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**TURKMENISTAN**

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# Quarterly Report



## **ECONOMIC REFORMS TO ENHANCE COMPETITIVENESS**

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### **Significant issues affecting implementation:**

- EREC Project developed an Activity Plan for EREC-SCC cooperation in February-March 2010 and submitted it to the SCC management for approval. However, the SCC requested the Project to postpone the Activity Plan implementation. Per the Chamber's request, EREC Project submitted the consolidated long-term Activity plan (till February 2011) for the Chamber prior informal approval. The plan was informally approved, and also some additional activities were proposed. The amended Activity plan is currently pending the President's approval. After the Chamber clears the Plan with the President of Turkmenistan, EREC will start implementing the proposed activities. Chamber representatives greatly appreciate the Project's contribution over the years and look forward to receiving further technical assistance. They reassured that the recent delay with implementation of the February-March 2010 Activity plan should not be considered as the Chamber's reluctance to cooperate with EREC.
- EREC Project is still awaiting approval for the joint EREC-SAMUHR Action Plan that is receiving funding from Chevron under the GDA. Some activities within the plan, scheduled for March, will be postponed.
- All activities in the USAID-UNDP MOU on IFRS-related technical assistance for the Central Bank of Turkmenistan (CBT) will shortly be successfully completed. Due to UNDP's agreement to continue to support the CBT with the transition to IFRS in the banking sector under a formal MOU with the CBT, USAID, on behalf of the EREC Project, has requested a meeting with the CBT to propose assistance in other priority areas of financial sector reform, including macroeconomic forecasting, monetary policy and banking supervision. The CBT's current position is that all foreign technical assistance is to be directed to CBT via UNDP. This limits the Project ability to provide TA to the CBT. The EREC Project is working with USAID on a number of options for future engagement for the CBT.
- The government delayed the processing of the bi-annual Activity Plan for economic agencies subordinate to the Cabinet of Ministers' Economic Development Department (EDP). As a result only econometrics and entrepreneurship-related training programs were approved, but not for initially targeted institutions (CBT, MOED, ISPED), but for the Civil Service Academy (CSA). Other activities (PIP, PPP) have not been approved yet. The Project will need to re-approach economic agencies with proposals on econometrics, entrepreneurship and PIP/PPP activities.

### Significant meetings with counterparts & donors:

- Mr. Ilmyrat Gyzylov, SAMUHR Chief Lawyer
- Mr. Alym Annamuradov, Rector of the Civil Service Academy
- Mr. Babaguly Taganov, Deputy Minister of Economy and Development
- Mr. Serdar Yagmurov, Program Specialist, USAID/TM
- Mr. Gurbanmyrat Mezirov, President of the Academy of Sciences of Turkmenistan

- Mr. Ashley Moretz, USAID/TM Country Representative

*A. Assistance to the Economic Development Department of the Cabinet of Ministers, the Ministry of Economy and Development and the Institute for Strategic Planning and Economic Development*

1. Highlights & accomplished tasks/activities against the work plan

- EREC Project submitted to the Cabinet of Ministers the biannual Activity Plan for January – June 2010 for the approval.
- EREC Project commenced the accounting certification course, as a part of the CAP/CIPA Program, for two groups of 20 specialists from the Ministry of Finance, the Tax Authority, the Statistics Committee and other economic agencies.
- EREC Project re-submitted the request for a meeting with the CBT Chairman to discuss prospects for technical assistance in various aspects of financial reforms (macroeconomic analysis, monetary policy, banking supervision).
- EREC Project completed the 3-month econometrics training program (December 14, 2009 - 12 March 2010) for eight economic specialists, who underwent the Intermediate level Eviews software course in the beginning of December 2009. The program was successful in its objective to enhance the participants' capacity to conduct macroeconomic analysis.
- EREC Project conducted an 8-day training course on econometrics and applied economic analysis at the Academy of Civil Service under the President of Turkmenistan. The course aimed to provide the Academy's trainees with an overview of the basic concepts and techniques that underlie macroeconomic analysis. The program was successful and marked the first activity that USAID conducted with this newly established educational institution. Overall 19 specialists attended the course. The course was widely covered by national mass media.
- In January 2010 EREC Project continued the English language training courses for 26 specialists from various economic agencies.

2. Future activities & events

- EREC Project will deliver training programs and develop papers which support implementation of the Private Sector Development Plan and other activities included in the bi-annual EREC-CabMin Activity Plan.

*B. Assistance to the Supreme Control Chamber of Turkmenistan*

1. Highlights & accomplished tasks/activities against the work plan

- EREC Project submitted to SCC the Russian translation of the Audit Guide on Procurement which is consistent with the Performance Audit Manual that was drafted

for the SCC in late 2008. Also, the Project prepared related training materials (on CD's and in hard copy) for the Chairman of SCC and his Deputy.

