

CENTRAL ASIAN REPUBLICS REGIONAL ECONOMIC COOPERATION PROJECT

**ANNUAL PROGRESS REPORT
OCTOBER 2011 – SEPTEMBER 2012**



II Central Asian Trade Forum (Almaty, Kazakhstan)

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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ACRONYMS

ADB	Asian Development Bank
AmCham	American Chamber of Commerce
BAS	Business Advisory Services
CAR	Central Asian Republics
CATF	Central Asian Trade Forum
CATRC	Central Asian Tax Research Center
CCI	Chamber of Commerce and Industry
CED	Center for Economic Development
CENTCOM	Central Command
CU	Customs Union
DLA	Defense Logistics Agency
DOD	Department of Defense
EBRD	European Bank for Reconstruction and Development
EPG	Export Partnership Group
EPI	Export Partnership Initiative
FIEC	Fund for Integration of Ecological Culture
GIZ	German Agency for International Cooperation
GSA	General Services Administration
HACCP	Hazard Analysis and Critical Control Points
HVAC	Heating, ventilation and air conditioning
IFC	International Finance Corporation
IQC	Indefinite Quantity Contract
ISO	International Organization for Standardization
IVLP	International Visitor Leadership Program
JCASO	Joint Contingency Acquisition Support Office
JTSCC	Joint Theatre Support Contracting Command
KIMEP	Kazakhstan Institute of Management, Economics and Strategic Research
KLDP	Kyrgyzstan Local Development Program
MFERIT	Ministry of Foreign Economic Relations, Investment and Trade (Uzbekistan)
MOU	Memorandum of Understanding
NDN	Northern Distribution Network
NGO	Non-Government Organization
OHSAS	Occupational Health and Safety Management Systems
PV	Prime Vendor
REC	Regional Economic Cooperation project
RTLCL	Regional Trade Liberalization and Customs
TAFSA	Trade and Accession Facilitation for Afghanistan
TMC	Technology Management Company
TWI	Theodor Wille Intertrade
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WB	World Bank

EXECUTIVE SUMMARY

USAID Central Asian Republics Regional Economic Cooperation Project (REC) has been operating in Central Asia since October 2011. The purpose of REC is to improve the environment for cross-border trade among Central-Asian countries, Afghanistan, and larger trading partners. During its first year of implementation, the Project established the foundation of its technical and administrative operations, achieving significant results. Some of REC's key achievements and activities in year 1 were:

- Organized the Export Partnerships Initiative (EPI) multi-session training for 60 participants from Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan, increasing firms export capacity and cooperation. The trainings also led to several export deals, showing that these platforms are a great model for promoting cooperation. The participants learned new skills in modern export techniques.
- Provided technical assistance to the Organic farming Export Partnerships Groups (EPGs), increasing their knowledge of good agricultural practices for organic apricots and international market opportunities, and diversifying their exports to developed countries.
- Formed two new Export EPGs, the Exporting from Uzbekistan to the Customs Union EPG and Selling to the U.S. Department of Defense (DOD) in Afghanistan EPG;
- Organized the II Central Asian Trade Forum, which provided a platform for dialogue between business representatives, policy makers and donors on how to collaborate to promote trade between and within South and Central Asia. Also, it created a space to establish business linkages between companies in the region.
- Provided technical assistance to KazNexInvest, the key agency of the Republic of Kazakhstan tasked to develop export, search for foreign investors, promote domestic investment projects and improve investment image of Kazakhstan. The two short-term assignments assisted with developing export strategies in metallurgy, machinery, and the export of services industries.
- Organized the graduate internship program, linking graduate students with our EPI training firms and providing needed technical assistance. As part of this program, REC also linked graduate students with IBM professionals to provide additional technical assistance to KazNex and other organizations in Astana.
- Piloted sales of local products to DOD with 3-4 firms, achieving one concrete contract with the DOD regional prime vendors. Specifically, the project supported Tsesna-Astyk located in Kazakhstan to implement a food management system and get certified on ISO 22000; and facilitated the business transaction between FAYZ and a DOD Prime Vendor for approximately ██████████ in Uzbekistan.
- Developed the Barriers to Trade to the U.S. DOD in Afghanistan report and drafting the How to Sell to the DOD in Afghanistan manual. The documents have been reviewed by multiple stakeholders in Kazakhstan and Uzbekistan, including KazNexInvest, the Export to the US DOD in Afghanistan EPG members, Prime Vendors, and DOD representatives.

- Partnered with DOD representatives on a range of issues, including Industry Days preparation and participation, information, administrative support, and cooperation with Prime Vendors.

To achieve these results, REC has established strong relationships with key export stakeholders from the region, including private companies, Central Asian government agencies, associations, chambers of commerce, international organizations, U.S. Government, DOD, Defense Logistics Agency (DLA) prime vendors and other USAID projects such as the Kyrgyzstan Local Development Program (KLDP) and the Trade and Accession Facilitation for Afghanistan (TAFa).

For example, REC cooperated with the European Bank for Reconstruction and Development (EBRD) and German Agency for International Cooperation (GIZ) in acquiring the needed certification for companies to supply to the DOD, participating in EPI trainings, and exchanging information on export companies. In Uzbekistan, the Project established strategic relations with the Business Women's Association of Uzbekistan and Uztadbirkorexport, which co-hosted roundtables and seminars that brought government officials, companies, and trade experts together for a frank exchange about how to improve export prospects for Uzbek firms.

REC, with the collaboration of KLDP, organized the seminar on exporting to the Customs Union at the II Central Asian Trade Forum; and in collaboration with the TAFa project and the Afghanistan Chamber of Commerce and Industry sponsored more than 20 participants from their country to participate at the CATF.

REC's operations are managed from its Almaty office and from there, the team leads activities in Kazakhstan and Uzbekistan as well as any other activities in the region. During year one, REC leveraged local consultants to implement activities in Uzbekistan; however, the project still needs to formalize its presence in Uzbekistan to become a valid counterpart to the government, and continue improving local firms export potential.

In summary, REC established key relationships in the region, efficiently implemented its work plan and achieved significant results during year one. Below, we described the project background, year one detailed technical implementation and administrative details under the annexes.

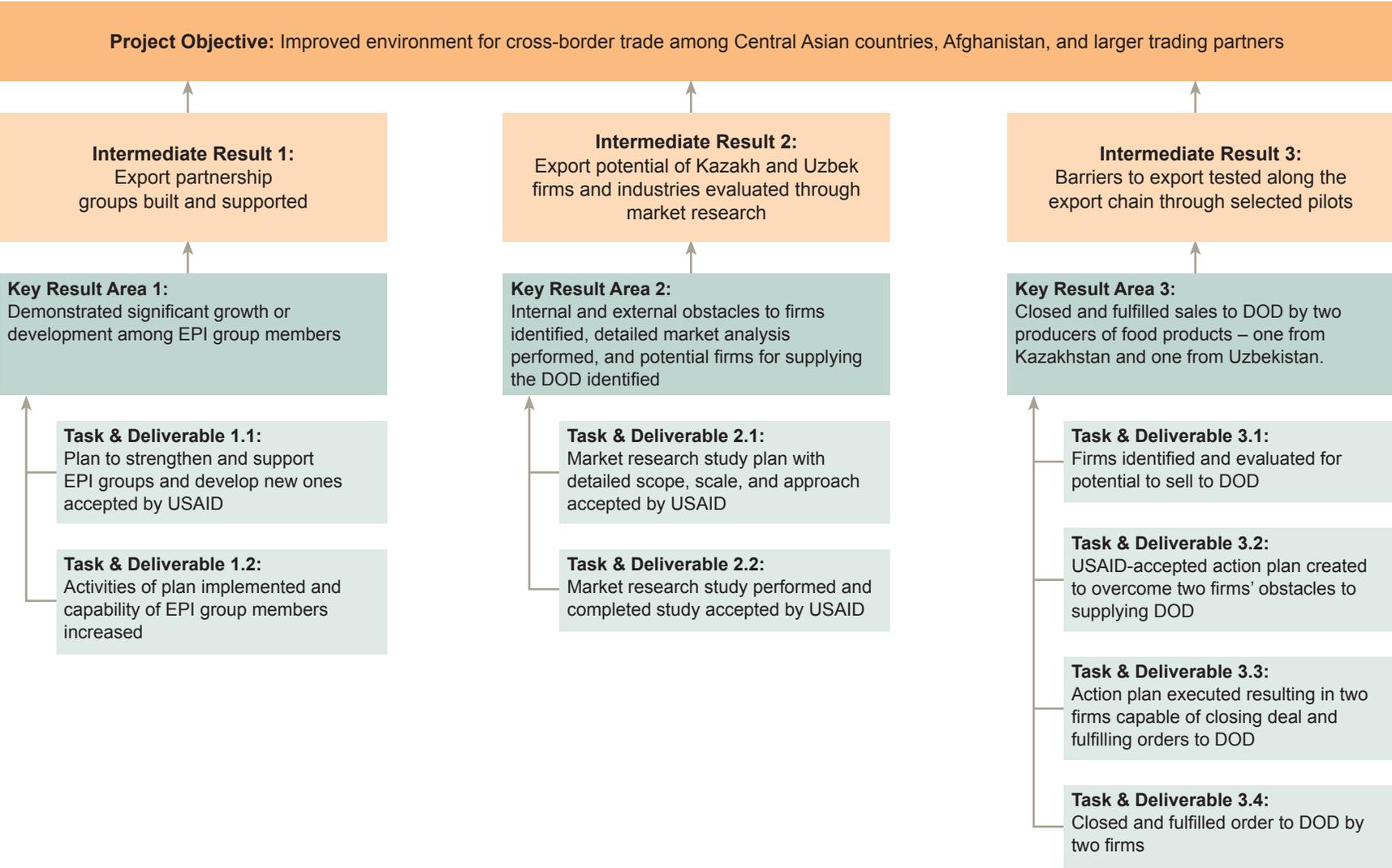
SECTION I PROJECT BACKGROUND

The Central Asian Republics Regional Economic Cooperation (REC) project is a two-year Task Order under USAID/CAR's Macroeconomic Foundations for Growth Indefinite Quantity Contract (IQC). The purpose of REC is to improve the environment for cross-border trade among Central-Asian countries, Afghanistan, and larger trading partners of these countries such as China and Russia through implementing activities such as adoption, refinement and implementation of best practices, international agreements, conventions and standards that govern trade. The REC project implements activities in Kazakhstan and Uzbekistan, but also includes beneficiaries from Kyrgyzstan, Tajikistan and/or Afghanistan as part of the Export Partnership Initiative.

