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CENTRAL ASIAN REPUBLICS

REGIONAL ECONOMIC INTEGRATION PROJECT

YEAR 1 WORK PLAN

Contract No. AID-176-I-11-00003
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ACRONYMS

AmCham	American Chamber of Commerce
CA	Central Asia
CAR	Central Asian Republics
CAR&A	Central Asian Republics and Afghanistan
CAREC	Central Asia Regional Economic Cooperation Program
CATRC	Central Asian Tax Research Center
CCIUz	Chamber of Commerce of Uzbekistan
CED	Center for Economic Development
CIS	Commonwealth of Independent States
CoCs	Chambers of Commerce
COP	Chief of Party
CSR	Corporate Social Responsibility
DCOP	Deputy Chief of Party
DLA	Defense Logistics Agency
DOD	Department of Defense
EBRD/TAM	European Bank of Reconstruction and Development
EPI	Export Partnership Initiative
EPG	Export Partnership Group
FF&V	Fresh fruit and vegetables
GDA	Global Development Alliance
GSA	General Services Administration
GOK	Government of Kazakhstan
GOU	Government of Uzbekistan
KLDP	Kyrgyz Local Development Project
MOU	Memorandum of Understanding
NGO	Nongovernmental organization
PMU	Project Implementation Unit
PV	Prime vendors
REI	Regional Economic Integration Project
RFA	Request for application
RTLc	Regional Trade Facilitation and Customs Reform project
SoW	Scope of Work
TAFa	Trade and Accession Facilitation for Afghanistan project
TWI	Theodore Wille Intertrade
USAID	United States Agency for International Development
WTO	World Trade Organization

EXECUTIVE SUMMARY

The Regional Economic Integration (REI) project is facilitating and building the capacity of existent and new export partnership groups (EPGs) in Central Asia. These partnerships are comprised of Central Asian firms, Afghan firms, local and international logistics service providers, business associations, and other stakeholders.

The project also includes a market research component that is designed to thoroughly evaluate export potential and constraints faced by businesses in Kazakhstan and Uzbekistan. This component is devised to identify and address impediments of supplying Central Asian products to the Department of Defense (DOD) in Afghanistan. As a result, the project will assist two local firms from Kazakhstan and Uzbekistan to supply products to the DOD in Afghanistan via a pilot initiative.

Finally, the REI project will help demonstrate the applicability of the EPG model as a conduit for economic growth in Central Asia. Simultaneously, REI will support Central Asian suppliers to sell local products to DOD in Afghanistan thus bolstering economic growth in the region.

By the end of the first year REI will have:

- Developed and implemented the activities under the USAID approved export partnership assistance plan for the existing organic farming and textile Export Partnership Groups
- Organized capacity building activities through the Export Partnership Initiative for 60 companies from Central Asian Republics
- Formed two new export partnerships groups
- Organized the Second Central Asian Forum¹
- Reviewed and upgraded existing “How to Export” guides and manuals for Kazakhstan and Uzbekistan
- Piloted sales of local products to DOD with 3-4 firms and facilitated at least 1 contract with the DOD regional prime vendors
- Developed a “How to Export to the DOD” manual based on the extensive market research and survey of the local suppliers

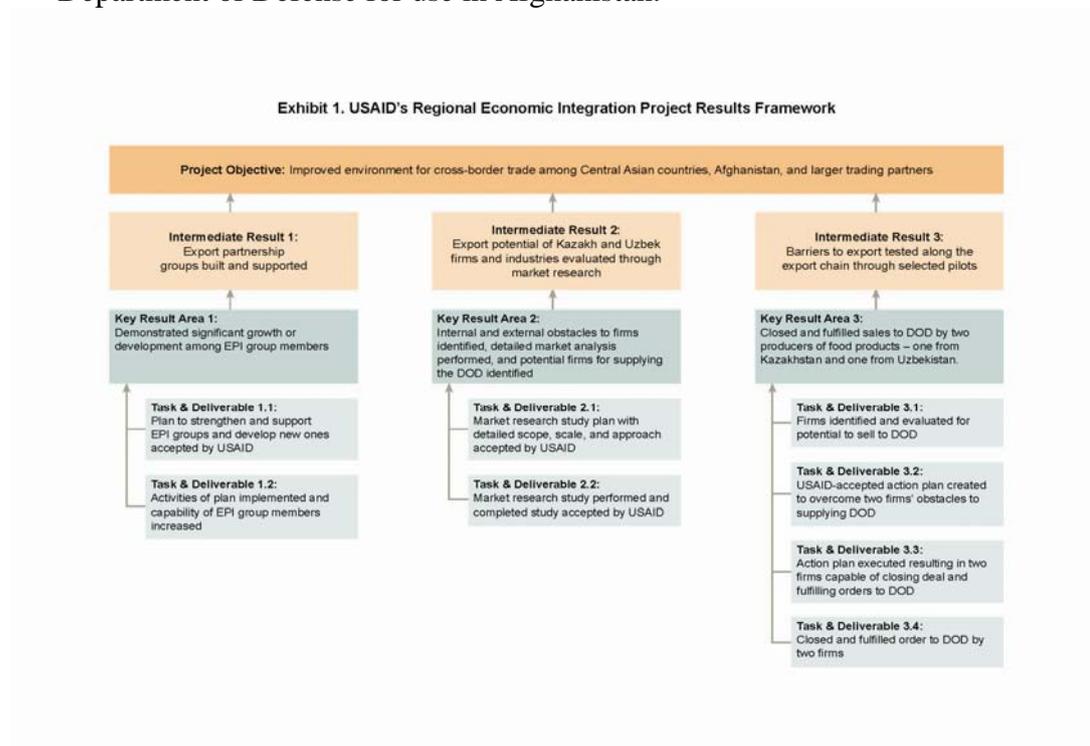
¹ The First Central Asian Forum took place in August 2011 in Bishkek as a concluding event for the Export Partnership Initiative activity under the predecessor USAID project.

SECTION I. INTRODUCTION

A. Results Framework

The strategic objective of the project is to improve cross-border trade among Central Asian Republics, Afghanistan, and larger trading partners (see Exhibit 1) REI Project Results Framework). The project will undertake a range of trade facilitation activities, specifically:

- **Component 1.** Help export partnership groups developed under legacy projects, and, to the extent possible, facilitate and support new EPGs under the Export Partnership Initiative (EPI) activity.
- **Component 2.** Evaluate the export potential of Kazakh and Uzbek firms and industries through market research.
- **Component 3.** Test export barriers through facilitating sales to the U.S. Department of Defense for use in Afghanistan.



