

FINAL REPORT
Small and Medium Enterprise Development Project in Central Asia
Contract 116-C-00-00-00016
August, 2002

ADDENDUM TO ORAL FINAL REPORT PRESENTED ON JUNE 13,2002 IN

ALMATY TO THE CAR MISSION DIRECTOR AND STAFF

At the outset of the SME Development Project in August of 2000, USAID recommended, and Pragma agreed, to mobilize the project resources at an accelerated pace throughout the region. Within a year, some of the project delivery requirements had been met in full, and many were significantly ahead of schedule and being met at significant cost savings to the government. Capitalizing on this extraordinary, and unexpected, pace of accomplishment, in late 2001 the Mission recommended, and Pragma agreed, that the project deliverables could be increased, at no additional cost to the Government. A “no cost” amendment to the contract was signed on December 15, 2001. The modification authorized Pragma to work toward additional deliverables at no extra cost to the Mission. (Please See Attachment III, Modification Number 10). Pragma agreed to this increase in the scope of the contract with no additional fee and no additional time to complete performance.

The major additional deliverables added to the contract consisted of:

- 1- Two new components: Regional Trade Promotion and Quality Management Services
- 2- Opening of 6 additional satellite offices throughout the region, to replicate and extend the success of the pilot project in Kyrgyzstan. We were to review the results of the pilot Business Advisory Services in Kyrgyzstan and, upon the completion of the first two years of project implementation, if agreed by the mission, proceed by expanding similar services into other countries.
- 3- Increasing the number of deliverables for business and professional accounting training.
- 4- Structuring of a network of twelve Enterprise Development Centers throughout Central Asia to serve the SMEs

This addition of deliverables at no additional cost to the contract was made possible through two significant cost savings that occurred during the first year of project implementation. 1- Capitalizing on the high quality of the training offered, and local recognition of its value, we were able to generate substantial program income from payments by general public participants in the business and accounting courses. Our local training partners offered the project courses to the general public for a fee which generated an average of 20% of the cost of presenting the Pragma/USAID business and

accounting courses; and 2- Pragma voluntarily reduced its overhead from 80% to 65% through careful management and aggressive cost control.

Chart 1 shows the quantifiable deliverables as expressed by the original Project Contract and the No Cost Modification of December 2001. The chart also shows the date of delivery of each item.

**Chart 1- Major Contract Deliverables and Associated Date of Completion
FINAL REPORT/ USAID/PRAGMA
Small and Medium Enterprise Development Project in the CAR
Contract # 116-00-00-00016**

Original Contract Deliverables August, 2000			No Cost Modification 11/16/01 Additional Deliverables		
Description	#	Date Completed	Description	#	Date Completed
1) Business Education	9,200 People Trained	Early January, 2002	1) Professional Accountancy Training	2,900 PeopleTrained	July, 2002
2) Professional Accountancy Training	10250 People Trained	Apr-02	2) Business Advisory Services	Establish EDCs** in KZ, KG,UZ,TJ	February, 2002
3) Business Advisory Center	750 Assesments (KG only)	December, 2001	3) Regional Trade Promotion	25 Trade Matches 10 Seminars	May, 2002
4) Business Associations and Advocacy Groups	Apply Technical Assistance and Training	December, 2000	4) Quality Management Program	~10 Seminars ~Begin work with 30 companies	July, 2002

* For Further Details on Activities that lead to final deliverables, such as the work plan, preparation of course materials, etc., please see the Project periodic reports

** Enterprise Development Centers

We are proud to again announce that all of the revised delivery requirements were achieved by the end of July of this year. In fact, in many areas we have surpassed the numbers set by the contract. Though Pragma's work under the contract is technically complete, and still was achieved within the original contract amount, at the request of the mission we have continued our presence in the region at full capacity and programming capability, rather than demobilizing. Our staff continues to provide services to the SMEs of the region, while awaiting further instructions from the Mission. Pragma has regularly apprised the Mission of the status of the work and the status of the funding during this period.

ATTACHEMENTS:

- 1- Power point presentation
- 2- The compendium of success stories entitled: Central Asian SME's Integration, Growth and Impact
- 3- Contract modification #10.

Attachment 1

Power point presentation



SME Development Activity Central Asia



Small and Medium Enterprise Development Activity in Central Asia

(Kazakhstan, Kyrgyz Republic, Uzbekistan, Tajikistan and Turkmenistan)

Sponsored By:

The US Agency for International Development

Presented by the PRAGMA Corporation

Almaty • June 14, 2002



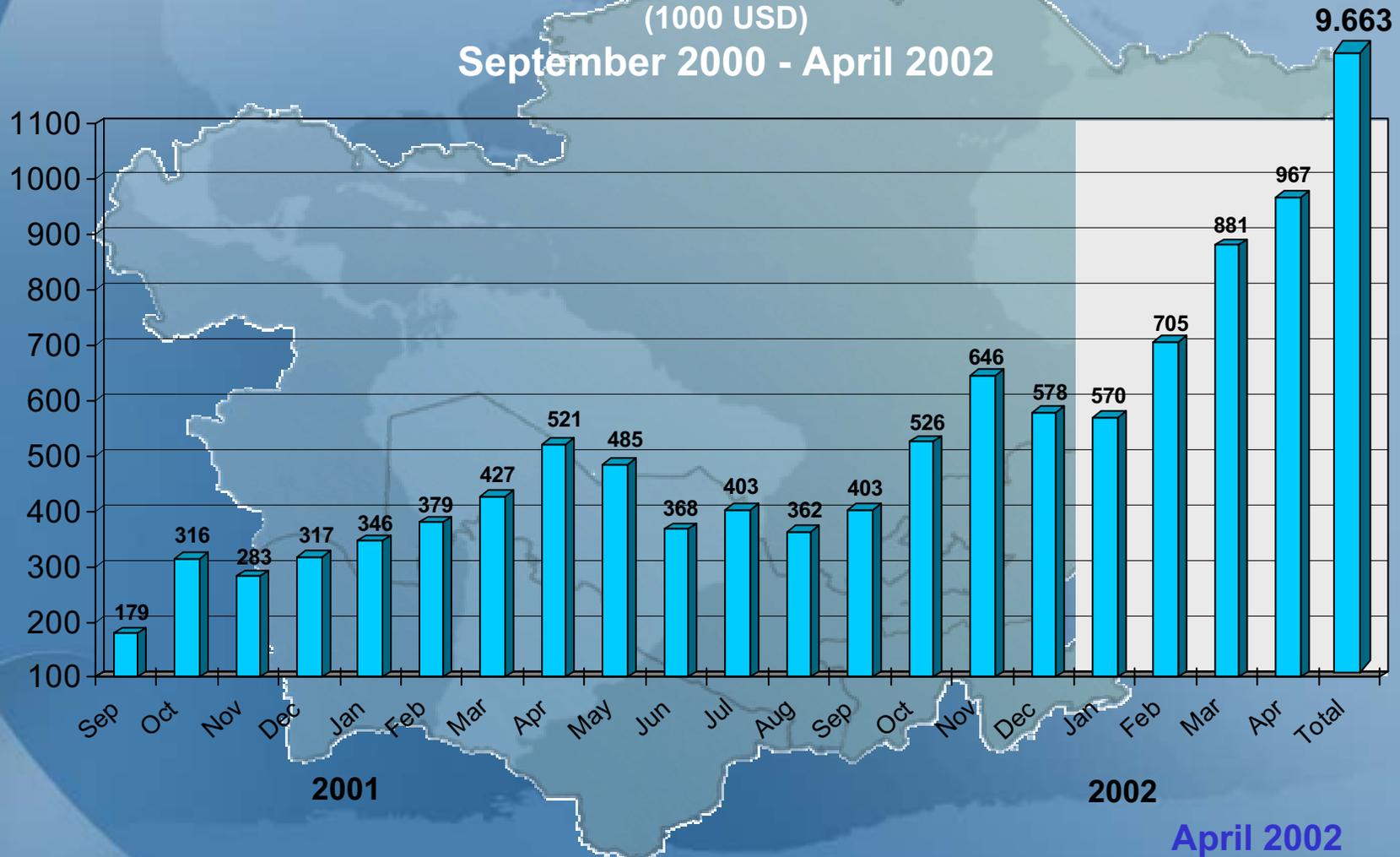
SME Development Activity Central Asia



SME Monthly Expenditure Trend

(1000 USD)

September 2000 - April 2002

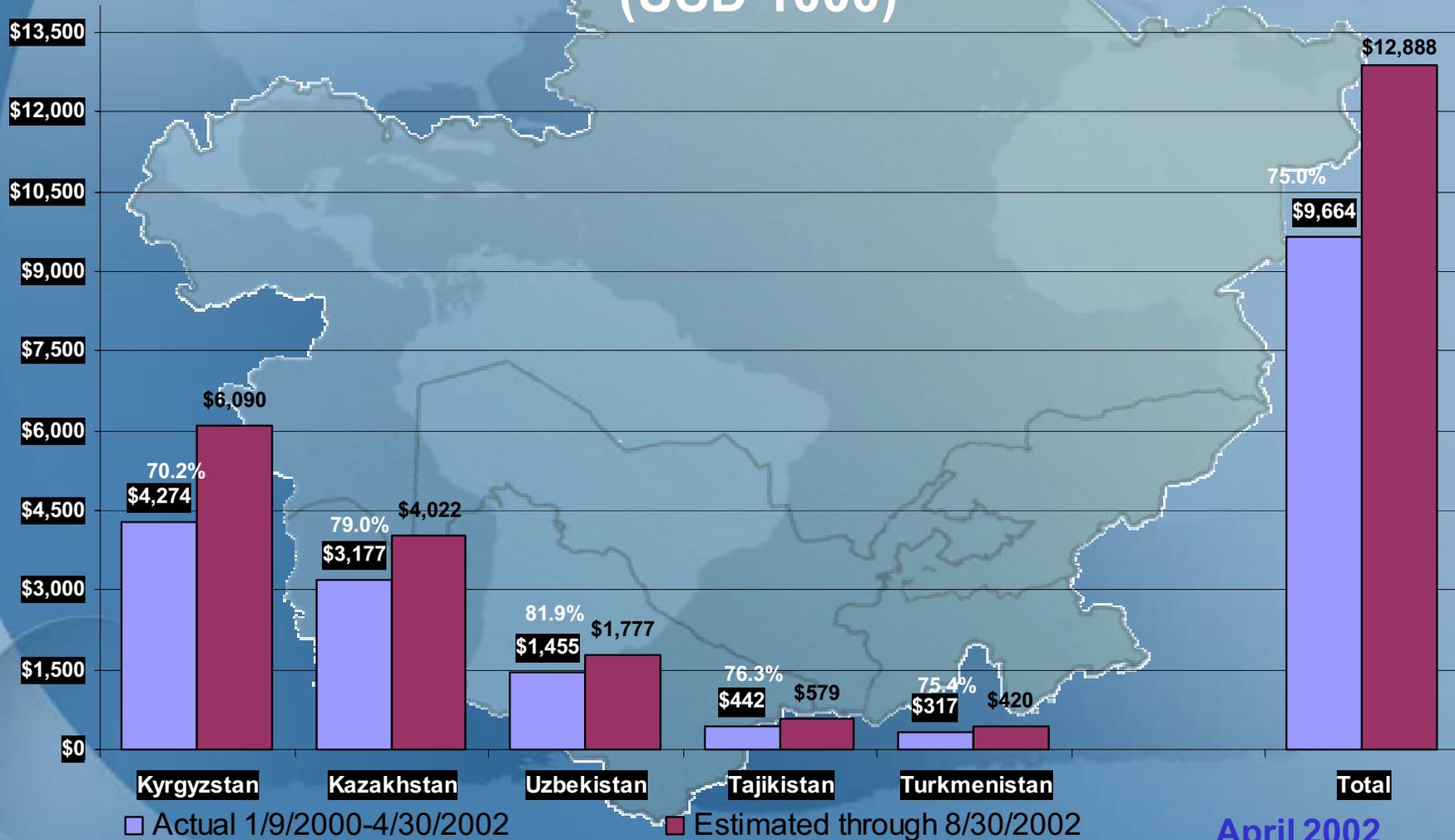




SME Development Activity Central Asia



Actual Versus Estimated Budget (USD 1000)



April 2002



SME Development Activity Central Asia



Increasing Success Levels of Existing SMEs (Pragma Vision)

- **Sustainability of Consulting (LTPs/Consultants) sector in support of SMEs through training & technical assistance**
- **Sustainability of SMEs**



SME Development Activity Central Asia



... Our System produces Results

Stronger in the second year.....

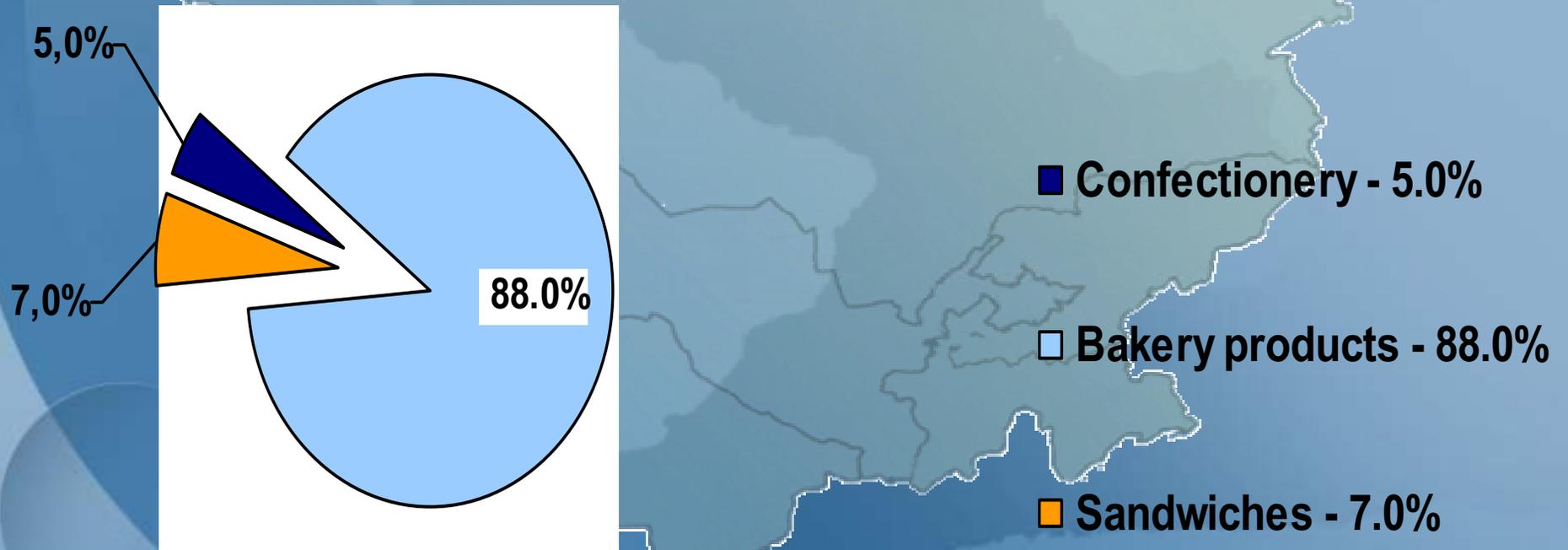


SME Development Activity Central Asia



Samaal Bakery, Kyrgyzstan

Structure of Income from sales in May 2002



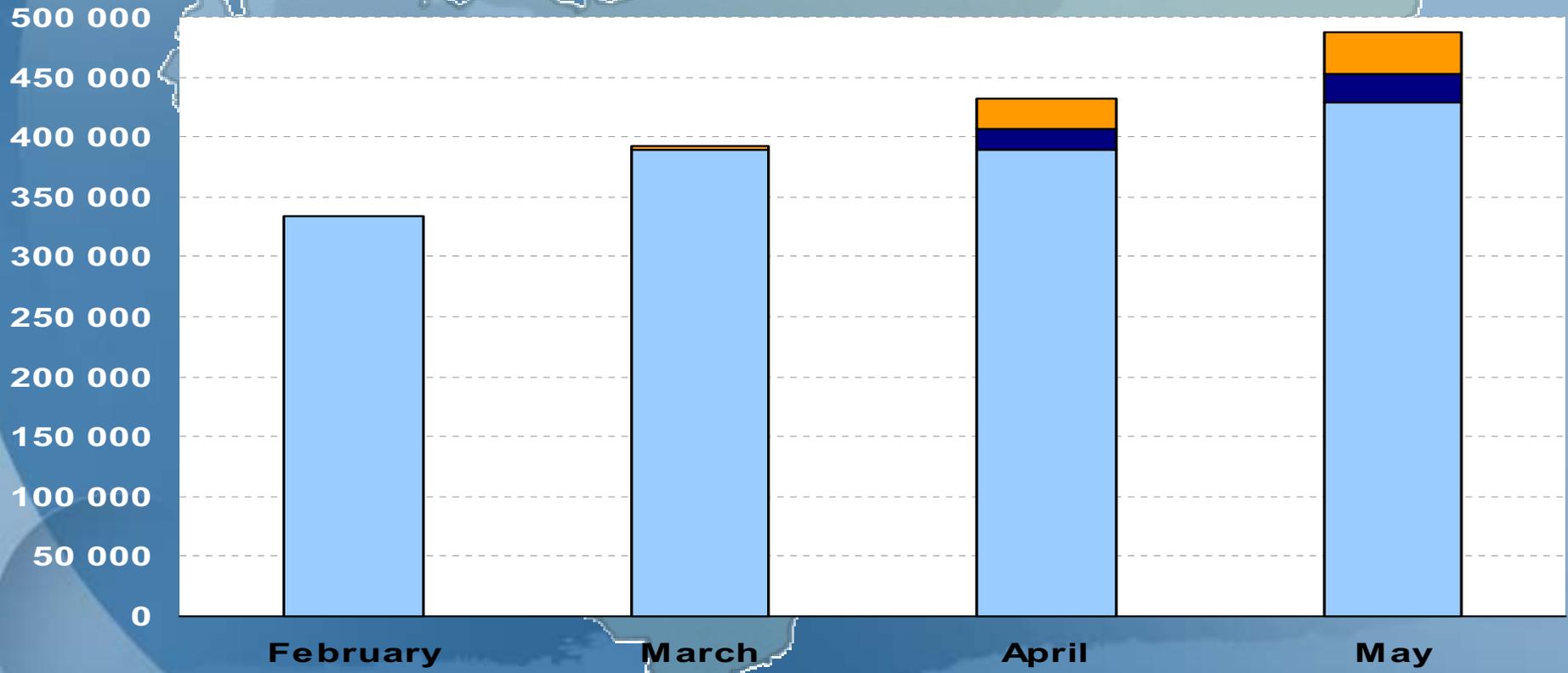


SME Development Activity Central Asia



Samaal Bakery, Kyrgyzstan

Sales Income



□ Bakery products

■ Confectionery

■ Sandwiches



SME Development Activity Central Asia



PAKS, Kyrgyzstan

- **Increased Sales Outlets from 143 to 283**
- **Increased Production & Product Sales**
 - Juice 31,320 to 52,480
 - Jam 262KG to 1,296 KG
- **Product Mix increased**
 - Juice 12 to 15 Types
 - Jam 6-7 Types
- **Export Increased**
 - Juice 15,970 to 23,600 Tons
 - Jam 150 to 620 kg
- **All Results Q4 2000-Q4 2001**



SME Development Activity Central Asia



KazPak, Kazakhstan

- **Increased Product Packaging Quality**
- **Enhanced Sales & Marketing Techniques**
- **Won \$500,000 long term contract**



SME Development Activity Central Asia



Alstroi, Kazakhstan

- **CAP Certification of Business Owner**
- **Pragma Forecasting Model pinpoints Market Niche Opportunities**
- **New Business Started & Profitable Immediately**
- **Employs 18 People, Annual Sales Tg100,000,000**
- **Merges with Bereke (CAP owned)**
- **Employs 48 people, Annual Sales Tg350,000,000**



SME Development Activity Central Asia



Lazzat, Uzbekistan

- **New Café provides additional sales outlet**
- **Redesigned Ad campaign brings in more customers**
- **Buying refrigerators locally increases production capacity and reduces costs**
- **Sales increase from 20 Kg/day to 55Kg/day**
- **Profits increase 170%**



SME Development Activity Central Asia



Andrushenko Flour Mill, Kyrgyzstan

Regional Trade Facilitated By EDCs

- **New Supplier Located**
- **Doubled Production Levels**
- **Increased Product Quality**
- **Increased Sales 10 Tons per Month for one customer**
- **Overall Sales increased 20%, from 5000 tons/yr**
- **Employment becomes year round**
- **Attracted Large New Turkish-Kyrgyz Client**



SME Development Activity Central Asia



Tong Printing Company, Uzbekistan

- Accountant takes FA1, MA1, FA2, T&L
- Financial Information Systems updated
- New financial plan enhances management decision making
- Loan secured from NBU
- Additional Equipment purchased
- Product Line expanded
- Sales increase 117,000,000 Sum from first Quarter 2001 to last Quarter 2001



SME Development Activity Central Asia



Enroute to sustainability /Consulting

- **PAKS**
- **SHORO**
- **Issyk Kul Hotel**
- **AK TASH (USAID Investments Conference Prize Winner—Leads to \$400,000 EBRD Loan)**



SME Development Activity Central Asia



- **Strategic Objective 1.3**
 - Improved environment for the growth of SMEs
- **Intermediate Result 1.3.1**
 - Increased opportunity to acquire business information, knowledge and skills



SME Development Activity Central Asia



Increasing Success Levels of Existing SMEs (Pragma Vision)

- **Sustainability of Consulting (LTPs/Consultants) sector in support of SMEs through training & technical assistance**
- **Sustainability of SMEs**



SME Development Activity Central Asia



Role Expanded

- **Serve as business catalyst**
- **Identify potential business opportunities & facilitate SME business transactions**



SME Development Activity Central Asia



Activity Implementation (A continual Process)

Technical Leadership

- CTO
- Project Manager
- Pragma SME Council
- Chief of Party
- SME Technical Staff



SME Development Activity Central Asia



Activity Implementation (A Continual Process)

- **People**
 - 5 Countries
 - 12 Offices
 - 220 People
- **Methodology-Systems & Procedures**
- **Data Collection & Analysis (M&E)**
- **Measure Results**



SME Development Activity Central Asia



Accounting Reform

1. IASB

- **agrees to endorse CAP/CIPA designation**
- **agrees that Pragma will translate official Russian version of IAS.**

2. IASB CAP/CIPA exams administered in Ukraine—first time outside of Central Asia

3. ACIE/ACCELS becomes partner in CAP/CIPA exam administration.



SME Development Activity Central Asia



Accounting Reform

Kazakhstan

- International Council of Certified Accountants and Auditors (ICCAA) legally registered
- Professional associations from Ukraine and Russia join ICCAA.