The project undertakes a range of trade facilitation activities, specifically the following:

- Help Export Partnership Groups developed under legacy projects, and facilitate and support new EPGs.
- Evaluate export potential of Kazakh and Uzbek firms and industries through market research.
- Test the barriers to export through facilitating sales to the U.S. Department of Defense for use in Afghanistan.

Exhibit 1. USAID’s Regional Economic Integration Project Results Framework



SECTION II TECHNICAL IMPLEMENTATION

ACTIVITY 1: EXPORT PARTNERSHIPS INITIATIVE

Sub-Activity	Milestones in Year One
New export partnership groups established	Established 2 new EPGs: (1) Selling to the U.S. DOD in Afghanistan and (2) Exporting from Uzbekistan to the Customs Union.
Existing export partnership groups supported	Organized training for farmers and Village Bio Inspector (VBIs) on agro techniques of growing organic apricots (Batken, KG). Conducted organic sector survey in Central Asia.
EPG members trained	Conducted 3 sessions of the EPI training (72 training hours each) for 60 participants, covering such themes as export promotion, logistics, export marketing, trade financing and technical regulations. 95 percent of the respondents confirmed that the course met/exceeded their expectations. 14 percent of companies noticed export increase.
Implementation of the Central Asian Trade Forum (CATF)	270 participants at the 2 nd annual CATF.

A. Support to Existing Export Partnership Groups (EPGs)

Throughout the year, the project focused on continuing to support the Organic Farming and Textiles EPGs that had been created under the predecessor USAID Regional Trade Liberalization and Customs (RTLTC) project, in addition to developing two new EPGs for exporting to DOD and the Customs Union.

Organic Farming Export Partnership Group

REC contacted Organic Farming EPG members, who elected to continue their participation in the EPG. The project organized a focus group in January in order to help identify EPG members' needs, develop an action plan, and have the EPG member companies sign a Memorandum of Understanding.

During the focus group, members discussed their common goals and determine what they want to achieve as a group. This included developing a CAR organic products standard; conducting a Central Asia organic market research to identify its export potential; obtaining technical advice on organic farming of dried apricots; participating at industry exhibitions and determining new targets on development of export potential of organic firms in Central Asia.

REC identified an international expert on organic apricot processing and certification for members of the Organic farming EPG. The



expert provided training for farmers and Village Bio Inspectors on agricultural techniques for growing organic apricots, focusing on pest control, preventing disease, and harvesting. Additionally, REC developed a manual on harvesting, drying and storage of organic apricots for small scale farmers, which was given to training participants.

REC signed a memorandum of understanding with GIZ to support dry apricots through Bio-Service, a Kyrgyz local agricultural NGO, in aiding dry apricot producers to obtain organic certification, as a part of the effort to promote the export of organic apricot from Central Asia.

In order to increase capacity of Organic EPG member companies, REC engaged the Organic Center of Kazakhstan to conduct a Central Asia organic sector market research to develop and distribute a manual on How to Export Organic Products. The results of the survey were presented at the CATF in September.

Textile Export Partnership Group

In February, REC organized a focus group for the Textile EPG which supported the continued commitment of EPG members from their previous involvement under RTLC, and resulted in the development of an action plan.

Due to a lack of members' leadership and motivation, the Textiles EPG had delays on implementing its action plan. In June, REC carried out a new needs assessment for the EPG members and revised the existing action plan. Three new women-owned businesses (KazSPO-N, Textiline and Semiramida) joined the Textile EPG. REC organized a special session at the CATF on the development of the textile sector in the region to discuss industry problems and prospects, as well as the possible creation of a Central Asian textile association to oversee development of the Textile sector.



B. Development of New Export Partnership Groups

Based on the results of the evaluation survey at the EPI Training in May, REC facilitated the creation of two new EPGs, each composed of seven to ten committed companies focused on exporting to a selected market; Selling to the U.S. DOD in Afghanistan EPG and Export from Uzbekistan to the Customs Union EPG.

The EPGs were selected based on the following criteria:

- Opportunities for promoting cooperation to support products, customers, and/or distribution channels among companies exist
- Similar products/companies available
- Private entrepreneurs commitment to implement the EPG action plan and to mentor less mature traders

REC organized a focus group for the Selling to the U.S. DOD in Afghanistan EPG in Tashkent in June. The meeting was moderated by members of the REC Team and participants included USAID and Defense Logistics Agency (DLA) representatives. Marko Graham, DLA representative, described its operations in the region and opportunities for supplying to DOD, and the group also brainstormed activities for their action plan and signed a Memorandum of Understanding. During the focus group, 13 export companies from Uzbekistan, Kazakhstan, and Kyrgyzstan confirmed their willingness and readiness to supply to the DOD in Afghanistan.

REC hosted a seminar on How to export to the Customs Union in July. More than 60 companies applied to participate in the training and 31 Uzbek companies were selected. From those participants, seven created the Exporting from Uzbekistan to the Customs Union EPG. These new EPG members signed a memorandum of Understanding and prepared a draft work plan, which will be revised and implemented in year 2.

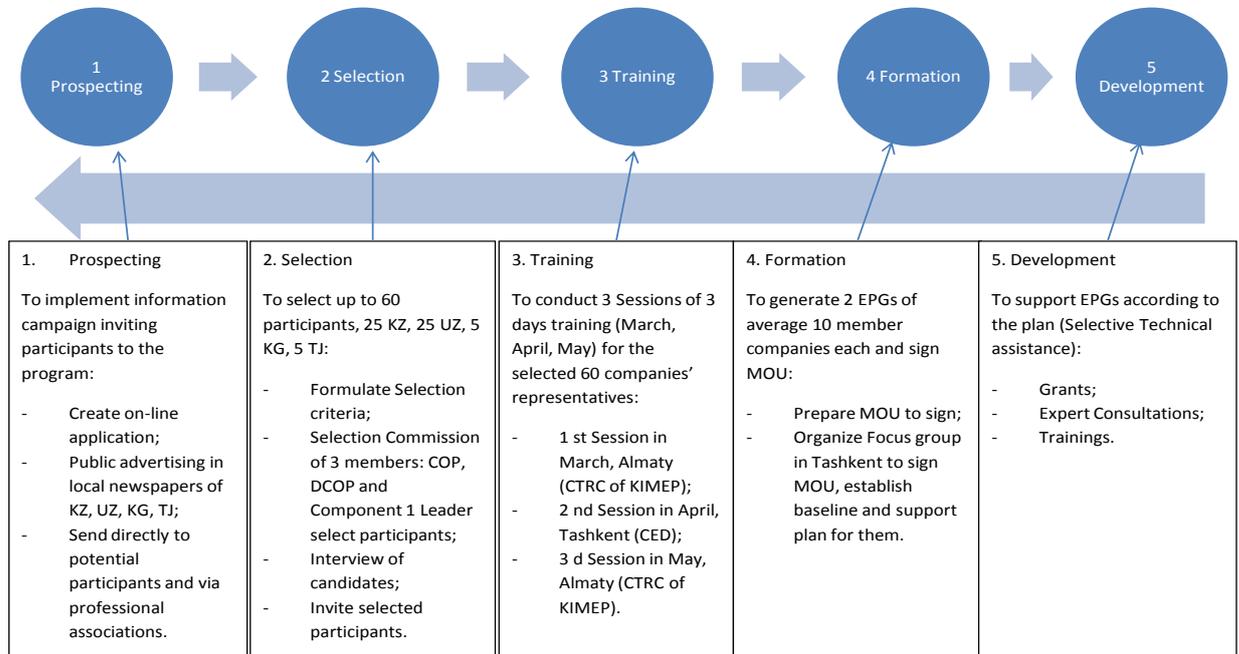
C. EPI Training

In accordance with the “5 Steps of Export Partnership Generation Cycle” (Exhibit 2 below), REC drafted an online exporter questionnaire and published an announcement; the project screened, interviewed and selected high-potential exporting firms among CAR businesses in January and February; and conducted the intensive multi-session EPI training for 60 participants from Central Asia in March, April and May.



Exhibit 2: Steps of EPG Cycle

5 Steps of Export Partnership Generation Cycle



Companies were screened based on the following selection criteria:

- Experience exporting.
- Demonstrated strong commitment and openness to execute their export strategy in cooperation with other companies that will take part in the training.
- Demonstrated commitment to invest in improvements.
- Demonstrated interest and institutional capability to learn.
- Potential synergies of products, customers, and/or distribution channels.
- Most active business associations and their members deemed most promising to expand exports in the region.

Under the EPI Training, REC organized three-2 day sessions for participants from enterprises from Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan in Almaty. The first two sessions held in March and April were co-organized by REC and the Central Asia Tax Resource Center (CATRC) of the Kazakhstan Institute of Management, Economics and Strategic

EPI Training Participants Fully Engaged

Participants at the EPI Training series were extremely satisfied with the quality of the courses, according to the training evaluations. Illustrative results include:

- 95 percent of respondents confirmed that the course met or exceeded their expectations.
- Fourteen percent of companies noticed an increase in their export volume.
- The interactive and practical nature of the training content was particularly indicated as a strength and benefit for the participants.
- 49 percent of participating companies were interested to host REC interns within the internship program
- 89 percent of training participants are ready and willing to become members of the export partnership groups and receive capacity building assistance within the REC program.

Research (KIMEP) and the third was mainly led by REC staff. The participants learned about quality management systems, how to develop their own export strategy and management logistics. At the conclusion of the training, companies were provided with updated reference materials and tools on export procedures, as well as best regional and international practices. Overall, participants were extremely satisfied with the training (see textbox).

In addition of the EPI trainings and EPG activities, REC organized two events in Uzbekistan. The first event, which was co-organized with the Business Women's Association, was a round table on increasing export capacity of Uzbek companies in June. 45 companies participated in the event. Representatives from REC, Uztadbirkorexport, Uzstandart Agency, the State Customs Committee of Uzbekistan, and the Association of business logistics presented the challenges related to exporting. They also asked numerous questions to the representatives of the government bodies on how to address these challenges. As a result of this event an analytical note on problems of export was prepared.