To reach the strategic objective of improving cross-border trade among the Central Asian Republics and Afghanistan, as well as larger trading partners, the project will work toward three contractual performance outcomes, which are discussed in the Program Description section of the work plan:

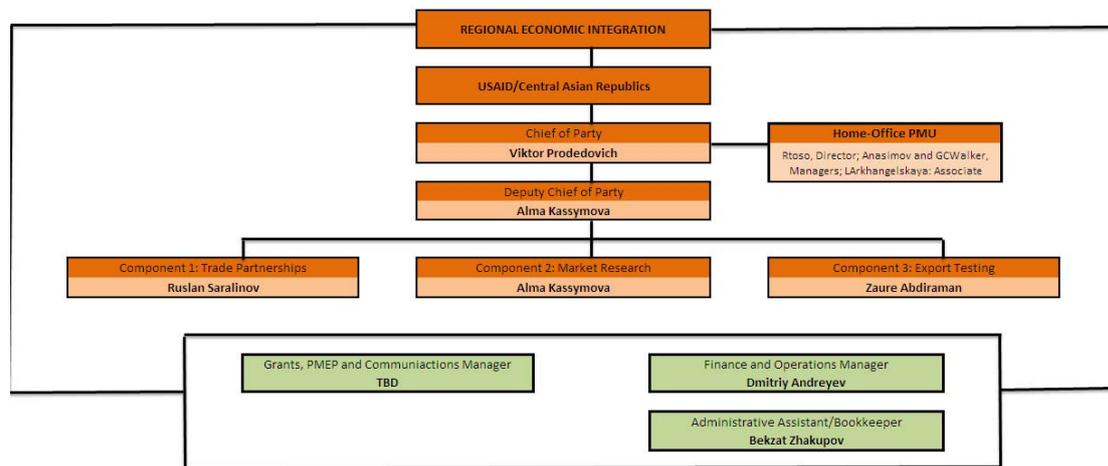
- **Performance Outcome 1:** EPG group members demonstrate significant growth or development of their businesses through increased sales, exports, investment, and/or expansion of business activity.

- **Performance Outcome 2:** Internal and external obstacles to firms in Kazakhstan and Uzbekistan are identified through detailed market analysis and research. Potential local firms for supplying DOD in Afghanistan are identified.
- **Performance Outcome 3:** Two producers, one from Kazakhstan and one from Uzbekistan, fulfill sales to DOD for export to Afghanistan. Develop a “How to Export to the DOD” manual based on the experiences selling to the DOD from the piloted companies, and market research.

B. Organizational Structure

The REI organizational structure provides the needed resources to successfully implement the project activities (see Exhibit 2 – REI Organizational Structure).

Exhibit 2 - REI Organizational Structure



Although REI does not foresee opening an office in Uzbekistan for project staff, the project will conduct as many activities as feasible in Uzbekistan via selected local consulting companies. The project will work with a number of organizations such as the Center for Economic Development (CED), UBI Consulting and possibly other relevant local partners. CED will provide a consultant to REI to support all three components of the project. In addition, CED will assist the project with organizing project events in Uzbekistan, supporting export partnership groups, and providing materials on Uzbekistan for the research required for the “How to Export “manual. The activities in Uzbekistan are described in more detail in Section II D.

SECTION II. YEAR 1 WORK PLAN

A. Component 1. Export Partnership Initiative

EPG group members demonstrate significant growth or development of their businesses through increased sales, exports, investment, and/or expansion of business activity.

Basics of Export Partnership Initiative activities. The main principle of EPI activity is creation of Export Partnership Groups that promote synergies, enhanced creativity, and flexibility of its member companies. Forms of cooperation may vary depending on the specific tasks and objectives entrepreneurs have to attain. . For example, EPG members may choose:

Export Partnership Groups

An export partnership group is a community of companies (small and medium) that unite on a voluntary basis to strengthen their competitive position and increase sales.

- To create a trade platform for participation in international bids and local procurement
- To establish commercial offices and representations in different countries
- To respond jointly to commercial proposals
- To organize production in other countries
- To participate in exhibitions and trade shows collectively
- To establish joint ventures
- To establish distribution centers and trading houses with the goal of demonstrating and selling their products, organization of training, and improving qualifications
- To set up warehouses and storage facilities at the borders
- To organize commodity exchanges
- To create joint catalogues of industry products
- To obtain collective certification for products
- To create a web portal with links to EPG member websites
- To exchange other information

The variations of cooperation formats are wide, and the choice of format depends on concrete circumstances and creativity of the EPG members. The key for members is to understand the benefits of cooperating among a mix of well-developed and less-developed export firms from the region, where in most cases there are greater business opportunities and monetary gains from undertaking the above mentioned activities as a group of companies rather than by an individual firm.

Performance Outcome 1 – Year 1 Milestones

- Two new export partnership groups established
- Two existing export partnership groups supported
- 60 participants trained
- 300 participants take part in the second Central Asian Forum networking event
- 10 deals/contracts are signed

In essence, EPG’s lifetime has several phases, from less formal to completely formal. In the first phase, it is managed by spontaneous business opportunities and when it is completely formal, it has all the attributes of formal organization, including management execution. Legal format may vary beginning with non-commercial partnership to syndicate, or association. Future scenario could be of the following order: export partnership – noncommercial partnership – association of cluster exporters – national association of exporters – federation of CA exporters associations. The export partnerships are a solid base for the foundation of future professional associations of exporters, which will play an important role in Central Asia, especially, in building the new Silk Road.

Timeline for EPI Activity	
Jan - Feb	Activity 1. Conduct focus groups with textiles and organic farming EPGs
Jan - June	Activity 2. Generation of new EPGs
Mar - May	Conduct EPI training
Feb - Aug	Activity 3. Targeted assistance to new EPGs and continue with existing EPGs
Sep	Activity 4. Second Central Asian Trade Forum

A1. Assessment of Existing EPGs

We will start developing a plan to strengthen and support the existing EPGs. In the first 120 days, the chief of party and Component 1 leader will facilitate focus groups with the textiles and organic farming EPGs to develop a detailed EPI-group assistance plan.

To evaluate the project impact on the activity of the member-firms we will conduct a baseline survey assessment at the start-up of Export Partnership Groups. Data will be collected to account for:

- Number of current export contracts
- Their current exports volume
- Current countries that they export to
- Variety of products that they currently export
- Number of specialists engaged in exporting
- Variety of marketing products used by these companies

The EPG members will re-confirm their exports goals towards specific products and markets. We will then address their needs to strengthen their exporting capacity to these markets through sales-focused training, direct assistance to firms in business planning, customs and tax issues, marketing strategy, or by establishing communication mechanisms between firms.