Kyrgyz Republic

- Legally adopts IAS.
- Ministry of Education adopts Model Accounting Curriculum

Uzbekistan

- Ministry of Finance authorizes implementation of IAS-based standards and new Chart of Accounts.



SME Development Activity Central Asia



Business Training

- Covered all oblasts but 2 oblasts and 1 Autonomous Republic
- Participants contribution has covered 20% of the total cost
- Conducted courses in Russian, Uzbek, Kyrgyz, Tajik and Turkmen
- 60% of participants are women
- 60% of trainers are women



SME Development Activity Central Asia



Implementation/BAS

- **BAS Pilot in Kyrgyz Republic**
- **Full Launch in 4 Countries one year early**
- **BAS evolves to EDC**
- **2 offices → 11 EDCs**
- **Components Set up**
- **Country specific & Regional DataBase developed**



SME Development Activity Central Asia



A Network Of 11 EDC Offices



SME Development Activity Central Asia



Association Development

- **33 business and professional associations receive TA.**
- **260 association leaders in 4 countries trained**
- **100+ Business Association Leaders participate in Regional Advocacy Conference & Training**
- **8 Advocacy Roundtables/4 Countries (SME/TIP)**
- **60% of association leaders trained are women**



SME Development Activity Central Asia



Association Development Advocacy

- **Advocacy Coalitions built among Associations from all Central Asian Countries**
- **Formed Five-Country Coalition addressing Trade Issues**



SME Development Activity Central Asia



Association Development Trade

- **Multiple Coalitions Formed to Enhance Cross Border Trade**
- **Customs Issues Identified (SME/TIP Synergy)**



SME Development Activity Central Asia



SME Activity Expanded

- **Original Components**
 - BT, AR, Assoc. Dev., BAS
- **December, 2001 New Components Added**
 - Regional Trade Promotion
 - Quality Management Center
- **March, 2002 Osh Agri-Processing Initiative Added**



SME Development Activity Central Asia



Regional Trade Promotion

WWW.SMETRADECENTER.NET

www.rynok.com

- **Launched February 5**
- **480 Companies Registered**
- **Trade Advisors Trained and Actively Working Trade Deals**



SME Development Activity Central Asia



Quality Management

- **Launched February, 2002**
- **Offices in all 5 Kazakh EDCs**
- **13 Training Seminars & Workshops**
- **400 Companies informed**
- **7 Companies receiving TA**
- **30 Clients pre-screened**



SME Development Activity Central Asia



Osh Agro-Processing Initiative (OAPI)

- **Objectives:** Assisting in development of the agricultural industry, specifically the food processing sector, in southern Kyrgyzstan
 - Increase Economic Value-Added
 - Develop Markets
 - Improve the Business Environment (with TIP)
- **Highlights:**
 - Market Research conducted in 7 Russian Cities
 - Feasibility of 5 Key Product Areas Assessed
 - Identified 7 Processing Projects for Immediate Implementation
 - Additional 7 Projects Having Potential Require Further Investigation



SME Development Activity Central Asia



Volunteers—Activities & Focus

- **Areas of Focus:**

- Fresh fruits and vegetables
- Processed fruits and vegetables
- Dried Fruits and Nuts
- Meat processing
- Poultry production and processing

- **Activities:**

- Reviewed 50 companies
- Selected 18 high potential companies
- Conducted three seminars
- Provided recommendations for development of key business opportunities
- Conducted general economic and financial assessment of the agro-processing sector and lending agencies



SME Development Activity Central Asia



Volunteer Research—Opportunities

Company	Product	Capital Investment	Annual Economic Benefit
Eastmen	Juice, tomato paste	\$300,000	\$11,600,000
Abjaparov	Sausage casings	\$3,000	\$178,000
Aravan	Poultry (layers)	\$8,000	\$168,000
Arek	Fresh onions	\$0	\$77,000
Nookat	Fresh apples	\$0	\$58,000



SME Development Activity Central Asia



Russian Research—Opportunities

- **Direct Investment - Osh Packing Shed** (*Omtor, Omsk*)
- **Fresh Fruits & Vegetables** (*Frutos-N, Europe Asia Producers, Novosibirsk; Otradnoe, Moscow*)
- **Bulk Vegetable Oil** (*Pasen Foods, Novosibirsk Margarine Kombinat, Zvezda, Novosibirsk; Omsk Mayonnaise Factory, Evroservice Irtysh, Omsk*)
- **“Old”-Style Product - Juice, Vegetable Paste, Pickles** (*Ala, Anna Trade, Omsk; Sinto, Yekaterinburg*)
- **Fruit Inputs - Concentrate, Paste, Frozen** (*OMTS, Novosibirsk; Manross, Omsk; Scan-Neva, St. Petersburg; Ratibor, Prospect, Moscow*)
- **Vegetable Inputs - Paste, Dried** (*Baltimor, Moscow*)
- **Dried Fruits & Nuts - Retail, Resale, Industrial** (*Bakaleya Service, Omsk; Prodservice, Yekaterinburg; Peterburg Nut Company, Intel, Angtrem, St. Pete’s*)
- **Fruit & Vegetable Drying Equipment** (*Ingredient, St. Pete’s*)

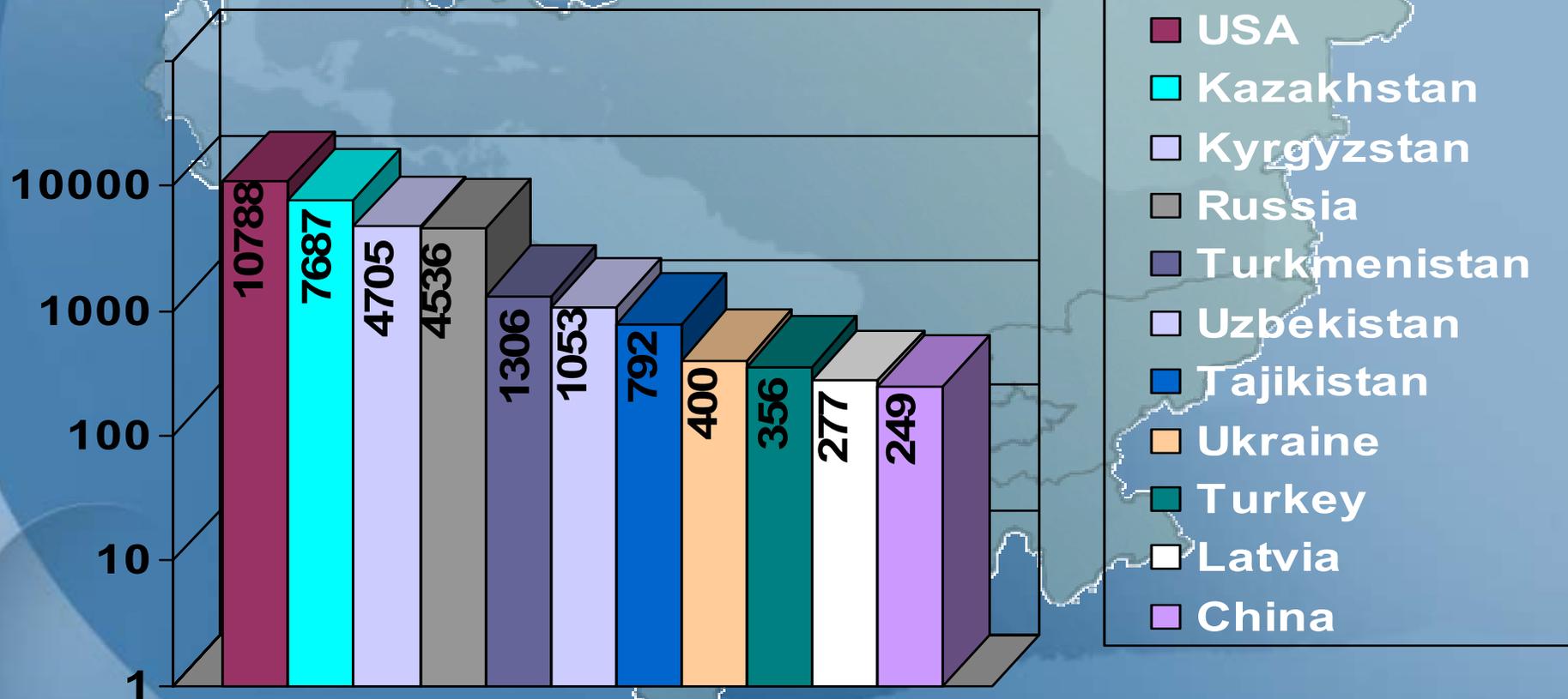


SME Development Activity Central Asia



WWW.SMETRADECENTER.NET

Top Web-Site Hits By Country

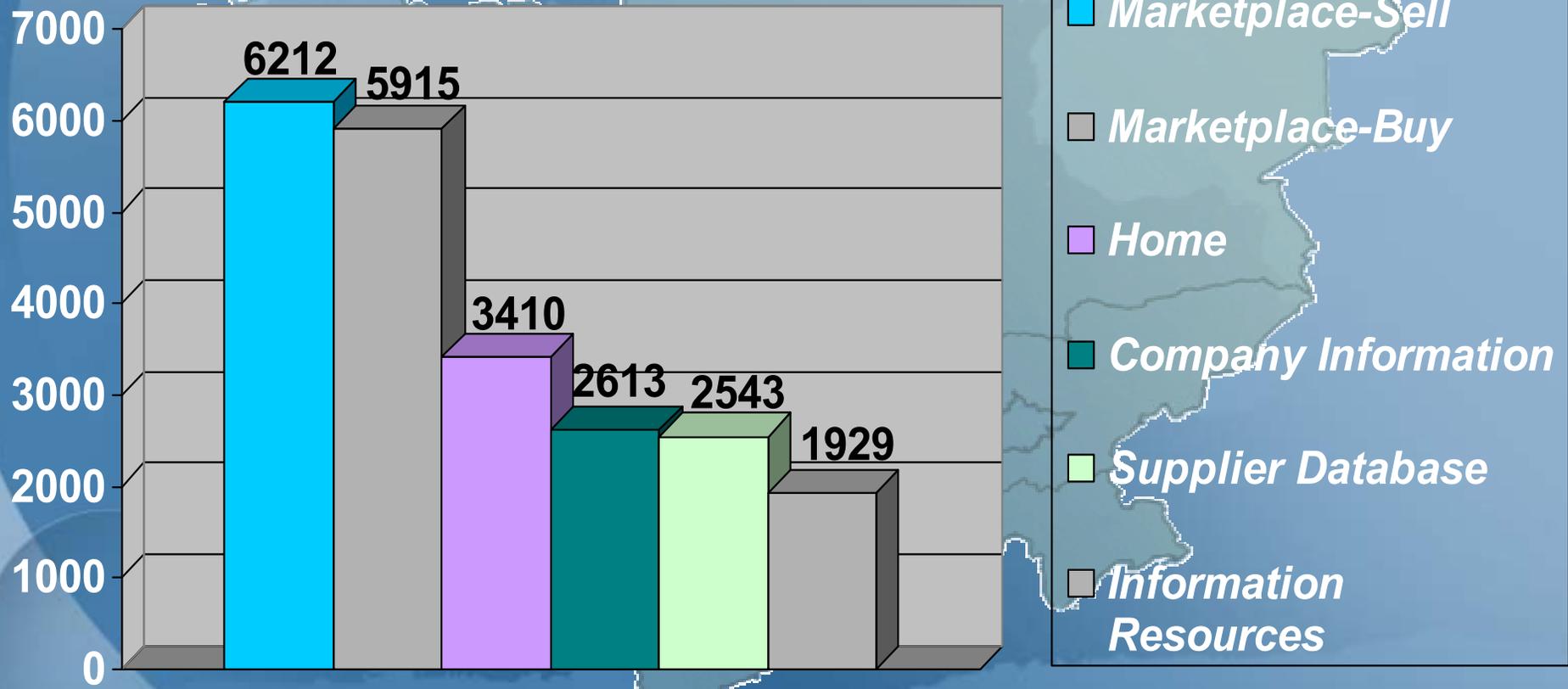




SME Development Activity Central Asia



Site Sections Visited

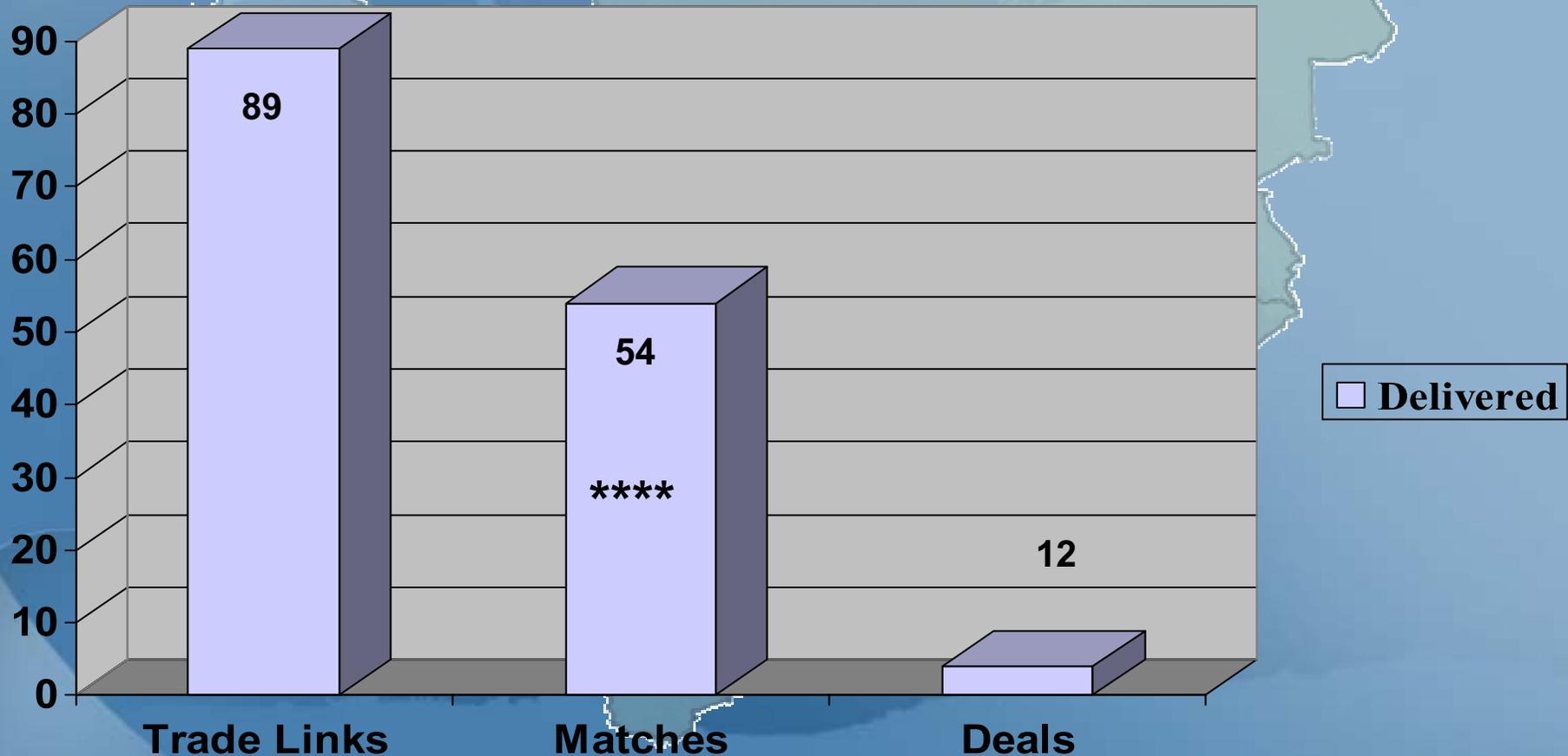




SME Development Activity Central Asia



Regional Trade Promotion Activity

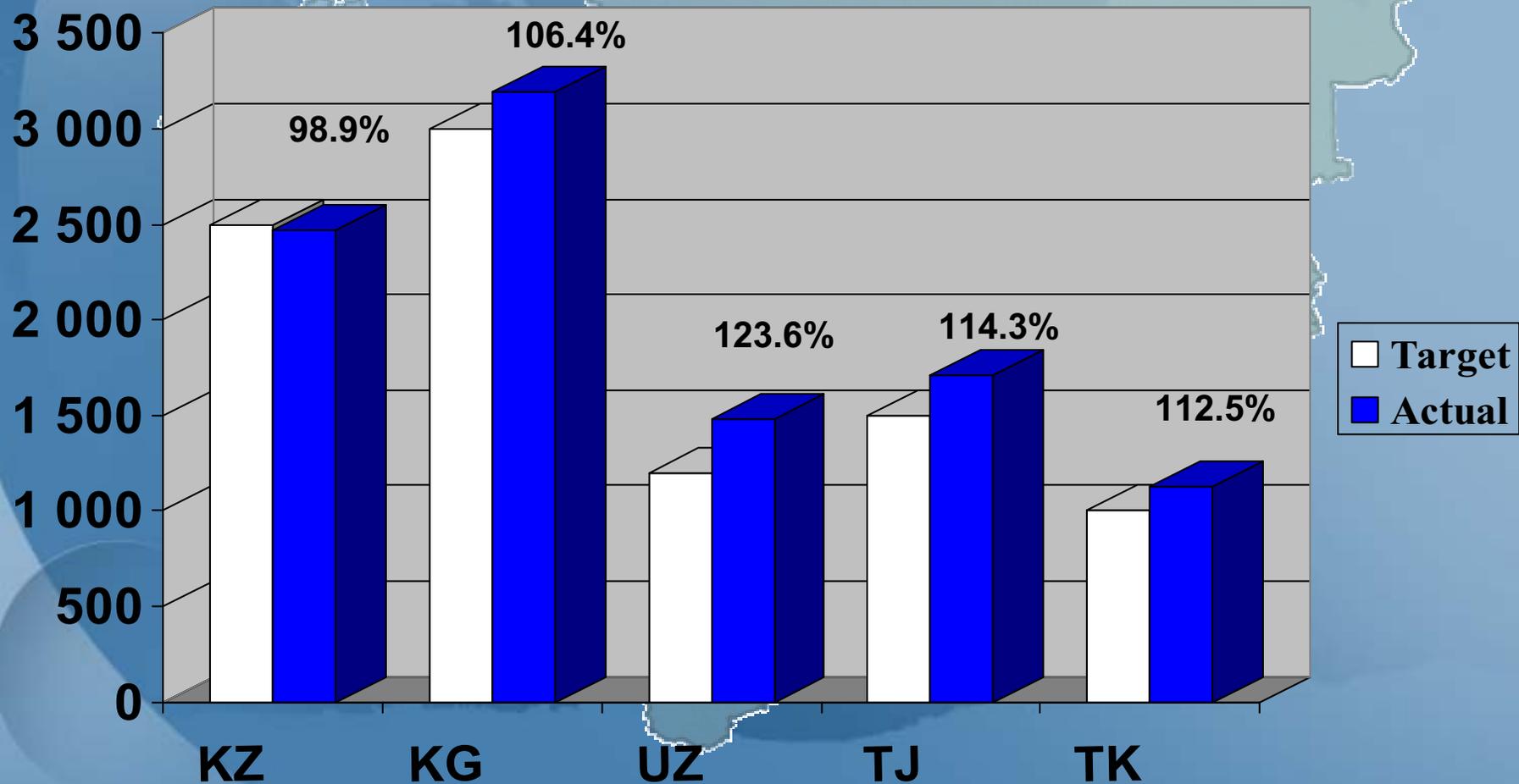




SME Development Activity Central Asia



Business Training Participants (Grand Total 9988)

