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Significant issues affecting implementation:

- There were changes in the Supreme Control Chamber (SCC) senior management. Mr. Shamuhammedov was appointed as a new chairman of the SCC. Shortly after this appointment the SCC contacted EREC Project to clarify further details on implementation of the Activity Plan proposed by EREC earlier. In early November the SCC confirmed that activities proposed by EREC for November-December 2010 were approved, so EREC could commence their implementation. MFA sent the SCC's consent note in late October 2010. EREC Project is hopeful that these positive changes in relationships with the SCC and MFA will lead to good constructive cooperation with them in 2011.
- Turkmen government approved the Activity Plan, proposed by EREC to Accounting and Auditing Reforms Coordination Commission (AARCC). This approval provides necessary grounds for implementing EREC's accounting and auditing reform activities throughout 2011.
- EREC Project was planning to finance participation of two high level Turkmen officials (one from the Ministry of Finance and one from the Central Bank) in the World Congress of Accountants in Malaysia during November 9-11, 2010. However, the Turkmen government didn't provide any nominations, explaining it by busy schedule of appropriate candidates. Instead, EREC Project invited representatives of the Union of Economists, Turkmenistani professional organization. Objectives of the Turkmen delegation participation in the Congress were adjusted accordingly. They reflected steps towards obtaining IFAC's membership by the Union of Economists and building the Union's capacity in a role of EREC Project's partner in implementation of accounting and auditing reform activities in Turkmenistan.
- On October 29, 2010, SAMUHR through MFA sent an official note to EREC Project, informing that due to busy schedule they would not be able to host training programs proposed by the EREC for November-December 2010. As a result, EREC Project had to cancel visits of two experts scheduled for November 2010. EREC Project is currently discussing with the SAMUHR the new dates for training programs and visits of these two experts. On December 9, 2011, Chevron sent USAID/EREC's new proposal to the SAMUHR. Chevron is willing to support the USAID/EREC's new proposal by communicating informally with SAMUHR. Given the Chevron's good relationships with the Turkmen government, this might increase chances for proposal's approval.
- The Cabinet of Ministers did not approve conducting a roundtable discussion with HEI's professors and economic specialists on Accounting Education Modernization in Turkmenistan, which was scheduled for December 14, 2010. Therefore, the event, which was supposed to be visited by the U.S. Charge d'Affaires a. i., was cancelled. Also, the IFRS seminar for managers of public sector entities, scheduled for December 15, 2010, was cancelled due to lack of approval from the Cabinet of Ministers. It seems that these obstacles in the approval process mostly take place when requests relate to activities conducted with the Academy of Sciences. Ever since the leadership of the AoS changed in June 2009, EREC has been experiencing difficulties with obtaining approvals for high profile activities at AoS. Now on EREC's activities in the accounting education area will be implemented via the Accounting Reforms Coordination Commission (ARCC), which is responsible for reforms in the area of accounting education and is authorized to cooperate with international donors in this area. EREC expects cooperation with the ARCC to be more successful.
- Union of Industrials and Entrepreneurs (UoIE) informally expressed its positive reaction to the Activity Plan for 2011. Based on that, EREC Project held a meeting with the UoIE to discuss the ways to formalize implementation of the proposed

activities. The UoE has yet to verify whether the Project's arrangements will require a formal proposal via MFA or not.

- Following informal approval of activities proposed for the UoE, including assistance to the School of Entrepreneurship under the Union, EREC Project will formalize technical assistance to the School of Entrepreneurship by signing a Memorandum of Cooperation (MOC) with them.
- The ToT course on valuation of residential and commercial real estate for potential valuation trainers and government officials did not take place as the trainers, Kazakhstani valuation consultants Mr. Alexander Kalinin and Mr. Boris Guzev, were not granted Turkmen visas. Further discussions regarding the activity plan for supporting establishment of the valuation system in Turkmenistan were also postponed. EREC Project is planning to reapply for visas for both trainers at the end of December. If visas are granted, EREC will conduct the planned ToT course at the end of January or in February 2011.