The development assistance plan will be submitted to USAID for approval. Once approved, the Component I leader will start its implementation, attracting all available resources, including but not limited to:

- In-house short-term technical assistance
- IBM Global Corporate Volunteers Program short-term technical assistance
- Capacity building grants

- Assistance through the EPI internship/mentorship program²

For example, the EPGs may need to create a marketing and branding strategy for a product that the EPG will sell to a defined market and request any of the above mentioned resources. The Component 1 Leader will advise on the availability of resources and will facilitate their delivery to the EPG or a particular firm. In essence, the development assistance plan is an addition to the current year one work plan, as it will outline export-capacity building strategy and assistance for each EPG.

Once new EPGs are formed, a development assistance plan will be developed for each of the newly formed groups. The development plans for each EPG will outline the goals and actions that each company will undertake on its own, the actions that will be undertaken by the group, and those activities that will required REI interventions. REI will collect various sources as mentioned above, and facilitate other donor organizations' cooperation, including EBRD/BAS Program, to implement these activities.

Upon approval of the new EPGs, the Component 1 Leader will evaluate them, determine baseline data and develop an EPG development assistance plan. This will follow the same process described in A1. Assessment of existing EPGs. The new EPGs might need technical assistance in developing marketing and branding strategy, advertising research, brand research, consumer research, concept testing, audience research, business-to-business exchange, customer studies, market segmentation, statistics analysis, pricing studies, and product testing for a particular product or market of interest to the EPG.

EPI Internship/Mentorship Program

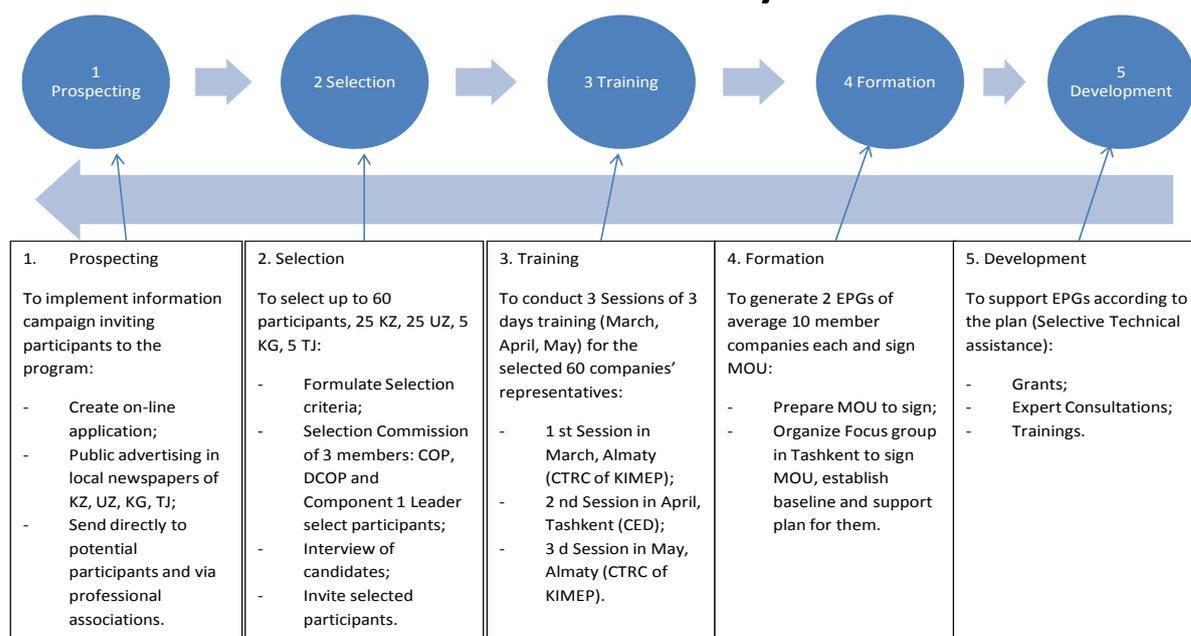
To leverage resources to implement the development assistance plan, REI will facilitate internships between the project participants' enterprises and M.B.A. students. Students from any relevant educational institutions in Kazakhstan and Uzbekistan will be eligible to apply. As REI does not have a presence in Kyrgyzstan and Tajikistan, we will propose this program to other USAID projects in these countries so they can lead the initiative as part of their own activities.

Invitations to apply for an internship in the framework of the EPI activity of the project will be advertised in mass media, universities and in cooperation with the Ministries of Education in both countries. A database of potential interns and potential companies will be created and students will be matched to EPG member companies for an internship. EPG member companies will choose interns from the project's database according to their needs and criteria they formulate by their selves in every particular case.

We will encourage applications by female M.B.A. students, as well as participation of female entrepreneurs as mentors to the EPI student mentorship program. An internship could be paid or unpaid by the EPG member. The company will sign an internship contract with a student for two months to accomplish a specific task that was defined for this company during the export-readiness assessment under the EPG activity. The activity will be launched in April and May, and students will be able to work with the companies during the summer.

The process of creation of new export partnership groups follows a 5 stage cycle: prospecting, selection, training, formation and development, pictured on Exhibit 3 – Five Steps of EPG Generation below. This cycle, which was completed by the legacy project RTLC, will be repeated in year 1, and year 2 of the REI project.

5 Steps of Export Partnership Generation Cycle



Prospecting Stage is a full-scale informational campaign. Component 1 Leader has developed the application form and announcement inviting Central Asian Exporters to take part in three consecutive trainings in March, April and May 2012 (see Annex B. Training Application Form and Annex C. Training Announcement).

The companies will be invited to fill in the application form either online, via email or by hand. The information campaign for the selection of companies from Kazakhstan, Kyrgyzstan, Tajikistan and invitation of companies from Afghanistan will be managed by Component 1 Leader. In Uzbekistan the selection will be implemented by an Uzbek subcontractor, UBI LLC, which has been selected based on a competitive bid, an interview meeting, and extensive corporate capabilities implementing similar projects in Uzbekistan.

All in all, REI and UBI will disseminate information and collect applications from about 500 exporting firms in the Central Asian region. We will publish advertisements in local newspapers inviting potential project participants to submit applications. Other communication channels will be also used, including the following business associations:

- Association of Light Industry Enterprises
- Association of Producers of Non-Alcoholic Beverages
- Association of Business Women of Kazakhstan

- Association of Producers of Pharmaceutical and Medical Products
- Association of Markets and Trade and Service Industry Enterprises
- Kazakh Association of Customs Brokers
- Association of National Freight Forwarders
- Grain Union of Kazakhstan
- Cotton Association of Kazakhstan
- Milk Union of Kazakhstan
- Engineering Union of Kazakhstan
- Union of Poultry Breeders of Kazakhstan
- Union of Food and Processing Industry Producers of Kazakhstan
- Chambers of Commerce in Central Asia republics and Afghanistan
- American Chambers of Commerce in Central Asia

As for Uzbekistan, UBI will collaborate with the local business associations in Uzbekistan including the Chamber of Commerce of Uzbekistan. Finally, we will send an invitation to the list of 500 exporter companies that the Component 2 leader compiled in the first two months of project implementation.

