

Evaluation of the Enterprise Development Project

Final Report

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ACRONYMS

AD	Association Development – an EDP Component
AICPA	American Institute of Certified Public Accountants
AR	Accounting Reform – an EDP Component
BAS	Business Advisory Services
BDS	Business Development Services
BSO	Business Support Organization
CDC	Citizens Development Corps, Inc.
CAP	Certified Accounting Practitioner
CAR	Central Asian Republics
CGAC	Certified General Accountants of Canada
CIPA	Certified International Professional Accountant
CIPA-EN	CIPA-Examination Network
DFID	Department for International Development – UK
EBRD	European Bank for Reconstruction and Development
ECN	Examination and Certification Network
EDP	Enterprise Development Program
EI	Enterprise Improvement – an EDP Component
EVA	Experienced Volunteer Advisors
FSU	Former Soviet Union
GAAP	Generally Accepted Accounting Principles
GDA	Global Development Alliance
GTZ	German Technical Cooperation Organization
KMR	Key Monitoring Ratio
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASCF	International Accounting Standards Committee Foundation
ICCAA	International Council of Certified Auditors and Accountants
IFAC	International Federation of Accountants
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
IR	Intermediate Result
ISA	International Standards of Audit
ISAR	International Standards on Accounting and Reporting
MBAEC	MBA Enterprise Corps
QM	Quality Management – an EDP Component
QMC	Quality Management Center
QMS	Quality Management Services
RTN	Regional Trade Network
RTP	Regional Trade Promotion – an EDP Component
SAP	Strategic Action Plan
TACIS	Technical Assistance to the CIS
TQM	Total Quality Management
UNCTAD	UN Council on Trade and Development

EXECUTIVE SUMMARY

The following report provides an evaluation of USAID/CAR's Enterprise Development Program (EDP), a program initiated to increase the access of small and medium enterprises in five Central Asian nations to business information, knowledge, and skills. Begun two years into EDP's initial three-year period, the evaluation process comprised extensive documentary review, five weeks of field research, and report preparation. Team members conducted scores of onsite interviews with key informants in all five EDP countries, meeting with project staff in ten of EDP's twelve offices, as well as with individuals from client and nonclient enterprises, associations, government, and other donor projects. Substantial qualitative and quantitative data acquired throughout this process formed the basis for the team's analysis and conclusions, delivered in this report.

Overall EDP Findings and Recommendations

The primary finding of the evaluation project is that EDP as a whole is well on its way to achieving its Intermediate Result (IR). Not all of EDP's five components, however, are contributing equally to this success. The best performing components are Accounting Reform and Quality Management. Regional Trade Promotion has not yet lived up fully to its potential. Enterprise Improvement has performed well with limited reach, while Association Development betrays some fundamental problems. A weakness in the entire program is that, with some exceptions, it provides services at no charge. This practice distorts local markets, discourages the growth of indigenous management consulting services, and encourages dependency on donor funding.

In response to these findings, EDP should judiciously adopt the best practices of commercial ventures. It should begin to charge for the marketable services it provides and spin off its most successful subcomponents, transforming them into self-supporting, fee-based enterprises. At the same time, EDP should introduce cost-cutting measures such as outsourcing of its administrative services and transferal of its offices from costly capital city locations to less expensive regional areas.

EDP can also demonstrate entrepreneurial agility by reexamining and adjusting its service offerings and target markets. For example, it can expand its reach by addressing groups of businesses—whether across a business sector or other appropriate activity cluster—rather than focusing on one enterprise at a time. Finally, EDP should encourage its client associations to advocate more effectively on behalf of their membership.

Accounting Reform (AR)

AR is EDP's most successful component. Its activities focus on improving the knowledge, understanding, and application of international accounting and financial reporting standards. Recent and upcoming government action in four of the five CAR countries that support adoption of these standards (IAS/IFRS) has triggered demand for AR services.

AR has established a regionwide network of IAS/IFRS testing centers, private training providers, and workplace mentors. The centerpiece of its efforts is the Certified International Professional Accountant-Examination Network (CIPA-EN), a comprehensive training and testing system that leads to accounting certifications in IAS/IFRS. CIPA-EN curricula span the full range of an enterprise accountant's responsibilities: financial accounting, cost accounting, country-specific tax accounting, management accounting principles, and economic analysis. Approximately 27,000 individuals have enrolled in AR's CIPA-EN courses. More than 2,600 (10%) have achieved certification.

This report recommends that, in light of the widespread and growing demand for AR activities, USAID/CAR should continue support for AR for up to two more years. Doing so will reward the investment that thousands of AR clients have made in certification training. It also will capitalize on the impressive awareness that AR has helped to develop for the CIPA-EN program.

Several challenges do present themselves to AR, the greatest of which is future self-sustainability. The cost of CIPA-EN training is expensive and IAS/IFRS students generally have very limited resources. The CIPA-EN project will not become self-supporting until exam fees match costs. Another challenge is that some business owners undervalue and misuse CIPA standards, relying on them to obtain bank credit rather than to improve decision-making or to calculate taxes. In addition, many newly CIPA-certified individuals emigrate to Russia or Western Europe for more lucrative employment.

While AR cannot resolve all these issues, it can take steps to strengthen its program. AR should address government personnel's relatively low level of knowledge of international accounting standards by providing public sector CIPA-EN training on a fee-for-service basis. This practice will enhance transparency, improve government-SME interaction on accounting matters, and generate new revenue. AR should also expand its fee-for-service partnerships with local trainers, thereby creating new revenue opportunities, stimulating the local business development sector, and ultimately reducing donor dependence. AR can further encourage program sustainability by creating new product modules (such as in accounting, budgeting, and auditing) available on a fee-for-service basis.

Quality Management (QM)

As the oil industry in Kazakhstan has grown, so has the need of multinational oil companies operating there to obtain quality products and services from local suppliers. EDP's QM component began as a response to this need and to a recently announced government quality control program.

In 2002, QM established its Quality Management Center, which provides ISO 9001:2000 training and consulting services to clients on a fee basis. Almost half of QM clients consist of SMEs whose training is subsidized by the multinational oil companies that have selected them as preferred vendors. QMC's major growth sector consists of medium and larger companies that have the financial resources to pay for training themselves. QMC also provides services to SMEs that can afford to pay only for minimal consulting services. A small QM market (2% of sales) comprises companies seeking other quality-related, fee-based services such as seminars, workshops, auditor training, and auditor placement.

The evaluation team has determined that QM is close to achieving its IR, and prospects for its sustainability are strong. In fact, QM should be able to become self-sustainable in a year but will require donor sponsorship until then. Abandoning QMC subsidies now would put \$197,000 worth of contracts and current clients' training at risk. To ease the transition, QMC can become a local business venture, with EDP providing only a portion of operational costs. Ultimately, an EDP exit from QM might take the form of an acquisition by a private-sector company, by nationals, or by QMC employees.

Certain constraints hamper QM from realizing its full potential. For example, local customs officials and building inspectors have resisted transitioning from the obsolete, significantly different GOST standards of the Soviet era to ISO. This reluctance stifles SME demand for ISO, and thus for QMC services. Other constraints, internal to QM, include a lack of marketing and sales operations, no NGO status outside Kazakhstan, and time-consuming business processes.

These challenges aside, QM can strengthen its position and become independent of USAID funding by expanding within and outside Kazakhstan, and within and beyond the oil industry. Specific opportunities for expansion exist in reaching additional business sectors supporting Kazakhstan's oil industry; construction-related companies in Kazakhstan and Turkmenistan; and businesses in Kazakhstan's and Turkmenistan's—and possibly Uzbekistan's—freight forwarding industries. QM also should consider expanding its services into other ISOs already requested by clients, such as environmental quality, food safety, and laboratory accreditation standards.

Regional Trade Promotion (RTP)

The purpose of the Regional Trade Promotion component is to increase SME access to business information and boost trade transactions. In dollar terms, RTP is meeting its obligations. It has assisted in trade deals valued at \$70 million on behalf of over 400 enterprises. RTP has not, however, achieved the goal of facilitating greater, sustainable trade. The deals it has assisted have been of minimal value to the region, with RTP functioning more as a purchase agent than trade developer. Transactions that RTP facilitated on behalf of Tajik client enterprises are a notable exception.

In terms of RTP's charge to meet the EDP goal of increasing SME access to business information and knowledge, RTP similarly has not performed well. Its website, originally conceived as a gateway to valuable business knowledge and opportunities, has serious shortcomings. Clients do not have the computer skills to make use of it, Internet access is generally erratic and slow, Russian translation of content is of low quality, and links are outdated. Because marketing of RTP services in general is weak, SMEs do not recognize their value.

Despite these shortcomings, RTP has good potential for sustainability, though this may take several years. Companies that benefit from its import/export facilitation services are likely to pay for them in the future. This circle of companies has the potential to grow, as RTP's regional trade advisors gain experience and contacts, and become more able to broker trade deals.

This report makes extensive recommendations for restructuring RTP to foster CAR's market-oriented economy. At the highest strategic level, RTP should analyze trade flow, policies, and legislation. It should also develop and promote trade strategies and policies of its own that will help clients benefit from existing opportunities, such as encouraging microcredit schemes. In the process of furthering these strategies and policies, RTP should work with CAR governments and support institutions, and cultivate technical cooperation among supranational donors.

At the tactical level, RTP should design and implement TA initiatives that improve SME access to the business information it has acquired. It should work with business communities to produce export-oriented products, and link export markets with possible buyers. RTP also should work more effectively toward identifying marketable products, matching products with producers and markets, mobilizing product development, and building skills across the production/trade chain. Such combined efforts can have a long-term, meaningful impact on CAR trade—the objective RTP is intended to achieve.

Enterprise Improvement (EI)

Launched in mid-2003, EI responds to a widely differing, and often deficient, availability of private consulting services in the region. EI offers client enterprises a range of business consulting services free of charge. These services include assistance with strategic action plans, application of key monitoring ratios, and financial management processes.

