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USAID Macroeconomic Project

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Quarterly Report

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by Deloitte Consulting, LLP.

Table of Contents

I.	Project Management Overview	3
II.	MEP Kazakhstan	3
	Country Overview	3
	KZ Component 1: Public Financial Management & Economic Policy	3
	Subcomponent 1.3: Public Sector Accounting Standards (IPSAS)	3
	Subcomponent 1.4: Public Audit.....	4
	Subcomponent 1.5: Development of Economic Strategies and Policies	4
	KZ Component 2: Regulation and Private Sector Development.....	4
	Subcomponent 2.2: Business Road Map 2020.....	4
	Subcomponent 2.4: Assistance to the National Bank of Kazakhstan (NBK)	5
	KZ Component 3: Trade Policy	5
	Subcomponent 3.1: Improve Trade Policies	5
III.	MEP Turkmenistan	7
	Country Overview	7
	TM Component 1: Public Financial Management & Economic Policy	7
	Subcomponent 1.1: Accounting Reform and Education.....	7
	Subcomponent 1.2: Public Financial Management and Economic Policy	8
	TMComponent2: Regulation and Private Sector Development	9
	Subcomponent 2.2: Private Sector Development / Business Climate	9
	TM Component 3: Trade Policy	9
	Subcomponent 3.1: Improve Trade Policies	9