Selection Stage. The REI team will review approximately 500 applications received and select 60 companies for the participation in the Export Partnership Training, and possible participation in the new Export Partnership Groups. There is a three-tiered screening process. First, applications will be reviewed and analyzed against proposed selection criteria; second, Component 1 Leader will conduct phone or in person interviews; and third, based on the applications and interviews, the COP, DCOP and Component 1 Leader will select the companies to take part in the new EPI training. In parallel to these activities, we will be implementing a similar screening process through UBI, REI subcontractor in Uzbekistan. The Component 1 leader will take part in the interviews in Uzbekistan for quality assurance purposes.

Below we have summarized the trainings selection criteria:

- Companies should demonstrate a strong commitment and openness to execute their export strategy in cooperation with other companies that will take part in the training.
- Companies should demonstrate strong interest and institutional capability to learn.
- The most active business associations and their members deemed most promising to expand exports in the region will be selected for the training program.
- Companies will be selected on the basis of potential synergies of products, customers, and/or distribution channels.
- Companies that have had experience exporting.
- Companies should demonstrate a commitment to invest in improvements.

With regards to Kyrgyzstan, Tajikistan and Afghanistan, Component 1 leader will cooperate with other USAID-funded projects such as the Kyrgyzstan Local Development Project (KLDP) and the Trade and Accession Facilitation in Afghanistan project (TAFA), both implemented by Chemonics International. For example, EPI may include participants from Kyrgyzstan who have already received some support from KLDP and will be carried over by REI for improving their export-

building capacity. TAFAs have created several trade service centers in Afghanistan and provides training to Afghani business owners. We will cooperate with them in identifying Afghan exporters to take part in EPI activity and to obtain information on customs clearance and other administrative procedures in Afghanistan. We have already started building the relationship with these projects, and will also explore other opportunities.

The final selection will comprise of 25 companies from Kazakhstan, 25 from Uzbekistan, 5 from Kyrgyzstan and 5 from Tajikistan. Although the project activities are focused on Kazakhstan and Uzbekistan, the Export Partnership Groups would benefit from the participation and experience of companies from other CA countries and Afghanistan. In addition, REI will use every opportunity to cooperate with Chemonics-implemented projects in Central Asia and Afghanistan to increase the number of participating companies from Kyrgyzstan, Tajikistan, and Afghanistan.

When participants are selected, the project team will send invitations to the training by e-mail or phone call. REI will pay for airfare and hotel, and the participants will be asked to cost-share their meals and incidentals.

Training Stage. We will conduct an intensive program for EPI firms in March and April (in Almaty, Kazakhstan), and in May 2012 (Tashkent, Uzbekistan), which will then extend from training activities to practical trade promotion and export collaboration.

Participants will become conversant with international trade best practices, including cross-border intraregional trade, logistics management, receive knowledge and skills on best practices on lobbying for pro-trade reforms, and acquire practical knowledge for conducting business in neighboring countries (See Annex D. Training Concept).

The group of 60 professionals from around the Central Asian region (Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, and Afghanistan) will have an opportunity to share experiences, create networks, learn, and collaborate to promote growth and sustainability during and after the training program.

Formation of Export Partnership Groups. We will set up two new export partnership groups, each composed of seven to ten committed companies focused on exporting to a selected target market. Below we have summarized the EPG members' selection criteria:

- Opportunities for promoting cooperation to support products, customers, and/or distribution channels among companies
- Similar products/companies will be in the same export partnership
- Proactive private entrepreneurs are expected to further contribute to the mentoring of less mature traders

Cooperation will help companies to enter new export markets in a cost-efficient and time-effective way. The Component 1 leader will provide practical support for creation of export partnerships by:

- Providing training

- Acting as a professional exports promotion manager for the EPG
- Creating synergies
- Promoting effort
- Consolidating results
- Following up on projects

The companies will be heavily involved in planning and coordinating practical sales, marketing, and other relevant activities that will help develop skills and add value to their business. In perspective, export partnerships should be running on their own in two to three years. Expected benefits for small and medium enterprises are:

- Increased professional skills through well targeted, intensive training
- Networking effect, learning from each other
- Established regional trade ties
- Increased professional awareness through dissemination
- Opportunity to access new export markets
- More business, more profits

The signing of a memorandum of understanding among members for at least two Export Partnership Groups will be held in Tashkent at the last EPI session in May 2012. The signing of memorandum will transfer the EPGs to the fifth and last stage below, the Development of EPGs.

The trainings' location will be split between Almaty and Tashkent. In Uzbekistan, CED will be heavily involved in the organization of the trainings and those activities that will be defined by the EPGs development assistance plans. The role of our partners (subcontractors) in Uzbekistan is outlined in detail under Section II D Implementation in Uzbekistan.

A3. Organization of the Second Central Asian Trade Forum

The second Central Asian Trade Forum will provide hundreds of businesses with opportunities for networking, learning and marketing in a fast-paced and motivational environment. The event will feature keynote speeches from successful players in global and regional business, a series of conferences led by top practitioners targeted to the Central Asia context, and a public trade show that will give participants the opportunity to demonstrate their business models before a jury of international business consultants.

All sessions will revolve around the theme “Together We Succeed” Participants will hear how international business can be successful despite the challenges businesses face in Central Asia. Keynote speakers and consultants from several countries will offer inspiring stories of success and the lessons they learned in the process.

The second Central Asian Trade Forum will be a culminating event of the year-long effort to develop export partnerships among Central Asian companies, implemented by REI. Export partnership participants will share their successes and mentor other businesses about partnering. REI will also provide participants with a range of practical guides on conducting cross-border trade, organizing logistics, and other topics.

A special session on supply to the DOD through the Northern Distribution Network (NDN) will be organized with the invitation of Defense Logistics Agency (DLA) and General Services Administration (GSA) experts, as well as invitation of prime vendor representatives.

REI will search for private sector and other project sponsorships to cost share the planning expenses of the event. We will reach out to EBRD/BAS program, TAFA project, KLDP project, Women Empowerment Symposium funded by the US Department of State, EPG participants and other interested businesses and sponsors to gauge the interest in cost sharing the Forum. Expected results from the second Central Asian Trade Forum:

- 600 participant training hours covered by 20 conference sessions
- 300 participants from 300 organizations and companies
- 10 deals/transactions made among participating companies and organizations at the event, including new clients, human capital investments, and partnership agreements
- Dissemination of the “how to export” manual based on the experiences selling to the DOD from the piloted companies

B. Component 2. Marketing Research

Internal and external obstacles to firms in Kazakhstan and Uzbekistan are identified through market analysis and research. Potential firms for supplying DOD are identified.

REI views Component 2 Market Research as an important resource for Component 1 and Component 3.