EI has been successful in helping client enterprises build their businesses and in contributing to the IR of improved access to business information, knowledge, and skills. The majority of EI client enterprises interviewed for this evaluation project noted a high level of benefit from EI interventions. Sales increases ranged from 10% to 30%. In an EDP survey of 367 regional client enterprises, 86% stated their business had improved. Almost all of these respondents attributed these improvements to EI services. This report recommends future surveys be conducted by third-party entities and include additional indicators, such as new products and new customers.

A critical issue facing EI, however, is its reach throughout CAR. EI has benefited 676 client enterprises of the region's 60,000 registered SMEs. This low proportion is in part due to EI's selection criteria. Enterprises must have fewer than 500 employees, be willing to share financial data, and be willing to work with a relationship manager. The number of relationship managers per office also limits EI's reach.

EI can increase the number of enterprises it serves by targeting location-specific enterprise clusters or production-to-market value chains rather than individual enterprises. It can also compress its free consulting period to three months, with follow-on services available at reduced fees. By compressing the consulting period for each client enterprise, it should service fewer clients at a time, enabling a more intensive and focused consulting experience. While a shorter free consulting period would serve fewer enterprises at a time, the aggregate number of clients per quarter would increase without straining relationship managers.

This report also recommends that EI develop strategies for responding to changing needs. EI client enterprises can now receive free services indefinitely until they fail to fit EI's entry criteria—even when they become capable of paying for services. EI should develop a strategy for graduating its clients. It should also respond to its clients' growing sophistication by providing additional, advanced consulting services.

To prepare for its own departure, EI should do more than train local professionals to provide full-service business consulting. It should protect existing local providers that cannot compete with free consulting services by introducing fee-based transactions. This would familiarize enterprises with the concept of paying for these services. In addition, EI should begin working through local consulting companies.

Association Development (AD)

Because associations can serve as cost-effective vehicles for reaching numerous SMEs, Association Development can play a significant role in achieving EDP's IR. AD's mission is to develop relationships with sustainable, membership-supported organizations so that they, in turn, can increase SME access to business information, knowledge, and skills. Another AD goal is to help associations become effective advocates for their members. AD's two tools for achieving its goals are technical assistance (TA) and grants for association partners.

To date, AD has been less successful than other program components in meeting EDP objectives. The evaluation team found that AD TA is extremely general and aimed at association leadership. It provides assistance, for example, in financial management and strategic action plans. Even training sessions, offered in the program's first year, are no longer available. Interviews confirmed the weakness of AD's approach. Association representatives said they do not consider AD's current TA useful, and no client enterprise felt that local business associations were a resource for business information or skill building.

This report recommends that AD redirect its TA services towards achieving EDP aims. It should provide advice on issues specific to associations, such as development of member services, membership drives, and member retention. Additionally, AD should consider creating a database of materials used in establishing and operating an organization. This procedure would provide associations with basic operational support, while freeing AD to conduct activities more closely related to achieving the IR.

AD's grant record is similarly unfocused. Rather than primarily awarding grants to develop member services and advocacy capabilities, AD has awarded grants for such items as office equipment and facility development. In some cases, associations have been formed strictly for the purpose of applying for an AD grant. While EDP rules discourage impropriety, AD should restrict its grants to IR-related activities.

Across both grant and TA activity, AD should also make a more concerted effort to cultivate associations' advocacy capacity. Armed with newly acquired skills for developing and implementing advocacy programs, associations could mobilize members to improve the business environment. Grants could fund their advocacy and lobbying campaigns. Specifically, AD should encourage associations to lobby on behalf of bringing business curricula to schools. By doing so, AD would simultaneously meet multiple EDP objectives: building association advocacy capacity, supporting accounting reform, and facilitating SME access to business information, knowledge, and skills.

I. INTRODUCTION

This report presents the findings and recommendations from an evaluation of USAID's Enterprise Development Project (EDP) in Central Asia. Implemented by the Pragma Corporation under Contract #176-C-00-02-00033-00, EDP is a three-year project that supports USAID/CAR's strategic objective by providing small and medium enterprises with increased opportunities to acquire business information, knowledge, and skills. The contract provides a ceiling of \$70 million for a three-year initial period with two one-year options. The contract's obligated base amount to date is \$27 million. The current three-year contract will expire August 22, 2005.

Based in Falls Church, Virginia, the Pragma Corporation has been implementing the EDP for just over two years, with considerable programmatic modifications made at the start of year two in October 2003.

In September 2004, USAID/CAR contracted Duca Consulting International to conduct an external evaluation of the EDP in all five CAR countries. In its statement of work for the evaluation, USAID designated two main objectives: (i) to evaluate EDP program performance and (ii) to advise the mission on possible future approaches that would be most effective in promoting the growth of Central Asian small and medium enterprises. USAID indicated that it would use the EDP evaluation to inform its decisions with respect to its support for regional SMEs in the future.

The evaluation period extended from October 4 through December 3, 2004. The first phase of the work involved five days of preparatory effort prior to the consultants' arrival in Kazakhstan. The second phase comprised nearly five weeks of fieldwork and commenced with a comprehensive briefing from USAID/CAR. The fieldwork ended with a presentation of initial findings and recommendations to USAID/CAR staff in Almaty. During phase three, the consultants submitted two draft reports and their final report.

As agreed during the preparatory phase, the team assessed EDP activities against its benchmarks and targets. While USAID stated in the SOW for the evaluation that the contractor had "met or exceeded its benchmarks and targeted results," the mission expressly desired an independent appraisal of these achievements. Well beyond conducting an exercise in contract performance monitoring, the consulting team assessed the appropriateness of the mission's existing IR for the EDP project objectives. In carrying forth this assessment, they attempted to determine the degree to which the IR effectively contributes to the mission's SO for SME growth, and then the extent to which EDP's activities achieve the greatest possible reach for the IR itself. USAID/CAR specifically asked the team to recommend alternatives for modifying EDP's interventions or for modifying the mission's approach to SME development altogether.

The mission tasked the evaluation team with the following five specific sub-objectives:

- To evaluate USAID/CAR's overall approach to private sector development through direct, firm-level assistance to the SME sector;
- To evaluate the implementing contractor's new Enterprise Improvement Strategy for providing firm-level assistance in light of other systemic approaches and sustainability issues;
- To evaluate the appropriateness and impact of the accounting reform component for Central Asian enterprises;
- To measure the impact (against project targets), effectiveness in strengthening the private sector and SME growth potential (measured against "best practices") and sustainability (measured in terms of the prerequisite systems needed for sustainability) of the major components;
- To provide recommendations and suggestions for a follow-on activity.

The fieldwork took place from October 9 through November 12, 2004. Described in greater detail in the annex on methodology, the research included documentary analysis and extensive key-informant interviews. The team traveled to all five countries during this period and visited ten of EDP's twelve offices, or Enterprise Development Centers (EDCs). The consultants met with project staff in each of the offices as well as with a cross-section of client and nonclient enterprises, associations, government officials, and representatives from other donor projects.

The two core chapters of the report, "Findings" and "Recommendations for Follow-on," cover in sequence each of the five components of the EDP activity as well as a section on "overall EDP." The emphasis of "Findings" is on EDP achievements and shortfalls; that of "Recommendations" is on broader considerations of the mission's goals and objectives for SME growth in the region.

The evaluation consultants and authors of the report are Mr. Phil Colgan, Mr. Dmitri Tupchiyenko, and Ms. Trina Rand. The conclusions and recommendations provided in the present document, as submitted, are theirs alone and cannot be ascribed to USAID, Duca Consulting International, or any third party.

II. FINDINGS

A. Overall Enterprise Development Program (EDP)

Introduction

The USAID/CAR Enterprise Development Program components are designed to complement each other's activities in a combined effort to achieve targeted Intermediate Results contributing to the relevant Strategic Objective. They also coordinate their work in each country throughout the region with other donor-funded programs, particularly the Trade Facilitation and Investment Program.

Overall Finding: *EDP overall is proceeding towards achieving its IR 1.3.1, "Increased opportunity to acquire business information, knowledge, and skills" of small to medium size enterprises in CAR, as one of the contributions towards SO 1.3, which calls for an "Improved environment of small and medium enterprises."*

Overall Analysis:

EDP consists of five main practice areas, each focused on increasing regional SMEs' access to business information, knowledge, and skills. The five components include the following:

- Accounting Reform (AR)
- Quality Management (QM)
- Regional Trade Promotion (RTP)
- Enterprise Improvement (EI)
- Association Development (AD)

The components contribute individually and collectively to achieving the IR. Three components, AR, QM, and RTP, stand out as the most successful in working towards the IR. The EI component, because of its focus on delivering business development services to individual enterprises, has to date been less successful in enabling groups of SMEs to access business information and gain pertinent skills. The AD component has been the weakest in achieving its benchmarks. Nonetheless, EDP overall is proceeding towards achieving IR 1.3.1.

Finding: *EDP's services are given away too freely.*

Analysis:

EDP continues to deliver its full range of services at no cost to beneficiaries, a practice which distorts the normal development of local transaction-based sustainable markets, encourages dependency on donor-funded programs, crowds out local competition, and stymies local fee-paid business development services (BDS). Despite this, many clients are sufficiently pleased with benefits received from some EDP services that they are willing to pay for them. For instance, a glass jar producer in Tajikistan was assisted by the Regional Trade Promotion (RTP) component to make a \$200,000 sale to a new buyer in Russia. The client was so pleased that a

substantial sales commission was offered to the RTP specialist and was declined because no policy or mechanism exists in EDP to handle such payments. Moreover, EDP's portfolio of clients who are receiving free services includes wealthy companies and wealthy individual owners of companies, like Babilon-Mobile JSC (also in Tajikistan), which is on the brink of purchasing a \$10 million mobile communications license to operate in Afghanistan.