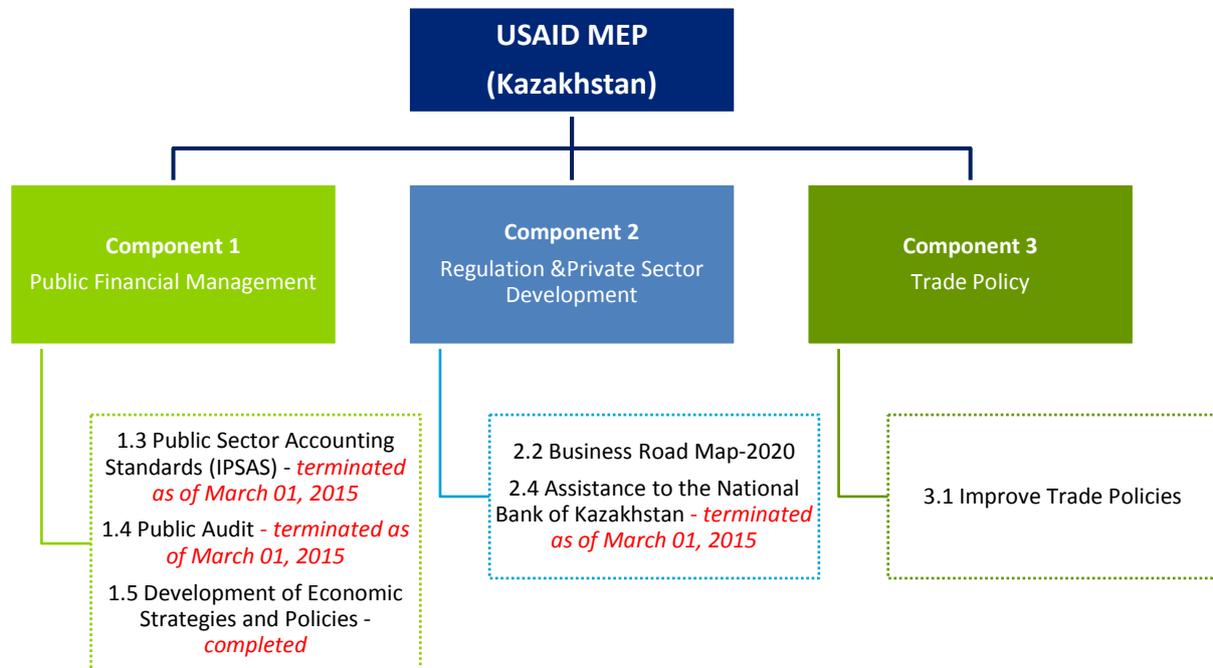
I. Project Management Overview

During this quarter, as described herein, MEP continued to provide assistance to beneficiaries in both Kazakhstan and Turkmenistan to diversify their economies and promote more inclusive and broad-based growth through macroeconomic stability, enhanced competitiveness, expanded private sector participation, and increased trade. With assistance tailored to the specific needs of the host country, core assistance areas continued to focus on areas involving Public Financial Management and Economic Policy, Regulation and Business Enabling Environment, and Trade Policy.

II. MEP Kazakhstan

Country Overview

Following termination of three technical assistance areas, during the third quarter of FY 2015, MEP's assistance was focused on improving of business enabling environment and trade policies:



With limited resources, MEP managed to continue provision of technical assistance at a high standard producing a number of WTO-related brochures, presentations and infographic materials. Likewise, MEP's advisory support to the National Chamber of Entrepreneurs remained instrumental for the counterpart in implementing international best practices for sustainable SME growth.

KZ Component 1: Public Financial Management & Economic Policy

Subcomponent 1.3: Public Sector Accounting Standards (IPSAS)

A. Progress/success against the work plan:

- Funding limitation led to an early termination of this subcomponent effective March 01.

B. Issues/Obstacles

- N/A

C. Donor Coordination

- N/A

D. Major upcoming Activities (in next reporting period)

- N/A

Subcomponent 1.4: Public Audit**A. Progress/success against the work plan:**

- Effective March 01, 2015 MEP activities under this subcomponent have been completed in accordance with notification on funding limitation and COR directive to revise MEP activities in Kazakhstan prioritizing on Trade.

B. Issues/Obstacles

- N/A

C. Donor Coordination

- N/A

D. Major upcoming Activities (in next reporting period)

- N/A

Subcomponent 1.5: Development of Economic Strategies and Policies**A. Progress/success against the work plan:**

- The activities supported through a fixed obligation grant, were reported as completed. Submission of a final report is delayed due to the grantee's staff changes. The report is expected during the next quarter.

KZ Component 2: Regulation and Private Sector Development**Subcomponent 2.2: Business Road Map 2020****A. Progress/success against the work plan:**

- In line with the Work Plan, MEP consultant continued to provide advisory support to the National Chamber of Entrepreneurs in its efforts to implement international best practices supporting SME growth in Kazakhstan. A tentative report on "International experience in commercial real estate price regulation" has been submitted to the NCE for overview and comments.
- MEP conducted an overview of entrepreneurship development in Kazakhstan. The overview will be included into the respective part of the NCE's annual report. Likewise, the assistance included provision of reports on various subjects, such as non-financial business support, development institutions performance evaluation, etc.
- In accordance with the paragraph 4 of the Work plan, MEP continued to replenish the NCE's electronic library/e-learning center with analytical materials related to SME development: selection of materials on international experience of business incubation, such as the Review of business incubators in Russia; Business incubation in Kyrgyzstan; Scientific and informational paper "International experience of business incubation"; European Network of business

innovation centers; Overview report on business innovation centers for 2013 regarding the trends of last three years; Review of key facts and figures of the European innovation incubation industry for 2010-2012; Practical Guidelines for UNIDO business incubation systems; Incubating Success: Incubation Best Practices That Lead to Successful New Ventures; Business incubators in the small business support system: Russian and foreign experience; Materials of the InfoDev training.

B. Issues/Obstacles

N/A

C. Donor Coordination

N/A

D. Major upcoming Activities (in next reporting period)

- MEP will finalize a technical report on “Regulation of the Lease of Commercial Real Estate”.
- MEP will continue assistance to the NCE by maintaining and updating the electronic library with analytical materials on SME development in Kazakhstan.

