period)

- n/a.

Subcomponent 1.3: Economic Policy

A. Progress/success against the work plan:

- In early 2013, the Government of Turkmenistan addressed USAID with a request to organize an international conference that would highlight WTO accession process. On March 27-28, 2013, MEP arranged a 2-day International Conference titled "Turkmenistan and WTO Accession: Substantive Matters and the Negotiation Process" held in Ashgabat. The aim of this conference was to provide Government of Turkmenistan officials with important information about preparation for WTO accession, from negotiations to the completion of the process. In close cooperation with USAID country office in Turkmenistan and U.S. Trade Representative, MEP identified speakers and experts from various international organizations, including the WTO itself. 3 MEP advisors delivered8 presentations that provided a general overview of WTO, highlighted reasons why any country may choose to join WTO and described accession process as well as some technical regimes.Presentations were followed by questions and answers sessions.

  The event was attended by nearly60 senior and mid-level Turkmen Government officials representing 24 government agencies attended the event. The Minister of Economy and Development and the Minister of Finance participated in the conference, including Q&A sessions, and delivered the opening and closing

remarks respectively.The Conference was broadcasted on local TV channel; the official press release posted on the US embassy website was retransmitted through BBC Monitoring Central Asia, ITAR-TASS and Euronews news wire. Information of the conference was also published by pro-government website www.turkmenistan.ru.

- Following the conference, MEP jointly with the U.S. Embassy and the USAID had bilateral meetings with the Minister of Economy and Development and the Minister of Finance. Both sides indicated that further technical assistance on WTO accession issues will be useful for Turkmenistan and highlighted areas of possible technical assistance.

B. Issues/Obstacles

- The lack of approval of the work plan represents impedes MEP ability to work in this area. The only feasible approach to delivering assistance in this area for the time being is 'indirect' provision of technical assistance via professional bodies, NGOs and training centers or by arranging foreign study tours.

C. Donor Coordination

- n/a

D. Major upcoming Activities (in next reporting period)

- Following the discussion at the MOF and MoED, MEP plans to deploy an expert who will consult the MOF and MOED management and train the staff responsible for WTO issues; deliver research papers describing WTO accession policies that were used by different countries, making special emphasis on CIS countries; arrange separate trainings in WTO accession for the relevant Turkmen Government agencies focusing on the specific role of each agency; and assist the MOED and the MOF in drafting a memorandum on foreign trade regime .

Subcomponent 1.4: Budget Planning

A. Progress/success against the work plan:

- No progress to report.

B. Issues/Obstacles

- Lack of approval of the work plan represents impedes MEP ability to work in this area.The only feasible approach to delivering work in this area for time being is 'indirect' provision of technical assistance via professional bodies, NGOs and training centers or by arranging foreign study tours.

C. Donor Coordination

- n/a

D. Major upcoming Activities (in next reporting period)

- TBD

TMComponent2: Regulation and Private Sector Development

Subcomponent 2.1: Monetary Policy and Bank Supervision

A. Progress/success against the work plan:

- In January-February, 2013, MEP international advisor on SME banking, Mr. McNertney, provided 2nd stage of his technical assistance to "Rysgal" bank, the first private bank in Turkmenistan established in early 2012. The scope of work focused on: development of SME client management strategy, strengthening the bank's credit risk management function, strengthening the business planning capacity of the bank, strengthening the marketing and industry research process as well as the framework for assessing the creditworthiness of the bank's clients. Mr. McNertney had meetings and interviews with Bank's management, credit, economic planning and IT departments. As a result of the work, 8 management templates were developed and submitted for bank's consideration.

- MEP advisor prepared and delivered a 3-day interactive seminar "Planning of future Rysgal bank development". The seminar focused on SME: (a) client and credit management, (b) business planning, (c) organizational change and change management; and (d) evolution in response to changing circumstances. As a result of technical assistance, it is expected that the bank will improve its client management practice, will fund more SMEs and stimulate the competition in the banking services market of Turkmenistan.

B. Issues/Obstacles

- While Rysgal bank is willing to receive more technical assistance from MEP, it is not the primary beneficiary of the assistance and the Government of Turkmenistan still has not officially responded to MEP's proposal on providing assistance to the Central Bank of Turkmenistan (CBT).Failure of a formally approved work plan makes it difficult to meet output targets in this area.

C. Donor Coordination

- n/a

D. Major upcoming Activities (in next reporting period)

- MEP plans to provide more assistance in SME banking area in late 2013.

Subcomponent 2.2: Private Sector Development / Business Climate

A. Progress/success against the work plan:

- During one-week assignment in late January 2013, MEP Competitiveness Strategy Development Expert, Mr. Murphy, regarded as one of the global leaders in competitiveness) conducted a presentation and had a series of meetings with the management and specialists and the Union of Industrialists and Entrepreneurs of Turkmenistan (UoIE). The objective of this assignment was to highlight the significance of developing the country's private sector competitiveness strategy aimed at increasing the competitiveness of the Turkmen economy's private sector within the global economy.Mr. Murphy's presentation for the UoIE management focused on increasing the competitiveness level of the country's economy or its specific sectors (i.e. private sector) within the global economy, on global competitiveness indices and on the significance of the development of the country's or its private sector's competitiveness strategy. The presentation titled "Building Competitiveness in Turkmenistan" was attended by around 15 specialists, including representatives from leading private companies of Turkmenistan.

- Upon completion of his mission in Ashgabat, Mr. Murphy outlined two immediate follow-on activities that seemed to be of high relevance to Turkmen leaders relative to competitiveness:
    - Analysis of the impact on the competitiveness of various Turkmen industries and the economy of various future scenarios related to the price of oil and gas, especially the possible implications of a dramatic rise in the global production of shale gas;
    - Analysis of the competitiveness of specific Turkmen products and industries in a post-WTO accession scenario, including opportunities for five products and industries on the upside and threats to five products/industries on the downside given open competition.

B. Issues/Obstacles

- Staff changes at Union of Industrialists and Entrepreneurs (UoIE) may cause delays with deploying MEP advisors.

C. Donor Coordination

N/A

D. Major upcoming Activities (in next reporting period)

- MEP plans to deliver a follow-up program to the International Commercial Arbitration Seminar.

- MEP intends to provide technical assistance to the UoIE in developing a roadmap for establishing a Mediation Center that would conduct pretrial resolution of disputes arising among UoIE members.