Finding: *The Accounting Reform (AR) component is the strongest in contributing to the IR..*

Analysis:

Except for Turkmenistan, due to its government's insufficient support for accounting reform, the countries in the region have responded well to Accounting Reform interventions. Twenty-seven thousand individuals are directly benefiting from the AR component. Most of these beneficiaries have enrolled in its Certified Accounting Practitioner (CAP) courses; of these, 2,562 are now certified CAPs and 28 are fully certified CIPAs. Almost all of these 27,000 individuals are employees or advisors to SMEs and associations throughout the CAR.

Finding: *Quality Management (QM) has successfully contributed to the IR and hence to the relevant SO for Kazakhstan.*

Analysis:

The QM component has set the standard for overall quality management training and consulting services in Kazakhstan. One of the main constraints for implementing QM in CAR is the legacy from the old Soviet system in which most relevant CAR state authorities and inspection officials do not yet distinguish between Soviet accreditation and international certification—ISO. However, the market for QM is growing, and today there are certification bodies operating in Kazakhstan accredited to grant ISO 9001 certification.

QM has provided ISO 9001:2000 training and consultation services to fifty-seven clients to date, enabling many of them to qualify for inclusion on the bid lists of international companies. QM has also enabled its clients to respond to regional and global market demands for increased quality standards and thus be more competitive internationally.

Additional consulting services, training, seminars, and workshops are being requested from clients. For QM's spin-off NGO, the Quality Management Center (QMC), to become self-sustainable at least one more year of donor sponsorship will be required.

Finding: *The Regional Trade Promotion (RTP) component is only partially successful in meeting the IR.*

Analysis:

The EDP effort, as stated in the contract, is to enhance the ability of Central Asians to understand how companies function and develop in a free market economy, enabling them to apply new knowledge and skills. The result should be improved business practices and readily available economic and business information, which will further improve the environment for SME growth.

The current structure of RTP, however, is inconsistent with the goal of facilitating trade transactions, even though the activity is formally meeting its contractual obligations. Despite the clarity of objectives, and the fact that the performance requirements are being met, RTP program as designed will not achieve the broad goal of enhancing trade transactions throughout the region. The results fall well short of RTP's *potential*, an issue given detailed analysis in the RTP findings section.

Finding: *The Enterprise Improvement (EI) component, while limited in reach, has proven effective for its clients and is contributing to meeting its IR.*

Analysis:

The Enterprise Improvement (EI) component, which is perceived as the backbone of EDP's business development services, currently provides 672 client enterprises with comprehensive access to business information and skills. Through EI, SMEs and associations benefit from a portfolio system of process-delivered, standardized Western-style business development services (BDS). All client enterprises interviewed noted that they had gained valuable information and skills through EI interventions. Many, in fact, contribute their understanding of market economy requirements and their subsequent business success to EI interventions.

Despite success in increasing client enterprises' access to business information, knowledge, and skills, the EI component has had limited overall reach. To date EI has worked with one percent of the region's 60,000 registered SMEs. Moreover, the EI component does not always offer appropriate interventions to client enterprises. EI interventions typically commence with Strategic Action Plans (SAPs) and Key Monitoring Ratios (KMR). SAPs fail to include, however, analyzed responses to market demand,¹ or financial management aspects including income statement forecasting, balance sheets, cash flow forecasts, or interpreting rates of return on investment alternatives.

Further, EI continues to provide all its services for free, which distorts the normal development of local sustainable transaction-based markets, and which encourages dependency on donor-funded programs, crowds out local competition, and limits the development of local fee-for service BDS.

¹ As a specific example, the SAP for the silk thread spinning and weaving client in Osh does not address this fabric producer's assessment of or response to market demand. The producer simply turns out scarves in traditional color designs; he then sells them with limited success. No assessment of market demand or consumer preference has been conducted.

Finding: *The Association Development (AD) component is the weakest in targeting its IR..*

Analysis:

The AD component has an important potential role to play in CAR. The component should effectively contribute to USAID's SO by catalyzing advocacy movements that will push for an enabling environment for regional SMEs.

At present the AD component has not been effective in further developing existing associations or in facilitating new associations. The component has not successfully assisted associations to define themselves and to find their niches for advocating on behalf of their members. Nor has it led them towards self-sustainability by helping them to provide fee-for-services to membership. The quality, quantity, and understanding of associations and their constituencies need to be a focus of improvement. Many associations are arbitrarily formed with the purpose of receiving grants, often to be used for buying equipment for the benefit of only a few of the association's members.

B. Accounting Reform (AR)

Finding: *EDP's Accounting Reform (AR) component is particularly strong in meeting the IR, achieving improved and widespread knowledge, understanding, and application of international accounting and financial reporting standards in the CAR.*

Analysis:

Tens of thousands of individuals and numerous SMEs throughout the region, except for Turkmenistan, are directly benefiting from the AR component: approximately 27,000 individuals have enrolled in its Certified Accounting Practitioner (CAP) and Certified International Professional Accountant (CIPA) courses. Of these, 2,562 are now certified CAPs and 28 are fully certified CIPAs. Almost all of these 27,000 individuals are employees or advisors to SMEs and associations throughout the CAR.

Finding: *AR is responding to market demand in CAR.*

Analysis:

Except for Turkmenistan (due to the government's lack of supporting legislation), ministries of finance in three CAR countries have, with USAID assistance, created the legal and regulatory enabling environment for IAS²/IFRS accounting by adopting standards based on IAS, a supportive Chart of Accounts, and a bridge to the tax accounting system. These countries are Kazakhstan (1995), Kyrgyzstan (1997) and Uzbekistan (1994). Consequently, government legislation in these three countries has been a main driving force in stimulating demand for technical assistance in the AR

² IAS: International Accounting Standards—now generally referred to as IFRS: International Financial Reporting Standards.

market. Tajikistan plans to adopt IAS in 2005, so current demand will continue to grow. Turkmenistan's adoption of IAS remains uncertain.

AR's response has been to establish a region-wide network of in-house specialists, as well as testing centers and private training providers who are able to teach a full syllabus of internationally accredited accounting and financial management modules in the Russian language, coach students in their learning, prepare students for and administer examinations, grade results and award certifications, and mentor both students and graduates in the application of IAS/IFRS at their places of work.

Finding: *The flagship component of AR has been the Certified International Professional Accountant—Examination Network (CIPA-EN)—that now basically commands the Russian language status of the American Institute of Certified Public Accountants or the Institute of Chartered Accountants of England and Wales.*

Analysis:

The CIPA-EN is designed for country-specific localization (i.e. language and tax law specific). CIPA-EN has achieved accreditation and sponsorship by other international bodies, including the International Accounting Standards Committee chaired by Paul A. Volker. As such it is likely to be headed for global recognition and adoption. The CAR AR team, plus the USAID Mission in Ukraine, successfully prepared and submitted a grant application on behalf of a consortium of international partners, which was subsequently awarded an EGAT GDA grant of \$2 million on September 30, 2004. The GDA includes partial funding for the transfer of CIPA-EN from EDP CAR to a new internationally recognized, professional examination body to be based in Moscow in preparation for the CIPA program in Russia. The new organization's partners and accreditation bodies—that now include the AICPA, ICA, IFCA and ICCAA—have pledged to bring their expertise and mentoring capacity to the new organization, because they are interested in CIPA's becoming a global accounting certification body.

Finding: *The GDA funding does not substitute for current EDP contractor resources. The grant simply adds to existing resources to enable new centralized management in Moscow both to lobby and manage for CIPA-EN's roll-out into the Russian Federation.*

Analysis:

With the cooperation of the CAR Accounting Reform team, USAID/Ukraine put out a Request for Applications and a consortium of international partners was awarded an EGAT grant of \$2 million to support CIPA-EN's new global management, which will be based in Moscow. This move is intended to ease and facilitate CIPA-EN's eventual roll-out into and adoption by the Russian Federation. Formal registration of the new entity in Moscow is expected by the end of 2004 and will probably become known in the future as Professional Testing Services (PTS).

Although the Moscow office is currently managing the scheduling, development, and grading aspect of CIPA-EN with the cooperation of the regional (CAR and Central European) contractors—Pragma and Chemonics—it needs to quickly become self-sustaining in order to manage the entire CIPA-EN operations that are not included in the GDA grant funding, such as database, country offices, translation units, and administrative areas.

Finding: *The CIPA-EN program provides training and testing on the core components of an enterprise accountant's responsibilities: not just financial and tax accounting, but also cost and management accounting for proper business decision-making processes.*

Analysis:

The CIPA program consists of a full syllabus and curriculum of components that include financial accounting, cost accounting, tax accounting (country-specific) and management accounting principles and modules including economic analysis (RORs, IRRs, NPVs etc.) The first third of the full course leads to the designation of Certified Accounting Practitioner (CAP) and the second two-thirds lead to the designation of Certified International Professional Accountant (CIPA).

Finding: *Enterprises and associations in CAR are using IAS/IFRS only to a limited extent because they are facing some systemic challenges from the local business environment in CAR*

Analysis:

CIPA-EN participants acquire skills in helping their enterprises to identify product costs, assess profitability by product line, and make informed decisions about capital investments. In addition, these accountants are trained on managing cash flows and inventory levels. These skill sets enable CAP and CIPA participants to assist management in monitoring key performance ratios to facilitate the proper allocation of limited funds.

However, the reality in CAR is that many enterprises are using IAS standards largely to obtain bank credit. When it comes to taxation issues, the enterprises are not truly IAS compliant, because many of them continue to keep two sets of accounting books—one for themselves and one for the revenue services.

Further, there is a tendency among many CIPA-qualified individuals to emigrate from CAR in search of better opportunities based on their new qualifications. In fact many newly qualified CAPs and CIPAs have already emigrated to accept better-paid jobs in Russia. Many others are already working for, or seeking work with, locally based international companies or donor-funded organizations.

Unfortunately, many enterprise decision makers tend to denigrate the function of finance and accounting professionals by comparing them to those of bookkeepers and tax reporting clerks. The result is a loss of quality in the process of entrepreneurial

decision making. Enterprise managers themselves need to understand and pay due recognition to the role of financial management and analysis in making key decisions.