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

A. Progress/success against the work plan:

- Following the notification on funding limitation and COR directive to revise MEP activities in Kazakhstan prioritizing on Trade, the assistance on this subcomponent was terminated on March 5th with all deliverables fully documented and completed.

B. Issues/Obstacle

- N/A

C. Donor Coordination

- N/A

D. Major upcoming Activities (in next reporting period)

- N/A.

KZ Component 3: Trade Policy

Subcomponent 3.1: Improve Trade Policies

A. Progress/success against the work plan:

- As a part of the WTO public awareness and educational campaign and in line with the duly approved Work Plan, MEP submitted three WTO-related brochures and a series of infographics to its main counterpart, the Center for Trade Policy Development:
 - the WTO-related brochure and presentation on the WTO market access for goods negotiations, aimed to define market access, highlight its fundamental principles in regards to trade in goods, and summarize the scope of market access for goods negotiations, providing for diverse case studies;

- the WTO-related brochure and presentation on the WTO market access for services negotiations which familiarizes the reader with the definition of market access for services, provides for a brief legislative background, discusses fundamental services sectors under the GATS and WTO Members' commitments under those sectors;
- the WTO-related brochure and presentation on agricultural negotiations which outlines agricultural trade in the WTO, provides for a brief legislative and structural background, discusses historical evolution of the WTO negotiations on agriculture, followed by technical specifics on the key pillars in agricultural trade: export subsidies, market access and domestic support;
- a series of infographics, developed on the basis of the respective brochures and power point presentations to include: infographics on the handbook for a negotiator, Russia's WTO membership experience, Ukraine's WTO membership experience, and the experience of the developing country-Members in the WTO;
- a series of infographics, developed on the basis of the respective brochures and power point presentations to include: infographics on the experience of developed country-Members in the WTO, practices and approaches in trade negotiations, WTO accession procedures, Kyrgyzstan's WTO membership experience;
- a series of infographics, developed on the basis of the respective brochures and power point presentations to include: infographics on the WTO Information Technology Agreement (ITA), key aspects of negotiations on market access for goods, key aspects of negotiations on market access for services, handbook on technical regulations (technical barriers to trade - TBT), delimitation of sanitary-and-phytosanitary measures (SPS) and technical regulations (TBTs), and the existing SPS issues;

B. Issues/Obstacles

- N/A

C. Donor Coordination

- N/A

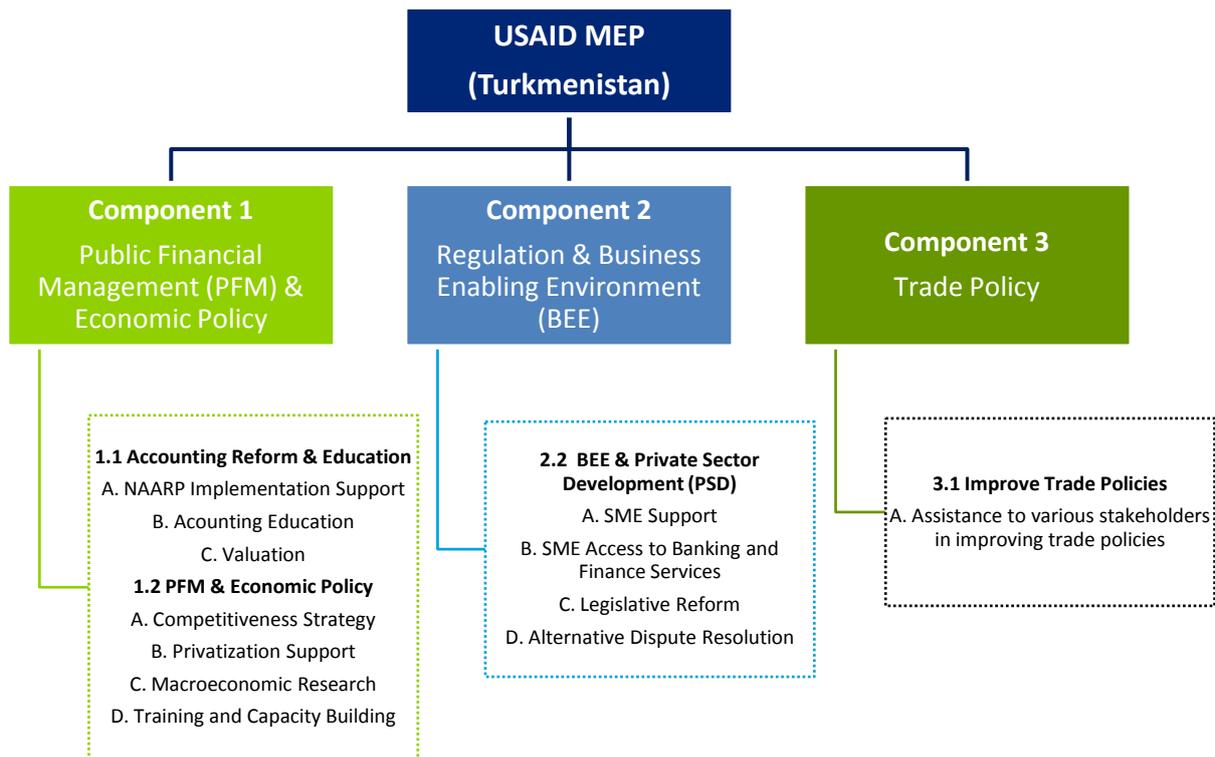
D. Major upcoming Activities (in next reporting period)