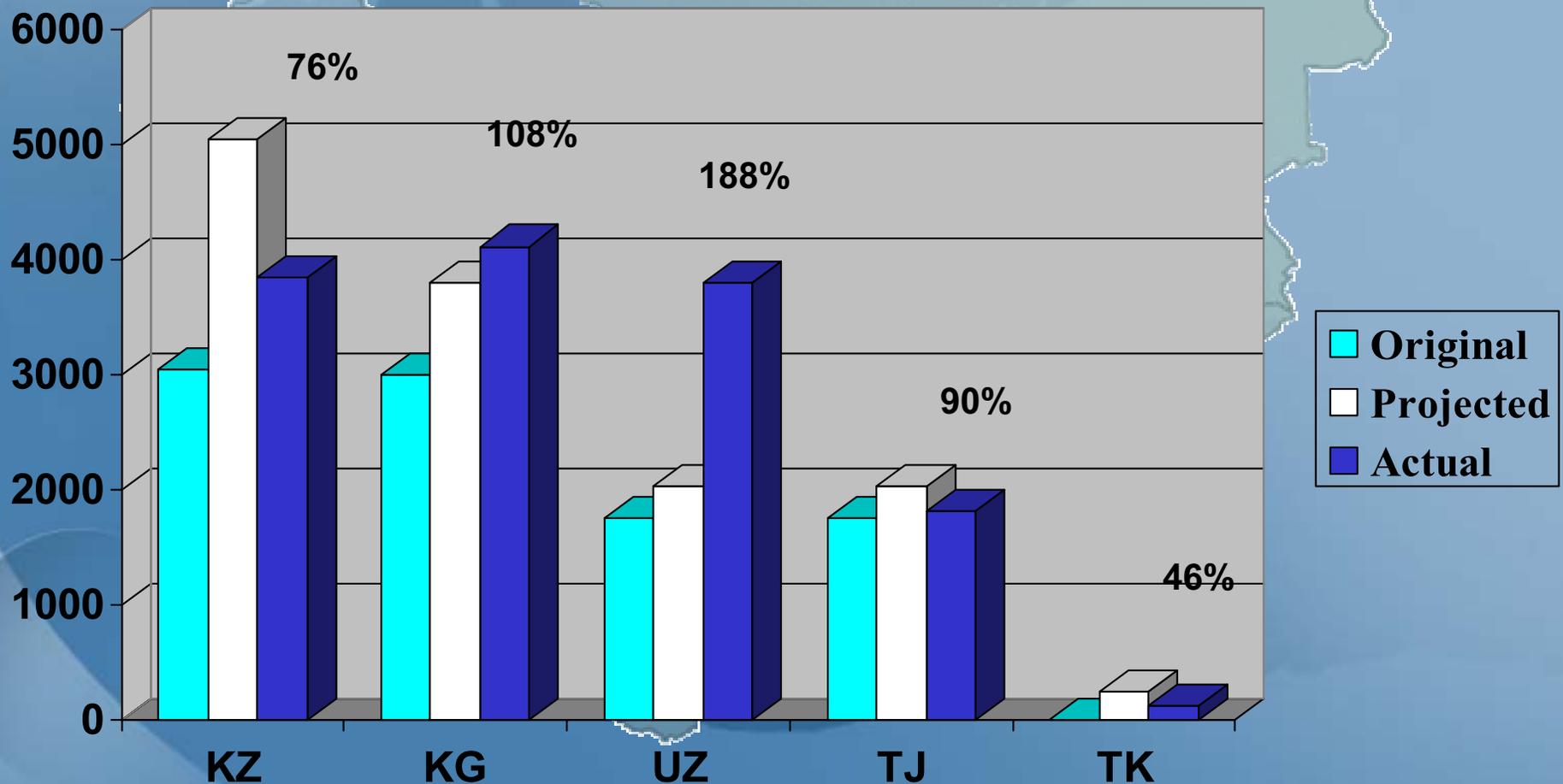




SME Development Activity Central Asia



Accounting Education Number of Participants

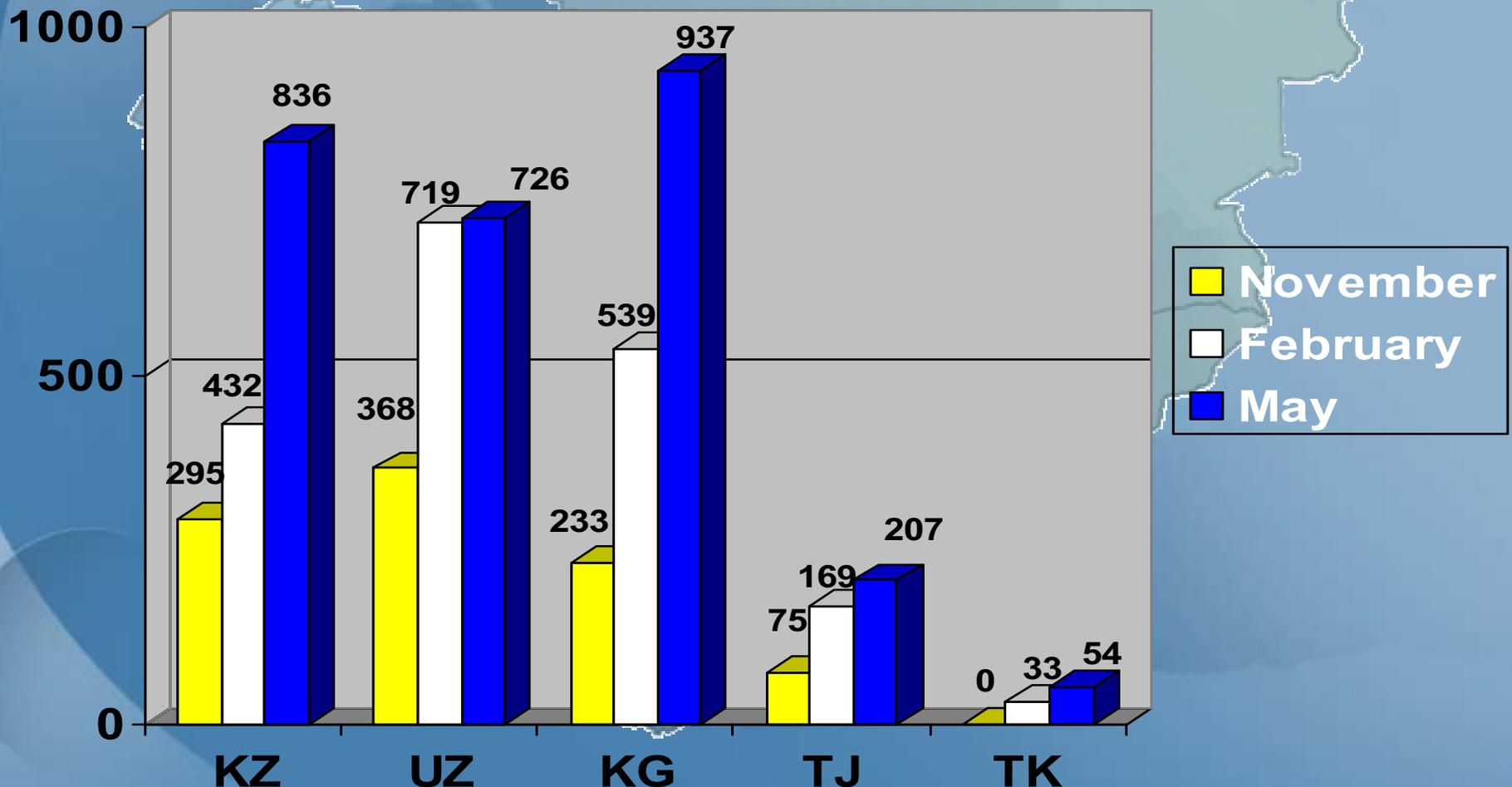




SME Development Activity Central Asia



Exams Administered Number Of Accountants





SME Development Activity Central Asia



Future Accounting Reform Activities

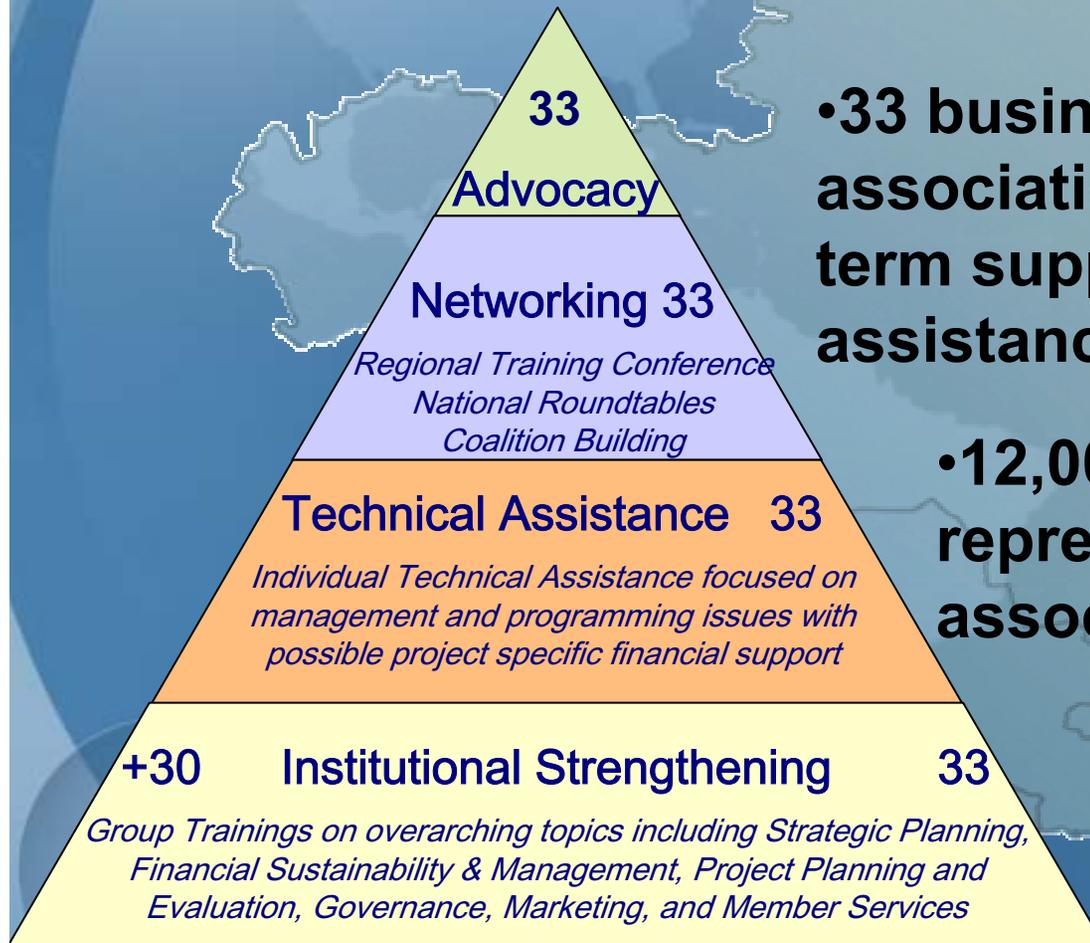
1. IFAC, AICPA, IMA to attend ICCAA conference in Tashkent & discuss collaboration with CAP/CIPA program.
2. Moldovan, Armenian, Azeri and Georgian professional associations considering joining ICCAA and adopting CAP/CIPA program.
3. Tajikistan and USAID negotiating *comprehensive Accounting Reform Memorandum of Understanding (MOU)*.
4. Turkmenistan and USAID negotiating MOU to expand accounting reform program.



SME Development Activity Central Asia



Association Development Work



• **33 business and professional associations receive ongoing long-term support & technical assistance**

• **12,000+ members are represented through these associations**



SME Development Activity Central Asia



Association Development Advocacy - Roundtables

- **(UZ) Joint business association working group for advocacy and creation of an informational center in Tashkent**
- **(TJ) Coalition of Business Associations to work with Antimonopoly Committee in review and drafting of laws**
- **(KG) Expansion of initial Coalition group, joint advocacy campaign, and development of an agreement with State Commission for private sector input to draft laws.**



SME Development Activity Central Asia



Increasing Franchising Opportunities

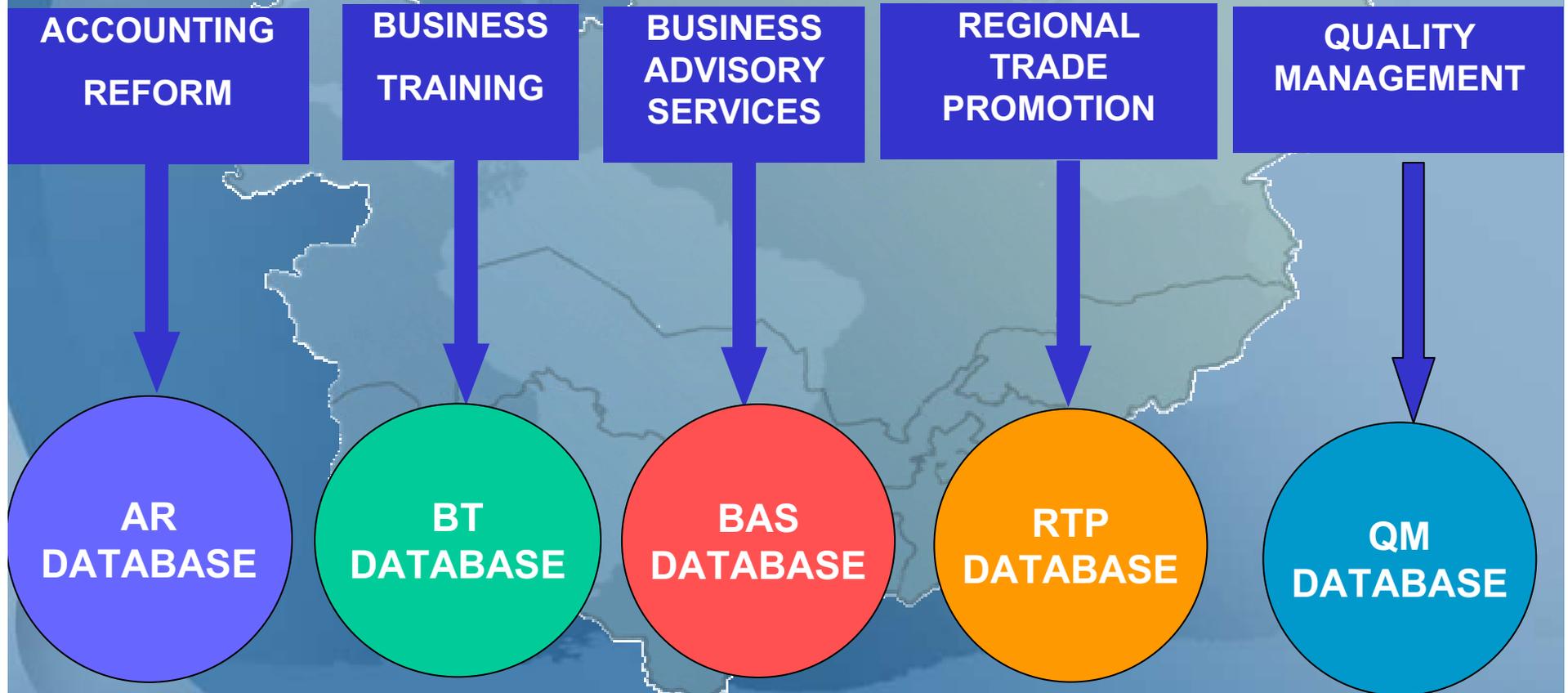
- Franchising by Phillip Ziedman, translated to Russian and distributed
- Kazakhstan Franchise Association (KFA) Formed
- President of KFA awarded associate membership in World Franchise Council



SME Development Activity Central Asia



SME Activity Regional DataBase- 9713 Cos.



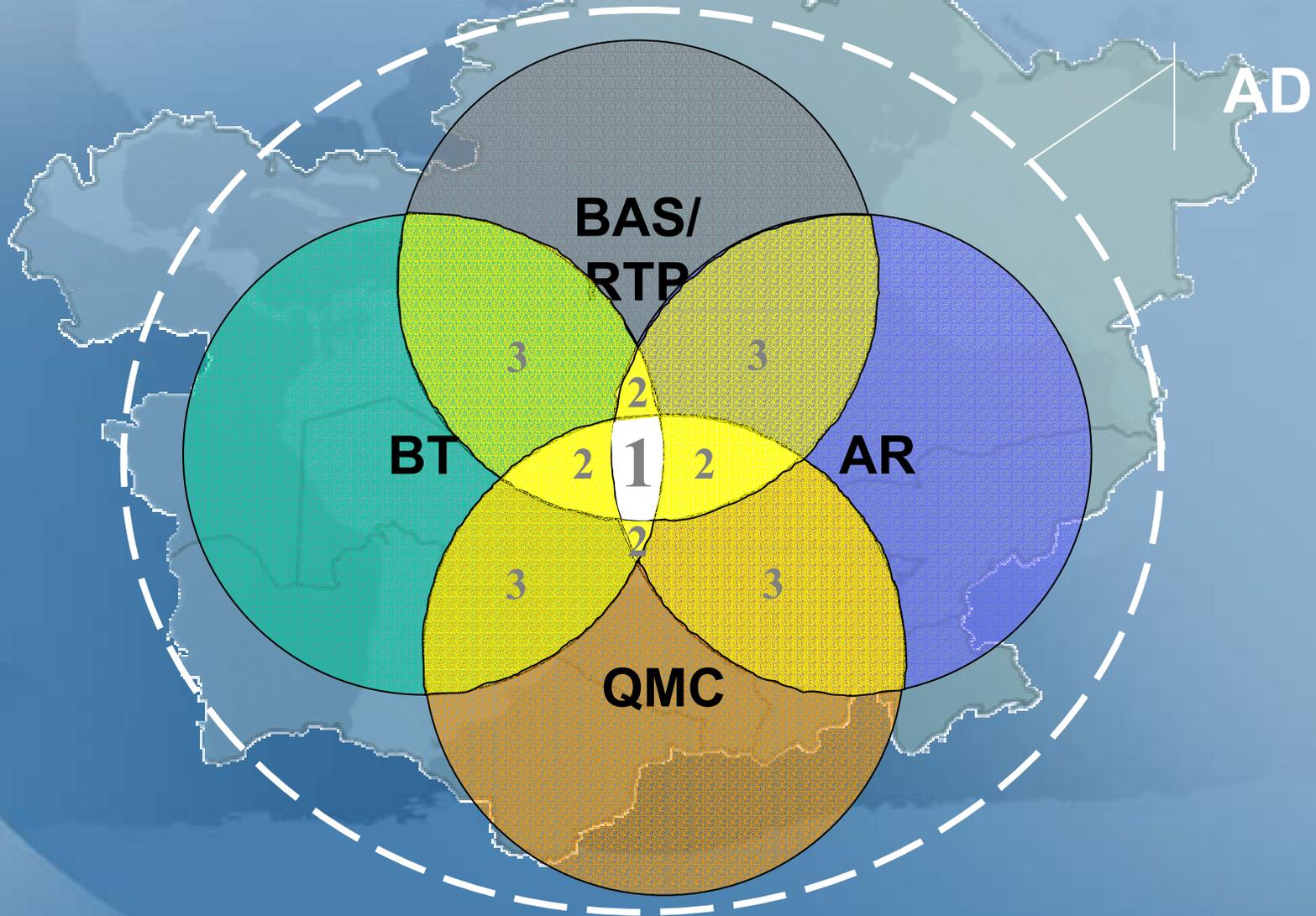
* Association Development information database to be developed and incorporated