REC partnered with Uztadbirkorexport Company to conduct the second event; a workshop on How to Export Horticultural Products in Namangan city in August 2012. The farmers had a chance to hear about REC's initiatives, Uztadbirkorexport Company's exporter services, and ██████████ the Head of the Organic Farming Center, Kazakhstan. ██████████ discussed the market opportunities in the organic farming sector, how to diversify these exports, and how to make the business more profitable. Deputy Hokim of Namangan also participated in the event. During the workshop, farmers learned about the potential of the export of horticultural products, requirements of foreign customers, market tendencies of neighboring countries, as well as advantages of organic farming.



D. EPI Internship

REC worked with CATRC to organize and coordinate internships between students, EPG member companies, and other export-oriented companies, leveraging resources to implement the implementation of the EPG action plans. Students from relevant educational institutions in Central Asia were eligible to apply. EPG members expressed interest in hosting interns to assist with activities such as website development, marketing plan development, market research, and foreign customer engagement.

The Internship Program was advertised through mass media, educational institutions and social networks. REC staff developed a database of potential interns and their specialties were matched to the firms' business needs. REC encouraged women Master of Business Administration (MBA) students to apply for internships, as well as encouraged women entrepreneurs to participate as mentors through the EPI student mentorship program.

In June, REC also offered students to undertake short-term technical assignments in partnership with IBM's Corporate Service Corps in Astana. Six students from leading Kazakh universities (KIMEP, Nazarbayev University, Gumilyov State University) worked with IBM professionals to serve three Kazakh organizations in Astana (KazNexInvest, Atameken and KazEnergoEkspertiza). Students assisted these organizations by developing business strategies, analyzing the business environment, and improving web-based services.

In July and August, 30 students from Kazakhstan, Uzbekistan and Tajikistan started their work under the Internship Program. Interns were students from the following universities: Atyrau Engineering-Humanitarian University (1 intern), Samarqand Institute of Economics and Service (5), Uzbek National University (1), Eurasian National University (1), Kazakh-German University (5), Kazakh-British Technical University (1), Kazakhstan Institute of Management, Economics and Strategic Research (8), Management Development Institute of Singapore (2), Nazarbaev University (4), Tajik National University of commerce (1), and University of Toronto (1).

Student Interns find benefits to working with CAR companies

Overall the internship program resulted in tangible professional experiences and real outcomes for companies. Illustrative results include:

- Websites and databases created
- Human resources systems strengthened
- Increased productivity of administrative departments
- Expansion of market research capabilities
- Updating client databases and improving customer communication

E. Organization of the Second Central Asian Trade Forum

The II Central Asian Trade Forum (CATF) was held in Almaty on September 25th and 26th. The purpose of the CATF was to promote dialogue between representatives of leading regional exporting companies, state bodies, business associations, chambers of commerce and industry of Central Asia, representatives of small, medium and large businesses, the US Government, and international financial organizations. In all, the Forum consisted of 10 plenary conference sessions that were attended by 270 participants from 217 organizations and companies. In addition, the participants took part in the master-classes and seminars on development of export potential such as Export Financing, Marketing Tools for Export Development, Technical Regulations of the Customs Unions and others.

The Forum was a culminating event of the year-long effort to develop export partnerships among Central Asian companies. Participants from the EPGs shared their successes and took part in training sessions to further improve export promotion skills, as well as gained valuable



contacts with other businesses and organizations. Throughout plenary sessions and

master classes, the participants of the Forum addressed issues such as export development in Central Asia, transport and logistics, export promotion tools, Customs Union, diversification of export, best practices and trade financing.

The Forum also hosted a trade fair, where 25 Central Asian companies displayed their products, presented their services, and established necessary cross-border connections. Additionally, the Forum included a special meeting of Afghan and Central Asian businesses which showed mutual interest on trade between those parties. In total, ten deals were closed between participants and companies, including new clients, human capital investments, and partnership agreements.

F. Upcoming Activities

- November 2012: organizing the Exporting to Russia EPG.
- November 2012: issuing request for application for a grant to strengthen women-owned textile businesses in Central Asia
- November 2012 - organizing a training on supplying to Customs Union retail chains and Technical Barriers to Trade and technical regulation for Uzbekistan exporters
- March 2013 - conducting focus group to design action plans for Trading with Afghanistan EPG
- April 2013 - Implementing internship program with EPI training participants and university students in Uzbekistan

REC Honors Central Asian Companies at the 2nd Annual Central Asian Trade Forum

In order to promote export development initiatives of Central Asian companies, REC presented honors for excellence in exporting, a tradition it will continue on a yearly basis, including the following nominations:

- **Most Dynamically Developed Exporter of Central Asia, 2012:**
 - *Tajikistan:* Nossochi Tajik, Tajikistan's largest textile company
 - *Kazakhstan:* Shymkentmai, vegetable oil producer
 - *Uzbekistan:* Novopharma Plus, a pharmaceutical company
- **Best Exporter of Central Asia, 2012:**
 - Nossochi Tajik
- **Best Presentation at the CATF Exhibition:** AKKA Tec, a Kazakh lighting fixture manufacturer

ACTIVITY 2: MARKET RESEARCH TO EVALUATE THE EXPORT POTENTIAL OF KAZAKHSTAN AND UZBEKISTAN

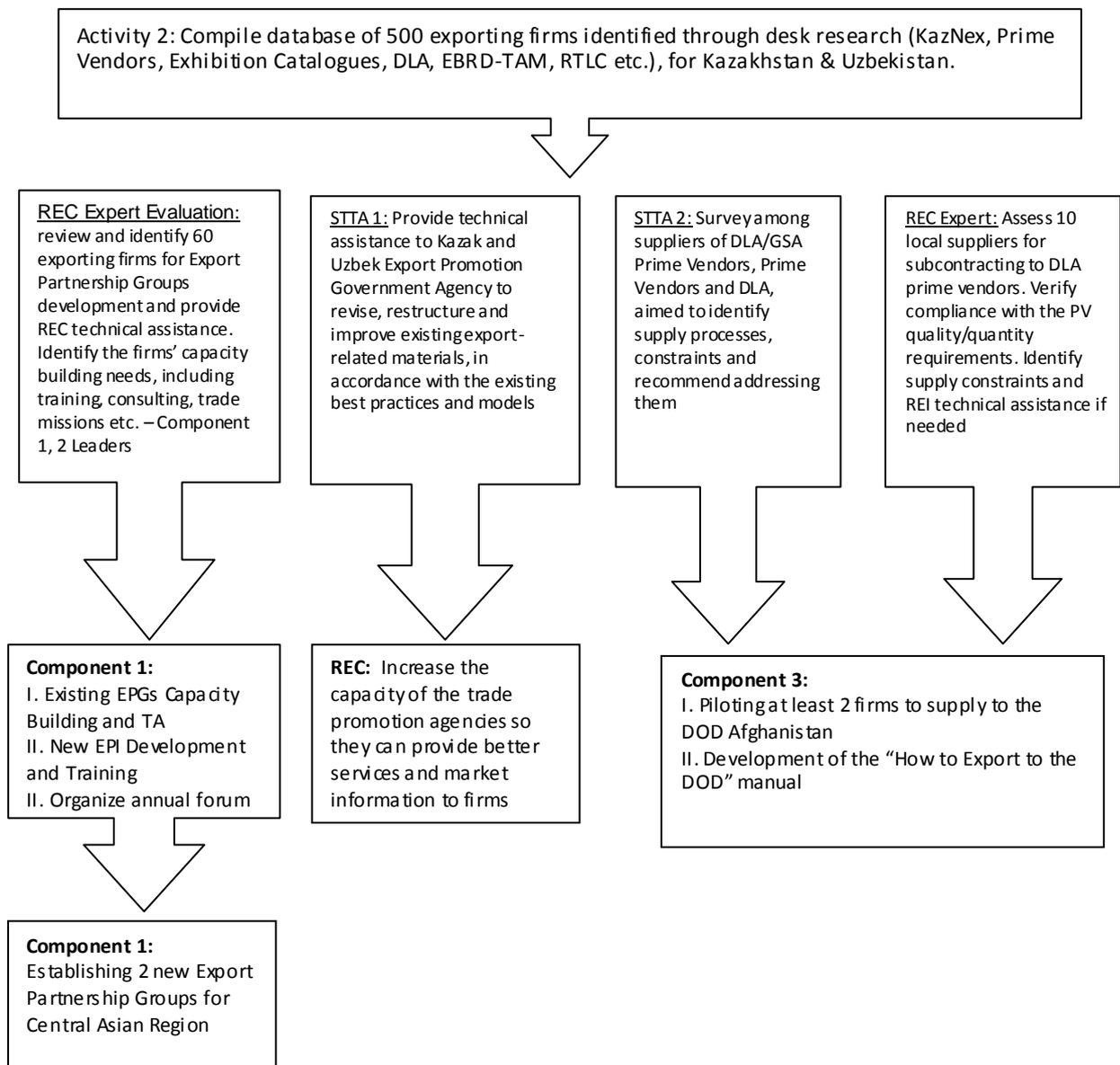
Sub-Activity	Milestones in Year One
More than 500 exporting firms identified in Central Asia through desk research	The exporter's database has been disseminated among stakeholders and incorporated into the DLA Yellow Pages for Central Asia
High-potential firms identified for export partnership groups development	Identified 60 Central Asian exporters, which have been trained by REC and became the base for new EPG development
Identified internal and external barriers for trade	29 Central Asian suppliers surveyed to identify barriers to trade with DLA Prime Vendors, in addition to desk research findings incorporated to the trade barriers report

Increased the capacity of export promotion agencies

Provided technical assistance to KazNexInvest. The two short-term assignments assisted with developing export strategies in metallurgy, machinery, and the export of services industries.

Activity 2 tasks are instrumental for REC’s Activity 1 and Activity 3. Activity 2 supported REC’s selection of firms for the EPI trainings and DOD pilot firms, market research development, and designed of export marketing strategies. Under this activity, REC builds the capacity of Export Promotion agencies, such as KazNexInvest in Kazakhstan. Government capacity building activities include providing short-term technical advisors on jointly identified priority areas of interest, organizing and participating in trade promotion events, export training sessions as well as overall coordination and support.