The objectives of Component 2 activities are:

- Provide marketing capacity building to EPGs based on identified needs. Determine firms’ internal and external barriers to trade in a wide range of industries in the Central Asia region and to a wide range of countries.
- Review and upgrade the “How to Export” guides and manuals for Kazakhstan and Uzbekistan.³ Support the research for the “How to Export to the DOD” manual
- Identify potential firms in Kazakhstan and Uzbekistan for supplying the DOD in Afghanistan.
- Analyze the obstacles to supply to the DOD in Afghanistan.

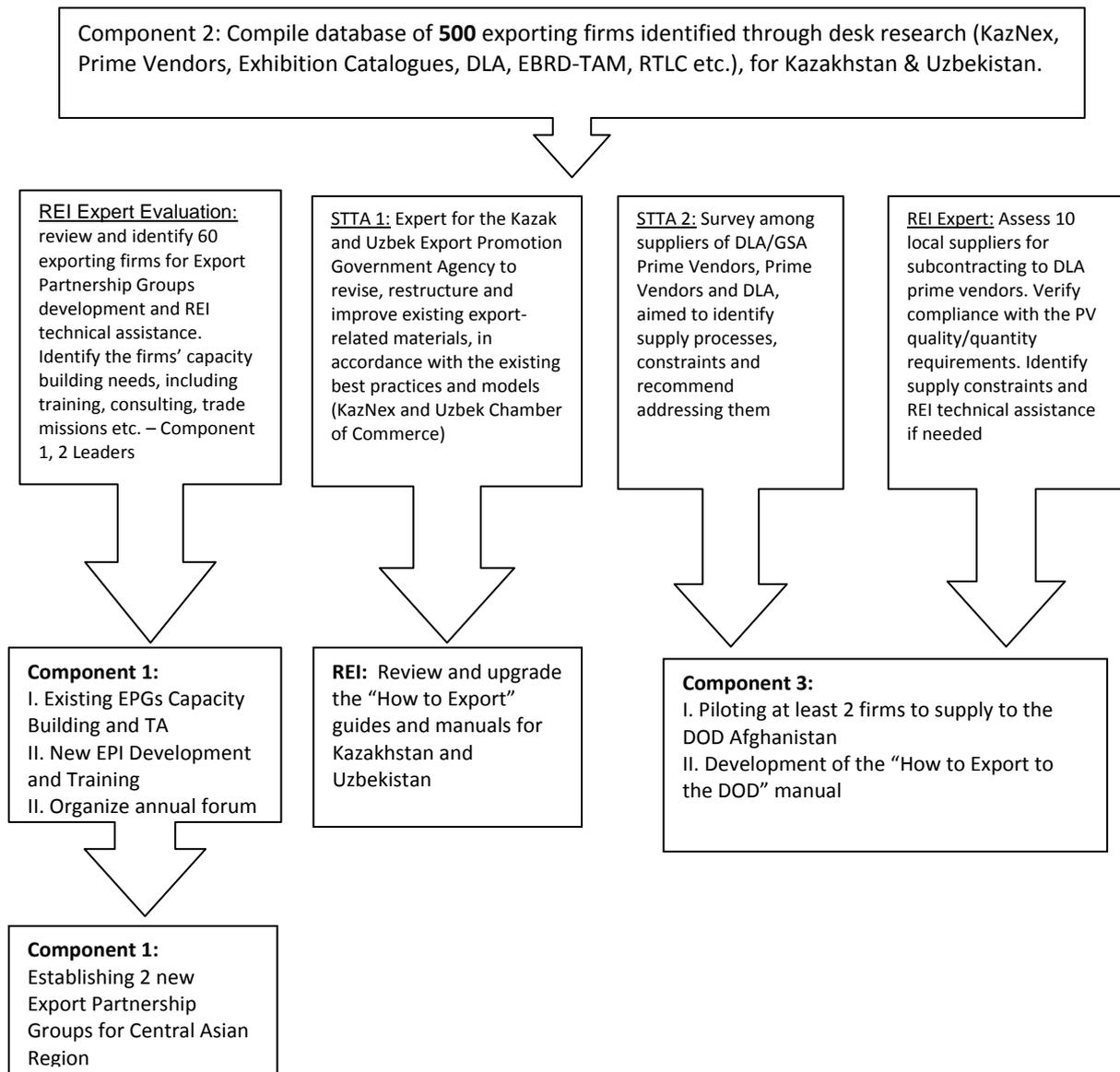
**Performance Outcome 2 –
Year 1 Milestones**

- 500 exporting firms identified in Central Asia (Kazakhstan, Uzbekistan) through desk research
- 60 high-potential firms identified for export partnership groups development
- Identify internal and external barriers to trade
- 10 firms evaluated for compliance with DLA prime vendors’ requirements.

In Exhibit 4, we graphically present the implementation of Component 2 Market Research.

³ REI will intend to work with KazNex Invest and the Chamber of Commerce of Uzbekistan through a collaboration agreement to achieve this objective.

Exhibit 4 - Implementation of Component 2 Market Research



B1. Provide marketing capacity building to EPGs based on identified needs

Component 2 is instrumental in supporting Component 1 at the stage of organizing EPG trainings, development of export marketing strategies, and market intelligence information for selected EPGs.

Component 2 Leader shall compile a database of existing exporter firms in Kazakhstan and Uzbekistan (estimated as 500 total) from the existing sources (KazNex Invest database of exporters, EBRD-BAS Database, legacy of the previous donor projects, DLA sourcing lists etc.). Then, the component leaders shall conduct initial screening and assessment of those firms aimed to identify 60 most high-potential firms for export partnership development, segregated by highest export potential industries, countries for export and commodity groups as applicable for Kazakhstan and Uzbekistan firms. We described this process in detail under Component 1. Similar compilation of the initial database of exporters shall be compiled for Uzbekistan by UBI Consulting.

The in-depth survey of those 60 local firms will then be conducted by Component 1 and 2 Leaders to assess their capacity development needs and identify the barriers to export. These survey findings will be used to formulate recommendations that address both the internal and external barriers to export, as well as detail EPG Development Action Plan. Based on these findings and initial EPG focus groups, the Component 2 leader will work with the Component 1 leader in organizing EPI training and identifying speakers and topics of relevance per each EPG. CED will assist REI to conduct the EPI trainings and provide advisory services to the EPGs in Uzbekistan.

B2. Review and upgrade the “How to Export” guides and manuals for Kazakhstan and Uzbekistan

Both Kazakhstan and Uzbekistan have extensive and high-quality information aimed to promote export and attract investors. The National Agency on Export and Investments Kaznex Invest is the key agency tasked to develop export, search for foreign investors, promote domestic investment projects and improve investment image of Kazakhstan. The Agency maintains the database of at least 500 Kazakh exporters, developed at least 15 country guides, and provides regular market analysis, among other services. The Chamber of Commerce of Uzbekistan is a similar government agency in Uzbekistan. It unifies medium and large-size businesses and is tasked to promoting the Uzbek exports, while UZINFOINVEST is tasked to attract foreign investment to the country.