SME Development Activity Central Asia



...with an eye towards sustainability

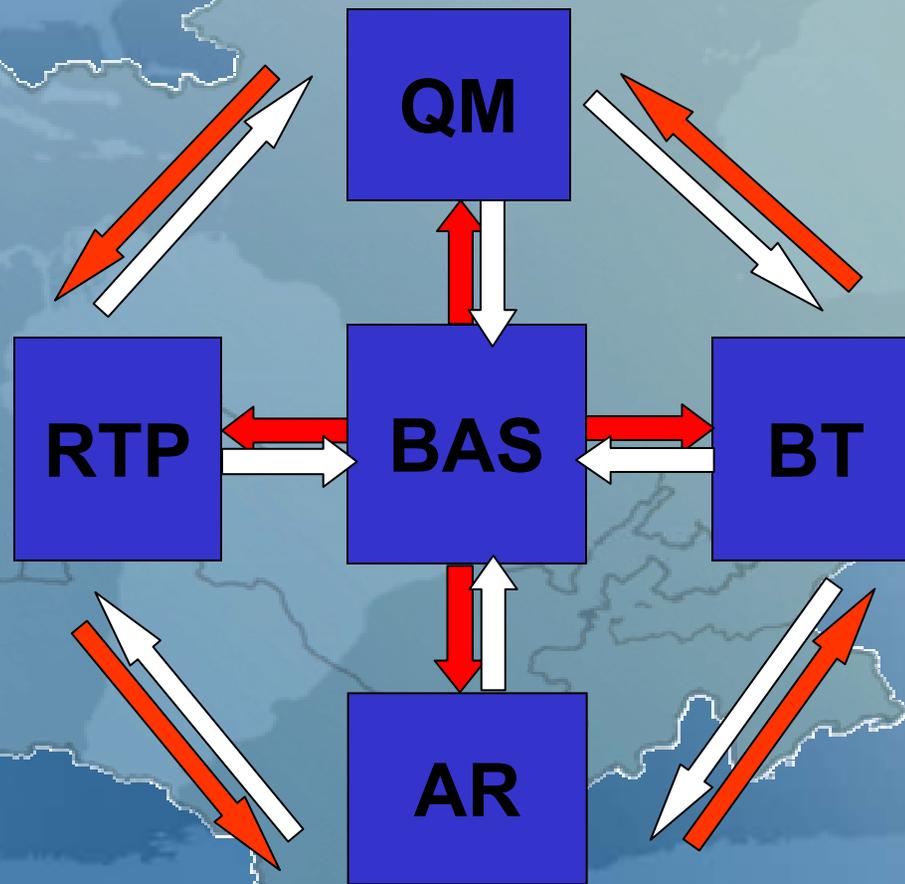




SME Development Activity Central Asia



....enroute to sustainability





SME Development Activity Central Asia



Fully Integrated SME Services



*KZ only

**KZ & KG only



SME Development Activity Central Asia



A Network Of 11 EDC Offices



SME Development Activity Central Asia



Issues

- **Regional Trade Promotion Deals**
- **Changing Strategic Objective, Intermediate Results**

Attachment 2

The compendium of success stories



SME DEVELOPMENT PROJECT IN CENTRAL ASIA

ENTERPRISE DEVELOPMENT CENTERS



Central Asian SMEs Integration, Growth, & Impact



Building Success in Central Asia

Integration, Growth, and Results

INTRODUCTION	4
TARGETED AND CUSTOMIZED TRAINING FOR SMES	5
EXAMPLE 1 – PAKS COMPANY	5
EXAMPLE 2 - SIBIRSKAYA CORONA DISTRIBUTION COMPANY	6
EXAMPLE 3 - ISSYK-KUL HOTEL	7
EXAMPLE 4 – TALAS OBLAST BUSINESS PLANNING TRAINING	8
EXAMPLE 5 - ZUKHRA COMPANY	8
ACCOUNTING REFORM & ENTERPRISE SUPPORT	10
EXAMPLE 1 – OJSC SEIMAR (FROM PANORAMA NEWSPAPER MAY 24, 2002)	10
EXAMPLE 2 – TAX & LAW AND BUSINESS ADVOCACY	10
EXAMPLE 3 – KOSTANAY ACCOUNTING TRAINING	11
EXAMPLE 4 - IAS CERTIFICATION IN KAZAKHSTAN	12
EXAMPLE 5 – NEW TURKMEN ACCOUNTING ASSOCIATION	13
INTEGRATED EDC BUSINESS ADVISORY SERVICES	14
EXAMPLE 1 – SAMAAL BAKERY	14
EXAMPLE 2 – BUSINESS ADVISORY AND FINANCIAL ANALYSIS FOR ADVOCACY	14
EXAMPLE 3 - KAZPACK	15
EXAMPLE 4 – MOTHER EARTH CAFE	15
EXAMPLE 4 – U. DAVLATZOD AT A COTTON COMPANY	16
EXAMPLE 5 – LAZZAT BAKERY	17
EXAMPLE 6 – MUTABAR SYUT DAIRY COOPERATIVE	18
EXAMPLE 8 – SAYKAL PRODUCER	19
EXAMPLE 9 - TRANCO	20
ADVOCACY AND ENTERPRISE SUPPORT THROUGH ASSOCIATIONS	21
EXAMPLE 1 – BISHKEK CHAMBER OF COMMERCE, INDUSTRY, & HANDICRAFT	21
EXAMPLE 2 – ATYRAU AND SOUTH KAZAKHSTAN ASSOCIATIONS OF BUSINESS WOMEN	21
EXAMPLE 3 – ASSOCIATION OF ENTERPRISES AND COOPERATIVES AND TAJIKISTAN NATIONAL ASSOCIATION OF BUSINESS WOMEN	22
EXAMPLE 4 – ASSOCIATION OF BUSINESS WOMEN OF TASHKENT REGION	23
EXAMPLE 5 – BUKHARA ASSOCIATION OF FAMILY ENTREPRENEURS	24
EXAMPLE 6 – NAMANGAN ASSOCIATION OF BUSINESS WOMEN	25
EXAMPLE 7 – REGIONAL ADVOCACY CONFERENCE	25

REGIONAL GROWTH - ENTERPRISE LINKAGES AND TRADE **27**

EXAMPLE 1 – MUZIMPEX TIJORAT	27
EXAMPLE 2 - ANDRUSHENKO	27
EXAMPLE 3 - ZHANGIR KHAN	27
EXAMPLE 4 – DEKO LLP	28
EXAMPLE 5 – UPP KOS	28
EXAMPLE 6 – NATALIE LLP	29
EXAMPLE 7 – MEBEL VASELITS	29

Introduction

This is a compendium of sample stories showing the impact on SMEs in their relationship with the USAID Central Asia SME Development Activity. Data and results, both quantitative and qualitative, are constantly measured and evaluated. The results in these stories can be found in two levels: Internal benefits and external benefits. Internal results show the growth and development of the SMEs internally, such as increases in production, improved product quality, and better decision-making processes. External results are the evidence of bottom line effects on the SMEs, such as increased sales, reduced costs, and increased profits.

The stories show an ever increasing level of integration of all SME Development Activity components on behalf of each client, resulting in increasing levels of success for each client SME. Acting as business catalysts, all components have been actively facilitating business transactions for the SMEs. This is evidenced in the number of stories which include being involved in the process of closing business deals

The SME Development Project has developed an online tool that serves as an information resource on project activities and impact throughout Central Asia. Through this online tool, additional success stories can be viewed.

Training and activity calendars, a catalog of success stories, and access to a variety of other project information is available through the web. The website is available for testing at beta.casme.net, with final rollout for the public expected in mid-summer 2002 at www.casme.net.

Address <http://beta.casme.net/try/index.htm> Go Links

EDC Main Menu Enterprise Development Success Stories Performance Monitoring Project Components

USAID Small and Medium Enterprise Development Project in Central Asia
Kazakhstan Kyrgyzstan Tajikistan **Turkmenistan** Uzbekistan

Project Overview

Operational since September 2000, The USAID Small and Medium Enterprise (SME) Development Project in Turkmenistan project leverages Pragma's vast experience working within transition economies and a twenty-year history of successfully implementing USAID funded projects in order to promote a free market-oriented culture as well as to encourage a dynamic and sustainable business climate.

Through the extensive efforts of local training partners throughout the country, over 1000 owners of micro-enterprises, entrepreneurs looking to start businesses and managers wanting to become more effective in their jobs have attended Pragma trainings in Turkmenistan. November 2001 the project began offering the first course, Financial Accounting I, of a seven course series designed to train, test and certify professionals accountants in International Accounting Standards throughout Central Asia, Russian and Ukraine. Most recently the Regional Trade Promotion component consisting of an internet based Business Trade Linkage Portal, smetradecenter.net and an Enterprise Development Center providing internet access and full time Trade Assistant opened in Ashgabat Turkmenistan. Regional Trade Promotion promises the ability for Turkmen Businesses to find trade partners throughout Central Asia and the world.

Enterprise Development

- ① Upcoming activities
- ① Programming
- ① Partners & Associations
- ① Resources

Press & Success Stories

- ① Complete Listing
- ① Program Components
- ① Turkmenistan SMEs
- ① Training Partners
- ① Pragma Activities

Performance Monitoring

- ① Training Benchmarks
- ① Monthly Project Reports
- ① Training Partner Information

Project Components

- ① Accounting Reform
- ① Business Training
- ① Regional Trade Promotion

Implemented By The Pragma Corporation

News:
On April 10, 2002 USAID and the Pragma Corporation launched a new service, Regional Trade Promotion, in Turkmenistan.

Regional Trade Network:
[SMETRADECENTER.net](http://smetradecenter.net)
growing your business

Copyright © 2002 | [USAID Central Asia](http://USAID.CentralAsia) | [The Pragma Corporation](http://ThePragmaCorporation) | [Legal Notice](http://LegalNotice) | www.smetradecenter.net

Targeted and Customized Training for SMEs

Example 1 – Paks Company

As a result of customized business trainings in Marketing, Sales Policy Development, Operational Management and Human Resource Management, the PAKS Company, a producer of juices, jams and purees, was able to identify and meet demand which lead to an increase of juice to nearly double the previous amount and jam production increased by nearly five times. Juice exports increased by 47% and jams by about 400%.

The main results achieved as a result of these trainings and assistance from a business advisor are:

- Profits have increased by 12%
- Product lines have expanded from 12 to 15 product types
- Sales have increased: juices – 60%, jams – by 500%
- The number of jobs increased: 2 positions added
- Export have increased: juice by 47%, jams by 400%
- Productivity has increased: juice by 60%, jam – by 500%
- The number of retail outlets increased by 98%: from 143 to 283

The following new changes can be traced in the activity of the company:

- The activity on expanding the market is in the process
- New standard of quality was established
- New kinds of products were introduced
- A new strategy of attracting new clients and keeping the permanent ones is being applied
- A new type of packaging is being applied – vacuum sealing
- The company is conducting negotiations on supplying secondary package of a better quality
- A marketing department was established
- The company had an intensive advertising campaign (running line, advertising reels)
- Advertising and PR articles were published in the “Buy-Sell” newspaper
- Sampling of products has been conducted in several stores in Bishkek
- A contract on supplies was concluded with Beta Stores and also a storefront was rented in this store on a long-term basis
- Research of clients, suppliers and competitors has been conducted

The joint effort of the Business Training and Business Advisory Services is twice as important because agribusiness, especially agroprocessing, is one of the priorities in the economic development of the Kyrgyz Republic and so far the number of this type of processors is very small. The Enterprise Development center helped to sustain the development of a promising agribusiness company that now has all prerequisites for further development and growth.

Example 2 - Sibirskaya Corona Distribution Company

Sibirskaya Corona is a small distribution company in Osh that employs 10 people. It is a retailer and wholesaler of the Nivea and Florena cosmetics.

To solve the problem of tangible decrease in sales, manager of the company participated in two Pragma Trainings: “Development of Marketing Plan” conducted by TES-Center and “Strategic Marketing” conducted by Mecon.

As a result of this training a lot has changed. The biggest indicator is the increase in the turnover of the company, which as of May 1 was 500%!

This result has been achieved due to the following actions and changes:

- Ways of delivering similar goods by other suppliers have been studied, market share and segment estimated, purchasing capacity identified
- The reasons for slow sales have been analyzed. Identified are the facts that part of the goods has been delivered without taking into account the demand, the prices are high, the range of goods is narrow. No efficient goods distribution system was available.
- Analysis of competitors has been conducted.
- Wholesale customers and buyers research was conducted by way of inquiries. As a result, enterprise’s own wholesale outlet at the market needed to be created at the market, which reduced the time necessary to serve the wholesales clients. A specialized store was set up in the downtown of the city. The range of goods needed to be changed to meet the demands. The prices for the goods in poor demand have been reduced.
- A wider range of goods and a closer access to the goods have been provided due to the installation of a specialized container at the market. Direct contacts with the wholesalers and retailers allow quick response to the customers’ wants.
- The personnel have received training in marketing principles. An additional person has been employed.
- Prices for goods have been reduced by 10%. Some kinds of the goods have been offered at new markets in Jalal Abad City and Kyzyl Kyia. Goods at the acceptable prices have been delivered.
- The assortment of goods has been expanded to meet demand. Better packaging alternatives are being reviewed.
- An advertising campaign has been carried out on radio, sponsor’s broadcasts have been introduced. Investment has been made in the design of the store and the container. Illuminated advertising signs have been ordered and installed.
- A strategic plan has been prepared for the year 2002 to promote the goods, carry out an advertising campaign, and deeply penetrate the markets in the cities of Osh, Jalal Abad and Kyzyl Kyia.

Example 3 - Issyk-Kul Hotel

For many years the Issyk-Kul hotel Karakol Presidential Residence was the best hotel in the city and nearby regions. It was traditionally filled with government employees, Soviet tourists and local people visiting café and restaurants. After the collapse of the soviet system the area became open to tourists from many countries. This of course led to increased competition from small and flexible private hotels and guesthouses. Part of the Issyk-Kul hotel, one building with about 15 beds, was privatized in an attempt to capture part of this market.

The business environment has changed, but not the attitude and mentality of the hotel management. Absence of basic skills such as finance, marketing, planning, customer service as well as just general understanding of the market led to unstable financial situation and outflow of clients.

In December 2001 the director of the hotel participated in an EDC “Human Resource Management” training conducted for Karakol businessmen by trainer Rafik Shaikhudinov. After that training, the Pragma Corporation received a training request to organize a course on Customer Service for all employees of the hotel. Mr. Konstantin Fedyashaev, Business Advisor, assessed the company, and agreed that the course would help the business. The training took place on January 31-February 1, 2002 and included 13 employees of the hotel.

The training had substantial impact on the company. Below are a few highlights:

- The number of clients increased by 11% compared to the same period of the last year.
- Practice of work with clients improved a lot. Firm style of greeting clients was introduced; special uniform for employees was made.
- Management realized that customer opinion is a number one indicator in business. Customer surveys have been developed and put in use. Information was collected and is being analyzed.
- Based on the customer survey results the following changes have been introduced:
 - o Price for some rooms was decreased by about 30%
 - o Complex breakfast was introduced. Now it can be even brought directly to rooms.
 - o Hotel rooms were divided into first-class and regular rooms (for local and foreign clients).
 - o Security guard was hired (a person with higher education)
- The director and marketing manager went to Cholpon-Ata residence to observe the level of service and interior design and layout. They took pictures, bought literature on how to improve the hotel area. Works have been started on improving the hotel park and interior design and the condition of the rooms. As a result the level of technical readiness for the coming season increased by 65%.

- Work with suppliers of drinks, foodstuff and toiletry has been initiated and is now at the stage of negotiations.
- Various advertising channels are now being discussed: advertising is running on local TV; negotiations with transportation agencies that manage buses and route taxes to Karakol have been held, 10 contracts have been signed in Bishkek with tourism companies that have tour routes thru Karakol. 10% commissions were introduced to motivate people who can bring clients to the hotel.

These changes will help the hotel improve its reputation among tourism companies and therefore its financial condition. We are expecting even more impressive results in July-August of this year as the tourism season proceeds.

Example 4 – Talas Oblast Business Planning Training

Talas Oblast is one of the poorest regions of the Kyrgyz Republic. Living conditions are very difficult – high unemployment, extremely low wages for those who were lucky enough to have a job, remoteness of business infrastructure. In such conditions it is twice as important both to involve local population in entrepreneurial activities and to assist those who started some kind of business in the region – retail trade, agribusiness, livestock breeding, etc.

More than 100 entrepreneurs of the region have been trained on the topic of Business Planning by our LTP “Asistance-21st Century”. These participants were mostly engaged in the agribusiness and retail/wholesale. The impact of the trainings on the development of these businesses has been enormous. Almost 100% of participants wrote business plans after the training and so far more than 50% of training participants already received credits from the local crediting organizations such as Kyrgyz Agricultural Financial Corporation, Ak-Peil-Talas and others. The size of the credit varies from 4000 to 15000 soms, which is a very substantial amount in the rural area. The total amount in USD totals to about \$8000. Credits were invested in buying additional livestock, seeds and beans, hardware for agribusiness, supplies to be re-sold and so on.

It is worth to note that these are the results from just four trainings. We believe that the continuation of training on the topics of Business Planning, Marketing Planning, Import/Export could substantially improve economic development of the region, increase employment, improve conditions for development of new enterprises.

Example 5 - Zukhra Company

Zukhra LLC, a well-known supermarket in Kant, has reached a 10% increase in company turnover as well as 60% decrease in after-sale warranty expenses due to improved cooperation with suppliers. In addition, about four more new products have been introduced to satisfy customer demands. These results have been achieved with the assistance of the USAID/PRAGMA Enterprise Development Center in conjunction with a Local Training Partner (LTP). Twenty-two sales employees of Zukhra Company, including its director, participated in training focused on “Customer Service” delivered

through the Marketing Service Bureau and its trainer – Rafik Shaikhudinov in March 2002.

“I was doubting this training until the very moment it started”, says the director of Zukhra Company, Irina Arlieva, who had a disappointing experience with other trainings. “I was reluctant to have this course for our employees, but the Pragma team convinced me that this would be a totally different. And for sure - it exceeded all my expectations. It was definitely worth of giving up two day activity at our store”.

There was immediate impact from the trainings. The quality of customer service in the company improved and sales personnel feel themselves more comfortable in interactions with clients. They now know how to settle and avoid conflict situations and use basic sales techniques. As a result, Zukhra Company has increased their permanent customer base by approximatey 15%.

After realizing that customer preferences should be studied and satisfied, new types of products and packaging have been introduced in the bakery department and Zukhra Café.

The course highlighted the importance of having educated sales personnel and, as a result, the director of “Zukhra” made an agreement with local training company “Znanie” to be their supplier for professionally trained sales staff.

Maintaining high quality in every aspect of activity became the motto for Zukhra Company. What is more important is that management realized that professional education of personnel really can substantially influence the development of business.

Accounting Reform & Enterprise Support

Example 1 – OJSC SEIMAR (from Panorama Newspaper May 24, 2002)

*Newspaper “Panorama”;
#20; dated May 24, 2002*

OJSC “SEIMAR” is Introducing International Standards of Financial Statements

Investment Company “Seimar” started an active process of preparation to introduce international accounting standards and international standards of financial statements (IAS) adopted by the International Accounting Standards Committee. Adoption of IAS will be held in a few stages and completed by 2004.

Financial department of the company commenced development of the program of adoption of standards and implementation of its certain components. Certainly, no new system will be efficient without highly qualified staff. Therefore, within the framework of the general program, the training and certification program of more than 40 specialists of enterprises of OJSC “Seimar” has been adopted. It is anticipated that the process will be lasted until the end of 2002. An outside organization – Pragma Corporation - Enterprise Development Center funded by the USAID has been attracted to fulfill this important task.

Testing and certification of the personnel of enterprises of OJSC “Seimar” will be held under the CAP programs (“Certified Accountant Practitioner”) and CIPA (“Certified International Professional Accountant”). In addition, it is planned to conduct training of financial top-management under the ACCA Program – Association of Certified Accountants, non-commercial international qualified organization carrying out certification of financial employees. Training under this program is conducted in Great Britain.

Currently it is difficult to conceive contemporary production without a reformed system of financial statements. Introduction of international standards at the enterprises of the OJSC “Seimar” is a critically important issue and complies with a long-term strategy of development of the company based on application of advanced western technologies and plans on expanding markets.

Example 2 – Tax & Law and business advocacy

After participating in USAID Accounting Reform “Tax & Law” courses, participants assisted their organizations to secure reimbursements from the tax police for illegal overpayments and for overpaid land taxes. Furthermore, use of case study techniques provided another individual with a timely solution to a complex problem, allowing for the re-registration of their recently enlarged company in a timely fashion.

The political and economic situation in Kazakhstan typically places individuals and companies in a weaker position when in conflict with authorities over interpretations of taxation and registration issues. However, knowledge and support gained through USAID/Pragma Accounting Reform, part of the SME Development Project in Central Asia, provides participants with the knowledge and certainty necessary to approach problems from a position of strength, resulting in reduced instances of tax overpayments and simplifying registration procedures. Below you will find three examples of the kinds of behavioral and systemic changes that can occur when individuals can provide to their organizations improved knowledge of the tax and legal regulations in their country and region:

1) After taking the Tax and Law course in Shymkent, Mrs. Sankova, chief accountant of Akparat-Ontustik company, defended the company's interests at the tax police for the illegal actions of tax administration representatives. As a result tax police reimbursed the tax overpayment to the company.