Exhibit 3 – Implementation Approach of Activity 2 Market Research



A. Building an Exporters Database

REC identified more than 500 exporting firms from Kazakhstan, Uzbekistan, Tajikistan, and Kyrgyzstan. The exporters database included KazNexInvest database of local producers exporting their goods from Kazakhstan; DLA Prime Vendors and GSA list and the EBRD Business Advisory Services (EBRD-BAS) Program, among other regional databases. In addition, REC added to the database exporters data gathered from on-going and legacy projects and current events such as the World Food Kazakhstan, KazBuild, Agro World Kazakhstan, and KazUpack.

The database includes local producer and supplier companies, contact information, varieties of commodities exported, export destination, and international certification. Firms identified belong to varied industries, including machinery, agriculture, electrical manufacturing, food and beverages production, textile, construction, plastic and hygienic production, metallurgy, telecommunications, lumber and wood processing, pharmaceutical, chemistry, electronics, motor vehicles production, furniture production, and metal ores.

The regional exporters database was shared with the DLA Joint Contingency Acquisition Support Office (JCASO), incorporated into the DLA Central Asia Yellow Pages, and finally disseminated among stakeholders involved.

B. Survey to Identify Internal and External Barriers to Trade

REC conducted a survey to identify internal and external barriers to trade within the Central Asian region and with the U.S. DOD in Afghanistan. The survey consisted of questions about work procedures and processes, as well as challenges encountered when dealing with Prime Vendors for DLA contracts. Survey data was utilized to inform the How to Export to the U.S. DOD in Afghanistan Manual and the Report on Barriers to Supplying to the U.S. DOD in Afghanistan. The survey also collected data on:

- Company Information
- Contracts with Prime Vendors
- Logistics and Transport
- Export Potential Assessment
- Past/current experience trading with the DLA Prime Vendors (TWI, TMC, Supreme)
- Contracting requirements and challenges dealing with Prime Vendors (quality control, delivery conditions, meeting PV specifications and measurements)
- Awareness of the Northern Distribution Network (NDN)
- Warehousing conditions
- Use of government export development tools and programs as well as other export support efforts.

C. Technical Assistance to DOD Pilot Companies

REC reviewed and assessed 60 high-export potential companies for subcontracting with DLA Prime Vendors. The review process included verifying their compliance with the DLA quality and quantity requirements and specifications, supporting

negotiations process, maintaining communications flow as well as identifying subcontracting constraints to be addressed through REC technical assistance.

One of the DOD pilot companies identified is Tsesna-Astyk, a producer of grain, wheat flour and macaroni based in Astana, Kazakhstan. REC facilitated contact with the DLA Prime Vendor, Supreme, then worked to continue facilitating the communications. REC supported Tsesna-Mac to implement a food management system, including development, training, implementation and audit of the ISO 22000 certification. REC provided Tsesna-Mac with technical assistance through funding pre-certification audit and training company’s quality management team. Tsesna-Astyk went through all three REC EPI training sessions, which served as a foundation for the ISO implementation and became a member of the EPG on Selling to the U.S. DOD in Afghanistan.

D. Market Research Activities to Support Existing EPGs

CAR Organic Market Survey

REC partnered with the Fund for Integration of Ecological Culture (FIEC) to conduct a Central Asian Organic Market survey. FIEC is regarded by Organic Farming EPG members and the industry at large as well-qualified to carry out this type of research. FIEC is also the founder of the OrgaNeCa organic network of Central Asia (<http://www.organiccenter.kz.>). FIEC implemented the survey, aiming to:

- Review the international organic market and its development trends
- Analyze the current situation with organic products in CA
- Provide data on production and export of organic goods in CA
- Identify the potential for development of regional exports
- Identify current and potential channels for promotion of organic goods and services
- Understand the perception of the brand “Organic product” in Central Asia
- Analyze potential target markets
- Provide recommendations for the development of a strategy for regional and international export of organic goods and services.

Main Organic Survey Findings

- China is a key importer of CAR organic products
- Marketing should meet international premium segment requirements
- Current legislation needs to be revised to reflect international organic certification
- Need for regional Organic Center as public awareness and support unit

The REC team presented the findings from the survey at the Central Asian Trade Forum within the Organic EPG master-class.



E. Kazakh and Uzbek Export Promotion Agencies Capacity Building

Both Kazakhstan and Uzbekistan have extensive and high-quality information aimed to promote export and attract investors. However, these organizations still need support to update their market knowledge and improve their services to local firms.

REC engaged U.S. international marketing and trade expert [REDACTED] to work with KazNexInvest to evaluate selected companies' export potential and assist with export strategies development for machine-building, metallurgy, construction, chemistry, pharmaceuticals, food, and textile industries. [REDACTED] [REDACTED] visited enterprises selected by KazNex in the machinery and metallurgy sectors in the East and North Kazakhstan regions, to assess and identify up to 10 firms to develop industry-based export strategies. [REDACTED] [REDACTED] presented his findings and recommendations to the KazNex Board of Directors and the REC Chief of Party. The Economic Development Department of the World Bank is also providing KazNexInvest with technical assistance in these areas and REC coordinated with the to effectively support export development.

In July and August, REC provided KazNexInvest technical assistance from the IBM Corporate Service Corps in Astana. This technical assistance resulted in developing recommendations on design and functionality of the national website for exporters, building upon enhancements made to the website last year. REC connected selected students and graduates of prominent Kazakh universities with the IBM professionals within its Internship Program. Technical recommendations have been developed and currently KazNexInvest is selecting local providers to implement the recommendations.



Uztabirkorexport is one of the national development institutions for support of the small business in Uzbekistan, aimed to promote enterprises' export capacity through selling their products via direct export contracts as well as trade houses established abroad; promote export of Uzbekistan products through pre-export funding; assist attracting large foreign investors and purchasing companies; support small businesses with certification of exported products, conduct advertising activities, organize and participate at the international fairs and exhibitions. The Chamber of Commerce of Uzbekistan unifies medium and large-size businesses and is tasked to promote the Uzbek exports, and UzInfoInvest is tasked to attract foreign investment to the country. REC is working diligently to establish long-term relationships with these Uzbek organizations and expects to achieve concrete results in year 2.

During year 1, REC also coordinated multiple initiatives that will be implemented in year 2 such as the International Visitors Leadership Program (IVLP) on the Central

Asian Trade Promotion Agencies Development and the export of services assignment for KazNexInvest.

F. Upcoming Activities

- REC’s proposal to the sub-regional International Visitors Leadership Program (IVLP) on Central Asian Trade Promotion Agencies Development was approved by the US State Department for Kazakh, Uzbek, Kyrgyz and Tajik officials at respective Trade Promotion Agencies, and is scheduled for October 22 – November 9, 2012. Key focus areas of the IVLP include:
 - Governance and development strategies, particularly with regard to strengthening the existing trade centers network, broadening the portfolio of services and programs, promoting export of services (tourist, transportation, construction, education, financial, IT, professional business services), and evaluating the Agency’s activities and programs.
 - Export Promotion: efficient marketing strategies, identifying target markets, products, sectors, companies; eligibility and assessment criteria.
 - Supply chain integration: promotion and support for exporting innovative products, intellectual property management, practice of supply chain integration, finding and approaching supply chains; match-making and criteria of selection of companies, methodologies of diagnostics and assessment; techniques of IP management and protection; stock market of IP.
- Export Services Technical Assistance: REC recruited a short-term technical advisor to work with KazNexInvest on developing a government of Kazakhstan priority area for export services. An expert from the U.S., Linda Schmid, will travel to Kazakhstan in October to analyze current market of services in Kazakhstan, identify constraints while entering foreign markets, identify best practices (focusing on countries such as Malaysia, Australia, UK, Turkey, and Denmark) to develop recommendations on Kazakh government stimulation of the export of services. Services reviewed are in the areas of tourist, transport and IT services.
- Support market research and implementation of EPGs action plans for the Organic farming, Textiles, Selling to the DOD in Afghanistan, Exporting from Uzbekistan to the Customs Union, Exporting to Russian Federation and Trading with Afghanistan.
- Identify and implement further capacity building activities with the government trade promotion agencies in Kazakhstan and Uzbekistan.

ACTIVITY 3: SUPPLYING TO THE U.S. DEPARTMENT OF DEFENSE

Sub-Activity	Milestones in Year One
Firms identified and evaluated for potential to sell to DOD	REC evaluated the firms to meet DOD standards on certification, quantity, and quality requirements in Kazakhstan and Uzbekistan as pilot companies. Five pilot companies have been chosen in Kazakhstan and Uzbekistan respectively. Nine pilot companies participated in REC training, seminars and seven are members of the Supplying to DOD EPG.

Action plans created for EPGs on overcoming obstacles to supplying to the DOD	REC supported the implementation of ISO 22000 certification for Tsesna Astyk (Kz) and assisted on the agreement between TWI and Fayz (Uz).
Action plan executed by firms under REC support	Uzbek Fayz pilot company signed the agreement with TWI on July and August 2012 to supply heat-treated lumber to the DOD in Afghanistan, the amount of the contract is about \$400,000
Developing report on Barriers to Supplying to the DOD	Report on barriers developed. Based on findings and recommendations outlined prepared. Draft on Manual in progress.

One of the recent high-potential export destinations for all CAR is Afghanistan. The DOD has started sourcing goods for its military through the Northern Distribution Network (NDN). The United States supports the NDN's resiliency and is improving its effectiveness by expanding procurement in the region. REC Activity 3 focuses on increasing exports to the U.S. DOD in Afghanistan from Kazakhstan and Uzbekistan and works in close collaboration with the DLA, CENTCOM JTSCC representatives, Prime Vendors such as Seven Seas, Supreme Food and TWI, Government Export Promotion Agencies, such as KazNexInvest in Kazakhstan and Uztadbirkorexport in Uzbekistan to make it happen. Activity 3 is closely linked with the other REC activities, leveraging efforts already underway from the EPGs and market research. REC achieved Activity 3 milestones by conducting surveys, providing training, seminars, consulting, round tables, and other relevant activities.

A. Determine DOD supplier requirements

To better understand the environment of doing business with DOD, the REC project implemented a study of secondary data, including relevant DOD doing business manuals and/or primers; participated in industry trainings; and got involved in initiatives organized by the DOD in the region during the past year. REC also surveyed local suppliers and other stakeholders on what the barriers on supplying to the US DOD in Afghanistan are. REC analyzed the survey results, identified the main technical requirements and trade barriers and developed a report on the conclusions and recommendations.