Under Component 2, REI will intend to work with KazNex Invest and the Chamber of Commerce of Uzbekistan through a collaboration agreement. We will revise and upgrade the “How to Export” guides and manuals already developed by these organizations and others. We will hire top local short-term consultants to systematize existing resources on export promotion and upgrade them based on international standards and best practices. Tentatively, we will compare the Kazakh and Uzbek guides and manuals to the Australian Export Manual, USA Export Guide, Canadian practice, ITC resources, among others. In addition, the consultant will also summarize the political, economic, and legislative constraints to trade. The consultant will work closely with our Component 2 leader, KazNex and the CoC in Uzbekistan.

B3. Support the research for the “How to Export to the DOD” manual

Under Component 2 and in coordination with Component 3, we will hire a short-term consultant to research how to export to the DOD. She/he will survey existing local suppliers to the prime vendors of the Defense Logistics Agency (DLA)/ General Services Administration (GSA), Prime Vendors TWI, Seven Seas, Supreme Food , and the DLA Procurement Team.

The survey shall be implemented based on a supplier questionnaire, revised by the Component 2 and 3 Leaders, and covering information, including current processes and the status of the company versus supplying to DLA/GSA prime vendors; history of supplying, contracting, payment and documentation challenges; warehousing and transportation; meeting the prime vendor standards and measurement requirements; as well as overall export constraints they deal with. The survey will request information on the specific requirements for supplying food stuff, particularly fresh fruit and

vegetables. The survey findings will then be analyzed and compiled into the “How to Export to DOD” manual. The manual will also include recommendations to address any identified constraints. We describe in detail the development of the “How to Export to the DOD” manual under Component 3.

The most competent source for short-term technical assistance is the existing prime vendors’ professional staff, U.S. Engineer’s Corps (for construction) and/or U.S. Veterinary Command (for foodstuffs), as direct link to the DOD Afghanistan.

B4. Identify potential firms in Kazakhstan and Uzbekistan for supplying the DOD in Afghanistan

The Component 2 leader, in strong coordination with the Component 3 leader, will hire a short term consultant to apply an in depth assessment to ten potential local suppliers for subcontracting to DLA/GSA prime vendors. He/she will physically visit the suppliers to analyze their ability to meet the required technical specifications, quality and quantities demanded. The assessment will include establishing company profiles, including brief description, points of contact, capabilities, information on any historical export activities, and current export challenges. We describe in detail the development of the “How to Export to the DOD” manual under Component 3.

C. Component 3. Supplying to DOD

Two producers, one from Kazakhstan and one from Uzbekistan, fulfill sales to DOD for export to Afghanistan. Develop a “How to Export to DOD” manual.

Below we describe the main activities to achieve the expected results of this component.

C1. Determine DOD supplier requirements

To better understand the environment of doing business with DOD, the component 3 leader, in collaboration with Component 2 leader, will study secondary data including relevant DOD doing business manuals and/or primers, participate in industry trainings, and get involved in initiatives organized by the DOD in the region.

Study secondary data. We will analyze the training materials, cooperate with training providers in Afghanistan and the Central Asian region, continue organizing seminars, and provide ad hoc briefings with companies to collect DLA requirements. We will also prepare initial memos on how to furnish DOD procurements, which will serve as the basis for preparation of the manual.

Surveying prime vendors. Prime Vendors (PV) are intermediaries between DOD and local suppliers, which possess the information on the doing business processes, procedures, and barriers to organize purchases of goods from the local suppliers to DOD. The PVs market local goods to the DOD, purchase, provide storage and consolidate goods, transport and distribute the goods to DOD in Afghanistan. With assistance of the Component 2 leader, the Component 3 leader will conduct survey of the prime vendors to identify requirements for selling to DOD. REI intends to target

Timeline for Exports to DOD

Oct 2011– May 2012. Firms identified and evaluated for potential to sell to DOD

May 2012 – July 2012. USAID accepted action plan created to overcome two firms’ obstacles to supplying DOD

July 2012 – Sep 2012. Action plan executed with the result that two firms are capable of closing deals and fulfilling orders to DOD

Oct 2011 – Sep 2012. Barriers for

Seven Seas, Supreme Foods, TWI, their major subcontractors (TMC, for example) and other prime vendors that are aware of DLA requirements and are ready to expand their operations. The PVs will be asked a range of questions to study their experience and practice on doing business processes, barriers to deal with the DOD and the local suppliers.

Surveying local suppliers. Ideally, DLA/GSA or the prime vendors will provide REI the list of current local suppliers in Kazakhstan and Uzbekistan. The Component 2 and 3 leaders will survey the suppliers to gather information on their experiences. The information will be analyzed and a brief report on the doing business processes, procedures, barriers will be prepared. The project will research existing barriers and difficulties the companies face in trading with DOD to develop a proper strategy for the firms in the region. This strategy will contribute to development of the NDN, which is the major logistics initiative of DOD in the region.

The developed strategy will be tested through the pilot suppliers and summarized on the “How to Export to DOD” manual. Special attention will be paid to the government policies and regulations which increase costs and affect firms’ competitiveness. If they are impacting competitiveness of the firms REI will develop proposals for potential solutions to address them.

We will subcontract CED to lead the implementation of this activity in Uzbekistan. However, our Component 3 leader will be fully engaged in the process as well.

C2. Identify qualified firms to supply to DOD

Cooperating with Component 1 and 2 leaders, Component 3 leader will identify three to four firms with the potential to sell to DOD. Parallel to the marketing research on DOD needs, which will continue for about six months, we will make a flexible selection of pilot firms that are ready to do business with DOD PVs. This selection will include research of existing lists of candidates, prepared by the prime vendors, KazNex Invest, and other sources. The role of the pilots will be to test the strategy developed based on the doing business procedures, processes and barriers identified through the survey.

A number of companies in Kazakhstan and Uzbekistan already supply to the prime vendors — Seven Seas, TWI, and TMC — and are ready to continue business with DOD. In fact, it is reported that in May 2010, the prime vendors, in cooperation with KazNex, held a conference with about 70 Kazakh companies. As reported by the KazNex and Trade and Industry Chamber of Kazakhstan the major problems to supply to the DOD is the inability to comply with the DOD specifications.

Our team will evaluate the firms with the highest potential to meet NDN/DOD standards. We will engage the DOD, DLA, U.S. military attachés in Kazakhstan and Uzbekistan if necessary, and their primary vendors and logistics subcontractors to finalize our evaluation guidelines based on the certification, quantity, and quality requirements for accessing the DOD market in Afghanistan. We will also cooperate with KazNex to identify suppliers in Kazakhstan.