Finding: *Progress being made with enterprise accounting will be jeopardized without corresponding public accounting programs in each country.*

Analysis:

Transparency in government financial reporting and the capacity of officials in each country lag behind the private sector in their knowledge of IAS/IFRS. Basically, governments remain weak in their sponsorship and encouragement of their own officials to enroll in CIPA courses in order to obtain their own professional certification.

Further, the overall capacity of accounting within government departments is weak—and no CIPA modules currently exist that are specifically designed for accounting in the public sector, although plans have been made to introduce them.

Finding: *It will take time for CIPA-EN to become sustainable in Central Asia.*

Analysis:

The major driving force of market demand remains government legislation, but in both Tajikistan and Turkmenistan the introduction of appropriate legislation is awaited. It is expected that Tajikistan will implement IAS/ISFR in 2005, but a timely introduction of international standards by Turkmenistan remains in doubt.

The CIPA-EN is also expensive—AR continues to subsidize training courses delivered by local providers, which has the positive effect of stimulating local business development services. AR also subsidizes examinations fees on a sliding scale so that candidates in Tajikistan, for example, currently pay no exam fees.

AR has managed its operations as efficiently as possible. For instance, AR has organized the grading center to be in Tashkent and is expected to keep it there. The same can be said in respect to the database and exam development team in Bishkek.

The Moscow office, funded by the GDA grant (at least initially) will at first be essentially a virtual office or shell, effectively only directing the program's operations with activities being actually conducted (with agreement already obtained from all parties) by USAID contractors.

Taken as a whole, the CIPA-EN project will not be able to fully support its operations until the exam fees collected in all countries match the costs. But it must be recognized that students of IAS/IFRS in the CAR are often poor and many are simply unable to pay the full cost of courses and examination fees.

C. Operations Quality Improvement (QM)

Finding: *Quality Management (QM) is close to achieving its IR 1.3.1 benchmarks contributing to the SO 1.3 for Kazakhstan.*

Analysis:

Over the period of 2002–2004, the Quality Management Center (QMC) provided ISO 9001:2000 training and consulting services to 57 companies and organizations in Kazakhstan seeking international recognition of their quality management systems. To date, eight clients, including the QMC itself, have achieved certification in full accordance with the international Quality Management Standard ISO-9001:2000. Training and consulting services are provided to clients on a fee basis. The QMC itself does not provide certification.

The activity has fully achieved its contractual performance indicators in Training Benchmarks for Number of Participants, Level of Local Training Capacity, and Improved Business Practices by Training Participants.

Only one contractual target—sustainability—remains unachieved, and the reasons for this will be dealt with below in the discussion of sustainability in regard to levels of local consulting capacity.

Finding: *The QM component set the standard for overall quality management training and consulting services in Kazakhstan.*

Analysis:

The Quality Management Center was established to provide technical assistance to SMEs and CAR governmental organizations in the development of systems that would enhance the ability of local suppliers to provide quality products and services—first to the growing oil industry in Kazakhstan, then to international markets for goods and services produced throughout the region. The QM activity was initially a response in October 2001 to a series of requests by the multinational oil companies operating in Kazakhstan. The oil companies needed to be able to source quality products and services from local suppliers. Their needs, along with newly announced Kazakhstan’s Government Strategic Program for Quality for 2001–2005, led to the QM intervention and the establishment of the QMC entity operated by EDP. The QMC was the first organization in Central Asia to provide ISO 9000 training and related consulting services at an international level.

The center, headquartered in Almaty, has regional offices in Atyrau, Uralsk, and Ust-Kamenogorsk and currently has twelve full-time employees. The QMC is managed by a local Director, while additional technical support and guidance are provided by the Director of Pragma's Trade Facilitation and Investment (TFI) project's Metrology, Accreditation, Standards and Quality (MAS-Q) program in Central Asia. The two teams (QMC & MAS-Q) share facilities in Almaty as well as local technical advisors in Tajikistan and Kyrgyzstan.

QM Operational highlights and statistics

- Bylaws adopted and Board of Trustees established, QMC becomes NGO, Registered in Kazakhstan June–August 2002
- QMC received ISO certification by US-based Certification Body , July 2004
- Oil companies represent 43% of business
- New contracts received in 2004 expected to show 30% growth (based on 9 months actual and forecast through December 31, 2004)
- Present value of open contracts (backlog - WIP) as of end September 2004 = \$187,756
- Present outstanding active new proposals = \$91,000
- The QMC is cash positive, but not based on fee income alone.
- Preliminary consulting services being offered for ISO 14000 (Environmental Quality Management Systems)

Finding: *The market for QMC is growing.*

Analysis:

Today there are certification bodies operating in Kazakhstan that are accredited to perform ISO 9001 certification at an international level. One such organization, Orion Kazakhstan, is a joint U.S.-Kazakhstan certification body. The General Director (a Kazakh national) is a former QMC employee. QMC management played a major role in bringing these parties together.

A recently published ISO survey indicates that the number of ISO 9001:2000 certificates issued worldwide as of the end of December 2003 increased by 333,000 (200%) over 2002. The demand for ISO 9001:2000 certification in Kazakhstan exhibits similar growth. This ISO survey also indicates that at the end of 2003, 174 organizations in Kazakhstan had achieved ISO 9001 certification compared to 38 the previous year. Market research shows that in 2004 nearly 100 additional organizations in Kazakhstan achieved certification.

The market for ISO 9001 Training and Consultancy Services is divided into three groups:

Group 1: Those companies and organizations that truly desire to implement a quality system and achieve ISO 9001:2000 certification, with the objective of improving their competitive position and increasing market share for the products and services they provide.

Group 1 clients can be further divided into three subgroups, all of which are potential clients for the QM.

- a) Those SMEs that have been selected by the multinational oil companies as preferred vendors. The oil company identifies and subsidizes a group of SMEs for which the QMC will provide training and consulting services. The QMC enters into a multi-client contract with the oil company. Presently 43% of QMC's business is in this category. This is the QM's bread and butter market. It is anticipated that this segment of the business will continue for the next two to three years at a minimum.
- b) Medium and larger companies, including multinationals that understand the benefits of ISO 9001 certification, have business plans that include achieving certification, and have the financial resources to afford high-quality training and consulting services. Typical contracts range from \$25–40,000. In August 2004, the QMC received its largest single client contract at \$41,000. This is the QM's secondary target market and the major growth sector of the business. It is anticipated that by 2006, these companies will become the QM's primary market.
- c) The more typical SME that wants to achieve ISO 9001 certification but has limited financial resources and can afford to pay for only minimal consulting services, with average cost of \$7,000 per certification.

Group 2: Those companies and organizations that simply want the certificate without developing or implementing a quality system. They would prefer to purchase the certificate without ensuring that personnel undergo the professional training. Unfortunately, this option, while fraudulent, remains available in Central Asia.

Group 3: Companies seeking a range of quality-related, fee-based services that the QM activity is positioned to provide:

- Quality management awareness seminars and workshops
- Formal training for auditors
- Provide certified/qualified auditors to certification bodies to conduct audits

At present, this group represents less than 2% of QM sales.

Finding: *One of the main constraints for implementing QM in CAR is a legacy of the Soviet system. Most relevant CAR state authorities do not really distinguish between accreditation and certification.*

Analysis:

Constraints are divided into two categories—internal and external:

- Internal is defined as those the QM can control and influence.

- External is defined as those the QM cannot control and or influence.

The majority of the constraints that are preventing the QM from improving their market position are internal.

Internal Constraints

- The lack of marketing and sales functions hampers the growth of the QM.
- The lack of uniform templates and sample forms for clients increases the level of effort and length of time it takes to complete the total client contract.
- The lack of NGO status in other Central Asian Countries limits growth potential in the region, as well as the value of the QM in determining sustainability.

External Constraints

The national certification system in CAR, like many other countries in the CIS, is molded by the old Soviet "GOST" system with obsolete, significantly different standards from contemporary, internationally recognized ISO norms. Nonetheless, local customs officials and building inspectors continue to refer to their GOST tables before giving their agreement to customs clearance, consumption, or installation of products. This practice stifles demand for ISO standards by SMEs in CAR when they are doing business in their own domestic or CIS markets, despite the fact that ISO is required of international companies operating in those same markets.

Finding: *For QM to become self-sustainable, it will require at least one more year of donor sponsorship.*

Analysis:

Prospects of sustainability for the QM program are positive. Donor subsidization permitted the QM activity to gain knowledge and experience in its early days by working with a diversified client base from the oil companies at low cost. It also permitted technical staff to receive the training they required during the start-up period.

Market research conducted by the QMC confirms that additional consulting services, training, seminars, and workshops are requested from clients in:

- Environmental Quality Management (ISO 14000)
- Occupation Safety Hazard Management System (ISO 18000)
- HACCP – New version being released through ISO for the food industry
- Laboratory accreditation (ISO/IEC 17025)

If the program were to lose its subsidies now, \$197,000 worth of the QMC's outstanding fee-for-service contracts—all scheduled for completion within nine to twelve months—would be at risk, potentially leaving 45 clients stranded part-way

through their certification programs.³ To date a major part of the operation is still being funded by USAID.

D. Regional Trade Promotion (RTP)

Finding: *The current structure of RTP, although meeting its contractual obligations, is inconsistent with the goal of boosting trade transactions.*

Analysis:

The objectives are clear and being pursued per contract, and the performance obligations have been met. RTP has assisted trade deals valued at \$70 million on behalf of over 400 enterprises. The RTP program as designed, however, will not achieve the goal of facilitating greater trade.⁴ The results fall well short of the potential of the RTP.

Trade facilitation means not simply the number of company registrations at the RTN website and the number of trade deals. A great number of small trades in second-hand goods cannot significantly improve the business environment in CAR. For example, a deal worth US\$7,000 to export juice to Russia is a very small success, given that several farmers in Ferghana valley reported doing, on average, business between US\$800,000 and US\$1,000,000 p.a. regularly.