## 2. Future activities & events

- The proposed consolidated Activity plan until February 2011 includes the following activities: managerial accounting training with focus on cost classifications and cost-volume-profit relationships; training programs on financial audit of the Government's annual financial statements and Understanding of International Accounting Standards; assistance to the SCC in performance audit activities in the areas of public procurement and/or internal audit in 2010; and consultations on draft laws and regulations related to the SCC activity. The Plan also includes CAP-level courses as a part of CIPA program and a study tour to attend training seminars offered by INTOSAI or its affiliated organizations in the region. In addition to these activities, per the Chamber's request, the Project included the "Institutional Transformation and Change Management" topic. The above mentioned activities are not exhaustive and the Project may propose additional advisory support per the Chamber's needs.

### *C. IFRS Reforms (excluding CBT activities)*

#### 1. Highlights & accomplished tasks/activities against the work plan

- EREC Project conducted an assessment of and provided technical consultations on developing forms for IFRS-compliant financial reporting for major international oil and gas contractors in Turkmenistan (i.e. Production Sharing Agreement holders). This was done during the 3<sup>rd</sup> session of a working group activity specifically arranged by SAMUHR for this purpose. Other than SAMUHR and PSA-holders' representatives, the working group also included representatives from the Ministry of Finance, Tax Authority, the Central Bank and the Statistics Body. During the working group sessions EREC Project also provided recommendations for the text of draft Regulations on Development and Submission of Financial Reporting by Contractors to SAMUHR and Other Authorized Government Bodies from the IFRS-compliance point of view.
- EREC Project prepared a draft comprehensive strategy/action plan for IFRS implementation in education sector of Turkmenistan. The strategy was translated into Russian and will be submitted for USAID's approval. Then it will be handed over to the government institutions (Ministry of Education, Academy of Sciences, etc).
- EREC Project completed the repeated Managerial Accounting-1 course for 10 university professors who didn't achieve good results during the 2009 June exam session.
- EREC Project elaborated the strategy introducing IFRS in the oil and gas industry of Turkmenistan and passed it to USAID for their feedback. It was decided that the document will not be shared with the government counterparts until the current Action

Plan, comprising of 11 items, is completed and the new USAID-SAMUHR MOU is signed.

- EREC Project held meetings with six potential examination writers for CAP level Tax and Law exam. The goal of the first meeting was to identify their interest in the task prior to offering them training in MCQs and synthesis questions in line with the published syllabus. At the second meeting they were asked to submit suggestions for changes (if any) that were needed in the tax and law syllabus and to prepare multiple choice questions (MCQs) to be submitted directly to the Examination Director for his feedback.

## 2. Future activities & events

- EREC Project will begin developing “Finance for Managers” syllabus once the official request from the Civil Service Academy is received.
- EREC Project will hold meetings with government officials, representing agencies other than SAMUHR, to introduce EREC and USAID-Chevron Alliance and propose further cooperation in the areas related to the introduction and implementation of IFRS in the oil & gas industry of Turkmenistan.
- EREC will send a letter to the AoS proposing the CAP course for university professors.
  - To commence a CAP course for a 3<sup>rd</sup> group of university professors.
  - To develop Action Plan for April 2010 – February 2011 as part of EREC Project’s cooperation with the Academy of Sciences of Turkmenistan and submit it to Academy of Sciences to include: general economics lectures for HEI professors (including econometrics) in line with leading international practice, CAP courses for economic and oil-gas sector agencies; and IFRS Seminar for Senior Managers of economic and financial Institutions.
- At SAMUHR’s request, EREC Project continued developing financial reporting forms compliant with IFRS and prepare detailed Instructions on how oil and gas sector contractors should prepare the approved financial statements under IFRS.
- USAID Country Representative will make a presentation at the Turkmenistan Gas Congress 2010 on April 15, 2010. The presentation will portray the benefits of modern financial reporting for the oil and gas sector and will highlight the USAID’s contribution to IFRS implementation in Turkmenistan (including the oil and gas sector).

### *D. Assistance to the Central Bank of Turkmenistan*

#### 1. Highlights & accomplished tasks/activities against the work plan

- EREC Project, in cooperation with the UNDP and the CBT, successfully held a high profile conference on the Accounting and Audit Reforms in Turkmenistan. The conference agenda included a balanced combination of presentations, covering all important areas, including banking, public, private and education sectors, as well as international experience session. More than 70 representatives of banking sector and

various economic agencies participated in the conference and were actively engaged in the discussions. As a result, important conclusions were made in regard to the IFRS introduction activities conducted during the last few years.

- EREC Project prepared the draft IFRS-compliant financial statements for 2008 and 2009 (for Senagat Bank) and for 2009 (for TVEB bank).
- EREC Project conducted the second part of the 56-hour “Characteristics of Bank Accounting. IFRS Transformation” Seminar for the banking sector specialists. Sixteen banking specialists including chief accountants and heads of departments from Central Bank, Dashoguz and Lebap CBT branches, Bank for Foreign Economic Relations, Bank Senagat as well as UNDP Project national consultant attended the seminar. The second part of the seminar, conducted in January, focused on presentation of IFRS-compliant financial statements, cash flow statements, and the income tax.

## 2. Future activities & events

- USAID and the EREC Project plan to request a further meeting with the CBT Chairman to make a proposal for technical assistance in various aspects of financial reforms (macroeconomic analysis, monetary policy, banking supervision)
- EREC Project will deliver the Financial Management course for banking specialists to train the CAP-qualified banking specialists for July 2010 exam session.