Significant meetings with counterparts & donors:

- Mr. Yuri Aronsky, Vice-President of the Union of Economists;
- Mr. Tom Buck, member of USAID regional delegation to assess level of USAID's and its projects' cooperation with the private sector (GDAs);
- Mr. Michael Silberman, member of USAID regional delegation to assess level of USAID and its projects' cooperation with the private sector (GDAs);
- Mr. Velmurad Dovletov, SCC;
- Mr. Wesley Wiedemann, President, USAID's Agricultural Technologic Program (ATP) implemented by Weidemann Associates, Inc;
- Mr. Yesolitis Managing Associate, USAID's Agricultural Technologic Program (ATP) implemented by Weidemann Associates, Inc;
- Mr. Dmitriy Shyutts, ECCAA Director;
- Mr. Bahram Kandymov, ECCAA partner in Turkmenistan;
- Mr. Oraz Vassov, Head of International Department, AoS;
- Mr. Ken MacNamara, USAID's Interim country representative;
- Ms. Halbagt Reimova, Union of Industrialists and Entrepreneurs;
- Mr. Muhammetmyrat Shamuhammedov, Chairman of the SCC;
- Mr. Bahram Kandymov, UoE member;
- Ms. Gulsoltan Seisova, UoE member;
- Mr. Babajan Chariyev, Head of the Tax and Accounting Methodology Department;
- Mr. Muhammet Nurmuradov, head of the Methodology Section of the Ministry of Finance;

A. Assistance to the Supreme Control Chamber of Turkmenistan

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

- During an informal discussion regarding further cooperation with the SCC, held on October 15, 2010, EREC Project had a chance to make sure that the SCC key contact has all the information on SAI models prepared by the EREC Public Audit Advisor in May 2010.
- Per the approved Activity Plan EREC Project completed the Accounting principles training course (November 23 - Dec 4 2010) in preparation for the FA-1 to be commenced in January 2011.

- As part of the activities envisioned in the approved activity plan, EREC Project conducted the cost accounting training course, discussed the issues related to establishment of national audit standards and offered assistance with preparation for the pilot Performance audit during November 27 - December 16, 2010. In particular, EREC advisor carried out the following tasks:
 - Training in five modules of cost accounting was presented to nominated staff of the SCC during two days in December 2010
 - Training material on International Auditing Standards was prepared and delivered in two sessions to nominated staff of the SCC in December 2010.
 - Detailed discussions to identify requirements for auditing standards for the SCC. A proposal for adoption of standards was submitted to the SCC.
 - A suggested method for compliance auditing was presented to the SCC.
 - A presentation on meeting the challenges of auditing financial statements under IPSAS in Kazakhstan was shared with the SCC staff in Turkmenistan.
 - Advice on planning fieldwork and a template for reporting performance audit of the regional road construction program was provided to the SCC.
 - Draft program for technical assistance in 2011 was prepared for discussion with the SCC representatives.

Upon completion of the mentioned-above activities conducted by EREC advisor, EREC Project published a press release (dated December 16, 2010).

2. Future activities & events

- EREC Project will arrange FA-1 course in January 2011 for the same group of auditors who underwent the Accounting Principles course in November – December 2010. It is expected that upon completion of the FA-1, a group of public auditors will sit for the CIPAEN examination on February 6, 2011.
- EREC Project will develop a preliminary training activity plan through September 2011, along with budget projections. Once the activity plan is finalized and funding is secured, EREC will submit it to the Supreme Control Chamber in January 2011.
- EREC Project plans to arrange CAP-level courses starting from January 2011 onwards for the same group of public auditors who underwent the Accounting principles course in November – December 2010.
- EREC Project will informally share a preliminary training activity plan (until September 2011) with the SCC for further formal proposal.

B. Accounting and Auditing Reforms

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

- EREC Project expert in accounting reforms and accounting education and certification programs participated in a series of meetings at the Ministry of Finance. The purpose of meetings was to discuss a draft activity plan and ways of cooperation between EREC Project and the Ministry of Finance in the areas of accounting and auditing education, retraining and certification in Turkmenistan. The draft activity plan was proposed by EREC as the follow up to the donor coordination meeting held on September 13, 2010. The action plan for TOT training and other activities during October 2010 - February 2011 was presented to the Ministry of Finance for consideration. EREC Project expert also developed an outline plan for the extended period to September 2011 along with proposed terms of reference for the accounting reform project.