Studying Secondary Data.

In order to understand the Central Asian context for trade and exports in the region, REC studied relevant export-specific laws and regulations, reports and analytic documents of the Governments of Kazakhstan and Uzbekistan, statistics on foreign trade, materials of export promotion agencies (KazNex Invest, Uztadbirkorexport), International Finance Corporation (IFC), the World Bank (WB), Asian Development Bank (ADB), UNDP, USAID RTLC, and other experts' reviews of foreign trade. To understand the environment of doing business with the DOD, REC studied relevant DOD 'doing business' manuals, participated in industry trainings and became involved in the majority of initiatives organized by the DOD in the region. REC also analyzed PVs' presentations and training materials, cooperated with training providers in the Central Asian region, and provided ad hoc briefings with companies to collect DLA requirements. REC also studied the procedures of DLA and PV procurements.

Surveying Prime Vendors.

Prime Vendors (PVs) are intermediaries and supply chain integrators between the DOD and local suppliers. PVs possess information on the doing business processes, procedures, and barriers to organize purchases of goods from the local suppliers to DOD. In Central Asia, the DOD works through these specific PVs: TWI, Seven Seas and TMC, Supreme Food, and the DLA Procurement Team, which provide:

- Marketing for the DOD needs of products and services.
- Purchasing, warehousing, and consolidation of the goods.
- Transportation and distribution of goods among DOD subdivisions in Afghanistan.

Selection and procurement of commodities in CA for the U.S. DOD in Afghanistan are implemented in accordance with DOD requests and requirements as applicable by product classes I, IV, as well as other commercial equipment and their associated repair parts. Examples of products include generators, electrical devices, lumber, plumbing, HVAC, tools, cable plant, Force Protection personal equipment, living containers, barriers, construction hardware, and light towers.

REC implemented a survey of prime vendors to identify requirements for selling to DOD. REC targeted Seven Seas, Supreme Foods, TWI, their major subcontractors (TMC, for example) and other prime vendors that are aware of DLA requirements and operate in the CA region. The PVs were asked a range of questions to collect data on their experience and practice with doing business processes, procedures, and barriers on how they manage to deal with DOD and the local suppliers.

Based on the survey results, REC summarized the information and prepared recommendations for the CA suppliers. They also included recommendations from the DLA and PVs' representatives, which had been directed to strengthen local suppliers' capacity to deal with DOD:

- Mandatory implementation of ISO 9001 at enterprises.
- Possible implementation of the international standards of ISO 22000, HACCP, OHSAS 18001, ISO 1400 at food production entities.
- International standards for security compliance for all products.
- Translating into English company profiles, products, catalogues, and brochures.
- Mandatory availability of English-speaking personnel to manage negotiations with the Prime Vendors.

These recommendations are likely to facilitate procedures for selecting potential DOD suppliers and help improve product quality of local suppliers, ultimately making their entry to new international markets easier.

Surveying local suppliers.

DLA and GSA provided REC with a list of current local suppliers in Kazakhstan and Uzbekistan. REC surveyed the suppliers and gathered information on their experiences dealing with DOD/GSA. REC analyzed information included in the report on existing barriers and difficulties the companies face selling to the DOD. Following this analysis, 29 companies were interviewed: 15 companies from

Kazakhstan, 8 companies from Uzbekistan, 4 companies from Kyrgyzstan, and 1 from Tajikistan, as well as the American Chamber of Commerce in Tajikistan (AmCham TJ), which promotes Tajik exports to external markets. These companies had already been delivering products to the DOD through the Prime Vendors TWI and Supreme Food. Sourcing of Central Asian products for DOD is completely new for the local suppliers; therefore, this creates specific challenges to firms:

- Lack of information on how to become an eligible supplier for DOD, particularly requirements applied to enterprises and products ;
- Procedures for selection and procurement of products for the DOD in Afghanistan. Frequently the local suppliers are not informed of the shipments' nature and products required for DOD, which makes compiling documentation and submission to PVs complicated. There is also a lack of product requirements and specifications;
- Lack of smooth information exchange between organizations involved in export to DOD, and a lack of information about domestic producer support instruments, which contributes to external risks related to exporting. There is a lack of sustainable authority capable of advising on requirements and procedures of supplying to DOD;
- Lack of information and knowledge regarding aspects of international private law, entering into contracts with foreign companies, and resolving disputes through international arbitration;
- Many enterprises require explanatory and educational training sessions on introduction and maintenance of the quality systems and product safety.

Based on the survey findings, REC developed the Report on Barriers on Supplying to the U.S. DOD in Afghanistan, and recommendations on reducing these obstacles. The draft report on barriers and strategy on improving the export to U.S. DOD in Afghanistan were discussed at the meeting with the Supplying to DOD EPG in June in Tashkent with participation of Kazakh, Uzbek, and Kyrgyz companies, as well as USAID, DLA, and REC representatives in Uzbekistan. Feedback on the draft report on barriers and developed strategy was also received from KazNexInvest and UZ AmCham with their recommendations and additions and modifications have been included in the report.

B. Identify qualified firms to supply to DOD

A number of companies in Kazakhstan and Uzbekistan already supply to the prime vendors and are ready to continue business with the DOD and the GSA. DLA and Prime Vendors, in cooperation with KazNexInvest and Uzbekistan AmCham, held several meetings and 3 conferences (Industry Days) with Kazakh and Uzbek companies during the year.

To identify the most qualified firms to supply to DOD, the Project developed the following evaluation criteria:

- Type of products needed by the U.S. DOD in Afghanistan.
- Commodity specifications on the quantity and quality requirements for accessing the DOD market in Afghanistan.
- Required certification.

REC, in close cooperation with KazNexInvest and Uztadbirkorexport, established a shortlist of firms that have the greatest potential to meet the requirements for contracting with DOD, drawn from the CAR export companies list identified under Activity 2. REC evaluated the firms to meet DOD and selected five pilot companies in Kazakhstan (Agrotex, Tsesna Astyk, RG Brands Almaty, Green House LTD, Kazelectromontazh) and five pilot companies in Uzbekistan (Fayz, Gerfed Impeks, TBS-GROUP, AGRO BIO KIMYO, Marwin Brands).

These pilot companies participated in the Selling to the DOD in Afghanistan EPG meeting in Tashkent in June, where two pilot activities, Tsesna Astyk and Fays, were determined as the two first pilots to work with. REC helped explaining the contractual procedures and specific requirements, sanitary audits, conducted by U.S. Army auditors.

Industry training.

REC works in close cooperation with key stakeholders, such as DLA, CENTCOM, GSA, PVs, KazNexInvest, and Uzbekistan AmCham. REC participated at the “Industry Days” in Almaty on January –February 2012; in Almaty on March 14, 2012; in Bishkek (Kyrgyzstan) on April 24, 2012; in Almaty (Kazakhstan) on September 7-8, 2012 and in Tashkent on September 13-14.

REC also supported the majority of the DLA, CENTCOM JTSCC and PV events, including recruiting local suppliers for Industry days (see box) and US Contracting agency meetings, and sharing lists (such as booklets and brochures) of the goods needed by DLA, GSA, JTSCC with potential local companies.

Industry Days a Success

The US Government Industry Days were conducted in Almaty, Kazakhstan: 7-8 September and in Tashkent, Uzbekistan: 13-14 September. These events were for all businesses within the Central Asian States that are interested in potentially bidding on contracts with the U.S. Government.

The intent of the Industry Days was to assemble U.S. Government Contracting Agencies to educate, advise, and train interested vendors on how to successfully do business with the U.S. Government.

Industry Days proved to be an efficient form of public interactions for the DOD, its related agencies and local suppliers. For example, at the Industry Days REC introduced to JTCCS, Prime Vendors TWI, four such potential KZ suppliers as Ordabasy Kus (turkey meat, South Kazakhstan), Green House (bottled water, Almaty), Cement factory (Semey), Kazelectromontazh (electrical equipment), JSC Visit (bottled water, South Kazakhstan), "Pneumatic Group" LLC (electrical equipment, Almaty), etc. for prescreening procedures.

C. Develop a USAID-accepted action plan created to overcome two firms’ obstacles to supplying DOD via prime vendors.

REC supported the development of the Selling to the U.S. DOD in Afghanistan EPG draft action plan in July 2012. REC also prepared two specific plans for pilot firms Tsesna-Astyk (Astana) and Fayz (Tashkent) to prepare them to meet the DOD technical requirements and to addresses obstacles in supplying the DOD in Afghanistan.

D. Execute action plan using two selected firms capable of closing deals and fulfilling orders to DOD

Starting in June 2012, pilot firms were assisted to implement their action plans. For example, Supreme Foods requested that Tsensa-Astyk meet the ISO 22000 certification for their pasta production unit (Tsesna-Mac) so they would be able to

supply to the U.S. DOD in Afghanistan. Tsesna –Mac requested REC to support them in this certification on a cost sharing basis, which included implementation of pre-certification procedures and certification audit. Presently the company is finalizing the pre-certification procedures and soon will be eligible to supply pasta to the DOD. In addition, Uzbek pilot firm Fayz signed a contract with TWI to supply heat-treated lumber to the US DOD in Afghanistan in July.

E. Close and fulfill order to DOD via prime vendors by two firms

REC has been supporting pilot firms in negotiations with DOD and prime vendors. Under the contract between FAYZ and TWI, the shipment of heat-treated lumber will be completed in October 2012. REC supported each critical step, from post-harvest handling and packaging to final delivery and inspection. All stages of contracting and execution of the contract and shipment are reflected and used for preparation of case studies and included in the How to Export to the US DOD in Afghanistan Manual to demonstrate successful experience of the suppliers.

F. Upcoming activities

- Complete the How to sell to the U.S. DOD in Afghanistan manual.
- Study and summarize the requirements, procedures, registration process, list of products and needs of new CENTCOM JTSCC , PV FLUOR and share with interested CA companies
- Identify and evaluate firms with the potential to sell to DOD
- To develop action plans for pilot companies, EPG Suppliers to DOD and support their implementation through local or international STTA, providing trainings and grants (grants examples are technical training, certification, consulting needs, and to develop detailed, adapted certifications for the products needed for DOD, among others).
- To develop a case study for each product and “how to” guidelines for local producers who wish to secure contracts to supply the NDN.