Other transactions reported by the RTP appear unjustified (equipment from Germany for cash instead of a loan from HERMES), if not questionable (cosmetics from an unknown producer in Bulgaria, beer from unknown producer in Germany, and import of 100,000 m² of suspended ceilings from the Netherlands). They also sometimes took many months to finalize.

Findings: *The value of RTP's increases in trade experienced by EDP's SME clients was often of insignificant value and was often not verifiable.*

Analysis:

The team has found that in almost two-thirds of trade deals, the RTP is acting as a purchase agent on behalf of domestic companies to buy products from foreign sources such as Russia. The product imports that RTP facilitates offer minimal value added for domestic processing. Although EDP management disputes the factual basis of this assertion, evidence disclosed to the present evaluation team revealed that the majority of RTP transactions are in fact finished products imported for retail trade. In many cases the product imports that RTP facilitates offer minimal domestic processing

³ According to many professional ISO certification consultants (e.g., Dr. Raymond Genick, Snr. VP, Genray Corp, Utika, Michigan) such programs take a worldwide average of eighteen months to complete the procedure from start to finish.

⁴ Trade facilitation in this report denotes enhancement of trade opportunities, especially exports, and does not bear reference to the technical area of trade facilitation as defined in the WTO.

value added. No independent survey has been performed to quantify or qualify results or attribution.

Finding: *The Regional Trade Network (RTN) website sub-component of RTP is not being used to the fullest extent. These electronic resources have required much effort with little return. RTP services are not well marketed.*

Analysis:

Among its several objectives, IR 1.3.1 calls for Increased Opportunities to Acquire Business Information, thus requiring EDP to demonstrate ability to facilitate trade transactions by using information logged into the RTN database. Since RTP technical assistance, especially through www.smetradecenter.net, can result in significant trade opportunities for those client enterprises that are prepared to import or export, the RTP component as a whole is useful to clients.

In fact, the RTP component has the potential to become one of the most beneficial components, particularly through further exploitation of trade links with Afghanistan. The Dushanbe, Tajikistan EDC is already linking local SMEs to Afghani companies and facilitating trade deals. The Ashgabat, Turkmenistan EDC has also made Some efforts to facilitate trade links with Afghanistan.

In its execution, however, this requirement has led to serious shortcomings, because excessive attention to quantitative benchmarks is compromising the overall strategy. The same applies to the performance monitoring system.

Clients appear to value the RTN trade link website to a lesser extent. While enterprises may register on the site, typically with EDP assistance, few appear to use the site more extensively to gather trade leads, to research opportunities, or even to respond to inquiries from interested parties.

There are several reasons why the website is not fully exploited by client enterprises. The internet is a sophisticated tool that cannot be optimized by all clients, since not all client enterprises use computers, and many of them are not “web savvy.” Moreover, outside of Almaty, communities deal with relatively poor Internet access in terms of consistency and speed, if at all—as in Turkmenistan. Since most users in the region use dial-up Internet access, it would be better to have a simpler website with information that is faster to download. In addition, several users noted that the English version of the site is given priority (in a country where few speak English), and the Russian version of the site is poorly translated. Also it is worth noting that most of information links at the website are outdated. For example, macroeconomic indicators have not been updated since the late 1990s, and many links simply do not work.

Finding: *Kyrgyzstan has not achieved the RTN-facilitated trade volumes of its neighbors.*

Analysis:

While Kyrgyzstan enterprises are well represented in terms of registering on the RTN website (second only to Kazakhstan in number of company registrations), the country has not achieved the RTP-facilitated trade volumes of its neighbors. For instance, Kyrgyzstan has benefited from only US\$2,169,670 of trade deals facilitated during the project's first two years, while Kazakhstan and Uzbekistan have registered trade deals amounting to US\$43,799,973 and US\$13,337,054 respectively.

Kyrgyzstan's trade regime has encouraged numerous local small traders to become involved in relatively small-scale trade activities. They distribute their goods, e.g. imported consumer goods, through bazaar-based distribution centers. Thus as far as import of consumer goods is concerned, the EDP contractor incorrectly assumes a need for intermediaries.

There are numerous nontariff, formal, and informal trade barriers that suppress trade, such as high transportation costs, inefficient customs procedures, and corruption. Thus, transportation of goods across the Kazakh border—whether to Kyrgyzstan or beyond—is a formidable challenge. Trade with Uzbekistan is also a problem, and the borders in the Ferghana Valley are practically closed to trade. Trade with China provides a challenge due to difficult terrain, and the same applies to transportation of goods from China to Kyrgyzstan via Kazakhstan. For example, in early November 2004, over twenty trucks were held at the China-Kazakh border due to some irregularities at Kazakh customs.

All these obstacles can be overcome with a direct involvement of Public Private Partnerships (i.e. Advocacy Groups). However, at present EDP is not proactively developing its relations with respect to clusters of such partnerships.

Finding: *RTP has one of the best prospects for sustainability*

Analysis:

EDP's RTP component has good potential for sustainability. Already beneficiary companies have offered trade commissions to regional trade advisors—both EDP client enterprises in CAR and non-EDP client enterprises in other countries. Clearly, companies that benefit from the import or export facilitation services offered by EDP value RTP, and many are likely to pay for such services in the future.

Moreover, many of EDP's regional trade advisors are highly competent professionals who now have the experience, knowledge, and business contacts to broker trade deals on behalf of paying clients.

With regard to RTP achieving sustainability, this may take several years. One of the main challenges is to attract a large number of clients on a fee-based commercial basis for a range of trade advisory services. The more deals that are made, the more clients will pay, and these higher revenues will lead to sustainability.

RTP can boast significant success in some trade deals. Of particular note are the trade deals facilitated on behalf of Tajik client enterprises with Afghani firms. For instance, earlier this year the Dushanbe RTP specialist facilitated a trade deal for the Tajik mineral water and soft drink production company Avicenna. The company initially shipped products worth US\$32,000 to Afghanistan. A month later, this trade deal led to another, with Avicenna exporting US\$168,000 worth of soft drinks and bottled water to another Afghani firm. Another example from Dushanbe is the trade deal brokered by RTP in September 2003 between the Tajik firm Korvon Ltd. and the Afghan company Muhammad Akbari Huseyni Khell Ltd. The Tajik firm exported US\$75,000 worth of construction materials to Afghanistan. Trade links between Afghanistan and Tajikistan, with emphasis on deals such as these, should expand.

As stated above, Regional Trade Promotion services are not well marketed and thus appear to SME clients to be less useful. RTP's RTN provided trade advisory services only via EDP trade advisors. Thus EDP's capacity to handle a large number of deals was limited by the number of advisors available (one per EDC). EDP considers that working on trade deals is time-consuming and takes up to 50% of an advisor's time.

One of the ways to increase impact and capacity may be to enroll RTP partner organizations (external to EDP) into the regional trade network. As the network develops, services will become easier to access and more widely available.

E. Enterprise Improvement (EI)

EDP launched its Enterprise Improvement (EI) component in mid 2003 in response to a regional need. The availability of private management consulting services varies widely throughout the region. In most places where private business consulting exists, companies offer at best a single service, such as marketing or IT. Even in Almaty, which has more consulting companies than elsewhere in the region, there are no full-service locally owned Western-style consulting firms.

The EI component offers client enterprises individual business consulting services beginning with the development of a strategic action plan (SAP) and training in effectively retrieving and using key monitoring ratios. EI's client enterprises frequently receive concurrent technical assistance from practice experts including financial management, quality management, marketing, regional trade, and—by way of Experienced Volunteer Advisors (EVAs)—technical production specialists. As of October 2004, EDP's EI component has provided business consulting directly to 676 SMEs in Central Asia.

Finding: *EDP's Enterprise Improvement component has contributed to the project's IR by improving client enterprises' access to business information, knowledge, and skills.*

Analysis:

Client enterprises have access to vast resources of business information and skill development through direct interaction with EDP's relationship managers and practice specialists. Moreover, through the consulting process, client enterprises learn how and where to find additional business information and skill-development opportunities.

EI interventions have benefited 676 out of approximately 60,000 registered SMEs in Central Asia. Therefore, while the EI component is contributing to the project's IR, its reach remains limited.

Finding: *EI activities have contributed to the growth and increased performance of client enterprises.*

Analysis:

Over the past year the EI component has worked individually with over 600 client enterprises. The majority of the 25 enterprises interviewed noted a high level of success due to EI interventions. Enterprise managers frequently highlighted their new embrace of the market economy and new respect for financial and other business

**Startex Garment
Manufacturers**

Startex Garment Manufacturers has been an EI client enterprise since January 2004. Most recently the company benefited from intensive consulting assistance from an EVA who provided advice on production techniques. Within several days of working with the company, the EVA had redesigned the sweater production process: time to create a sweater decreased from 40 minutes to 4 minutes without any noticeable change in end product quality. Startex owner explained that such productivity enhancements would enable the company to compete against cheaper garments imports from China.

planning—attributing these gains directly to EDP. Moreover, interviewed client enterprises boasted improved production resulting in increased sales and productivity gains: some in the modest range of 10 to 15 % sales increases, and other more significant in the range of 25 to 30 % sales gains. In some cases client enterprises noted that they had not reached the objectives EDP set out in a Strategic Action Plan (SAP); however, they were able across the board to articulate the reasons for their lack of success and indicate their concrete plans for reaching their sales and productivity goals in the future.

On the other hand, the standardized process of consulting offered to each client is rather elementary; it does not yet, for instance, include forecasts or analyses of sources and applications of funds. Moreover, SAPs do not refer to potential

enterprise response to actual or predicted market demand fluctuations. Those client enterprises that have most successfully increased sales and productivity are ready for new consulting services to support continued growth and sustainability, such as advice on market response and growth management and guidance on financing. The EI component must continue to modify or expand its services to respond to the growing needs of successful clients.

Finding: *EI's cross-cutting client selection process and selection criteria limit project reach.*

Analysis:

EI selects client enterprises based on three criteria: the enterprise has fewer than 500 employees, the enterprise is willing to share financial data, and the enterprise is willing to work with a relationship manager. EDP provides no directive to select client enterprises based on an overriding strategy such as value chain or cluster. Nor does EI focus on developing a specific business activity that will provide significant employment.