- EREC Project received formal government approval for the EREC Activity Plan proposed by EREC to the Accounting and Auditing Reforms Coordination Commission (AARCC) of Turkmenistan. The plan consists of ToT courses, facilitation of MinFin's cooperation with international accounting bodies, assistance with IFRS translation into Turkmen language and conducting international accounting conference in Ashgabat.
- EREC project started implementation of activities envisioned in the Activity Plan as part of EREC's cooperation with the AARCC till March 2011. In particular, on December 1, 2010, EREC carried out an opening ceremony for a series of Training of Trainers courses (ToTs) on Financial Accounting-1. This is a part of the international professional certification program of accountants CIPA, which is based on IFRS. The courses will be delivered to trainers of private and public training centers of Turkmenistan. The opening ceremony was attended by Ken McNamara, USAID Interim Country Director, Doug Uchikura, Chevron Nebitgaz BV Turkmenistan President, and Babajan Chariyev, Head of Administration, Ministry of Finance. As a result of these activities, EREC will prepare at least 60 national qualified trainers that will be subsequently involved in training of specialists of economic and financial institutions of Turkmenistan organized by the Ministry of Finance of Turkmenistan and EREC project. The Ministry of Finance of Turkmenistan expects that almost 1500 public sector specialists will need to be trained throughout 2011.
- Met with the members and staff of the Accounting and Auditing Reforms Coordination Commission (AARCC) to discuss issues related to implementation of the activity plan, approved by the MoF, and future activities for joint implementation by EREC project and the ACC reform commission.
- Completed the final phase of the CAP courses for two groups of specialists of economic and financial institutions of Turkmenistan: a 68-hour training course on "Management Accounting 1" for one group consisting of 16 specialists from the Ministry of Finance, Ministry of Economy and Development, Institute of economy and management, State Tax Service and the Central Bank and a separate 60-hour training course on "Tax & Law of Turkmenistan" for the other group (10 specialists from ISPED, Standards body, Statistics Committee, Social Security Ministry). Upon the courses completion the participants were awarded with certificates. CIPAEN expects to announce exam results by February 2011.
- EREC Project IFRS consultant made some improvements to the forms of financial statements and examples of disclosure. The updated and finalized financial statement forms, disclosure examples and explanations were provided to the Hydrocarbons Agency on October 22, 2010.
- EREC Project financed participation of Mr. Aronsky, Vice-President of the Union of Economists (UoE), and Ms. Seisova, Head of the Committee of accounting and auditing of UoE, in the XVIII World Congress of Accountants in Malaysia from November 8-11, 2010. The World Congress of Accountants was attended by over 6000 accountants from 134 countries, including representatives of all major professional accounting institutions and global accounting firms. The UoE benefited from participation in Congress by gaining knowledge of the modern accounting trends and initiating steps to prepare and qualify the Union for a formal application process to join IFAC. The application process may take up to 3-4 years.
- EREC project drafted a Memorandum of Cooperation (MoC) with the UoE and submitted it to the Union. On December 14, 2010, the MoC was signed by EREC and UoE. The document envisages cooperation between EREC project and UoE in joint implementation of activities related to transition to IFRS and IAS, including through training Turkmen specialists in the area of international accounting and auditing, enhancement of property and plant and equipment valuation system in

Turkmenistan, privatization of state assets and securitization of loans, conducting research activities, developing training materials and performing other activities.

- Based on the preliminary assessment of trainers from the regional private training centers, EREC project delivered a pathway course on Accounting Principles before the trainers embark on the ToT on Financial Accounting-1, as part of the CIPA program. The training program took place during December 16-23, 2010. The training program not only helped to prepare regional trainers for the Financial Accounting-1, but also helped EREC project to assess the group firsthand and select successful participants for further training without committing to their subsequent long stay in Ashgabat in February-March, 2011.
- Activity plan for the Oil & Gas industry for the period January - September 2011 was submitted to the SAMUHR via Chevron.

2. Future activities & events

- EREC Project will continue implementation of activities in accordance with the approved Activity Plan as part of EREC's cooperation with the Accounting and Auditing Reforms Coordination Commission (AARCC).
- EREC Project is expecting a response from the UNDP regarding joint delivery of the Finance for Managers course for the Civil Service Academy.
- EREC Project is planning to bring the oil-gas sector accounting consultants Glen Hutka and Akbota Adilbayeva in February 2011 to conduct a series of training programs and prepare recommendations on financial reporting and audit issues. This mainly depends on SAMUHR's approval of the proposed Activity Plan.

C. Private Sector Development

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

- No significant activities during the reporting period.

2. Future activities & events

- Given that the activity plan is informally approved by the UoIE, EREC Project will start making arrangements for deploying two international Private Sector Development consultants, who will be engaged in implementation of the activity plan as of February-March 2011.
- Once the Memorandum of Cooperation between EREC Project and the School of Entrepreneurship under the UoIE is agreed and formalized, EREC will commence consultative assistance to the UoIE as of February 2011.

D. Valuation system reforms

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

- EREC Project is coordinating discussions with stakeholders and general preparations for the visit of two valuation CIS consultants to conduct a ToT (48 hours) for potential valuation trainers and government officials.

2. Future activities & events

- On December 28, 2011, per the Union of Economists request, EREC project submitted to them an official letter proposing a training program on valuation and inviting specialists of economic and financial institutions of Turkmenistan to take part in this program.