SUMMARY OF ACTIVITIES IN UZBEKISTAN

Even though REC still needs to formalize its presence in Uzbekistan to become a formal counterpart for the Government of Uzbekistan, the project has established relations with the export community, increased the export capacity of local firms and facilitated business deals with other countries and the DOD. During year one, Uzbek firms participated at the EPI trainings in Almaty, at the CATF and at two in-country events, where more than 100 entrepreneurs enhanced their knowledge on export promotion issues. [REDACTED]

GENDER CONSIDERATION

As some specific examples of gender considerations in our activities, the project promoted gender equality and encouraged participation of women-led firms and

women's participation in the EPI training. From the participants, we had more than 30 percent women representatives from Central Asia.

REC continues working with the Textile EPG, which directly and indirectly support the creation of employment for women. The textiles sector represents 80 percent women-owned and women-employing businesses. Currently the Textile EPG is formed of Kyrgyz, Tajik and Kazakh women-led and women-employing businesses, and we are working on attracting similar Uzbek businesses.

During year one, we encouraged the participation of young female business graduates at the mentorship and internship program and collaborated with local women organization in the region such as the Business Women Association in Uzbekistan.

REC will hire a short term local Gender specialist for two weeks to develop a baseline and design a gender strategy. The consultant will prepare, apply and analyze a survey of EPG and component 3 vendors to understand the impact of REC activities on men and women, and propose specific solution to balance trade opportunities for them. The analysis will include quantitative and qualitative questions, review of secondary information such as the USAID CAR Gender Assessment. Also, it will provide detail recommendations such as using multiple channels of communications to promote the project activities, reaching to men and women equally. We will incorporate the baseline data to our performance and evaluation management plan.

We will continue searching for ways to build export capacity of women-led firms and will preserve gender balance at REC overall activities.

ENVIRONMENTAL CONSIDERATION

Per the umbrella Initial Environmental Examination – Request for Categorical Exclusion for the EG MACRO IQC, the recommended environmental determination for this task order is a categorical exclusion. The anticipated project activities are in the following categories: diagnostics, analysis and design, strategic planning, institutional capacity building, policy reform, legal and regulatory reform, improving the competitiveness of sectors, value chains and individual firms, transaction facilitation, grant management, evaluation and research, training, workshops and private partnership building, and knowledge management and dissemination of best practices.

The activities are classified as low risk and are not expected to result in actions that directly affect the environment. Although they do not require further environmental review, the COP monitors project activities implemented under grants for unforeseen consequences arising during implementation that were not identified and reviewed in accordance with 22 CFR 216.

As part of fulfilling the project's goal and objectives, and reflecting the company's standards of business conduct, REC will comply with 22 CFR 216 (Regulation 216) requirements and the initial environmental examination recommendations.

Before undertaking grant-funded project activities, we will undertake an environmental review to identify and assess potential environmental impact, with a view to eliminating or reducing them through mitigation measures and monitoring protocols. REC will ensure implementation of all relevant environmental mitigation measures proposed as a result of the environmental review and will collaborate with the contracting officer's technical representative and the mission's environmental officer for compliance and guidance on CFR 216 issues. With the REC grant funds, no activities requiring an environmental assessment are expected. Should an identified project present such risks, that project activity is expected to be dropped.

Based on the environmental review recommendations, if a proposed project activity has substantial adverse environmental effects able to be mitigated and requires mitigation measures, an environmental mitigation and monitoring plan will be developed for USAID bureau environmental officer and regional environmental officer approval prior to implementation.

IMPLEMENTATION CHALLENGES AND LESSONS LEARNED

Even though, REC has successfully partnered with Uzbek local organizations for organizing targeted events; the project still needs to formalize its presence in Uzbekistan to become a valid counterpart for the government. So far, activities have been organized under single partnerships and this limits REC's opportunities to scale up activities, creates operational challenges and it minimizes the project's visibility in country. REC is working to identify a formal local partner and exploring the possibility of register a representative office in Uzbekistan.

[REDACTED]

The Chief of Party and Communications positions were replaced in the first six months of the project. Even though difficult at the time, the positions were filled with excellent professionals.

COMMUNICATIONS AND OUTREACH

A. Branding and Marking

REC has been compliant with its Branding and Marking plan. The project uses the USAID-identity for any communications with the public, including all technical training materials, invitations, programs, or other related materials. Due to differing perceptions by the Uzbek public of the word "integration", in May the Program name was changed from the Regional Economic Integration (REI) to Regional Economic Cooperation (REC) Project. Since then for all purposes, the project has been referenced as:

- Regional Economic Cooperation Project (English);

- Проект по региональному экономическому сотрудничеству (Russian);
- Аймақтық экономикалық ынтымақтастық жобасы (Kazakh);
- Mintaqaviy iqtisodiy hamkorlik loyihasi (Uzbek).

REC works closely with USAID and key trade and commerce stakeholders to develop and disseminate its initiatives, events, milestones, successes, research, and other products. REC uses various communication tools to increase awareness and knowledge of regional trade issues, and other objectives to help achieve the project's goals. All the Project's materials and publications carry the USAID identity and logo in compliance with the USAID branding and marking guidelines. In all public events and public communications, the project acknowledges and makes it visible and understandable that the project, all its activities and/or materials and deliverables are made possible by USAID and the American people. REC's branding is accomplished through visual materials and communication tools that incorporate USAID's logo and tagline. The Project has developed produced visuals such as letterheads, banners, programs, training materials, invitations, and presentations.

REC in the News

REC representatives have made several high-profile appearances on television to discuss key project activities. Illustrative examples include:

Caspionet TV channel (Russian version) broadcast on June 5 and June 11, 2012

The Chief of Party, Viktor Prodedovich, and the keynote speaker, Vadim Holmogorov, were interviewed. The Chief of Party provided a description of the REC project, its main mission and then talked about the training program organized and held by REC for Central Asian entrepreneurs. Vadim Holmogorov talked about logistics issues in general, and what may be done in Central Asia to better organize logistics in enterprises.

Uzbek TV channel Yoshlar (Round Table in Tashkent) broadcast on June 26, 2012

It is a journalistic story about the Round Table held in Tashkent, which was organized by the Business Women Association of Uzbekistan in alliance with REC. The author tells about the topics discussed at the Round Table, who the event was attended by and whose presentations raised deep interest (mentioning the REC's presentation as the one which fostered interest).

B. Visibility

The Project strives to fulfill its communication strategy objectives, namely to create a positive image of the Project, create and maintain positive attitude to the Project among target audiences, inform about and promote the activities and initiatives implemented by the Project.

The Project has established and maintains strong communications and public relations capability to reach its audiences. It uses direct channels of communication to the media and beneficiaries, such as ensuring coverage of its activities in mass media, and writing and distributing press releases and news items. Since March, REC has issued twelve press releases which resulted in publications and TV broadcasts (see box). Media monitoring is performed on a regular basis. The REC project had a great presence in regional media with 64 tracked news articles published in print media and online (news agencies websites, counterparts' websites) and four on television.

All the tracked 64 publications and 4 telecasting were made possible on a free-of-charge basis due good media relations established by the REC Project.

REC Website Launch

The Project launched its website www.car-rec.net in July. The website provides an effective publicity vehicle and makes available the project resources, as well as news items, press releases, announcements, success stories and project publications. It is kept updated on a regular basis. In less than two months, the website had attracted more than 200 visitors, of which 130 were unique visitors, with a total of approximately 650 page views.

To increase the website traffic, the REC Project is considering employing a Search Engine Optimization tool, for this it needs to use a web company to provide such services. This may be implemented in the following year.

The Project utilizes social media as well. Facebook accounts (USAID Regional Economic Cooperation Project and Central Asian Internship) have been created and kept updated. Both accounts have to date generated more than 220 “likes”.



Public Events and trainings

The REC Project regards public events organized or participated as key opportunities to generate knowledge of the Project. Training sessions for 60 entrepreneurs from Central Asia as well as round tables, focus groups for EPGs, and press-conference, organized and facilitated by the REC Project raised the awareness of the Project and USAID among attendees of the event, trainers, participants and general public. A list of all trainings and events undertaken during the year can be found in Annex A.

In September REC Project organized and held the Second Central Asian Trade Forum. The Forum was a major event for regional exporters gathering together 270 participants. REC used every effort to position itself as a key development project to support export in the region. REC employed all communication and PR tools and techniques at the Forum. The project utilized multiple visuals (banners, press-wall (repeating backdrops), roll-up constructions, handouts, etc.) displaying the USAID logo and mentioning REC Project as an organizer of the event. A Trade Fair was also organized in the framework of the Forum. Twenty five companies participated in the Trade Fair. A press-conference was organized and held at the first day of the Forum. Four keynote speakers (USAID/CAR Mission Director, one representative from USG from Trade Department, one from KAZNEX and one from Kazakhstan Institute of Strategic Research) participated in the press-conference.

The Forum with its interactive and dynamic master-classes and plenary discussions, focused Trade Fair, and press-conference generated knowledge of the Project, raised public awareness of USAID, and increased understanding of the role of the American people in promoting economic development both among the participants of the Forum (more than 270) and among public at large through media coverage (the Forum generated twenty five publications in print media, Internet and TV).



USAID
FROM THE AMERICAN PEOPLE

KAZAKHSTAN

SUCCESS STORY

USAID assists businesses to increase exports

USAID program helps increase exports and improve cross-border trade



Producers of elite honey

photo from Elite Honey LLP website

The business networking established during the training sessions have made it possible for the participants to discuss new business opportunities, expand distribution network and enter into business contracts with each other.

In March-May 2012, USAID's Regional Economic Cooperation Project implemented an intensive 72-hour training program for sixty entrepreneurs from Central Asia to improve their operations and expand their export potential. The training program included a wide range of issues, which covered marketing, logistics, export planning, quality management, and Information Technology (IT). During the trainings, the participants acquired new knowledge, shared their experience, and established business ties.

The business networking established during the training sessions have made it possible for the participants to discuss new business opportunities, expand distribution network and enter into business contracts with each other. As a result, Kazakh producer of Elite Honey brand products from Kostanai (Elite Honey, LLP, Kostanai, Kazakhstan) has signed a contract to supply its honey products for \$13,500 a monthly with a confectionary and bakery producer that runs a chain of cafes and restaurants in Pavlodar (Krendel LLP, Pavlodar, Kazakhstan). Elite is also negotiating a deal with Krendel to become a distributor of Elite Honey's products in Eastern Kazakhstan.