While EI's cross cutting approach to seeking individual clients has been successful in quickly generating a number of individual clients, a more objective and more strategic targeting of potential clients could improve EI's reach. For instance, EDP's Atyrau EDC focuses on the local petroleum industry's clusters of supporting service providers and subcontractors, and three Ferghana Valley EDCs cooperate to implement the Ferghana Valley agricultural producers' and processors' development initiative. In EDP's eight other EDCs the Enterprise Improvement practice does not strategically target SME groups, which naturally belong to location-specific activity clusters or production-to-market value chains.

The three Ferghana Valley EDCs are implementing valuable supply chain interventions under the EI component. Similar supply chain interventions are worth replicating elsewhere under EDP's Enterprise Improvement component to improve project impact.⁵

Finding: *The EI component is changing management behavior in client enterprises and contributing to improved business efficiency. Most clients attribute sales growth to adoption of EI-recommended practices.*

Analysis:

EDP claims a causal link between EI consultations and sales and productivity increases among client enterprises. In fact, EDP's June 2004 client survey

Integrating Change: Saamal Company, Ltd., Bishkek

The Bishkek EI component began working with this client in November 2003. The company quickly picked up on the business advice from the relationship manager and practice specialists. In fact, recognizing the potential to expand the company's product base, the owner completed his own market research, with some guidance from an EDP marketing specialist. The owner discovered an untapped local demand for more healthful bread and confectionaries, including lower carbohydrate bread products and lower saturated fat and cholesterol pastries. The bakery subsequently expanded its production line and has increased sales.

⁵ One example would be Oriel Resources' new operation for the recovery of nickel in the vicinity of Zhitigara (near Kostanai). This new mining concession employs five expatriate and thirty local workers, numbers expected to grow tenfold within the next twelve months. Oriel's license requires that local Kazakh firms provide 80 percent of inputs by 2007. EI could work to ensure that local enterprises are capable of providing logistics, transportation, catering, accommodation, and specialist communications, construction, and maintenance activities.

supports this attribution: Of the 367 regional client enterprises surveyed, 86 % stated that their business has improved and 92 % of those claiming improvement attributed success to EI interventions.

While the results are striking, it must be noted that since establishing EI in October 2003, EDP has yet to commission an independent survey to quantify or qualify EDP's survey results and to assess attribution. Although anonymous, the June 2004 survey was organized and administered by EDP itself. Attribution rates could be more substantially supported through an external, third-party survey of client enterprises. Moreover, EDP's claim that client enterprises sales have grown in excess of \$140 million as a result of EI interventions is based on a baseline calculation of sales derived from a regression analysis. Regression analysis may not portray an accurate result,⁶ and therefore EI attribution calculations are difficult to verify. EDP has also not evaluated project attribution claims against productivity and growth rates of non-client enterprises; some comparison between client and non-client growth would be interesting and useful.

Interviewed client enterprises were enthusiastic in their embrace of changes implemented through EI consulting services. Relationship managers further noted that the majority of client enterprises have responded well to recommendations from them and from the practice specialists.

Many client enterprises claim to recognize the value of the changes they are making, noting that they will continue to implement the changes without EI consulting services. For instance, several client enterprises indicated that they have noticed the benefit of formal accounting and human resource procedures and will continue to implement them post-EI. Significantly, other interviewed client enterprises note the value now given to financial management processes, especially the role of financial data for planning purposes. Given the difficult business environments in which many of the region's SMEs operate—Uzbekistan in particular—it is difficult to predict the long term effects of business behavior change post-EDP.

It is important to note that EDP chooses the clients to whom it will provide consulting services. In some sense, therefore, client enterprises are hand picked by relationship managers. This is less of a concern outside of Kazakhstan—especially Almaty—and Bishkek, where there are fewer SMEs operating and therefore fewer potential clients competing for EI resources. In fact, in many of the smaller cities, EDC relationship managers have difficulty finding enterprises that meet EDP's limited selection criteria: some struggle to achieve EDP's target of a 20 client portfolio per relationship manager.

⁶ Please see "Reliability and Regression Analysis" for a full explanation and demonstration of the limitations of regression analysis at http://www.ruf.rice.edu/~lane/stat_sim/reliability_reg/

Finding: *The EI does not have any effective system in place to graduate client enterprises from its services.*

Analysis:

Currently client enterprises may continue to benefit from EDP services indefinitely. Three criteria limit an enterprise's retention in EDP: if the client enterprise reaches an employee base of more than 500 (and is therefore no longer an SME); if the client enterprise refuses to implement recommended changes; if the client enterprise refuses to share financial information with EDP. The latter two criteria are related to noncompliance and result in the client being dropped from the EI system. EDP has no client enterprises that have become large enterprises.

Relationship managers and EDC managers consistently pointed out that client enterprises will remain in the system until they can gain no further benefit from EDP. In the team's estimation, most client enterprises would continue to accept free consulting services indefinitely. EI does not currently have a procedure for graduating clients from the system, and thereby enabling other enterprises to gain entry. For instance, one successful company in Dushanbe, Tajikistan, Babilon-Mobile JSC, has continued to receive free services from EI despite having become the country's largest mobile telephone provider. In fact, the company's director noted that his company is ready and able to pay US\$10 million for a mobile phone provider license in Afghanistan. Babilon-Mobile JSC provides a wonderful example of success linked to EDP services: Such companies are ready and able to pay for future consulting services, either from EI or from a local consulting company. EI should have firm criteria for graduating clients from its free service system.

Finding: *Over the medium term EI's free business consulting services will crowd out locally provided, fee-based business services.*

Analysis:

EI's free business consulting services meet a need among Central Asian enterprises. However, the EI's free services risk inhibiting the development of a local consulting sector over the medium term. As indicated above, EI services at present encourage donor dependency. Many client enterprises and most EDP staff indicated that the region does not have full service business consulting companies; however, most markets offer single service consulting firms such as marketing, market research, logistics, customs clearance, accounting, or IT consulting companies. EDP's EI component competes with some of these local service providers. For instance, during a roundtable discussion among the evaluation team and selected client enterprises in several regional EDCs, local service providers complained that EI's free services denied them paying customers.

Finding: *The EI component does not have an effective exit strategy that will leave behind local capacity to provide or absorb access to business information and skills through paid consulting services.*

Analysis:

EDPs exit strategy is two-fold: creating demand, and a recognized value for, business consulting services; and creating a supply of skilled local business consultants. EDP creates demand by providing free business advisory services through its EI practice: Client enterprises begin to recognize the value of outside consulting services and will, in the future, be willing to pay for such services. EDP simultaneously creates supply through its EI component by training locals—relationship managers and practice specialists—to provide high-level business consulting services.

The evaluation team recognizes many benefits to client enterprises from EI services. As noted above, clients realize the value of the changes they are making to their business and they realize the value of consulting services. Paying for these services, however, is a different story. Most client enterprises explained that they would definitely be willing to pay for consulting services should EI begin to charge; however, they claimed that they would choose only certain services—perhaps marketing advice for instance—rather than the entire EI portfolio they now receive for free.

Across the region clients indicated that they could accept fees and they would choose among services. However, clients expressed significantly different views across the region regarding the existence of local consulting companies. In Almaty, for instance, client enterprises are aware of local single service consulting companies; however, clients in Pavlodar, Kazakhstan claimed that no such companies exist. Again, client enterprises in Bishkek, Kyrgyzstan agreed the local, single service providers exist; in Osh, Kyrgyzstan clients said no such companies exist. In fact, the team spoke with EBRD's Business Advisory Service (BAS) project, which cofinances local consulting firms' work with SMEs in Kazakhstan and Uzbekistan. EBRD noted that local consulting firms are almost exclusively focused on implementing IT and market research projects for companies. None of the local providers offers strategic management consulting. Moreover, the World Bank's 2003 Agribusiness Assessment of Kyrgyzstan concluded that the country hosts no consulting firms capable of providing strategic or marketing consulting services.

On the supply side, EDP's EI component is creating a cadre of well-trained business consultants. In fact, EDP expects to leave behind approximately 40 skilled consultants in the form of relationship managers and practice specialists. Consultant capacity differs considerably by country and by region within each country. Some EDP consultants are highly skilled, articulate, and knowledgeable. However, in other areas consultants are less experienced and thereby incapable of generating confidence from a paying customer in the future. Almaty's consultants are the most skilled, and of course face the most experienced and demanding client enterprises. Consultants in Ferghana, Uzbekistan, on the other hand, are considerably less skilled.

F. Association Development (AD)

EDP's Association Development component provides both technical assistance and grants to its clients. AD program officers⁷ in each EDC identify associations with potential for becoming sustainable, membership-supported organizations. They develop strategic action plans (SAPs) and use key monitoring ratios to gauge financial health and development. AD also provides grants to support activities in advocacy, member services, accounting reform, and cross border trade development. As of October 2004 EDP had provided technical assistance and awarded 54 grants to 40 associations throughout the region.

Eleven EDP client associations participated in an evaluation interview. This cross section of all CAR associations—40 of which are EDP partner associations—provided insight into how associations function in the region and the degree to which EDP technical assistance to associations supports the targeted IR.

Finding: *EDP's Association Development component is currently less successful than the project's other components in achieving the targeted IR.*

Analysis:

EDP's Association Development component has been less successful than the project's other components in increasing SMEs' access to business information, knowledge, and skills. EDP technical assistance to partner associations focuses for the most part on improving associations' internal functioning and financial management rather than on providing information and skills to each association's members. The AD component provides little business information and skill development directly to SMEs.

Association development relationship managers assist partner associations' leadership to develop strategic action plans; they also train them to use key monitoring ratios, much as enterprise relationship managers do with their client enterprises. While these are useful and necessary tools for sustainable association development, they are not at present contributing significantly to EDP's IR. In EDP's first year, the project focused on business training, and some partner associations responded that they participated in those training sessions. However, as previously mentioned, EDP modified its approach in year two and has placed much less emphasis on group training sessions for enterprises and associations.