2) Mrs. Barabanova, chief accountant of the firm Eleuzizov & K, attended several Accounting Reform courses in Shymkent, including Tax and Law. With this new knowledge, she was able to defend her company and recover land tax overpayments.

3) Mrs. Tatyana Tskhai, chief accountant of ZAO Tegam, has taken three Accounting Reform courses in Karaganda. While she was attending the Tax and Law course, the organization she works for experienced problems with company re-registration. The situation was exacerbated by conflict with the employees of another company, the property of which ZAO Tegam acquired. During the Tax and Law classes the group and the trainer took this problem as a case study and simulated different solutions. As a result, a viable solution was found in the class, eliminating the need for the company to pay additional fees for outside legal advice, and ZAO Tegam successfully re-registered within the pre-determined time period.

Within Kazakhstan, it is more typical for accountants to avoid conflict with tax authorities. That these accountants were not only willing to raise their voices for their companies but were also able to do so successfully underlines the importance and efficacy of USAID Tax and Law training in Kazakhstan.

Example 3 – Kostanay Accounting Training

EDC Accounting Training Helps Secure Credit, Start New Companies, and Increase the Stature of Individual Participants

USAID/Pragma achieved success through the skill and knowledge of its employees and its Local Training Partners. In Kostanay, a Local Training Partner reports that its participants have used knowledge gained in the their courses to secure credit for large-scale construction projects, start new business ventures, and improve their own situation within companies through promotions and raises.

Moving from one accounting system to another, much less from a command to a market economy, requires change at both the individual and company level. Accounting Reform, part of the USAID SME Development Project in Central Asia, provides training participants with a solid foundation of financial knowledge. This knowledge can then be used for the betterment of entire companies by assisting with decisions based on current information and providing the tools for accurate financial forecasting. Below are some of the successes reported by just one Local Training Partner in Kostanay, Kazakhstan:

1) Rimma Syrovatskaya, attended several USAID Accounting Reform courses. Knowledge obtained at the courses helped her to develop a business plan, which was then used to successfully apply for credit. Her company has already received the credit with a preferential interest rate and plans to use it for the construction of a new a factory to produce mayonnaise and ketchup.

2) Mrs. Saule Khakimzhanova participated in several courses conducted in Kostanay and has successfully passed CAP-level exams. In addition, she has opened her own wood processing company, Alstroj, and later moved into furniture production based on forecasts she developed using knowledge gained in the USAID-funded courses. Alstroj is a successful venture for Saule that is already turning a profit.

The Kostanay Local Training Partner reports the following summary results from its USAID/Pragma course participants:

12 accountants were promoted to chief accountant;
28 accountants received a raise in wages;
53 participants started their own businesses.

Example 4 - IAS Certification in Kazakhstan

As Kazakhstan transitions part of a global economy, it becomes increasingly important for companies to use accounting systems based on international accounting standards. The individuals who will lead the way for organizational change are certified international accountants, individuals who have participated in USAID/Pragma Accounting Reform training and certification. Below you can hear what just two participants already have to say about the new CAP and CIPA certification programs:

“I work as a chief accountant of a transportation company. Our accounting department consists of 4 accountants. I’ve participated in the courses of FA-1, MA-1, Tax & Law and Audit. Such courses help me very-very much and especially FA-1. It became easier to provide qualitative financial services to my company. I’ve participated in Certification Exams and I am sure that is the best motivation for accountants. Such exams help me to evaluate myself objectively and recognize my weak points. All our accountants are planning to pass through such Certification in August and November. I wish to this project not give up and be with us as long as possible.”

-- Irina Korchagina, Chief Accountant, “Sibvneshtrans”

“Banking specialists should know paying capacity of clients and there is only one way to do it – we have to know accounting system. During 2 years, more then 10 specialists from our bank passed through accounting training programs. The best way to evaluate our knowledge is Certification Exams. I’ve already got CAP certificate and my goal is CIPA. Knowledge of Financial and Managerial Accounting help us to recognize clients’ needs and be more familiar with accounting reports. Also such a project helps us to understand International Accounting Standards and we will be ready to accept IAS. We wish to this project keep on Accounting Certification process.”

-- Ermek Mukhamediyev, Senior Credit Specialist, “Bank Center Credit”

Example 5 – New Turkmen Accounting Association

As a result of networking between accounting organizations present at the regional advocacy conference and participating organizations from Turkmenistan, one of the association leaders from Turkmenistan presented a proposal to the Turkmen government to start an accounting organization (none previously) in Turkmenistan. The leader of this association received approval for the creation of the association from the Turkmen Ministry of Finance and Economics.

The Enterprise Development Fund (EDF) is creating an association of accountants and auditors with Government support to include the Accounting Reform experts and establish formal requirements for the organization so that it too may join the ranks of internationally recognized associations. A member of the Ministry has been appointed to oversee implementation of the project. EDF is organizing an initial roundtable to form the association.

Integrated EDC Business Advisory Services

Example 1 – Samaal Bakery

Saamal bakery is a small business located in Bishkek, Kyrgyzstan. EDC assistance for Saamal has resulted in a sales increase of 30% and new supplier contracts with the US and French armed forces, new product lines, and 7 new jobs within the company.

In 2001 their sales of bread, the main product line, began to decline severely on account of increased competition. After an assessment, they agreed to work with the Enterprise Development Center to improve their business and agreed with the recommendation to diversify their product line in order to increase sales revenues. Through EDC assistance, the bakery learned how to make three new types of sandwiches and installed a refrigerator in their store allowing customers to purchase sandwiches directly from them. Sandwiches sales have increased from 1 to 7 per cent of total sales. As a result, the company was able to hire three more full time employees.

Following this initial success, Saamal Bakery with the assistance of the EDC business Center, further expanded their product mix by adding seven confectionary items that resulted in hiring four additional employees.

Since then, the bakery has become one of the main suppliers of bakery products to the United States Air Force Units and the French Armed Forces stationed in Bishkek. Sales have increased by 30%.

Example 2 – Business Advisory and Financial Analysis for Advocacy

Osh TV, one of the first independent TV stations in Central Asia, and one of the most popular in the South of the Kyrgyz Republic due to its unique Uzbek, Kyrgyz and Russian broadcasts, won its long-pending court case against the National Agency of Communications and the State Committee for Radio Frequencies. The Supreme Arbitrary Court of the Kyrgyz Republic decided on June 12, 2001 to force the reconsideration of earlier rulings against Osh TV, who was suing to keep the right to broadcast on its existing frequency.

An EDC business advisor in the Osh office worked with Osh TV's Director to develop six possible operational scenarios, based on variable estimates of costs, revenues, viewer projections, and capital expenditures, to determine the financial consequences a change of frequency would cause.

Armed with a petition of 32,000 thousand signatures in support of the station and with financial impact projections developed in conjunction with Pragma Corporation's *Small and Medium Enterprise Development Project in Central Asia*, a USAID-funded initiative,

Osh TV was able to convince the Arbitrary Court to throw the suit back to a lower court, thereby allowing Osh TV right to broadcast on its existing frequency for another 2 years.

Mr. Khudaiberdiev said, "*We were prepared for the worst, but we are very happy now to be able to continue our important broadcasting for the population of Osh.*"

Example 3 - KazPack

KazPack is an Almaty packaging firm that been experiencing serious production problems, which lowered the quality of their packaging materials and resulted in a serious loss of business. As a consequence, they were very interested in improving the color and design quality of their packaging materials. They conducted a search for a new supplier for print dyes, but after having identified a number of potential partners, they were not sure how to proceed.

The USAID/PRAGMA Enterprise Development Centers began working with KazPak during the supplier selection process. The EDC identified a supplier in Moscow and KazPack sent their technology specialist to Moscow to learn more about the production processes of its primary competitor, FinnPack.

As a result of these efforts, KazPack achieved quality levels similar to both FinnPack and Austrian Pack, another competitor. However, it still suffered a lack of confidence due to its prior customer losses. Pragma advised KazPack that new opportunities with FoodMaster, a significant customer in the packaging industry, existed due to FoodMaster's new ice-cream product line, new Operations Manager (a key decision-maker), and their desire to use local suppliers that could provide high quality at an attractive price.

Armed with this analysis and recommendations, KazPak met with FoodMaster and recently concluded a new one-year contract worth approximately \$500,000. KazPack is very appreciative of the efforts of the USAID/Pragma SME Development Project and has requested ongoing assistance in effective sales strategies and techniques, contract negotiations, and transportation, insurance and other logistical issues related with new sales deals.

Example 4 – Mother Earth Cafe

Mother Earth Cafe in Bairam-Ali

Larisa Romanova lived for many years with the idea of opening her own little place; a place where people could relax and enjoy good food. Two years ago Larisa went to a Sacred Land (Er-Kala), put a piece of fabric on a Wish Tree and made her wish. That same week the governor of Bairam-Ali in Turkmenistan called her to tell her that she had the permission to open the café, but receiving permission was only the beginning. She now had to remodel her apartment on the first floor of the two-stored building by the bus

station. This took longer than she expected, but was accomplished thanks to the help of many friends.

For weeks and months her local friends and Peace Corps Volunteers were helping her to build chairs and tables, put wallpaper on the walls, decorate the interior and work on the menu. Finally, on April 2 of 2001 the "Mother Earth Café" was officially opened by hosting the wedding reception of her two best friends.

Overall things are going well, but she has ideas to expand. Larisa attended the EDC "Legal Environment for Small Business" course in July and is excited to attend upcoming "Preparing a Business Plan" and "Developing a Marketing Plan" courses. She said that Pragma courses help her to learn more about modern ways of doing business, answer many of her questions and give her the opportunity to meet and establish partnerships. Larisa is also hoping to open a summer garden in front of her café where she could serve fast food to people hurrying to catch a bus and conduct theme nights at her café.

Larisa and the people of Bairam-Ali are very optimistic for the future of "Mother Earth Café", a place with soft music, friendly atmosphere, excellent food, affordable prices and the first pizza place in town. She believes that Pragma courses will help with her success.

Example 4 – U. Davlatzod at a cotton company

Umed Davlatzod is deputy director of production and Human Resource Management (HRM) at a private cotton processing plant in Tajikistan that employs about two hundred people. He took part in a HRM class in Dushanbe on October 2001. Based on information he received during the seminar he was able to create a new HR policy at his plant to replace the old soviet approach to HRM. The work at the plant is mostly seasonal and a majority of the workers are hired on a temporary/seasonal basis, so he implemented an hourly system of pay for seasonal work and a contract system of pay for permanent employees.

After three months of operation under this new plan Mr. Davlatzod reports the following results that he attributes to his new HRM plan.

1. Production of cotton fiber has increased by 40% compared to the same period last year. Last year at that time, they had produced 7 thousand tons compared to 10 thousand tons for the same period in 2002 .
2. Monthly salary of an hourly worker increased to 35-40 somoni (\$13-15), average wage in Tajikistan is 18-21 somoni.
3. Permanent staff was reduced by 30% helping the company become more profitable thus sustainable.

Mr. Davlatzod attributes all these positive changes to his participation in the USAID/PRAGMA HRM course. He is so excited about the services programs that he wants to participate in other training courses to explore more opportunities. In fact, now

he will be teaching HRM because he just successfully completed the HRM training of trainers.

Example 5 – Lazzat Bakery

At the beginning of Lazzat Bakery's relationship with the USAID-funded Enterprise Development Center in Fergana, the company was selling its product in plain cardboard trays without tops, providing an unattractive and inconvenient mechanism for display and transport. The company primarily bakes Turkish-style sweet goods using a mixture of local and Turkish ingredients. All of their products are sold in Andijan.

In February 2002, the EDC advisor recommended changing the packaging to increase customer interest and helped the company manager identify various local producers of cardboard boxes for baked products. A cardboard box with the company name printed on top was chosen as an immediate improvement, but the company is currently in the process of selecting an updated print logo as a further enhancement.

Increasing Capacity

While most cakes in Uzbekistan are not sold from a refrigerated case, Lazzat's owner includes superior quality as part of his marketing strategy and so has chosen to refrigerate his products to keep them fresh. In the past, the company used an old Soviet refrigerator with only one shelf to store and display its cakes. Because Lazzat is meticulous concerning the refrigerated storage of its product, this refrigerator restricted the company to the production of 20 kilos of product a day.

After opening a new café in which he sells cake by the slice and placing a series of advertisements on TV, the company became better known and the director was selling more cakes. He also felt he would be selling even more cakes in the future and so needed a bigger or additional refrigerated case in which to store and display products.

Buying locally means saving costs while supporting the local economy

The EDC further assisted the company by helping them research existing producers and suppliers of refrigerators in Uzbekistan. There are many Uzbek suppliers of imported refrigerators; however, the business adviser was able to identify two local refrigerator manufacturers of equal quality and reputation in Uzbekistan – one in Tashkent and the other in Fergana. A refrigerator of the same size and capacity cost 580,000 soum from the Tashkent company but only 337,000 soum from the Fergana company. Not only was the Fergana manufacturer cheaper, but sourcing from them would also save money on shipping expenses (approximately 19,000 soum) and allow for better customer service response from a closer, more mobile firm. As a consequence, Lazzat chose to purchase the new refrigerator from nearby Fergana at a savings of approximately 262,000 soum.

Lazzat Increases Profits by 170%

After purchasing the new refrigerated case, the company was able to produce and store up to 55 kilos of cakes at once. The company is now selling an average of 54 kilos of product per day. The Fergana EDC is continuing to assist the company with finding

another local supplier of Turkish ingredients, redesigning package printing, and purchasing additional equipment for the café.

Example 6 – Mutabar Syut Dairy Cooperative

At the beginning of 2001, the Enterprise Development Center (EDC) of the USAID funded Small and Medium Enterprise Development Project in Central Asia, started collaborating with the dairy cooperative “Mutabar Syut”. Pragma consulted the dairy cooperative’s management and its staff in the areas of product quality improvement and increasing profitability. As a result of this assistance, the enterprise increased its revenues by 10% and expanded its product mix.

Mutabar Syut was established in 1996, and is located in the Fergana valley, Uzbekistan where it employs 20 workers who process milk. The cooperative’s director says:

“Before Pragma’s assistance, we had been producing only three types of dairy products: cheese, sour cream and curds. With the help of Pragma we expanded our assortment and started producing butter, brynza and condensed milk.”

After completion of the initial consulting assignment, the dairy cooperative’s activity was still monitored by the EDC staff. Pragma has consistently taken a keen interest in the company’s development process and its performance results. The Business Advisors realized that Mutabar Syut had problems selling their product in the Fergana region, because despite the very high quality of the cheese, the price was too high for that region.

The EDC helped "Mutabar Syut" find additional clients with higher dairy budgets in Tashkent. The EDC advisor introduced Mutabar Syut cheese to Bumi International Hotel, one of the biggest International Hotels in Uzbekistan. The hotel's purchasing manager was very impressed with the quality of the cheese, and placed the first order of 50kg as well as expressing an interest in making a long-term contract to buy 50-100kg of cheese per month.

“Mutabar Syut” has signed a long-term contract with the five star “Intercontinental Hotel” to supply cheese. Prior to signing the above contract, the hotel food experts examined the company’s products and recognized its high quality. During the negotiations with the Intercontinental Hotel, the buyers expressed their intention to expand collaboration with the cooperative and to sign agreements in the future for the supply of other types of products, such as brynza, curds, and sour cream.

Recently, Mutabar Syut anticipated receipt of vital cheese cultures and other ingredients from Holland, presenting the company with the problem of how to move the imported supplies through customs. Prior to consultation with the Fergana Enterprise Development Center (EDC), the company faced paying the following in customs charges:

Mutubar Sut asked Pragma for assistance with customs clearance procedures. As soon as the cargo arrived in Tashkent, Pragma assisted the company through customs so that they paid only the fees illustrated in the top table to the right. The second table excludes VAT and Customs Duty payments which would have totaled 615,501 soum, thus reducing by nearly 90% the amount the company would have paid in customs duties.

Original Payment	Amount in soum
- for storage at customs warehouse	34,038
- for cargo processing	10,610
- for certificate from GosStandard	13,458
- for expertise	1,700
- for customs inspection	3,000
- for declaration	7,930
- for customs procedures	3,430
- VAT	332,876
- Customs Import Duty	282,625
Total	689,667

Actual Payment	Amount in soum
- for storage at customs warehouse	34,038
- for cargo processing	10,610
- for certificate from GosStandard	13,458
- for expertise	1,700
- for customs inspection	3,000
- for declaration	7,930
- for customs procedures	3,430
Total	74,166

Example 8 – Saykal Producer

Saykal has been a client of the USAID/Pragma Fergana Enterprise Development Center since July 2001. Production of wheelchairs is one of its core businesses. It uses plastic as well as metal parts. At the beginning of Pragma’s relationship with Saykal, the firm purchased plastic parts from intermediaries in the local market. This method required considerable additional labor on parts as well as assembly, as employees would drill each hole using a hand drill and grind some metal parts manually. Pragma suggested that they reduce the manual labor component of production by purchasing machinery to expedite production of wheel chair parts rather than buy them from the bazaar/market or make them by hand.

Following this advice the company purchased a lathe, driller, grinder, and additional machinery for the production of plastic parts. The new equipment has led to a 10% decrease in the cost of production per chair, which in turn has contributed to a 40% increase in the gross profit per-chair for the first quarter of 2002 as compared to the same period in 2001. In addition, the company now has an internal, and therefore more reliable, source of parts while maintaining and even improving the quality of these parts. Furthermore, no jobs were lost in the conversion to more automated processes -- employees who had been engaged in the hand-making of wheelchair parts were re-allocated to the marble business, strengthening that product line.

The success of this assistance has helped cement the company's relationship with the Fergana EDC. In 2001, Abdourakhmon Niyazov began experimental production of bicycles which can be modified from two to three wheels. In 2002, company director Abdourakhmon Niyazov was named Uzbekistan's Entrepreneur of the Year for his entrepreneurial and engineering skills, in particular for wheelchair and transformable bicycle production. Now Pragma is helping him to determine how best to finance the relocation of production to a larger and better-equipped facility and is further working with the Khojand EDC to negotiate the purchase of used bicycle production equipment from a Tajik firm.

Example 9 - Tranco

With a Little Help, Freight-Forwarder Tranco Secures \$825,000 Contract and Begins the Road to ISO 9000-2000 Certification

With assistance from USAID-funded Business advisory services, Almaty-based transport company Tranco was able to secure an \$825,500 deal for transportation and logistics services. USAID/Pragma assistance further helped Tranco win an EBRD grant covering 50% of the costs for consulting services to introduce a quality management (QM) system in accordance with ISO 9000-2000.

CJSC Tranco is one of the leading freight forwarding companies in Kazakhstan, specializing in international transportation of oil, metal, ore and grain. Tranco is the only forwarding company in Kazakhstan which renders complete transportation services through the Aktau Port, including agent and freight services, both within the Caspian Sea basin and on to the Black and Mediterranean Seas.

Reopening communications and improving negotiations

In May 2002, Tranco invited Almaty Enterprise Development Center Business Advisor Gulnur Kuvina to participate in negotiations with its potential client StandartComplect Ltd. Negotiations between Tranco and StandartComplect had stalled over the client's demand that Tranco provide additional services not normally offered to regular customers. Tranco intended to let the potential deal collapse rather than assume liability for shipments misdirected by the client. However, Gulnur Kuvina persuaded Tranco to reopen negotiations with StandardComplect and suggested some options for moving forward immediately so that no further penalties would be accrued on the current shipment.

Winning a long-term contract

Through Gulnur's advice and participation in these negotiations, Tranco managed to successfully resolve their conflict with StandardComplect and to sign a larger contract with this client than what had initially been proposed. Instead of a single-transaction relationship Tranco won a 3 month-contract worth \$825,500 with StandardComplect Ltd for the shipment of pipes within Kazakhstan.

Beginning the ISO 9000-2000 certification process

Furthermore, given the location and nature of Tranco's business activities, Gulnur had felt that Tranco would be a prime candidate for ISO 9000 certification in order to make the firm more attractive to future international clients. As a consequence, in March 2002 she discussed ISO with Tranco and introduced Tranco's director to Bill Barthold, the director of the USAID/Pragma Quality Management Center (QMC). She further identified a solid match between Tranco and EBRD's Business Advisory Service Program and assisted Tranco in its successful grant application to this program. Tranco subsequently received a grant to cover 50 % of the costs for consulting services that will expectedly lead to the implementation of ISO-9000-2000 compliant Quality Management system. Tranco will soon begin working with the USAID/Pragma Quality Management Center and taking the first steps on the road to certification.

Advocacy and Enterprise Support Through Associations

Example 1 – Bishkek Chamber of Commerce, Industry, & Handicraft

At the end of 2001 the Bishkek Chamber of Commerce, Industry and Handicrafts requested technical assistance from the USAID/Pragma SME Development Project to build a network or coalition of business associations.