- MEP completed the Agricultural support measures brochure in the English language and sent for translation: on the basis of the Russian version a power point presentation and infographics will be developed and submitted to the Client;
- MEP is finalizing the Regional trade agreements (RTAs) brochure in English;
- MEP is finalizing "Negotiations on agricultural issues", "Countries of Eastern Europe in the WTO" infographics.
- For the WTO educational materials to become available for public, MEP is planning to place the materials on its web-site.

III. MEP Turkmenistan

Country Overview

During the reporting period, MEP Turkmenistan continued provision of technical assistance in traditional areas and also conducted successful activities in new areas, including seminars on new types of insurance services and on international electricity trade.



The MEP management also conducted minister level meetings with Turkmen officials to clearly define directions for future cooperation and most efficient ways of technical assistance delivery. The meetings demonstrated that the Turkmen Government is specifically interested in getting technical assistance related to export promotion, capacity building, and competitiveness while still showing interest to other types of technical assistance. MEP is already in the process of designing and delivering activities that address the above-mentioned areas of interest.

Also in the reporting quarter, MEP's technical assistance in supporting Turkmenistan's National Barcoding Organization's (NBO) efforts to gain a membership in GS1 Global, an international barcoding organization, culminated in the NBO accession to GS1 full membership on May 18, 2015.

TM Component 1: Public Financial Management & Economic Policy

Subcomponent 1.1: Accounting Reform and Education

A. Progress/success against the work plan:

- In late May 2015, MEP submitted to the Ministry of Finance (MOF) a draft methodological document outlining the required updates to the MOF correspondence of accounts system, so

that it complies with the recently adopted National Financial Reporting Standards (NFRS). The MOF is now considering the document and is going to accept it for future use if no significant comments arise.

B. Issues/Obstacles

- No significant obstacles to report in this quarter.

C. Donor Coordination

- N/a.

D. Major upcoming Activities (in next reporting period)

- MEP is going to continue provision of technical assistance to the MOF in updating and developing their methodological documents and developing policy papers to further strengthen Turkmenistan's accounting system.
- MEP will also work with the Ashgabat City Valuators Association to support them in developing the National Valuation Standards that will be based on the international standards.