EDP's generalized consulting approach to associations seeks to support development of sustainable, member-based business associations that will themselves provide useful information and skills to members. It is notable, however, that none of the interviewed associations responded that EDP provides advice on such issues as member service development, fee-for-service development, or advocacy training for association leadership and members. One of the associations interviewed, the Association of Business in Pavlodar, Kazakhstan, specifically indicated that the

⁷ These specialists are also referred to as association development relationship managers.

organization would benefit greatly from staff training sessions on all aspects of association development.

Interviewed associations did note that the AD component's grants program is especially useful. It is conceivable that partner associations will gain valuable organizational development skills through grants focused on advocacy and member services (two of the four areas for which grants are awarded). However, interviewed associations have also received grants for office equipment, trade fairs, and facility development rather than for advocacy or member service development.

Finding: *The technical assistance provided under EDP's Association Development component is not sufficient for achieving the IR.*

Analysis:

The Association Development component's emphasis on strategic action plan creation and implementation is not the appropriate strategy for achieving EDP's IR. The technical assistance has merit in supporting association development and sustainability, but it does not achieve significant impact in directly disseminating business information, knowledge, and skills to small and medium sized enterprises. No association interviewed in the course of this evaluation found that the technical assistance itself was useful, though all grant recipients were quick to mention the utility of such funding. Moreover, no client enterprises interviewed felt that business associations in their communities acted as significant resources for business information and skill building.

AD's current approach is especially insufficient in Kazakhstan, where the business environment—hence the business association environment—is more developed than elsewhere in the region. Several associations in Kazakhstan, for instance, indicated that EDP's technical assistance is too general to be of much benefit. These associations noted that they would like EDP to provide more specific technical assistance directed at the associations' needs.

While associations interviewed in Kazakhstan voiced this sentiment most strongly, associations in other countries would equally benefit from consulting services that go beyond financial management advice and SAP creation. Associations stressed their need for a wider range of more specific organizational issues, such as development of member services, development and implementation of advocacy programs, membership recruitment drives, and member retention.

EDP might also achieve greater impact in disseminating business information, knowledge,

Business Information as a Member Service

Located in Uzbekistan's fertile Ferghana Valley, the Association of Seed Growers of Andijan offers members and non-members a useful service: A part time agronomist provides seed consulting to local farmers. Members receive this service free of charge and non-members pay a consulting fee. Association leadership reports that this business information is a valued association service. The association did not attribute development of this service to EDP. The AD component could work directly with associations to develop this type of business information service.

and skills by focusing grants initially on member service training for association leadership. The better equipped an association is to deliver useful information and skills, the more valued by members it becomes—and it is subsequently sought out as a provider of knowledge.

Finding: *Business associations represent an appropriate target for EDP's interventions and strategy.*

Analysis:

EDP's identification of associations as a cost-effective vehicle for reaching numerous SMEs is valid. Effective member-based associations can provide practical information and skill development to member enterprises. EDP's Association Development component recognizes this potential in working directly with partner associations, especially through its grant program. The component is, however, currently missing an opportunity to increase the impact it has on increasing SME's access to information and skills by focusing very narrowly on advice offered essentially to association leadership.

EDP has established relationships with forty associations throughout the region. These associations have benefited from direct consulting services. It is a logical step, therefore, to work through these existing relationships to provide greater hands-on business information and skill dissemination through more specific consulting services to associations. This is happening in some areas, particularly in the Ferghana Valley region according to the associations interviewed. For instance, the Association of Seed Growers of Andijan noted that EDP is assisting the organization in completing a feasibility study on a soil testing laboratory that the association hopes to establish and operate. The laboratory will offer members and nonmembers access to information pertinent to their agricultural businesses. Similar specific technical assistance to associations would be useful, according to interviewed associations. Moreover, business information and skill training through associations, including training of trainer sessions, could more effectively achieve EDP's IR.

Finding: *Association Development's efforts in the Ferghana Valley, including the Pilot Productive Project (PPP), have the potential for significant economic benefit.*

Analysis:

While EDP's PPP grant program does not directly increase SME access to business information, knowledge, and skills, it has significant potential to assist association member enterprises. Under the PPP, EDP awards grants to associations to build or purchase facilities and equipment that association member enterprises need to develop or to store their products. As EDP works largely with farmer and agribusiness companies in the Ferghana Valley region, AD has awarded grants for facilities such as a ventilated onion-storage warehouse, apricot processing equipment, and a commodity storage facility. If such facilities are effective in enabling agricultural producers to achieve higher prices for their produce or to add value via processing, a relatively small amount of grant funding could benefit numerous

association members. In this manner, the associations would be operating in a commercial fashion on behalf of members, much as cooperatives do in other parts of the world. Since grants under the PPP project are so new, it is premature to analyze their actual impact, which has the potential to be significant.

PPP grants enable an association to finance facilities and equipment that should benefit the membership broadly. For instance, in the absence of a ventilated cold storage facility for their onions, onion producers in Osh have been unable to hold their product until peak price season. When they do store onions, a portion of them rot. Four onion farmers established the Altyn Piyaz Association in Osh, Kyrgyzstan in March 2004. The association, currently nine members strong, recently won grant approval from EDP to establish a ventilated onion storage warehouse. One association member will lease the facility from the association for a ten year period. The member will operate that facility, using it for his produce and also renting space to other farmers. Association members will pay a reduced storage fee as a membership benefit. At the conclusion of the ten-year lease period, the association member who has been leasing the facility will then own the facility. Interviewed associations noted that similar arrangements exist for other grant-financed facilities and equipment.

Finding: *EDP's Pilot Productive Project grant program, while useful, may not encourage sustainable association development.*

Analysis:

In some cases, staff alleged that the association was formed for the sole purpose of securing funds through an EDP grant. Because EDP cannot award grants directly to enterprises or individuals, the project appears in some cases to have encouraged individuals to establish associations largely for their personal benefit.⁸

It should be noted that EDP rules disallow the member leasing the equipment or facility from the association to be the association chair; this rule helps discourage impropriety. Encouraging association creation is not necessarily invalid, especially in an environment where the concept of business associations is relatively new. However, for associations to remain strong and become sustainable, they must have a reason to exist beyond the capture of external donor funding. If the founding reason for a number of enterprises coming together is simply to access facility or equipment, there may be no incentive for the association to remain intact when the leasing enterprise owns the facility. Furthermore, there may be no incentive for the leasing enterprise—now the owner—to rent the facility or equipment at a reduced rate to association members.

⁸ As an example, one entrepreneur, in need of processing equipment, approached the Khujand EDC for assistance in developing his apricot production enterprise. According to the entrepreneur, EDP suggested he form an association of apricot producers and subsequently apply for a grant to purchase the equipment and lease it from the association.

Finding: *Interviewed associations are donor-dependent and are likely to remain so in the short to medium term.*

Analysis:

Interviewed associations indicated that they received significant donor funding in addition to technical assistance and grants provided by EDP. While all associations interviewed allege an objective of self-sustainability, most noted that they will have difficulty in achieving it. For some associations there appears to be significant donor funding available, dampening efforts to achieve independence. The Association of Women Entrepreneurs in Bishkek, Kyrgyzstan, for instance, receives nearly 75 percent of its funding from donor sources and only approximately 10 percent from membership fees. The association, which has been an EDP partner association, is so well funded by donors that even the relationship manager noted that it no longer sees any need to remain in touch with EDP. In addition, the Dekhan Farmers Association in Dushanbe, which claims 20,000 members, is largely donor rather than membership financed.

Existing membership fees are insufficient to sustain any of the interviewed associations, especially since many members either do not pay or pay late. While the associations all offer some type of fee-based service to members and nonmembers alike, these funding sources are also not capable of sustaining the organizations at the present time. Additionally, some of the interviewed associations offer member services so basic that enterprises see little benefit in paying membership dues. Offers of fax and internet services and access to general business information, for instance, are not typically compelling resources for enterprises to pay fees. While some associations, such as the Association of Seed Growers of Andijan, already offer useful services, in the medium term Central Asian business associations will require support to develop into organizations capable of themselves increasing enterprise access to business information, knowledge, and skills.

III. RECOMMENDATIONS

A. Overall EDP

Although itself a donor-funded, noncommercial program, EDP will enhance its impact by judiciously adopting the best practices of a business venture. These will include incrementally charging fees for marketable services and transforming its most successful subcomponents into self-supporting enterprises. They may also include outsourcing services, downsizing, and further decentralization.

The detailed recommendations that follow recognize an overall need to make donor-funding trade-offs, prioritization of interventions, increases in outreach of EDP services, and measures to boost the likelihood of sustainability, independent of external funding.

Overall Recommendation 1: *EDP should introduce a schedule of transaction-based fees and start to charge progressively more for its business development services.*

Rationale:

Most EDP clients that have received technical assistance have benefited financially from it and so can afford to start paying; in fact, some clients have already offered sales commissions to their RTP representatives. The introduction of fees for services will also begin to identify which of EDP's services are most in demand, will reduce general dependency on donor-funded assistance, and will limit distortions to the local transaction-based market for BDS.

Overall Recommendation 2: *EDP should plan for and begin strategically to divest its most successful peripheral components, CIPA-EN, QM, and RTP, into self-supporting commercial enterprises.*

Rationale:

CIPA-EN's global management has already been transferred to Moscow and will register a new juridical entity there before the end of 2004. However, the administrative support functions—translation, curriculum development, database, exam scheduling, grading of test results, awarding of certificates, student and graduate records—all remain in the CAR under the daily supervision and operation of EDP's AR staff. This arrangement will require indefinite donor funding unless the structure is reorganized.

The QM component has already registered the QMC entity in Kazakhstan and as such charges and receives some fees for services. The QMC's plans for its future development and sustainability as reviewed and evaluated by the Team appear sensible except for the timeframe, which should be accelerated. Similarly, but slower in developing its sustainability plan, the RTP function is well poised to begin accepting commissions and fees as a stand-alone entity.