There are over 100 professional, industry or region-specific associations in Kyrgyzstan. Recently, they had begun to realize the need to join forces in addressing common issues. Pragma conducted individual interviews and visited potential members of the group, organized a short seminar on network and coalition building and a brainstorming session on activities of the network/coalition. The participants agreed on a multilevel type of cooperation, consisting of:

- a network to exchange information and a common web-site
- a club or place to discuss common issues and to organize
- various strategies to implement common projects.
- creation of an initial group to establish the network/coalition

The group drafted a plan of activities and agreed to hold regular meetings and a monthly round table where particular issues that need to be addressed will be discussed. The participants divided responsibilities on preparatory work. At the regular meetings, the participants will also work out detailed cooperation mechanisms, funding, planning, ethical, procedural and management issues. The founding members of the group are the leaders of the Bishkek Chamber, Chamber of Tax Consultants, SBDC Consult - Small Business Development Center, Association of Tour Operators, Communication Operators Association and the Chamber of Accountants and Auditors.

Example 2 – Atyrau and South Kazakhstan Associations of Business Women

The Atyrau and South Kazakhstan Branches of the Association of Business Women of Kazakhstan (ABWK) has participated in several USAID funded Pragma trainings. The trainings, conducted through the Small and Medium Enterprise Development Project,

provided comprehensive tools for managing associations to achieve full potential in member services and advocacy. Participants were impressed with the tools they received and conducted several in-house sessions for colleagues who had been unable to attend the training.

Both Branches of ABWK introduced new methods of managing their associations as a result of the training, which had an immediate positive impact on the operations of the association. With mission, objectives and priorities clearly defined, strategic implementation plans were easily developed. From these action plans, financial requirements were identified, allowing the creation of a realistic annual budget for the association with financial resources clearly allocated.

To further enhance the association's immediate financial stability, new sources of financing were located and the association was able to apply to several foundations for additional funding. For long-term financial stability, the association began developing a cooperative system of collecting dues at all branches taking into account the local peculiarities. Additional methods of creating earnings and profits for the association were also identified.

With these effective methods of financial management in place, the ABWK was able to turn its attention to enhancing association services to attract and better serve members. "We have fixed the value of our services and learned to use the model of quality assurance process to evaluate our own results," said one of the association leaders.

The ABWK has now clearly defined functions and responsibilities of Board Members and the Executive Director. New methods of conducting effective Board meetings have been instituted to increase the ability of the Board to identify challenges and opportunities and to resolve key issues, thus leading to greater impact on the association's effectiveness. And, using new motivation techniques, the association has been able to increase the number and quality of individuals willing to serve on the Board.

Example 3 – Association of Enterprises and Cooperatives and Tajikistan National Association of Business Women

On January 22, 2002 the Association of Enterprises and Cooperatives hosted a Congress of Entrepreneurs in Chkalovsk city, Tajikistan with support from USAID. The Congress, sponsored by the USAID/PRAGMA SME Development Project in Central Asia, brought together more than 100 community members who analyzed the state of entrepreneurship in the region and discussed the problems that businesses face today, proposed practical solutions, and examined the future prospects for entrepreneurship in the region.

Among the Congress participants were representatives of local government and the mayor of Chkalovsk, representatives of regulatory bodies (tax inspections, customs), associations, banks, donors, international organizations, NGOs, department of justice, mass media and entrepreneurs, all of whom actively participated in discussions, proposals, and resolutions.

Congress participants stressed that the problems for local businessmen do not have timely solutions because of bureaucracy and redundant regulation and legislative acts. Their recommended solutions included specific activities to foment entrepreneurship through changes in taxation and promotion of local and foreign investment through increased transparency for the requirements and approval process required to enter into legal partnerships.

The National Association of Business Women and The Association of Enterprises and Cooperatives presented two research reports analyzing the current state of entrepreneurship in Sughd oblast. The reports introduced participants to the results of a marketing questionnaire. More than 500 entrepreneurs were interviewed on issues related to problems of taxation, interactions between businesses with local authority and regulatory bodies, their relations with international and internal funds, the present credit system, and the level of the entrepreneurs' education.

As a result of ongoing dialogue throughout the Congress, the participants of the Congress concluded that they should unite in the Association of Enterprises and Cooperatives to advocate their interests. This will provide an even stronger membership base for the association and help to unify the efforts of business people in the community who had addressed problems individually without much success.

Example 4 – Association of Business Women of Tashkent Region

The Association of Business Women of Tashkent Region unites businesswomen and women-entrepreneurs. The association has 18 rayon branches in 21 rayons and cities of the Tashkent Region, eight of which are centers that unite and organize NGOs in rayons. Kokand, Samarkand and Bukhara branches are considered among the strongest associations in Uzbekistan.

ABWT has enjoyed success in serving its members in the Tashkent Region. Their level of success and future potential has made the ABWT a partner and participant in the association development efforts of the USAID/PRAGMA SME Development Project. As part of this partnership, ABWT has received training designed to enhance the association's ability to survive, grow, serve their members, and advocate on behalf of their membership.

As a result of this in-depth training, ABWT has initiated strategic planning, which resulted in a two-year business plan and a full-scale fundraising plan. These plans, which have been approved and accepted by the Governing Board, focus on the priorities and strategies of association staff and management, increasing their efficiency and effectiveness.

Thanks to the planning skills obtained at the trainings, the Association prepared a grant application from the Japanese Embassy to set up a communication system between

branches and the head office and establish a training center in Yangiyul with computer, hairdressing and sewing classes. Currently, the application is in the final stages of the approval process.

The Association maintains close contacts with such state agencies as the regional khokimiat, the tax inspection department, the state property committee, the labor exchange, as well as with banks and the Business Fund. Most arrangements of the Association and its branches are held with the support or knowledge of the oblast and rayon khokimiats.

Jointly with the Business Fund and the State Property Committee, monthly business clubs are organized by turn in each rayon, where representatives of tax inspections and banks are invited to discuss issues relating to taxes, businessmen's rights and getting credits.

Currently, the Association provides free services for its members: trainings on legal issues, business planning, hairdressing business, confectionery business, business ethics. The Association plans to introduce fees for some of its services, primarily the most popular training courses in "Business law" and "Business planning".

Due to key marketing planning, the Association has formed good relationships with mass media. The Association activities are now highlighted in national newspapers, such as "Tashkentskaya Pravda", "Mulkdor", "Tax and Customs News", as well as by I National TV channel and TV channel "Eshlar". By December of 2001, ABWT had 472 members, of which 132 were legal entities and 23 were men, versus the 350 members the Association had in the beginning of the year. Their increased focus on strategic planning resulting from USAID sponsored trainings increased membership by 35%.

The Association provides regular patronage to the oblast children's home in Bukinskiy rayon, oblast old people's home in Akhangaran and a boarding school for invalid children in Bostanlik rayon.

Example 5 – Bukhara Association of Family Entrepreneurs

Bukhara Association of Family Entrepreneurs Develops Four New Projects in Training Center Establishment.

After obtaining new knowledge on strategic planning, business planning and fundraising at the seminars held by the SME Project implemented by the Pragma Corporation, the Association of Families of Entrepreneur's in Bukhara developed four new projects to establish training centers. Each center will provide software literacy and foreign language trainings for youth from poor families, carpet weaving trainings and agricultural training.

Training on business planning for branch managers of the Association in the nearest future will be submitted to the following foundations: Counterpart Consortium, Counterpart International, Pragma Corporation.

Association prepared business plan and all other required documents for obtaining loan in the amount of 5,000,000 sum for the branch establishment of the Association - "Bakhshandabegim".

Currently documents are being prepared for obtaining loans for family trainings, for production unit "Lolakhon" in the amount of 5,800,000 sums and for the family unit "Azizshokh Mirzo".

Based on the knowledge obtained, a strategic plan for the next three years was developed and in September 2001, the Association set up two more branches in Faizulla Khodjaevskiy and Textilniy rayons of Bukhara oblast.

Example 6 – Namangan Association of Business Women

The Namangan Association of Business Women has decided to create a coalition with businesswomen in Tajikistan. They are working with the National Association of Small and Medium Businesses in Tajikistan, and the Association of Business Women "Dilafruz" of Tajikistan.

The Bukhara Association of Family Entrepreneurs started coalition talks with several associations from Kazakhstan and Uzbekistan, including the Association of Business Women of the Fergana regions and the League of Trainers of Kazakhstan.

The conference not only provided business associations with the tools to prepare and implement effective advocacy campaigns on behalf of their members, but also helped to find new partners for various projects addressing cross-border trade and investment issues. Coalitions have begun to form following the conference, and these groups are already discussing the design of the national advocacy roundtables that are planned for the summer of 2002. Many other associations and decision-makers will be invited to the national roundtables to establish a dialogue focused on business advocacy.

Example 7 – Regional Advocacy Conference

As a continuation of USAID/Pragma's efforts to strengthen the advocacy capacity and skills of Central Asian business associations, a regional Business Advocacy Conference: "Improving the Environment for Small and Medium Enterprises Through Business Associations" was held on March 11-13, at the Alatau sanatorium in Almaty, Kazakhstan. In attendance were more than 110 leaders of business associations from Kazakhstan, Kyrgyz Republic, Uzbekistan, Tajikistan and Turkmenistan.

The conference was designed to address the advocacy needs of business associations whose memberships are composed primarily of small and medium size enterprises. It was focused on building a common knowledge base and shared skills in advocacy for business leaders to bring back to their associations. With this in mind, the organizers of the conference intended that all participants would:

- leave with a working understanding of what advocacy is and how to plan an effective advocacy campaign.
 - learn from successful advocacy cases and best practices from other business and professional associations in Central Asia and the former Soviet Union.
 - gain critical thinking skills to evaluate their advocacy plans and strategies.
 - prepare a draft advocacy campaign plan that they would bring to their membership.
- use the training they received at the conference on coalition building and advocacy planning as the basis for effective participation in national advocacy roundtables to be held in each Central Asian country during spring/summer 2002.
- develop a list of pressing problems, and an agenda to address at the national level, and later at the local level, with follow-on trainings.

In the two weeks following the conference, participants from each of the countries have taken the following steps toward applying their new knowledge:

Kyrgyzstan:

The Bishkek Chamber of Commerce, Industry and Handicraft and the Kazakhstan Association of Markets and Entrepreneurs are signing their first cross-border cooperative agreement. Among their plans for cooperation they plan to work in the Issyk-Kul region with farmers and processors to create a direct link between the production of that area and the Kazakh market represented by the many members of the Association of Markets and Entrepreneurs.

Groups from southern Kyrgyzstan and northern Tajikistan are discussing improving cross-border trade with the Djalal-Abad Association of Entrepreneurs, which has agreed to conduct marketing research on the matter. The BCCIH said the conference helped them to see new opportunities in solving regional trade issues.

Kazakhstan:

The Kazakhstan Association of Markets and Entrepreneurs has begun to play an active role in forming cross-border coalitions as described above in the Kyrgyzstan section. Representatives of the Business Women of Southern Kazakhstan and the SodBi Association of Shymkent wrote letters providing suggestions for additional advocacy work.

Tajikistan:

Representatives of the Association of Enterprises and Cooperatives (AEC) concluded an oral agreement with approximately 16 Associations from Kazakhstan, Uzbekistan, Kyrgyzstan, and Turkmenistan concerning future cooperation. AEC concluded an agreement with several professional associations to create a coalition of business associations in Tajikistan to work on customs issues and engage governmental authorities.

Regional Growth - Enterprise Linkages and Trade

Example 1 – Muzimpex Tijorat

Through SMETRADECENTER.net and Trade advisors' assistance companies have new opportunities to find better suppliers or new clients -- in as little as two to four days! A recent illustration is how one of the Tashkent EDC's long term clients, Muzimpex Tijorat, found a new supplier for their raw materials. Muzimpex Tijorat is one of the best jam producers in Central Asia and monopolist in the area of fruits and vegetables flash freezing. They require large quantities of citric acid for their production. Within two days after submitting an Offer to Buy on SMETRADECENTER.net, they received information about three potential suppliers.

That same day, the purchasing manager of Muzimpex Tijorat called the Tashkent EDC office and said that they were able to identify a new supplier for citric acid, one who can supply the necessary quantities and at a price 10% below what the company had been paying. Following this success, Muzimpex has already placed an additional buy offer. The citric acid supplier has also expressed an interest to be registered at SMETRADECENTER.net and to place a buy offer for production equipment.

Example 2 - Andrushenko

After hearing about the USAID/PRAGMA Enterprise Development Centers and in order to improve the quality of its flour, Andrushenko Flour Mill expressed an interest in importing wheat from Kazakhstan. The Almaty EDC supplied Andrushenko with a list of pre-screened wheat suppliers. Andrushenko contacted these suppliers and joined forces with other mills in Northern Kyrgyzstan to organize a shipment of Kazak wheat. Twenty-three train wagons of wheat were sent to Kyrgyzstan.

The mill began to work two shifts and produced a higher quality flour with a higher gluten content. Because of this improvement in the quality of its product, Andrushenko Mill has signed a long term contract with Ata, a Turkish-Kyrgyz bakery company, that uses the flour to make cakes and pastries. It supplies Ata with ten tons of flour each month.

Example 3 - Zhangir Khan

Pragma-implemented assistance leads to buyer-seller exchange

With assistance from the USAID's Enterprise Development Center in Atyrau, Kazakhstan, drinking water supplier Zhangir Khan recently became a Preferred Supplier of Halliburton, "the world's largest provider of products and services to the petroleum and energy industries."

In March 2002, regional trade advisor Saule Sagandykova identified the match between Halliburton's supply needs and client Zhangir Khan's products. BAS Manager Glenn Milano worked with Zhangir Khan to improve their selling and marketing strategies, as well as their business communications, so that Zhangir Khan received an initial trial order from Halliburton for 50 liters of purified water. The initial order was for bottled water but future orders could be in any form, allowing for diversification with other forms of packaging.

Atyrau firm Zhangir Khan gains long-term international client
Halliburton was satisfied with the quality of the trial order and, in April, placed Zhangir Khan on its Preferred Supplier List. Preferred Supplier status means that bank payment information will be retained in Halliburton's SAP system to expedite future orders. All the pieces are in place for this local company to be a long-term supplier of a major multinational firm. The Atyrau Enterprise Development Center will continue working with its client to help maintain this business and secure future opportunities.

Example 4 – DEKO LLP

DEKO LLP is a safety gear and uniform manufacturer located in Kazakhstan. They approached Pragma on March 13, 2002 to assist them in locating "spanbond", a flame retardant material used in most of the firm's products.

In the past, DEKO relied on Russian firms to supply them with quality spanbond, but had encountered significant customs barriers and sporadic delivery. Pragma's Pavlodar Enterprise Development Center contacted various international suppliers and identified another Moscow firm, GITERPLAST who agreed to send samples from their Almaty branch for DEKO's inspection.

Example 5 – UPP KOS

In early May 2002, Pragma received a request from a Pavlodar EDC client company UPP KOS to help locate spare sewing machine parts the company desperately needed to continue production of several of its core products such as industrial filters, mattresses, blankets and jackets. The company is a major supplier of special filters for ALUMINUM of KAZAKHSTAN, but began having problems supplying them because their old sewing machines were broken and idle. The company needed to decide to either purchase new sewing machines valued at roughly \$2500 a piece or purchase spare parts to repair its existing equipment.

The EDC advisors compiled a list of several potential sewing machine suppliers from the Internet. They located Sewing machine company, SAMARSKY MECHANICHESKY ZAVOD of Samara, Russia and contacted them. Representatives from UPP KOS traveled to Omsk, Russia to visit a SAMARSKY distributor located there.

UPP KOS decided to purchase spare parts from Russia to repair their existing equipment foregoing the high costs of purchasing new equipment. On May 15, 2002, UPP KOS

completed the purchase of 57,000 rubles (roughly \$372.55) worth of sewing machine spare parts (“ElectroZakroiniyMachiny, Type A3-M4”) allowing the company to continue production of industrial filters for ALUMINUM of KAZAKHSTAN as well as its other stitched wares for other customers.

Example 6 – Natalie LLP

Since February 15, 2002 Natalie LLP has received assistance from the USAID/PRAGMA Enterprise Development center. The producer of paint, enamel and lacquer received assistance focused on improving its business processes and reaching out to potential new customers and suppliers.

Working through Pragma’s Regional Trade Network, Natalie has been concentrating their efforts in expanding its base of potential suppliers of raw materials by posting several buy offers.

Sunflower oil has been one of the most difficult items to obtain in reliable and large quantities. Pragma located a Sunflower oil producer “Mart”, in Ust-Kamenogorsk. The information was passed to Natalie. On May 27, 2002, the Natalie LLP General Director traveled to Ust-Kamenogorsk to meet with “Mart”. With the help of Pragma’s Regional Trade Network, Natalie LLP hopes to lower its raw material costs by at least 10% by finding cheaper and more reliable sources of supply especially sunflower oil.

Example 7 – Mebel Vasilets

Mebel Vasilets is an office/home furniture retailer and producer located in Uralsk, Kazakhstan. The owner of the company met with the Uralsk Enterprise Development Center in early February 2002. Mebel Vasilets announced it had recently signed a contract to provide office furniture to KIO, a large oil conglomerate operating in West Kazakhstan. They were in need of suppliers to fulfill the contract with KIO. Vasilets had located a British office furniture company, Bisley, from which it wanted to buy directly.

Mebel Vasilets had previously contacted Bisley, but had been referred to Bisley’s dealers in Almaty and Moscow. Buying Bisley’s furniture through Almaty or Moscow reduced profit margin substantially and presented various potential logistical problems. With the help of Pragma Bisley agreed to deal directly with Mebel Vasilets. Vasilets placed an initial order worth \$10,000 in the first part of April 2002. The companies have come to a satisfactory agreement over payment terms and transportation and intend to continue doing business in the future.

Attachment 3

Contract modification #10

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT			1. CONTRACT ID CODE 116-C-00-00-00016	PAGE 1 OF PAGES 19
2. AMENDMENT/MODIFICATION NO. 10	3. EFFECTIVE DATE see block 16C.	4. REQUISITION/PURCHASE REQ. NO. N/A	5. PROJECT NO. (if applicable)	
6. ISSUED BY USAID/CAR Regional Mission Director's Office, A. & A Dept. of State, 7030 Almaty Place Washington D.C., 20521-7030		7. ADMINISTERED BY (if other than item 6)		
8. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State and ZIP Code) The Pragma Corporation 116 East Broad Street Falls Church, VA 22046 TIN: 54-104-6282 DUNS: 038992228		(X)	9A. AMENDMENT OF SOLICITATION NO. N/A	
CODE			9B. DATED (SEE ITEM 11)	
FACILITY CODE			10A. MODIFICATION OF CONTRACT/ORDER NO. 116-C-00-00-00016	
		X	10B. DATED (SEE ITEM 13) 08-10-2000	

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

The above numbered solicitation is amended as set forth in item 14. The hour and date specified for receipt of Offers is extended, is not extended. Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods: (a) By completing items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment of each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (if required) N/A

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS, IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

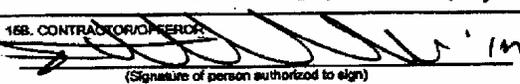
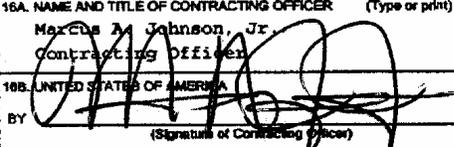
(X)	A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A. FAR Part 52.243-2 Changes - Cost-Reimbursement
	B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation data, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(b).
	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:
X	D. OTHER (Specify type of modification and authority)

E. IMPORTANT: Contractor is not, is required to sign this document and return 1 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)
The purpose of this Modification is to replace the Section C - Program Description with the revised version. Accordingly, the contract is hereby modified by deleting the Section C in its entirety and substituting with attached pages 2-19 of the current modification. All other terms and conditions remain unchanged and in full force and effect.

[Continued on page 2]

Except as provided herein, all terms and conditions of the document referenced in item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print) M. M. FATOORE CHIE. V.P.	15B. CONTRACTOR/OFFICER 	15C. DATE SIGNED 11/15/01	16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print) Marcus A. Johnson, Jr. Contracting Officer	16B. UNITED STATES OF AMERICA BY 	16C. DATE SIGNED 16 NOV 2001
---	--	------------------------------	---	--	---------------------------------

1. Delete Section C in its entirety and substitute with the following:

SECTION C – PROGRAM DESCRIPTION
SMALL AND MEDIUM ENTERPRISE DEVELOPMENT IN THE CENTRAL ASIA
REGION - KAZAKHSTAN, KYRGYZSTAN, UZBEKISTAN, TAJIKISTAN AND
TURKMENISTAN

SUMMARY

The vision of USAID/CAR (Central Asia Republics) is building pluralism and stability among the people and institutions of Central Asia. Our goal is to expand opportunities for participation, livelihood and quality of life for the citizens of the Central Asian Republics. This business training and advisory activity will be implemented through the Enterprise and Finance Office as part of Strategic Objective 1.3 (S.O.1.3), which calls for an improved environment for the growth of small- and medium-sized enterprises. Intermediate Results to be achieved under this activity fall under increased opportunity to acquire business information, knowledge and skills (I.R.1.3.1).