Based on the new knowledge received in the training, the honey producer has developed an export plan envisaging increase of cross-border export supplies of its products to Russia. The company has contacted a large retail chain Sosedushka in Orenburg (Russia), and signed a letter of intent to supply Elite Kazakh honey products to the Sosedushka retail chain in the near future. It is planned that in August Elite Honey will sign a contract with the Sosedushka retail chain to supply of its honey products for \$20 000 per month.

Marina Tyslenko, director of Elite Honey LLP, notes: "The training program organized by USAID's Regional Economic Cooperation Project is very useful, as it has practical application for me personally and for my company. I have acquired knowledge on cutting edge business processes and made friends with the participants. My company has found business-partners and signed a contract for supply of its honey products. I am sure that business relations established with Krendel LLP, another participant of the training program will be cooperative and beneficial, and will I further increase sales of our honey products."



USAID
FROM THE AMERICAN PEOPLE

UZBEKISTAN

SUCCESS STORY

USAID helps Uzbek wood company increase export sales by 70%

USAID assistance helps businesses increase sales and competitiveness.



FAYZ WOODGROUP's warehouse of heat treated lumber

Ruslan Kuchkarov noted "USAID's Regional Economic Cooperation Project provided training and guidance that made FAYZ more competitive. We gained new business skills and knowledge, and established advantageous business ties that resulted in signed contracts and exports increased by nearly 70%".

FAYZ WOODGROUP is an Uzbek wood processing company that saws, trims and dries hardwood, ply-wood, and parquet flooring since 2010. As a result of USAID's assistance, FAYZ has become one of the Central Asian local suppliers to the U.S. Department of Defense (DOD) in Afghanistan, increasing their export capacity and sales.

Ruslan Kuchkarov, Export Manager of FAYZ, participated at the Spring 2012 "Export Partnerships Initiative" training organized by the USAID Regional Economic Cooperation (REC) project. The training had the goal to improve firms' operations and expand its export potential, while building business network connections in the Central Asia region. The trainings included topics on trade marketing, management and logistics, and strategic presentations such as "How to Supply to U.S. DOD in Afghanistan". From the latter, FAYZ recognized an unmet demand for heat-dried lumber in Afghanistan and expressed interest in supplying its products.

The USAID REC project linked and facilitated the cooperation between FAYZ and Theodor Wille Intertarde (TWI) - an expeditionary supply chain management company that directly supplies to the DOD as a "Prime Vendor". In July 2012, FAYZ signed two contracts with TWI to supply over 800 m³ of heat-dried lumber, valued at approximately US \$400,000.

Now FAYZ has joined a group of thirteen Central Asian companies facilitated by USAID REC to establish a sustainable strategy to supply to the U.S. DOD in Afghanistan. Their goal is to improve the quality of their products, implement required standards and certifications, and diversify their client base.

SECTION III ANNEXES

ANNEX A - MEETINGS, SEMINARS AND TRAININGS

Date	Meeting/Event	Participants	Description
January 27-28, 2012	Organic Farming EPG Focus Group	10	Organic farming EPG action plan drafted, including a description of activities, establishment of a timeline, and definition of roles and responsibilities
January 29-31	First Export Partnership Initiative Training	57	Organized in partnership with the Central Asian Tax Research Center (CATRC)
February 8-9	Textiles EPG Focus Group	12	Textiles EPG action plan drafted, including a description of activities, establishment of a timeline, and definition of roles and responsibilities
March 13	Presentation on KAZBUILT Conference	62	Presentation covered REC activities and project support to potential suppliers to US DOD in Afghanistan from CA
April 27-29	Second Export Partnership Initiative Training	56	Organized in partnership with the Central Asian Tax Research Center (CATRC)
May 24-26	Third Export Partnership Initiative Training, Uzbekistan (Management Logistics)	56	Organized by the CAR REC project
June 12-13	Supplying to the DOD EPG Focus Group (Tashkent)	13	Also hosted USAID and DLA representatives, identified 13 exporting companies.
June 12-13	Presentation for the EPG, Overview of Barriers to Supplying to the US DOD, Tashkent, Uzbekistan	13	Presentation for EPGs on supplying to the US DOD in Afghanistan.
June 24	EPI Internship starts	18	18 Interns begin work with 18 companies
April 24 – July 3	Training series for Organic farming EPG members	56	Trainings covered farming, fertilizing, irrigation and pest management at local apricot farms, participants were bio inspectors.
July	Training on How to Export to the Customs Union Countries	31	Organized by the CAR REC project
August 21-September 26	Preparation for the Volvis Program REC partnership	8	Meetings with the Voluntary Visitors Women Entrepreneurs of Central Asia and Afghanistan Network (WE CAAN) representatives
August 23	Workshop on “How to Export Horticultural Products”, Namangan, Uzbekistan		Organized in partnership with the Uztadbirkorexport Company
September 7	Presentation on CAR Industry Day in Almaty, Kazakhstan	205	Presentation covered REC activities and project support to potential suppliers to US DOD in Afghanistan from CA
September 13	Presentation on CAR Industry Day in Tashkent, Uzbekistan	162	Presentation covered REC activities and project support to potential suppliers to US DOD in Afghanistan from CA

September 13	Meeting with the Business Women Association, Tashkent		During the Uzbekistan Industry Days, REC met with the Business Women Association to establish contact
September 25-26	2 nd Annual Central Asia Trade Forum	270	Trade Forum and Trade Fair to bring together export companies to exchange ideas and strengthen export networks in CAR region

Reports and Deliverables

REC Deliverables

Training materials and handbook for Organic EPG: best agricultural practices for organic apricots

Organic farming market research

Exporters database

Report on Barriers to Export in Central Asia Region

Draft manual on how to sell to the U.S. DOD in Afghanistan

[REDACTED]

[REDACTED]

[REDACTED]

REC Progress Reports

First Quarterly Report

Second Quarterly Report

Third Quarterly Report

Year 1 Work Plan

[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

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Central Asia Trade
Forum.

ANNEX D PERFORMANCE MONITORING PLAN FOR YEAR ONE

RESULT	SOURCE	#	INDICATOR	BASELINE	YEAR 1	YEAR 2
Project Goal: Improved cross-border trade among Central Asian countries, Afghanistan, and larger trading partners	Project survey/focus groups/interviews with project-supported firms supplemented by financial statements when possible / quarterly	1	Value of export sales increased by project-supported firms (from contract)	\$412,634, 334 ¹	5%	10% increase of exports value (cumulative)
	Survey of project-supported firms / quarterly	2	Number of firms involved with the project able to meet requirements of the DOD (output) (from contract)	0	1	2 (cumulative)
	DOD prime vendors / quarterly	3	Value of new contracts between local producers and DOD prime vendors to export products (impact) (proposed indicator)	0	\$150,000	\$300,000 (cumulative)
IR1: Export partnership groups built and supported	Project survey/focus groups/interviews of EPI firms supplemented by financial statements when possible / quarterly	1.1	Value of export sales increased by project-supported firms (from contract)	\$412,634, 334 ²	5%	10% increase of exports value (cumulative)
	Project reports (as validated by firms) / quarterly	1. 2.	Number of firms receiving project supported capacity building assistance to export (output) (from contract)	0	80	150 (cumulative)

¹ Includes textiles EPG, Organic EPG, CU EPG and Supplying to DOD EPG.

² Includes textiles EPG, Organic EPG, CU EPG and Supplying to DOD EPG.

	Project records (including training sign-in sheets) / quarterly	1.3.	Number of participants in project supported trade and investment capacity building trainings (output) (from contract)	0	250	600 (cumulative)
IR2: Export potential of Central Asian firms and industries evaluated through market research	Market research documents	2.1	Number of technical assistance and capacity-building activities provided to firms and trade promotion agencies	0	4	10
IR3: Barriers to export along the export chain tested through selected pilots	DOD prime vendors / quarterly	3.1.	Number of new contracts between local producers and DOD prime vendors to export products (output) (from contract)	0	1	2 (Y2 targets are cumulative)
	"How to Export to DOD" manual	3.2.	"How to Export to DOD" manual (output) (from contract)	N/A	draft	final

ANNEX E. YEAR 1 WORK PLAN (OCTOBER 2011-SEPTEMBER 2012)

Activity/Task	Point Person	Month												Milestones
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	
A. Mobilization and Initial Activities														
Contract signature	Chemonics home office													
Chief of party orientation in Almaty	Chemonics home office													
Mobilize start-up team	Chemonics home office													
Technical research/ outreach assigned	Chief of party													
Procure office space, equipment, and furniture	Start-up specialist													Office set up
Central Asia regional professional and administrative staff hired	Start-up specialist													
Establish management structure and draft policy manual	Start-up specialist													
Hold team-building/ project launch workshop	Chief of party/ Chemonics home office													
Develop grants manual	Chemonics home office													Grants manual submitted to USAID

Activity/Task	Point Person	Month												Milestones
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	
Hold work-planning session with USAID and key partners	Chemonics home office													
Develop summary of gender issues, using quantitative and qualitative data	Gender specialist													
Finalize PMEP indicators and initiate baseline data collection	PMEP/communications/grants specialist													PMEP submitted with work plan to USAID
Conduct initial environmental examination and develop mitigation and monitoring plans to address environmental impact activities may have; developed with environmental review and assessment checklist	Environmental short-term technical assistance/chief of party													
Finalize communications strategy, including branding implementation plan and marking plan	PMEP/communications/grants specialist													Branding and marking submitted to USAID
Project fact sheet and website created	PMEP/communications/grants specialist													
Deputy chief of party orientation in Chemonics' Washington, D.C. office	Chemonics home office													

Activity/Task	Point Person	Month												Milestones
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	
B. Program Implementation														
Activity 1: Assessment of Existing EPGs														
Meet with other development programs and donors to inform the plan of action	Component 1 leader													
Identify capacity needs that can be addressed to strengthen business planning, understand customs and tax issues, and integrated marketing (based on our analysis and evaluation of RTLC by USAID)	Component 2 leader													
Meet with private sector partners such as the freight forwarders association to communicate the plan of action	Component 1 leader													
Prepare and conduct outreach and focus group sessions to engage existing EPI groups and members	Component 1 leader													EPI action plan by January; compile comprehensive list of existing EPG-specific needs