By the end of February, we will establish a shortlist of firms drawn from the long list identified in Component 2 that have the greatest potential to meet the requirements for contracting with DOD, particularly the ability to facilitate transport of perishable

goods across the Afghan-Uzbek border. By May, after having conducted this in-depth evaluation, we will identify three to four initial pilot firms. The identification steps will be:

- Evaluate organizational capacity of partner firms — management structures and systems, etc.
- Evaluate physical infrastructure of firms (machinery, warehousing, etc.)
- Evaluate quality and quantity of the firm's products supply; evaluate quantity and quality of current output vs. potential output; assess firm resources and ability to make necessary improvement to meet export capacity
- Identify at least two pilot firms (at least one in Kazakhstan and one in Uzbekistan)
- Work with partner firms to establish plans of action and timeline for meeting DOD requirements

We will also reach out to USAID's TAFE project to coordinate customs and other types of control on the Uzbek-Afghan border at Hayraton, and other relevant information on doing business barriers for the prime vendors, suppliers in Afghanistan, exporting from Kazakhstan and Uzbekistan.

We will work with the Afghanistan Chamber of Commerce and Industry to study the experience of the Afghan suppliers, to better understand the trade/ distribution barriers and develop a strategy for doing business with the DOD.

Border difficulties are exacerbated by corruption and involve customs, sanitary, phytosanitary, and other formalities. Within Central Asia, unofficial costs at the borders exacted through bribes and facilitating payments are several times higher than official duties. Borders, however, do not cause all the bureaucratic obstacles to trade. Disparate regulations across states result in a convoluted and inefficient regional transport sector. A lack of unified transit and road safety controls compounds these challenges. A number of burdensome bureaucratic obstacles impede trade:

- Tariff rates differ among countries.
- Regional trade preferences sometimes overlap or are inconsistent.
- Countries sometimes impose nontariff tax barriers, such as excise taxes on imports, labeling requirements, and import licenses.
- Customs procedures sometimes conflict, leading to detailed checks on both sides of the border.
- When no weigh stations are available, trucks are subject to “guesstimates” based on the size of the vehicle, the history of carrier, and the disposition of border agents.
- There are numerous and cumbersome documentation requirements.
- Customs officials and other inspection agencies are often corrupt.
- Visa restrictions are imposed on foreign truckers.

The obstacles will be analyzed and conclusions will be made to develop the “How to Export to DOD” manual for the local companies.

We will use all possible techniques and tools to gather the information required to fulfill the tasks above, such as:

Field trips. The Component 3 leader will travel

- to Termez to study warehousing and logistics operations in Termez-Hayraton to work on identifying barriers in this key border knot. He will study the efficient supply chain management experience of Seven Seas in the Virtual Store Front organization;
- to Tashkent, to monitor and coordinate CED survey on DOD suppliers;
- to Kabul to coordinate activities with TAFA, Chamber of Commerce, and study training experience for local supplier

Industry training. We will continue analyzing existing seminars and training materials for the region like the ongoing DOD training in Kabul for local suppliers. We will study logistics and distribution (including warehousing in Kabul, Termez, Almaty, etc.) to provide recommendations on trade barriers for doing business with DOD and start working on efficient supply chain management from Kazakhstan and Uzbekistan to the final DOD customers.

Other resources. We will work with DLA and technical experts from NDN prime vendors and logistics subcontractors including Seven Seas, Supreme Food Service, TWI, and TMC; our subcontractor in Uzbekistan; and the firms currently exporting, such as Makiz Baraka in Uzbekistan; to facilitate partnerships and develop local firms' export potential to become regular suppliers to DOD. We will also provide guidance on how to overcome the export barriers. We will cooperate with KazNex in Kazakhstan to have better access to the Kazakhstan export companies.

Grant resources will be used for bringing up the firms-candidates to meet the required standards to supply to DOD. Some grants examples are technical training, certification, consulting needs, and to develop detailed, adapted certifications for the products needed for DOD, among others.

C3. Develop a USAID-accepted action plan created to overcome two firms' obstacles to supplying DOD via prime vendors.

Starting in June 2012, the Component 3 leader will work with at least two pilot firms and the NDN prime suppliers and logistics subcontractors to establish a plan that addresses obstacles in supplying DOD in Afghanistan. The two plans will be approved by USAID by Month 4. We also will work with partner firms to establish plans of action and timelines for meeting DOD requirements.

We will conduct review meetings with DOD/DLA and DOD supplier representatives to ensure results of the plan meet their requirements. We will also try to commit DOD/DLA and/or suppliers to provide guidance during the plan implementation and complete draft plans of action for two pilot firms from Uzbekistan and Kazakhstan. This cooperation can also be enhanced through Global Development Alliances facilitated by USAID that will outline partnership and mutual cooperation between the prime vendors and the project in the next two years.

C4. Execute action plan using two selected firms capable of closing deals and fulfilling orders to DOD.

Starting in June 2012, our team will work with our pilot firms, implementing the action plans, building capacity with short-term experts (some from NDN suppliers if possible), ensuring support for negotiations with certifications and the DOD PVs. We will facilitate engagement between our pilot firms and the DOD and its existing prime suppliers so they may fully understand the contracting process and specific requirements, such as packing and transport requirements that maintain quality of food products from the warehouse to delivery and the twice-yearly sanitary audits conducted by U.S. Army auditors.

C5. Close and fulfill order to DOD via prime vendors by two firms

Lastly, we will support our pilot firms in negotiations with NDN prime suppliers and DOD prime vendors. Once contracts are signed, our team supported by local short term consultants will oversee each critical step, from post-harvest handling and packaging to final delivery and inspection. We will ensure that our firms have applicable export licenses and have coordinated with the prime supplier and all appropriate DOD parties. Our two key milestones of success are closing the deal and filling the orders to the DOD. Our “How to Export to DOD” manual will show other firms how to access this market. We expect at least one pilot firm will complete a deal in Year 1 and a second in Year 2.

D. Implementation in Uzbekistan

We will implement activities for our three components in Uzbekistan through our local partner organizations UBI Consulting and the Center for Economic Development (CED).

UBI Consulting. UBI Consulting has been awarded a short-term contract from December 30, 2011 through 11 June 2012 to support the selection of exporting companies in Uzbekistan that will take part in the Export Partnership Trainings in March, April and May.

UBI’s scope of work defines the prospecting stage of the five stage of the EPG formation process. As such, UBI will conduct an information campaign through local information/media/internet/exporter database sources to invite 200 applications from Uzbekistan by February 20th. Component 1 Leader will be working in close cooperation with UBI providing the application templates, selection criteria, and media call for applications. Component 1 leader will travel to Tashkent to interview the most prominent candidates and select 20 participants with the assistance from UBI.