Throughout the world SMEs are a major factor in economic growth and key to employment generation. Employment trends in the emerging economies of Eastern Europe serve as an excellent example of the importance of the SME sector for job creation. SMEs account for 58% of employment in Georgia, 37% in the Czech Republic, 24% in Hungary, and 23% in Poland. With such vibrant SME sectors, these countries have enjoyed healthy economic growth over the past decade. In contrast, the contribution of SMEs to economic growth and job creation is disappointingly low in Central Asia. Thus, the growth of the SME sector in Central Asia represents great potential for new job creation and economic growth. Extensive analysis of SME development and constraints to growth in Central Asia have concluded that the environment for doing business in Central Asia must be improved for the SME sector to grow.

The development of the small and medium business sector (defined as businesses with less than 500 full-time employees) is a key component in the transition to a free market economy. In addition to economic benefits, SMEs are vital to the growth and sustainability of democratic reforms. The countries of Central Asia still face the challenge of building an economic middle class that will demand openness in political processes. Political freedom can only be sustained as long as citizens can be assured that they have viable opportunities for employment and investment and the right to own and operate businesses.

The objective of this contract is to improve the environment for small and medium enterprises (SMEs) in the five Central Asian Republics. This contract has six major components: 1) Business training, 2) Accounting Reform 3) Business Advisory Services (BAS), 4) Business and Professional Association development, 5) Regional Trade Promotion and 6) Quality Management Program.

Project Summary

Due to the legacy of the Soviet Era command economy, the majority of Central Asia citizens lack basic business training. Therefore, the development of human resources must be a top priority for bringing the Central Asian Republics into the global market economy. Education and professional training for business people, public officials and the next generation of entrepreneurs is an important step towards realizing the transition to a market economy.

The central organizing principle of this activity is responsiveness to the needs of its customers – small and medium enterprises enterprises. This responsiveness can only be achieved if the business training, advisory services, and support to business and professional associations are demand-driven. Dialogue with public and private sector institutional "customers" must be built into every aspect of the activity.

Entrepreneurs need access to basic business training courses in management, marketing, finance, accounting and other areas of business. Government officials responsible for the passage and implementation of economic reforms also need basic business training. Operators of small businesses need assistance in identifying market niches and developing strategies and business plans to reach targeted markets.

In terms of accounting reform, chief accountants, auditors and financial officers need to understand and implement international accounting standards, practices, principles and ethics. This requires that the contractor give attention to the supporting legislation and regulations required for the adoption of national standards that are fully compliant with International Accounting Standards (IAS) and International Standards of Audit (ISA). The contractor will establish and/or strengthen associations and encourage and assist them to adopt and implement world standard professional and technical standards, practices, principles and ethics. The contractor will work with the Ministries of Education and the appropriate institutions of higher learning to adopt world standard curricula. To support this training and education the contractor will: purchase Russian Language textbooks as appropriate and as available; funding the translation of approved textbooks into Russian so as to support this training and education; and translating into Russian. and printing locally, texts as needed. Finally, the contractor will work with professional accounting and auditing associations to implement a harmonized regional examination and certification program offered in the Russian Language. This program will be based on the International Federation of Accountants (IFAC) International Education Guidelines (IEG) 9 for Certified International Professional Accountants and Study 2 for Certified Accounting Technicians.

USAID/CAR has learned a great deal about delivering business training from its successful enterprise accounting reform activities in Central Asia and from the first year of implementation of this SME Development Activity For example, in Kazakhstan USAID delivered short-term, conversion-specific, accounting training to over 6,000 chief accountants in the process of helping over 1,370 enterprises convert their financial systems from the old accounting standards to the new IAS-based standards. In Kyrgyzstan, more than 3,100 participants have completed an intensive financial accounting training course.

The accounting education courses support women employees of SMEs in particular. Women traditionally dominated the accounting field in the Soviet system and continue to do so today. Of the 3,100 accountants trained in Kyrgyzstan so far, over 86% (2,656) have been women.

Based on the vast need for general business training and the success of accounting education courses, advisory services and support to professional associations, through this contract, USAID/CAR is expanding its business training to reach a wider customer base of entrepreneurs and business managers.

The contractor will establish a regional business training and advisory facility to deliver business courses and will expand upon the comprehensive accounting courses developed under previous

task orders. The Project's regional office and Chief of Party will reside in Bishkek Kyrgyzstan with additional project offices in Osh, Kyrgyzstan; Almaty and Atyrau, Kazakhstan; Tashkent and Ferghana City, Uzbekistan; Ashgabat, Turkmenistan, and Dushanbe and/or Khujand, Tajikistan (final allocation of project resources in Tajikistan will be determined by USAID/CAR based on political stability issues). In addition, the Project will have staff working in the Trade & Investment Project (TIP) offices in Pavlodar, Uralsk and Ust Kamenogorsk in Kazakhstan.

Note: At the time of this modification, the events in the US on 11 September 2001 have placed restrictions on regional travel. The content of this modification reflect limits in project delivery as a result of these restrictions.

A Regional Approach to Technical Assistance

Economic development and political conditions vary among countries in the region. Therefore, activities under this scope of work will be tailored to each of the five countries.

In Kazakhstan and Kyrgyzstan, where the greatest amount of progress and support for economic reforms has been shown, USAID will offer the full range of activities and tasks outlined in "Section III. TASKS." A major focus of this project is for the contractor to establish a regional trade network that will assist companies to develop and build markets locally, regionally, and internationally through an integration of quality management training, business education/training, and consultations. While Kazakhstan and Kyrgyzstan are well positioned to take advantage of these services, the contractors will constantly review each Republic to assess the potential for the range of services offered through this contract.

Tajikistan's government has demonstrated its commitment to economic reform. However, political instability in Tajikistan limits USAID's ability to provide assistance there. The contractor will implement a strategy to offer a range of activities and services in Tajikistan through local training partners. This strategy should be based on the assumption that expatriate consultants will have extremely limited or no access to travel to or within Tajikistan.

In Uzbekistan where reform has progressed at a slow pace, USAID/CAR will apply a scaled down version of the full range of project activities in an attempt to build on this limited progress.

In Turkmenistan, where the government has failed to embrace reform and to adopt the prerequisite laws, regulations and institutions, USAID/CAR will limit its support to business training (business short courses and professional accounting courses) in selected areas.

The sub-regional importance of the Ferghana Valley Region must not be understated. The extensive dependence on agriculture (both production and processing) in this region impacts the economic picture of Kyrgyzstan, Uzbekistan, and Tajikistan. The contractor will need tailor project resources to provide agro-business information, training, and education to this critical region of Central Asia.

When considering personnel and staffing decisions, the contractor should take a regional view. For example, USAID envisions the contractor having a Chief of Party in Kyrgyzstan and Country Representatives in Uzbekistan, Kazakhstan, Turkmenistan and Tajikistan (may be a host country national). With full coordination with the USAID/Trade and Investment Development Project (TIP), the contractor will establish a network of offices referred to as **Enterprise Development**

Centers (EDC) to expand project outreach and technical assistance in support of SMEs to targeted oblasts within each Kazakhstan and Kyrgyzstan. Members of the EDC will be drawn from the SME Development Project as well as the Trade and Investment Project so as to provide a comprehensive program of business training, business advisory services, and to promote regional trade.

I. KEY COMPONENTS

This activity consists of six key components: 1) Business Training, 2) Accounting Reform, 3) Business Advisory Services, 4) Business and Professional Associations development, 5) Regional Trade Promotion, and 6) Quality Management Program.

A. Business Training

The objective of this activity is to provide practical business training to entrepreneurs, SME managers and selected government officials and throughout Central Asia. The contractor is required to propose its method of selecting, delivering, and overseeing quality control of business short courses and professional accountancy courses. It will also be responsible for quality control and security of all examinations and testing.

The contractor will be tasked with selecting business-training material for basic business practices such as finance, marketing, management, accounting, business planning, information technology and strategic planning. Wherever possible this material will be drawn from existing material that is available in the Russian Language and meets project standards. This training will consist of business short courses (4-40 hours) for entrepreneurs, local government officials, and SME managers. Business training will be required to maximize the potential benefits of the EDC by expanding their course offerings to include material that address issues associated with trade, procurement, franchising, leasing, quality management and ISO certification.

The economic value of a well-developed agro-business sub-sector in the Ferghana Valley must be stressed in targeting SMEs in project activities in Kyrgyzstan, Uzbekistan, and Tajikistan. The contractor will tailor BAS activities and Business Training to meet the unique demands of agro-businesses in the Ferghana.

The business courses will be open enrollment. However, customized courses may be delivered to a single enterprise if there is adequate demand for the course in more than one company and there are no less than 10 participants attending each course. This customized training will be more of an executive training effort focused on the decision makers and organized and scheduled in such a fashion as to take advantage of their availability, i.e., evenings and weekends. A key responsibility of the contractor will be to monitor, evaluate and work to continually improve the training curriculum. This will be accomplished by follow up, in-company visits with course participants, questionnaires completed at the end of each course, follow up surveys, or other means.

The contractor will establish and maintain SME and Trade Network databases for the five Central Asia Republics. The data will include such information as name, address, contact information; type of business, number of employees; date registered; financials, export/import, products, input needs and other information relevant to tracking SME growth and trade activity in the region. In addition, the contractor will gather basis SME statistics in each country, including such information as the number of SMEs operating in both the formal and informal sectors, number of workers employed

by SMEs, business sectors in which SMEs operate, contribution of SMEs to gross national product. This data will be used as a performance measurement tool to determine the effectiveness of this activity. Another objective is for USAID to provide an SME information portal for Central Asia.

In order to streamline the delivery assistance and to maximize training under a limited budget, USAID envisions the establishment of regional training, material and programs, which will utilize local training partners (LTPs).

USAID has separate agreements with the Consortium for the MBA Enterprise to provide Graduate School Volunteer (GSV) services to the contractor as members of the SME Development Project team. The contractor will be expected to facilitate and coordinate the GSV's role in this activity and will be evaluated by the CTO on how extensive these GSV team members were utilized. The contractor will provide a working area, transportation, per diem, and other incidentals as would be provided to an employee.

The Peace Corps assigned business volunteers to LTPs in Central Asia to work part-time on this activity. Depending on the availability of Peace Corps volunteers, the contractor will cover the cost of transportation, accommodation and per diem associated with PCV project activities and visits to the contractor's offices or the training facilities.

B. Accounting Reform

Adoption of International Accounting Standards (IAS) and International Standards of Audit (ISA)

USAID has supported the establishment of the legal/regulatory basis for adoption of IAS and ISA in both form and content in Kazakhstan, Kyrgyzstan and Uzbekistan. The contractor will continue to support the establishment and development of the IAS and ISA legal/regulatory basis in these countries as well as in Tajikistan and Turkmenistan as far as the situation in these countries permits. The contractor will provide training on IAS and ISA to appropriate government officials. It will also offer technical assistance and guidance pertaining to accounting and audit laws, decrees and regulations and assistance to regulatory bodies, such as securities market regulatory bodies, involved in accounting in each country.

Education/Examination/Certification of Professional Accountants

USAID has supported the development of a regionally harmonized and standardized system of core accounting courses, rigorous examination and certification for professional accountants. This program is based on international models, including the framework created by United Nations Conference on Trade and Development/ International Standards of Accounting and Reporting (UNCTAD/ISAR), based on the established curricula of the Canadian Certified General Accountants (CGA) and the British Association of Certified Chartered Accountants (ACCA). USAID is working closely with international accounting organizations, such as CGA, ACCA, the International Federation of Accountants (IFAC) and the International Accounting Standards Board (IASB) to create a regional, Russian Language, model certification program. The contractor will continue to develop and deliver courses, exams and the administrative infrastructure for these exams, in order to establish an examination and certification program for accountants that fully complies with the International Education Guidance 9 (IEG-9) and Study 2 issued by IFAC.

Accounting Curriculum Development and Training of Teachers.

It is essential that the accounting curricula of Higher Education Institutions (HEIs) be reformed to provide the comprehensive accounting education required by professional accountants and auditors to reach world standards. USAID has supported the development of a regional model accounting curriculum based on CGA and UNCTAD/ISAR. The contractor will work with Ministries of Education in cooperating countries to adopt the model curriculum and will assist HEIs in implementation of the curriculum.

Association Development

USAID has had success in developing accounting/auditing associations that serve as a means of professional development and a lobbying voice to protect and promote the interests of progressive accountants/auditors. Through August 2002, USAID will continue to support progressive accounting associations in Kazakhstan, Kyrgyzstan, Uzbekistan, and Tajikistan, which have or will adopt International Federation of Accountants (IFAC) compliant charters. The objective of this support is to assist the associations to become qualified for full IFAC membership and to strengthen their position under the regional umbrella of the Central Asian Council of Accountants and Auditors (TSASBA, per its Russian acronym).

USAID has supported the establishment and development of a Central Asian regional federation of accounting and audit associations, TSASBA. The contractor will assist TSASBA to become a legally registered federation and will support its work to develop regionally harmonized technical and professional standards, practices, principles and ethics.

The contractor will include accounting and audit professional associations in the business and professional support activities described below in D. **“Business and Professional Associations”**. In addition, contractor support for association accounting and audit association development includes, but is not limited to, logistical and financial support for the meetings and conferences related to formation and development of national accounting and auditing associations and the regional TSASBA. The contractor will initiate procedures by which funds can be provided in the form of grants to developing and existing associations who demonstrate a willingness to meet project objectives in the area of Association Development.

C. Business Advisory Services

Under a previous contract, USAID has provided business advisory services to SMEs in Kyrgyzstan through the Task Force for Company Assistance. Under this activity, business advisory service will be continued and expanded. The contractor will establish Business Advisory Services (BASs) in Bishkek and Osh, Kyrgyzstan; Almaty, Atyrau, Uralsk, Pavlodar and Ust Kamonogorsk, Kazakhstan and; Fergana City, and Tashkent Uzbekistan. Subject to availability of funding, additional BAS's will be provided in other locations throughout Central Asia. The BAS will provide information, workshops and consulting services to companies, which are at least 75% privately owned, at least 67% Central Asian ownership, and having up to 500 employees. (BAS may be offered to larger companies subject to CTO approval.) The BASs' approach will be to view SMEs as clients and not as beneficiaries.

The contractor will identify the needs of the target companies and develop a strategy to address these needs. It will assist companies in improving operating efficiency and in expanding their

ability to access and identify markets. The BAS will first research the current needs of SMEs through interviews with entrepreneurs and SME managers, and through other donors' relevant studies, work and reports. It is expected that one method to obtain information and to raise interest in its advisory services will be to hold a series of sector-oriented workshops on business improvements that can result from better management.

Whenever possible, the BAS will be staffed with a combination of recent graduates of top U.S. Business Schools recruited through GSV programs and experienced local professional consultants. For technical advice the BAS will use these local professionals, GSVs and experienced volunteer business advisors (EVAs). No less than 50 EVA assignments are envisioned in the first two years. The EVAs could be recruited through International Executive Service Corp (IESC), Citizens for Development Corp (CDC), ACDI/VOCA, the Peace Corps and/or other EVA programs. The volunteers will be teamed with experienced local employees. The BAS teams will provide technical assistance and advice and make recommendations for services available through the BAS, other donor programs, local consulting services, and other USAID programs. The BASs' priority is to serve the client companies. **(NOTE: Travel restrictions and reluctance of EVAs to travel to Central Asia, following the atrocities of Sep. 11, 2001, may have a negative impact of the number of EVA assignments.)**

The BAS will team with local consulting companies to build their professional capacity and will utilize their services as appropriate. When practical, the EVAs will team with a representative of local consultant companies when providing technical assistance or advice to SMEs. The BAS also will serve as a business catalyst by identifying potential business opportunities and working to facilitate SME business transactions. This could include identifying products, potential technology transfers, and new marketing opportunities; assisting SMEs in accessing investment and operating capital; and providing technical assistance and other support specifically required to make ventures successful. Wherever possible, members of the BAS will assist client companies in maximizing the value of the Regional Trade Promotion and the Quality Management Program.

The introduction of BAS into the Republic of Kazakhstan offers the potential of increasing franchising opportunities. In collaboration with the Regional Coordinator for Business Training, the BAS in Kazakhstan will conduct a series of seminars and workshops promoting franchises. The BAS will conduct a review of franchising possibilities in Kazakhstan to include discussions with the International Franchise Associations (IFA). Promotional efforts will feature work with local associations of entrepreneurs to conduct a franchise trade show and work with government officials to develop marketing material that promotes franchise opportunities in Kazakhstan to US franchisers.

Because of the developing nature of the business environment, the exact criteria for the eligibility of companies, the limits on advisory support, the qualifications and payments for the advisors, modes of coordination within the BAS and other operating rules and procedures will be proposed in annual work-plans and approved by USAID. In general, the intention is to assist companies in order to spur profitability and growth in a cost-effective manner and to promote synergies with other assistance programs.

The BAS seek to serve small and medium enterprises, which would not otherwise have access to such expertise. The BAS, however, should not be entirely free. A schedule of fees based on local market conditions should be set up so that the funds available from USAID go further and the client firms value the expert advice they receive.

The BASs must also be cost-effective. This means that it must establish criteria so that decisions can be made early in the process to eliminate companies that have little hope of survival. At the same time, it will not be cost-effective to support one-on-one advisory services to very small firms. Even if this were successful, it would not provide an adequate benefit to justify the expenses. It should, however, be possible to help small companies through "batch processing" of SMEs in similar industries. The batching of courses will be open enrollment programs of management training, restructuring workshops and technical training. The advisors could provide some generic tools and help company executives of similar industries through industry specific courses and workshops on a large enough scale to be cost-effective.

D. Business and Professional Associations

USAID will facilitate the establishment and support of progressive business and professional associations in each of the Central Asian Republics.

The contractor will encourage and facilitate partnerships between businesses, associations and educational institutions to promote association development. This effort will include, but not be limited to, assisting businesswomen and other professional associations, particularly in the Ferghana Valley, Uzbekistan. This support shall include training in such topics as strategic planning, membership development, association marketing, finance and budgeting, sources of non-dues income, international trade and globalization, association ethics and the role of business and professional associations in a democratic system.

In its annual work plan, the contractor will propose a program for supporting and strengthening business and professional associations and describe its implementation.

E. Regional Trade Promotion (RTP)

The establishment of a network of EDC's throughout the region will expand trade by bringing people and businesses together as trading partners. The centers will link buyers and sellers in two ways. First, the centers will develop an internet-based Regional Trade Network (**RTN**). Second, the centers will facilitate partnership by linking local business associations. Expanded regional trade within the Republics of Central Asia will promote economic development, reduce cross border tensions and conflict, increase regional stability, foster greater regional cooperation and cohesion, and grow SMEs.

The needs of private businesses in Central Asia frequently can be cited in three categories: a need for timely and current information, new skills, and affordable and accessible capital. But as one begins to delve further into how best to meet these needs, they realize soon that the key catalyst for each often lies in identifying and accessing new markets. That is, the connection, or in many cases, the re-connection, of buyers and sellers can often be the stimulus that provides the information, clarifies the need for new skills, or serves as the leverage to make capital affordable and/or available.

The SME Development Project, in close coordination with the Trade and Investment Project, will establish a database of businesses in the Central Asian Republics that will be used as a basis from which a system of matching buyers and sellers is to be established. The RTN may draw on existing systems such as the USAID Global Trade Network (GTN), or any other commercially

viable business-to-business network that can be adapted to the needs of Central Asian businesses. While trading on a global scale into the United States, Western Europe, or Asia is desirable, the realities within an abundance of the businesses in Central Asia is that cross-border trading within Central Asia is the first logical step with further expansion into the former Soviet Union and Central Eastern Europe occurring as businesses develop. The envisioned regional trade promotion activity will be capable of assisting those businesses that are further into their growth/development and whose products can compete in other market places. The overarching goal of the RTP is to expand trading activities first locally, then regionally, and ultimately internationally.

The RTP will contain both the human and technical resources that provide the business communities of Central Asia with the trade advocacy support necessary to create a more vibrant cross-border trading environment. These resources will be formed into **RTP Teams** that work closely with the other elements in the SME Development Project (Business Training, Accounting Reform, Business and Professional Associations, Business Advisory Service, and Quality Management) to ensure that businesses are strengthened to the maximum degree possible so as to take full advantage of the potential of the RTN.

F. Quality Management Program

An important component that ties closely into the value added by the BAS and the RTP will be addressing the needs of a Quality Management Program and ISO certification at firm levels. This will assist local companies to become suppliers to multinational companies operating within Central Asia.