Subcomponent 1.2: Public Financial Management and Economic Policy

A. Progress/success against the work plan:

- To build up Turkmenistan insurance professionals' capacity in designing and marketing insurance products, on April 20-24, the Macroeconomic Project (MEP) conducted a seminar "The Types of Insurance Products and Services" for 26 representatives of the Turkmen State Insurance Company and the "Insurance Services" JSC. The seminar focused on the role of insurance markets in national economic growth, how modern insurance markets work, as well as various types of insurance products and services, including compulsory, personal, and commercial insurance products and included a number of country-specific case studies. The information and knowledge received during the seminar will allow the participants to modernize the portfolios of their organizations to bring them closer to international best practices.

B. Issues/Obstacles

- N/A.

C. Donor Coordination

- N/A.

D. Major upcoming Activities (in next reporting period)

- To support the development of the insurance sector in Turkmenistan and as a follow up to the seminar on types of insurance products and services, MEP will work with "Insurance Services" Company to assist them in designing and marketing new types of insurance products, i.e. mortgage insurance, wedding insurance, and insurance of boilers.

TM Component 2: Regulation and Private Sector Development

Subcomponent 2.2: Private Sector Development / Business Climate

A. Progress/success against the work plan:

- MEP continued provision of technical assistance to the National Barcoding Organization (NBO) in its efforts to promote the use of barcodes in Turkmenistan and achieve a full membership at GS1, an international barcoding organization. Our technical assistance significantly contributed to the NBO accession to GS1 full membership on May 18, 2015
- In mid-June MEP started the development of a roadmap for establishing a modern arbitration institutional framework in Turkmenistan. The roadmap will assist the relevant GOTX agencies in implementing the recently adopted Law of Turkmenistan on International Commercial Arbitration, which is to enter into force on January 1, 2016, and will include a Concept Paper and a time-bound Action Plan for establishing a modern arbitration system. The work on this task is to complete by the end of July 2015.

B. Issues/Obstacles

- Due to the fact that the study tour to Croatia on International Arbitration, originally scheduled on June 9-11, 2015, has been rejected by the Ministry of Foreign Affairs, MEP had to revise its work plan and limit the assistance to the development of the above-mentioned roadmap.

C. Donor Coordination

- N/A

D. Major upcoming Activities (in next reporting period)

- MEP is going to conduct a workshop on increasing competitiveness of Turkmenistan's textile sector in July. The workshop will equip the textile industry representatives with modern business and management tools and will assist them to improve competitiveness of textile products being exported and identify new export opportunities to increase volumes. The activity will be part of MEP's new initiatives aimed at export promotion.
- Subject to MFA approval, MEP will conduct a seminar on increasing local content in oil and gas production sharing agreements and servicing contracts for official representing the relevant GOTX agencies and local state-owned oil and gas companies. The purpose of the seminar will be to increase local content utilization rate in the oil and gas sector to support the country's efforts in improving the capacity of local private producers and service providers.

TM Component 3: Trade Policy

Subcomponent 3.1: Improve Trade Policies

A. Progress/success against the work plan:

- On April 7-9, MEP conducted a seminar on international electricity trade and international electricity sale and purchase contracts for 10 experts from the Ministry of Power Generation. The seminar focused on specificities of international electricity trade, marketing techniques, methods of benefiting from the seasonality in electricity trade, and international best practices in drafting international electricity sale and purchase agreements and contracts. Upon completion of the training, the participants enhanced their understanding of international best

practices in the above-mentioned areas and improved competencies in negotiating and drafting international electricity trade agreements.

B. Issues/Obstacles

- No significant issues to report in this quarter.

C. Donor Coordination

- N/A

D. Major upcoming Activities (in next reporting period)

- Subject to GOTX approval, MEP will work with the Ministry of Economy and Development to elaborate an export promotion strategy for Turkmenistan. This technical assistance will also be part of MEP's initiatives to assist the country's efforts on increasing non-hydrocarbon exports and decreasing the Turkmenistan's dependence on the energy sector.