Center for Economic Development. REI will employ a consultant with the Center for Economic Development (CED) to secure permanent representation of project interest in Uzbekistan. This expert will assist in the implementation of all three component objectives on a daily basis and will represent the project in Uzbekistan. REI will sign fixed-price contracts for the implementation of specific activities against provided scope of work. This will allow using project limited fund effectively and delivery of efficient results.

CED is expected to represent REI on the following assignments:

Component 1.

- Organization of EPI training in May
- Support to newly formed EPG groups that will come out of these trainings, including hosting the meetings in Tashkent and provision of assistance according to the Development Assistance Plans that will be development.
- Support in organization of the Second Central Asian Trade Forum.

Component 2.

- Collaborating with the Uzbek Chamber of Commerce on reviewing and upgrading “How to export” guides and manuals for assessing export potential of Uzbekistan for a wide range of products and markets.

Component 3.

- Producing “How to Export to the DOD” manual for Uzbekistan including surveying of suppliers, and write up of the processes barriers and recommendations.
- Assistance to a pilot project of one Uzbek company that will conclude a contract with DOD

E. Grants under the Regional Economic Integration Project

The grants supported by REI must promote the overall REI objectives. Execution of grant activities will take place in Kazakhstan or Uzbekistan and impact Central Asian beneficiaries and meet objectives of one or more of the principle project activities. Many grant activities will further the attainment of multiple project results, such as increasing export sales, increasing productivity, complying with international standards on sanitary requirements, selling to the DOD through the PVs, among others.

Below is a brief description of REI’s anticipated grants interventions and the expected beneficiary by activity.

Component 1: Help developed Export Partnerships Groups. REI anticipates awarding grants under Component 1 to increase the export capacity of members (any firms, business associations) of the export partnerships groups. The grants will be targeted to accomplish the EPG development assistance plan, which we described extensively above, including the menu of technical assistance.

Component 2: Evaluate export potential of Kazakhstan and firms and industries through market research. We will provide grants to firms and associations to develop research on market quality requirements, potential demand on new markets, price analysis, among others.

Component 3: Facilitate sales to the U.S. Department of Defense. REI anticipates awarding grants under Component 3 to increase piloted firms’ competitiveness, to comply with the DOD requirements and complete orders to the DOD. The types of grants will be similar in nature to those under Component 1.

F. Gender Issues under the Regional Economic Integration Project

REI will hire a short term local Gender specialist for about six 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 REI 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 complete the baseline and strategy design by the end of quarter 2, and start implementation of activities immediately. We will incorporate the baseline data to our performance and evaluation management plan.

As some specific examples of gender considerations in our activities, the project will promote gender equality and will encourage participation of women-led firms and women's participation in the Export Partnership Initiative. For the new participants, we plan to invite at least 10 women-led companies from Central Asia out of the total 60 participants.

We will also consider creating those EPGs that would directly and indirectly support creation of employment for women. For example, some EPGs naturally support women in sectors traditionally occupied by women, like the textiles EPG, which represents 80 percent women-owned and women-employing businesses. Currently this EPG is formed of Kyrgyz, Tajik and Kazakh women-led and women-employing businesses, and we are working on attracting similar Uzbek businesses.

We will continue to look for ways to build export capacity of women-led firms and will try to preserve gender balance at REI trainings. We will also encourage participation of young female business graduates at the mentorship and internship program that will be launched this year within the EPI activity.

We will incorporate relevant gender questions to the market research activities, and collaborate with local women organization in the region such as the Association of Business Women of Kazakhstan to leverage from their resources.

G. Environmental Compliance

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 will monitor project activities implemented under the small grant

funds 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, REI will comply with 22 CFR 216 (Regulation 216) requirements and the initial environmental examination recommendations.

Before undertaking small, 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. REI 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 small size of the 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.

SECTION III. PERFORMANCE MONITORING AND EVALUATION SUMMARY

To track the project's progress and manage it successfully, we developed life-of-project indicators for impact and outcome levels that will help us measure achievements and expected results. There are indicators for each component objective, as well as indicators that respond to the program goal (See Exhibit 6).

The REI project indicators will be collected by component leaders and local partners, like CED. Quantitative and qualitative data will be mostly indicated in monthly reports, and analysis of received data will be accumulated and reflected in quarterly reports. Each component leader will be responsible for tracking and collecting required indicator data throughout planned activities, with the assistance of the PME/communications/grants manager.

The performance indicators are also considered to be operational planning indicators. Most are related to EPG capacity-building activities and work with direct beneficiaries under Component 3. All indicators will be disaggregated by sex and country.

Critical Assumptions

A number of assumptions were made while designing the proposed indicators. Assuming that political and economic environment in both countries, Kazakhstan and Uzbekistan remains stable; the following critical assumptions were made towards project implementation:

- Willingness and ability of firms in Kazakhstan, Uzbekistan, and other Central Asian Republics to take part in the EPI training.
- Willingness and ability of firms taking part in EPI training to form export partnership groups after completion of the training.
- Participation of firms in the second Central Asian Forum.
- Willingness of at least one prime vendor to cooperate with the project and share information.

Additional Information-Monitoring

- Occasional surveys and assessments.

Training evaluation surveys. Training evaluation surveys continue to provide the best feedback from EPI participants in terms of meeting participants' expectations of and in terms of topics covered and quality of the speakers. In organizing future EPI training, we will take into account survey results from RTLCC-conducted EPI training, which called for more real case studies and examples from the region, more discussion on organization of effective business models, and group work.

Current DOD supplier surveys. We will gather information for new DOD suppliers by surveying the existing suppliers on the existing difficulties with compliance, solicit their recommendations to address the difficulties, and their vision on what tools can be used to assist them in overcoming these compliance obstacles. Current DOD supplier surveys will be a part of the market research and ongoing activity led by Component Leader 3.

- Other organizations' surveys. We will research and learn from other organizations surveys, databases, and publications.
 - ✓ KazNex Invest provides a number of exporter surveys and country guides.
 - ✓ World Bank has launched a short-term study called "Analysis of Business Processes for the Exports of Agricultural Products from Kazakhstan."
 - ✓ EBRD BAS will launch a similar project to support exports to DOD in Afghanistan in 2012.

EXHIBIT 6. CONSOLIDATED LIST OF INDICATORS AND TARGETS

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)	TBD, set through survey of firms as they begin to receive assistance (prior to confirming target, we will address any exchange rate issues)	TBD by May	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)		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	TBD	TBD
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)	TBD, survey of EPI firms	TBD	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

	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	300
IR2: Export potential of Central Asian firms and industries evaluated through market research	Market research documents	2.1	Number of firms assessed based on its export sales capacity (proposed indicator)	0	60	TBD by end of Y1
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