The contractor will establish Quality Management Center (QMC) in Kazakhstan. The QMC will plan, schedule and program services in accordance with the market needs. Furthermore, this center will develop an on-going quality and procedures program that will meet the needs of each company deemed qualified to be prepared for ISO certification. Such companies are to receive a quality training and consulting program that leads to achieving ISO certification.

II. OBJECTIVES

1. Throughout the Central Asian Republics the SME Development Project will provide small and medium enterprise managers, relevant government officials, entrepreneurs, and in designated regions, “next-generation entrepreneurs” with practical business training in such subjects as developing a marketing plan, human resource management, legal requirements for SMEs, taxation requirements for SMEs, franchising, import/export, procurement, quality management, analysis of financial statements, strategic planning and preparing a business plan;
2. Throughout the Central Asian Republics the SME Development Project will test and certify professional accountants, auditors and relevant government employees (i.e. National Bank accountants, tax inspectors, etc.) in internationally compliant core areas of professional accountancy (financial accounting, managerial accounting, auditing, finance, taxation and business law, and information technology).
3. Encourage and assist Ministries of Education to adopt an accounting curriculum based on the UNCTAD/ ISAR global accounting curriculum.

4. Provide and facilitate business consultation and technical assistance to SMEs in Kyrgyzstan, Uzbekistan, Tajikistan, and Kazakhstan (subject to availability of funding) through the Business Advisory Services.
5. Provide technical assistance to local business consulting and advisory companies in Kyrgyzstan, Kazakhstan, and Uzbekistan to increase their capacity to provide such services to SMEs.
6. Strengthen the professional capacity of business and professional associations.
7. Assist in the development of professional accounting and auditing associations.
8. Assist in adoption of national standards fully compliant with International Accounting Standards (IAS) and International Standards of Audit (ISA).
9. Assist the Central Asian Council of Accountants and Auditors (TSASBA) to transition from a “Regional Council” to a “Regional Federation” in compliance with IFAC guidelines.
10. Create a database of training participants and assisted SMEs.
11. Gather relevant statistics and information on the SME sector, including number of SMEs, number of employees working for SMEs, SME contribution to Gross National Product, business sectors in which SME operate, etc.
12. Initiate the establishment of the Regional Trade Network with presence in targeted localities within each Republic.
13. Establish a Quality Management Center that provides support for quality management systems and certification of SME’s.

III. TASKS

1. BUSINESS TRAINING

A. The contractor will establish a business training mechanism to deliver a series of practical business courses/seminars/workshops for business executives, departmental managers of SMEs, aspiring entrepreneurs, relevant government officials, and.

B Business courses will be provided through local training partners (LTPs). The development of these local training partners will require the use of a train-the-trainer program to ensure: proper and consistent content of courses and; pedagogical training and course material/texts are sufficient in scope. This activity will provide the trainers with the professional basis required. To assure training participants retain the information and/or skills required to improve performance in the workplace; and provide basic training support materials to conduct the training classes (i.e., white boards and markers, blackboards, flip charts, etc.)

C. The contractor will follow up classroom training with company visits to assess to what extent the education and training is being applied and to refine and improve the business short course curricula.

D. The contractor will review business courses such as the "Business Toolkit," developed under previous USAID activities, or from other sources, for applicability in the Central Asian Republics. Where required, these business courses will be updated and modified for use in Central Asia.

E. The contractor will establish and maintain an SME and trade database for the five Central Asia Republics. The data will include such information as name, address, contact information; type of business, number of employees; date registered; financial, inputs/outputs required for production, imports, exports, and other information relevant to tracking SME growth in the region.

2. ACCOUNTING REFORM

A. Accounting education/examination/certification

1). In Central Asian Republics which adopt IAS- and ISA-compliant standards and request assistance in training tax inspectors in these standards, with the CTO approval the contractor shall provide training to tax inspectors/auditors in accounting, financial auditing, and analytical and auditing techniques. The contractor will develop improved tax analysis tools and techniques to assist in the performance of tax auditing procedures in accordance with accrual accounting based tax codes.

2) During the first two years of the project, the contractor will support development and implementation of the 8-core accounting courses agreed by USAID to establish an IFAC compliant Professional certification program in Kazakhstan, Kyrgyzstan, Uzbekistan, and Tajikistan. This program includes 2 courses in financial accounting (FA1 and FA2), 2 courses in managerial accounting (MA1 and MA2), a course in audit, a course in tax and law (adapted for each country), a course in information technology and a course in finance (FI1). A subset of these courses, adapted for each country will be the basis for an Accounting Technician designation compliant with IFAC guidelines contained in Study 2. Similar to Business Courses, the accounting training courses will be delivered through local training partners as described above.

3) In coordination with local, national and regional professional associations and local professionals, and in possible collaboration with international organizations such as CGA, ACCA, IFAC and IASB, and in any case compliant with IFAC guidance, the contractor will continue to support development and administration of a regionally harmonized and standardized examination and certification program for accountants. The testing and certification program will include the national and regional infrastructure for preparing, administering and grading exams and issuing certificates. This effort will be undertaken in close collaboration with TSASBA. The nature of Accounting Reform in Central Asia requires unique solutions that account for pre-existing conditions and solutions that invite cooperation from the "old system" accountants/auditors and transforms the current system without marginalizing or alienating the current accounting/auditing leadership. Such a program will be based on a transitional two-level system of examination and certification as follows:

a) A Certified *Accounting Technician (CAT)* designation based on FA1, MA1 and tax and law adapted for each country. This designation also requires successful completion of an approved IT course, one year professional experience, and membership in good standing with an accounting association that is a member of TSABA. This program will comply with IFAC's Study 2 guidance.

c) A *Certified International Professional Accountant* (CIPA) designation implemented as the first professional certification level, compatible with the core accounting requirements of IFAC's International Education Guidance (IEG)-9. The Professional level would comprise exam modules for the following core accounting components: 1) financial accounting, 2) managerial accounting, 3) audit, 4) tax and law, and 5) finance. In addition, requirements for IT training will be determined. The CIPA designation also requires successful completion of an approved IT course, three years professional experience, and membership in good standing with an accounting/auditing association that is a member of TSASBA. The contractor will work with USAID to obtain CGA, ACCA, IASB and/or IFAC support and/or endorsement of this program.

The contractor will develop and administer the CAT and CIPA exams. The contractor may continue to develop and administer individual exam components from the Technician and Professional exams in situations where implementation of new courses and/or delivery of large numbers of participants in specific countries calls for more frequent testing to identify qualified trainers and to measure the effectiveness of training. Modules from the regional Professional exams will be developed and administered in Kazakhstan, Kyrgyzstan, and Uzbekistan three times during 2000-2001. They may also be offered as appropriate in Tajikistan and Turkmenistan during this period. The specific modules offered in each country each time will depend on the status of the accounting training program in that country.

B. Accounting curriculum reform and training of teachers.

The contractor will present the regional Model Curriculum for undergraduate accounting to Ministries of Education in Central Asian Republics showing interest in accounting curriculum reform. The Model is compatible with the UNCTAD/ISAR global curriculum. In addition, the Contractor will develop the subset of courses comprising the professional certification program. The contractor will select material for the courses comprising the Model Curriculum. Preference will be given to materials of adequate quality already existing in Russian translation. The contractor will translate and use its material where existing material in Russian are lacking.

C. Professional association development and support.

Through August 2002, the contractor shall continue to support the development of progressive professional accounting and auditing associations which will adopt or have IFAC-compliant charters, and which promote IFAC standards, ethics, practices and principles. This shall include providing the same technical assistance described under "**Business and Professional Associations**" plus technical assistance relating to specific needs of accounting and audit professional associations, as well as, where approved by the CTO, direct funding to further the associations' professional capacity, including building demand for use of financial statements by developing more focused training for potential users of financial statements. The priority initiatives in supporting accounting and auditing associations are as follows:

- 1) Assist accounting associations in meeting the criteria needed to become associate or full members of IFAC.
- 2) Assist accounting and audit associations to unite both at a national and regional level to promote international standards and professional advocacy.

- 3) Assist accounting associations and other relevant organizations in the continued implementation and enforcement of an ethical code of conduct that is IFAC-compliant.

In Uzbekistan, the contractor is authorized to allocate up to \$45,000 to support the formation of a national professional association of accountants and auditors, uniting the various existing regional branches and the existing national organization based in Tashkent. In addition, once such a national association is legally established, the contractor is authorized to grant up to \$10,000 of support to each regional branch of the new association.

D. Adoption of International Accounting Standards (IAS) and International Standards of Audit (ISA)

The contractor will continue to support the establishment and development of the IAS and ISA legal/regulatory basis in these countries as well as in Kyrgyzstan, Kazakhstan, Uzbekistan, Tajikistan and Turkmenistan as the situation permits. This will involve providing technical assistance and guidance pertaining to accounting and audit laws, qualifying commissions, decrees and regulations and assistance to regulatory organizations, such as securities market regulatory bodies, involved in accounting in each country.

3. BUSINESS ADVISORY SERVICES

A) The contractor shall provide Business Advisory Service teams (BAS) in Kyrgyzstan, Kazakhstan, Uzbekistan and in other countries as directed by USAID. Where possible, each BAS team will include at least one US GSV. The BAS teams will provide technical assistance and advice, and make recommendations for services available through the BAS and the SME/TIP projects, as well as through other donor programs, local consulting services, and other USAID programs.

B) Where possible, the BAS teams shall work to strengthen the capacity of local business consulting companies. This assistance will include focusing on content, such as “tool kits,” self help guides, market information and research methods, analytical techniques, and consulting methods. Capacity building would also include the development of service partners (consultants, equipment/IT suppliers, trainers, business centers, associations) in learning how to use the materials in helping their clientele.

C) The BAS teams shall identify an appropriate experienced volunteer advisor (EVA) or advisors to address company-level and industry-level business problems. The companies concerned shall be provided careful guidance on the various options for advisory services.

D) The BAS shall include a range of consulting services.

E) The BAS teams shall also maintain business information, including materials on the program itself and related sources of assistance and donor and government programs available to SMEs. It is anticipated that this information program shall be easily accessible through the RTN web site on the Internet.

F) The final report of the BAS teams for each company shall include, when appropriate, a listing of systemic problems. The contractor shall provide USAID information on systemic weaknesses identified by the BAS advisors. When these systemic problems are susceptible to action under the

advisory program, BAS resources can be used to hold open admission courses for the relevant industry or topic. These could include such issues as changes in government regulations or procedures that restrict SME development, and logistics management for competitive advantage.

G) The contractor will conduct a series of seminars and workshops promoting franchises. A review of franchising possibilities in Kazakhstan to include discussions with the International Franchise Associations (IFA) will be conducted. Promotional efforts will be undertaken that feature work with local associations of entrepreneurs to conduct a franchise trade show and work with government officials to develop marketing material that promotes franchise opportunities in Kazakhstan to US franchisers.

4. BUSINESS AND PROFESSIONAL ASSOCIATIONS

The contractor shall identify and support progressive business and professional associations. The contractor will develop and implement a business association support strategy for the Central Asia Republics, including assistance to progressive businesswomen's and entrepreneurial business and professional associations. This support shall include technical assistance in developing programmatic sustainability, financial sustainability, and revenue-making projects (including membership dues).

5. REGIONAL TRADE PROMOTION (RTP)

The contractor shall establish a Regional Trade Network that facilitates the matching of buyers and sellers within Central Asia. The RTN is to address in the short-term trade opportunities within CAR but maintain the ability to identify trade opportunities in other natural trading regions such as the NIS or CEE.

This system should be compatible with other commercial "business-to-business" systems in that the Central Asian RTN can access and allow access from other similar systems. The establishment of a database for SME's cited in prior sections will be expanded as required to enable each SME or TIP office to input possible trade leads as well as match such leads in other offices. The RTN is a pilot effort and thus should focus on one industry sector (i.e., the Oil and Gas industry) as a "proof of concept" prior to expanding the RTN to meet multiple industry requirements.

The contractor will form Regional Trade Promotion (RTP) teams and provide training in each of the Enterprise Development Centers. Each RTP team member will be trained about the capabilities of the RTN and other USAID and donor programs so as to mitigate and/or resolve problems that may arise in completing trade deals.

6. QUALITY MANAGEMENT PROGRAM

The contractor shall design and establish a Quality Management Center (QMC) designed to promote and facilitate the meeting of ISO accreditation and certification requirements at the national and firm levels respectively. The initial target market for the center will be those businesses that seek a position as a supplier to the multi-national oil companies in Kazakhstan.

This center will conduct seminars to market the benefits of and identify businesses who desire and qualify for further training that leads to ISO 9001:2000 certification. This effort will include the conduct of a gap analysis and subsequent training and consulting required to qualify the business

for successfully completing relevant standards. The QMC will provide gap analysis free of charge, but will provide follow-on consultations for a fee.

IV. BENCHMARKS AND TANGIBLE RESULTS

The contractor understands and agrees that achievement of tangible results is the essence of the contract and that USAID will judge the contractor's success in the contract based upon whether or not the tangible results are achieved. In the event that any one or more of the tangible results is (are) not achieved, or should the contractor at any time realize that they are not achievable, the contractor shall immediately advise USAID in writing, and in the next report, required as part of the existing "Reporting Requirements," shall provide a complete explanation related thereto.

A. Business training

- The contractor will submit periodic work plans to fulfill the tasks enumerated within 30 days of signing the contract. (The work plans are subject to Cognizant Technical Officer (CTO) approval prior to implementation.)
- The contractor shall begin to implement the tasks in the work plan immediately upon CTO approval of the work plan.
- The contractor will have trained staff and local training partners in all five countries within 60 days of signing the contract.
- The contractor will maintain a 90-day “rolling” training (by country) schedule for both professional accounting and business short courses.
- Entrepreneurs, relevant government officials, SME managers and accountants will begin receiving business short course and professional accounting course training within 90 days of signing the contract.
- The contractor is required to provide a cost per hour of education. This may be broken into two categories: business short courses and accountancy courses. Courses need not be broken down by subject. Again, the objective is to provide as much quality training as possible within a limited budget. The contractor will be responsible for quality control.

Business Courses:

The contractor is required to deliver various business courses including, but not limited to, the following subjects: import and export processes, franchising, ISO 9001/2000, developing a marketing plan, human resource management, legal requirements for SMEs, taxation requirements for SMEs, analysis of financial statements, strategic planning and preparing a business plan. The length of the course will vary from 4 – 40 hours. The average number of hours for all short courses delivered shall be 16 – or, the total number of hours taught in the first 24 months in all five republics shall be 176,000 person-hours divided among the various courses. Where possible, the contractor will provide business training and training activities to SMEs receiving financial support from USAID and other donors.

The numbers represented below are the number of participants taking the courses. For the purposes of fulfilling the deliverables, if one person participates in three separate courses that will count as three participants. However, the contractor will keep track of and report on the actual number of people to attend courses (in the previous example, the number is one) and the names and number of SMEs participating as well as number of employees per company attending the courses.

Business Courses (24 months)

Kazakhstan	Kyrgyzstan	Uzbekistan	Tajikistan	Turkmenistan
2500	3000	1200	1500	1000

B. Accounting Reform

1. Professional Accountancy Courses:

The contractor is required to design where necessary and deliver the professional accountancy courses in financial accounting, managerial accounting, finance, audit, tax-law and IT based on the UCCTAD/ISAR and CGA curriculum leading to the Professional Certification as described above in Accounting Reform Task #1.b. The courses except for IT are designed for delivery over approximately 60 hours of contact time. The objective is that after completing these courses based on the CGA courses specified in Accounting Reform Task #1.b, participants should have a body of knowledge sufficient to allow them to take individual exams in the five modules (financial accounting, managerial accounting, finance, audit and tax & law and upon satisfactory completion of these exams, plus satisfactory completion of an approved course in IT, receive a Professional Certification compatible with the core accounting requirements of IFAC's International Education Guidance (IEG)-9, as described above in Accounting Reform Task 1.c.

The contractor shall propose a training and benchmark schedule.

Accounting Training Course Participants by Country to August 31, 2002

	Kazakhstan	Kyrgyzstan	Uzbekistan	Tajikistan	Turkmenistan	Total
Professional Certification Courses						
Financial Accounting I (FA1*)	1,250	750	1,000	1,000	250	3,250
Financial Accounting II (FA2 & 3)	300	200	25	25		100
Managerial Accounting I (MA1)	1,275	1,200	750	750		3,750
Managerial Accounting II (MA2)	25	25	25	25		100
Finance (F11)	300	225	25	25		1,550
Tax and Law (country-specific)	1,500	1,100	100	100		3,200
Audit (AU1)	400	300	100	100		1,200
Total participants	5,050	3,800	2,025	2,025	250	13,150

**The Contractor may reallocate up to 10% of professional accounting course participants among courses within each country program to adjust for demand and particular opportunities.*

2. Examination and Certification

The contractor shall work with TSASBA to establish and implement an examination and certification program compatible with IFAC guidance and based on leading programs of professional associations such as the Association of Certified Chartered Accountants (ACCA) and the Certified General Accountants (CGA) in Canada, as described in Accounting Reform Task 1.c. The contractor shall encourage these organizations (ACCA, CGA) and other international organizations such as IASB and IFAC to establish a world standard professional accreditation program in Central Asia.

3. Accounting curriculum and teacher training

- a) Finalize the outline of the Model Curriculum for undergraduate accounting.
- b) Identify materials for the Model Curriculum.
- c) Submit the Model Curriculum and materials to MOEs, HEIs and accounting teachers in Kazakhstan, Kyrgyzstan, Uzbekistan and Tajikistan.
- d) Provide special methodological/pedagogical training in the summer of 2001.

4. Professional association support and development.

The contractor will support the development of progressive professional accounting and auditing associations which adopt or have IFAC compliant charters, and which promote IFAC standards, ethics, practices and principles. Progress will be measured as follows:

- The level of international standardization and compliancy will be measured, at a national level, by the number of individual or jointly organized associations accepted as full or associate members of IFAC.
- The institutional and advocating capacity of accounting and audit organizations will be measured through the adoption of National Accounting Standards that are fully IAS-compliant and National Standards of Audit that are ISA-compliant.

C. Business Advisory Service

1. The contractor will have the consulting team visit at least 750 SMEs in Kyrgyzstan to determine business needs.
2. At the end of each EVA assignment, an analysis of each company supported during the assignment will be prepared.
3. Create a centralized data base for compiling information on training participants, trade information, and assisted SMEs
4. Establish Enterprise Development Centers in designated cities of Kazakhstan, Kyrgyzstan, Uzbekistan, and Tajikistan

D. Business and Professional Associations

Kazakhstan, Kyrgyzstan, Uzbekistan and Tajikistan

The contractor will strengthen the associations' programmatic sustainability, financial sustainability, membership products and services, and their advocating capacity at a local and

national level. Progress in each category shall be recorded with individual benchmark assessments and with comparable follow-up assessments during and after the training and technical assistance program.

E. Regional Trade Promotion

1. The contractor will establish an internet-based regional trade network (RTN) to facilitate cross-border trade opportunities of CAR SME's. To the extent possible, the contractor will encourage participation of Russian companies in the RTN.
2. The contractor will maintain a record of trade matches. This record will identify problem areas presented by these trade opportunities/deals and make recommendations as how best to mitigate these problems.
3. By 31 August 2002, the RTN will have produced at least 25 trade matches
4. The contractor will establish RTP teams in each EDO that will:
 - a. Conduct 10 seminars per EDC marketing the RTP
 - b. Where possible, conduct 100 assessments of business per EDC
 - c. Each RTN team member will maintain 15 business clients in their individual portfolios for working trade deals

F. Quality Management Program

1. The contractor will establish a Quality Management Center in Kazakhstan that provides information, training, and consulting to companies that seek to become local suppliers to the multi-national oil companies of Kazakhstan.
 - a. Conduct 10 Quality Management/ISO seminars throughout Kazakhstan
 - b. Begin work with at least 30 companies seeking ISO certification

[END OF SECTION C]

2. Section F.3, Reports and Deliverables or Outputs: eliminate **2. Quarterly Reports** in its entirety and substitute with the following:

2. Monthly Reports

No later than 15 days following the end of each work month, the Contractor will submit a brief report to the CTO which will highlight: major actions undertaken, significant progress achieved, key obstacles encountered, staff time expended, expenditures against budget, and issues which require resolution in consultation with USAID/CAR or the USG. The Contractor should look for opportunities to prepare special brief "success stories" that highlight noteworthy accomplishments under the program. Such success stories may be shared with USAID/Washington and/or the relevant U.S. Embassies in the region. Although not necessarily part of its monthly reporting requirement, the Contractor should prepare and maintain an up-to-date PowerPoint presentation of program activities that can be used to inform host country and USAID and USG officials.

3. Section F.4, Key Personnel: delete key personnel listed under the original contract and substitute with the following:

Kyrgyzstan:
Chief of Party

[END OF MODIFICATION]