Activity/Task	Point Person	Month												Milestones
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	
Work with chambers of commerce, ongoing donor programs, and Central Asian government officials to identify potential new EPI groups and firms	Component 1 leader													
Collaborate with Activity 2 team to outline key market demands and draw links with appropriate EPI groups	Component 1 leader													
Activity 2. Generation of New EPGs														
Prepare and launch information campaign to invite new potential firms in Kazakhstan, Uzbekistan, Kyrgyzstan, and Tajikistan to participate in EPI.	Component 1 leader, PMEP/communications/ grants specialist. In Uzbekistan - UBI.													Announcements made through media and website; invitations are sent directly to professional associations by e-mail
Create selection criteria	Component 1 Leader													Annex

Activity/Task	Point Person	Month												Milestones
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	
Make on-line application form	Component 1 Leader													Annex
Make announcement	Component 1 Leader													Annex
Collect 500 applications	Component 1 Leader													
Select 60 training participants: 20 from KZ, 20 from UZ, 10 from KG, 10 from TJ.	Commission: COP, DCOP, Component 1 Leader													
Interview potential candidates for the training. In UZ with UBI.	Component 1 Leader													
Invite 60 participants by e- mail, or by phone.	Component 1 Leader													
Work with Central Asian Tax Research Center and CED on training programs	Component 1 leader													
Training of selected participants. 3 Days Session # 1, Almaty. CATRC (KIMEP)	Component 1 Leader													

Activity/Task	Point Person	Month												Milestones	
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep		
Training of selected participants. 3 Days Session # 2, Tashkent, CED.	Component 1 Leader														
Training of selected participants. 3 Days Session # 3, Almaty. CATRC (KIMEP)	Component 1 Leader														
Signing of MOU for 2 new EPGs, Tashkent. Asses and fix the baseline.	Component 1 Leader														
Activity 3. Provision of Technical Assistance for both Existing and New EPGs															
Focus Groups: Develop detailed plan to support 2 new EPI groups based on their demands.	Component 1 leader														
Support EPGs to attend/participate in international exhibitions and/or other kind of support, according to the plan.	Component 1 leader														Exhibition outcome reports
Prepare and Implement EPI student mentorship/internship program	Component 1 leader														Prepare EPI mentorship/internship program in summer

Activity/Task	Point Person	Month												Milestones
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	
Activity 4. Organization of the Second Central Asian Trade Forum and Y1 activities evaluation														
Conduct the second Central Asian Trade Forum for EPI firms and other stakeholders (buyer visits, deal negotiation, etc.)	Component 1 leader													
Conduct evaluations of increased capacity and update support plan	Component 1 leader													
Activity 2: Export potential of Central Asian firms and Industries evaluated through market research														
Task 2.1: Market research to identify potential DOD Afghanistan suppliers in CAR														
Review existing reference materials on DOD supply, CAR-Afghan export/import, donor reports, etc.	Component 2 leader													Identified criteria and needs of DOD from exporting firms in Kazakhstan and Uzbekistan
Identify and summarize DOD Afghanistan commodity items needed from CAR, specifications, quality, and quantity requirements	Component 3, 2 leaders													Identified target industries and existing exporters in Kazakhstan and Uzbekistan
Develop database of REI beneficiary firms and	Component 2 leader													Database of the firms

Activity/Task	Point Person	Month												Milestones
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	
counterparts														
Design survey among suppliers of DLA/GSA prime vendors, prime vendors and DLA to identify processes, constraints and recommend addressing them.	Component 2 leader													Market research provider selected
Market survey implementation	Component 2 leader													List of the highest-potential firms to supply to DOD
Expert assessment of at least 10 firms as potential suppliers to DLA prime vendors.	Component 2,3 leader													How to export to DOD Afghanistan through the NDN Guide
Task 2.2: Marketing technical assistance to the EPI members														
Identify and conduct initial screening of existing databases of exporting and export-oriented firms. Implement recruitment of the exporters for EPI development, their needs assessment	Component 2 leader													List of 60 highest-potential firms for new EPGs, and their capacity building needs

Activity/Task	Point Person	Month												Milestones	
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep		
Existing EPGs capacity building and technical assistance	Component 1, 2 leaders with														Needs assessment and capacity building plan
New EPI Development and Training	Component 1, 2 leaders														Memo signed for new EPGs (by May)
Task 2.3: Marketing technical assistance to the EPI members															
STTA for the Kazak and Uzbek Export Promotion Government Agencies to revise and improve best –practices-based Export Guide	Component 2														Revised and improved “Export Guide” for Kazakhstan and Uzbekistan
Activity 3: Barriers to export along the export chain tested through selected pilots															
Task 3.1: Firms identified and evaluated for potential to sell to DOD															
Complete a conceptual outline and timeline for "How to Export to DOD Through the NDN" manual including on how to contract with DOD	Component 3 leader														Conceptual outline and timeline for "How to Export to DOD Through the NDN" manual are prepared
Work with Activity 2 team to research doing business export processes, procedures, barriers in supplying to DOD through	Component 3 leader														Doing business with DOD training is attended; training materials are

Activity/Task	Point Person	Month												Milestones
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	
the prime vendors.														distributed to stakeholders
Work with Activity 2 team to conduct discussions with DLA and NDN prime suppliers to outline requirements for selling to DOD	Component 3 leader													Define outline of needs and requirements for selling to DOD and from Kazakhstan and Uzbekistan
Identify shortlist of firms with potential to sell to DOD, working with Activity 1 and 2 teams	Component 3 leader													Shortlist of firms is identified
Evaluate organizational capacity of partner firms — management structures and systems, etc.	Component 3 leader													Organization capacity is evaluated; information about capacity is provided
Evaluate physical infrastructure of firms (machinery, warehousing, etc.) with sanitary/ phytosanitary considerations	Component 3 leader													Physical infrastructure of firms (machinery, warehousing, etc.) with sanitary/ phytosanitary considerations is evaluated

Activity/Task	Point Person	Month												Milestones
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	
Evaluate quality and quantity of firms' products supply	Component 3 leader													Quality and quantity of firms' products supply are evaluated
Evaluate quantity and quality of current vs. potential output	Component 3 leader													Quantity and quality of current vs. potential output are evaluated
Assess firm resources and ability to make necessary improvement to meet export capacity	Component 3 leader													Firms' commitment and abilities to make improvements are evaluated
Identify at least two pilot firms (at least one in Kazakhstan and one in Uzbekistan)	Component 3 leader													At least two firms are selected
Task 3.2: USAID accepted action plan created to overcome two firms' obstacles to supplying DOD														
Work with partner firms to establish plans of action and timeline for meeting DOD requirements	Component 3 leader													Action plans are prepared
Conduct review meetings with DOD/DLA and DOD supplier representatives to ensure results of plan meet requirements	Component 3 leader													Review meetings are conducted

Activity/Task	Point Person	Month												Milestones	
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep		
Obtain commitment from DOD/DLA and/or suppliers to provide guidance during the plan implementation	Component 3 leader														Commitment from DOD/DLA/ suppliers is received in form of feedback and cooperation
Finalize draft plans of action and gain commitment for participation by two pilot firms	Component 3 leader														Draft plan is prepared; firms have started to cooperate with project
Task 3.3: Action plan executed with results that two firms are capable of closing deal and fulfilling orders to DOD															
Begin implementation of action plans with pilot firms	Component 3 leader														Plans of actions are prepared; firms have started to implement them
Conduct formal capacity-building sessions — overviews of working with DOD/DLA, understanding contracts, etc.	Component 3 leader														At least one capacity-building session is conducted
Ongoing informal mentoring/support for operational and other changes	Component 3 leader														Monitoring is established; communication between project and companies is ongoing

Activity/Task	Point Person	Month												Milestones
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	
Support negotiations with international certifiers	Component 3 leader													International certifiers have been identified and communication with them is ongoing
Support negotiations with prime DOD supplier(s)	Component 3 leader													Prime vendors and suppliers are identified and project firms have started to cooperate with them
Review and revise firm policies and systems to comply with DOD requirements	Component 3 leader													Policies and systems have been analyzed; list of relevant documents is prepared; key documents are available
Review and assist transport engagements, assist with negotiations with logistics/transport firms	Component 3 leader													Logistics and transport firms, operating in the region have been identified and the firms and project have started to cooperate with them
Facilitate export license	Component 3 leader													Licensing needs are

Activity/Task	Point Person	Month												Milestones
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	
process via government of Kazakhstan and government of Uzbekistan														identified; licensing requirements are being followed, if necessary
Assist with initial sanitary audits by U.S. Army auditors	Component 3 leader													U.S. Army auditors are contacted and invited for the audit if necessary
Task 3.4: Closed and fulfilled order to DOD by two firms														
Complete "How to Export to DOD Through the NDN" for DOD manual, including on how to contract with the DOD	Component 3 leader													Guide is published
Support final contract negotiations with DOD and prime suppliers	Component 3 leader													Contracts are prepared and finalized
Oversee contract signature	Component 3 leader													Contracts are signed
Monitor and support each critical step in fulfilling the order: processing, packaging, and final delivery	Component 3 leader													Monitoring is established; all logistics phases are monitored; communication with firms and other stakeholders is

Activity/Task	Point Person	Month												Milestones
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	
														ongoing
Coordinate with DOD and prime supplier to facilitate crossing Afghanistan border	Component 3 leader													System of border crossing is studied and how to cross the border provisions are incorporated in "How to Export to DOD Through the NDN"
Monitor delivery of goods and completion of process	Component 3 leader													Goods are delivered to DOD and final comments from DOD and other stakeholders are obtained
C. Project Reporting, Communications, and PMEP														
Meetings with USAID	Chief of party													
Monitoring and evaluation	Chief of party													
Submit copies of surveys, studies, assessments, and analytical reports to USAID	PMEP/communications/grants specialist													
Update project website	PMEP/communications/grants specialist													

Activity/Task	Point Person	Month												Milestones
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	
Publish and distribute project newsletter	PMEP/communications/grants specialist													
Quarterly progress and financial reports (within 10 days of end of quarter)	Chief of party													
Impact stories for USAID monthly newsletter (at least two per country per year)	PMEP/communications/grants specialist													
Review the PMEP, as needed	Chief of party													
Annual work plan (within 15 days before new fiscal year)	Chief of party and gender specialist													
Annual report (within 15 days of the end of the 12 th month)	Chief of party													