In all three cases—AR, QM and RTP—the question of whether to establish one or more separate NGOs, or one or more commercial support organizations, for each country in the CAR should be re-assessed. Whatever the resultant decision, it will be necessary for these new structures to accept fees. For an interim period, they should also seek additional funding from external sources other than USAID. A pertinent model of sustainability is the SME “Central Accounting House” based in Almaty.

Overall Recommendation 3: *EDP should conduct and introduce an outsourcing and cost-cutting program to improve its overall cost effectiveness.*

Rationale:

An overall policy of contracting out certain services as opposed to retaining them in-house would reduce the costs of maintaining large EDC offices and begin to stimulate local, privately offered services such as security, transportation, event management, reprographics, and the like. Moreover, the introduction of performance bonuses and commission payments would also prepare current employees for eventual termination of external EDP funding.

A reorganization and downsizing of EDPs based in capital cities would reduce overhead in higher cost areas and extend program reach with smaller satellite offices in regional towns. For example, both greater outreach and lower overhead costs could be achieved by transferring EDC activities through selected local partners who will begin by shadowing, then taking over from, existing experienced EDP staff.

Kazakhstan: Rural poverty is almost twice as high as urban poverty. The incidence of poverty in the two richest regions which are home to substantial oil and gas wealth illustrate the present inability of that sector to act as an engine of productive employment and broad based growth. The logical expansion in Kazakhstan of EDC services would be to Shymkent (Southern Kazakhstan) Oblast, which is the most populous in the country and in which 35 percent of the population lives with income below the subsistence minimum. Shymkent would be an ideal choice as it is the main point of commerce between Uzbekistan and Kazakhstan. An EDC in this vital region could help foster SME growth and cross-border trade.

Tajikistan: This country could possibly benefit the most from EDC services. Tajikistan is one of the poorest countries in the world and has suffered from a long civil war, drought, widespread poverty, and unemployment. Tajikistan could benefit from expanded EDC services in the southern region of the country based in Kurgon-Tube. Economic assistance to this region is vital from a security standpoint for the whole region. The Kurgon-Tube region also borders Afghanistan and an EDC close to the border could help in identifying cross border trade opportunities. An EDC in Kurgon-Tube could also cover other important cities in the south of the country.

Kyrgyzstan: The country is poor and mountainous with a predominantly agricultural economy. Cotton, tobacco, wool, and meat are the main agricultural products, although only tobacco and cotton are exported in any quantity. Expansion of EDP services to Karakol could support the ongoing work of the Ferghana agricultural initiative. There is great potential in the region of *Karakol* for improvement of market development, packaging, processing technology, food technology, fruit and vegetable processing, and dairy processing.

Uzbekistan: This is the central territory of the CAR region. In terms of geographic coverage by development assistance, it remains almost untouched. An EDC located in Samarkand could provide services to other important regional cities like Bukhara, Karshi, and Jizzak. Unemployment in these regions is high, and developing SMEs (job creation) is critical to stability.

Turkmenistan: Either Turkmenabat or Mary would offer greater access to other important regions of the country. A more detailed study is required to ascertain which city would gain the most from EDC services.

Overall Recommendation 4: *EDP should refocus its core activity (EI) on enterprise group development, i.e. on both value chain and cluster, wherever either is appropriate.*

Rationale:

The EDP program needs to improve its overall reach and strategic impact, so active search, evaluation, and choice of location for delivery of BDS to sector-specific SME value chains and appropriate activity clusters of opportunity must be prioritized and categorized into traditional, contemporary, and innovative, or entrepreneurial. Valuable knowledge and skills would then be able to migrate from direct points of contact up and down the value chain and outwards from the center of influence of each cluster.

Overall Recommendation 5: *EDP should refocus its AD activity on fostering groups that actively advocate for the benefit of all their members as a whole group.*

Rationale:

The traditional advocacy role of alliances, confederations, associations, or unions, must not be confused (as it often is under the current program) with the commercial intention of cooperatives. Associations are civil society organizations supported by the initiative of a membership with common interests. Well-managed, dynamic associations act as forums and as change agents for the benefit of their members and the larger groups that they represent. Because associations represent national constituents, governments listen to their needs when these are effectively communicated.

B. Accounting Reform (AR)

Overall Recommendation: *USAID should continue support for AR for up to two more years under the umbrella of an extended EDP, rolled into another USAID/CAR program, or as a stand-alone activity.*

Overall Rationale:

The gains already made by AR and CIPA-EN are too great to be scaled down or, worse, abandoned. It is especially important to assure the sustainability of the CIPA program. Tens of thousands of beneficiary clients across the CAR have invested time and money in the program, assuming that it will continue long enough for them to become certified and for their certificates to have long-term value.

Demand for professional training in finance and accounting will continue to grow. An accounting market survey in February 2004 conducted in Kazakhstan showed that 83% of accounting students were familiar with the CIPA program and 95% of those wanted to participate in it, although only 9% had so far taken any of its exams. Further, 63% of Kazakhstan's accountants working in enterprises reported that they were familiar with the CIPA program but less than 5% were yet certified. This pattern is likely to be mirrored across Kyrgyzstan and Uzbekistan, and now Tajikistan plans to adopt IAS/IFRS in 2005, so current demand will continue to grow.

While substantial progress has been made to establish sustainable training and testing, this process is unlikely to be completed across the region by August 2005. Moreover, there will be additional development work required at the institutional level to ensure essential elements of the AR/CIPA "cluster" become sustainable.

Recommendation: *Expand the delivery of AR interventions on a fee-paid basis to local SME training providers.*

Rationale:

The establishment of expanded and closer fee-for-service partnership links with local SME training providers will continue the process of nationalizing competitive skills. By becoming partially sponsored client-partners, local training SMEs will benefit from income from their students and thus become increasingly able to pay some fees to AR for technical assistance.

The fee-for-service approach fits the overall program's policy of reducing donor dependency, reduces distortions to local fee-based transactions in the market, and adds to the stimulation of the local private BDS sector. Of equal importance, this policy will begin to prepare AR itself for sustainability as donor funding diminishes and is eventually withdrawn.

Recommendation: *Expand the delivery of AR activities on a fee-for-service basis into the public (government) sector.*

Rationale:

The AR component can complement the work of other USAID/CAR-funded interventions operating in the area of central government reforms. Of special advantage to the private sector, and SMEs in particular, will be a greater capacity among government officials to understand and apply financial and assessment methods as part of their regulatory duties. Significant benefits will accrue to both private and public managers and their organizations. Targeted interventions should include:

- Assistance to MOFs to adopt International Public Sector Accounting Standards (IPSAS) based on IAS/IFRS
- Train/test/certify government accountants, inspectors and auditors
- Provide TA in accounting conversion for state-operated enterprises (SOEs) and key state cost-recovery entities such as power generation and distribution, communications, water management
- Deliver TA to fiscal government auditing agents such as Customs and Tax.

Recommendation: *Develop new AR products for absorption and delivery through the overall portfolio of EDP interventions.*

Rationale:

Development of new products is a prudent response to increasing demand and further strengthens the chances of sustainability. Especially important modules would be cost accounting, budgeting, and cash management. Customers to target are key organizations in USAID/CARs and the local public's interest, including: open-listed companies; closed JSCs; and financial intermediaries. Delivery of such products and services should be introduced according to a schedule of increasing fees-for-service.

Recommendation: *Develop a set of auditing modules.*

Rationale:

Auditing validates accounting and development of auditing modules is a natural response to the opportunity of growing market demands.

Recommendation: *Campaign for expanded introduction of AR topics in centers of higher learning (CHLs), colleges, and universities.*

Rationale:

There are currently almost 20 times as many accounting students as management students enrolled in undergraduate programs in CHLs: 85,049 compared with 4,484 in year 2004. Many of these students will eventually become managers. CHLs will have the opportunity to introduce accounting reform topics through:

- Recognition of the value of vocational training in addition to just academic learning
- Development of appropriate modern curriculums and syllabuses in collaboration with Ministries of Education
- Adequately trained teachers and faculty development
- Access to appropriate training materials
- Formation of student clubs

C. Quality Management (QM)

Overall recommendations:

The QM component, high in overall EDP achievement, should prepare for sustainability by becoming a local business venture, keeping its present staff as a core team.

QM should strive to expand its services across the region and into new sectors. It is essential that QM extend its services to freight forwarding (Uzbekistan, Kazakhstan, Turkmenistan) and to the construction industry (Kazakhstan, Turkmenistan).

Overall Rationale:

The existing market for QM service in CAR is expanding rapidly, driven by hydrocarbon-related business development and supported infrastructure.

Recommendation: *QM should expand further its services to petroleum-related businesses.*

Rationale:

There is evidence of strong demand, both from multinationals and local companies, that QM services be extended, as this will facilitate local enterprises in successful bidding for servicing foreign petroleum consortiums (compressor stations, utilities, catering, and infrastructure) and other foreign construction companies operating in CAR.

To date, most of the petroleum development is undertaken by Shell, ENI, AGIP, ExxonMobil, Phillips, and Chevron. According to the latest IMF report, petroleum reserves in Kazakhstan are an estimated 30 billion barrels; offshore of Atyrau alone, in the contract area operated by ENI-Agip KCO Group, there are an estimated 14 billion barrels of recoverable crude oil reserves, which represent almost 40 years of production at the rate of 1 million bbls per day and a current market value of \$16.4 billion per year at \$45 per bbl.⁹

⁹ ENI-Agip KCO (Operator) 16.67%, British Gas 16.67%, ExxonMobil 16.67%, TFE 16.67%, Shell 16.67%, Phillips 8.33%, Inpex 8.33% = Total 100% according to ENI-Agip KCO General Presentation on their PowerPoint file dated November 11, 2004 given to the Team by Agip's Mr Chris O'Brien, Atyrau.

Recommendation: *QM should extend its services to construction-related companies in Kazakhstan and Turkmenistan.*

Rationale:

Kazakhstan

Since 1999 the Kazakhstan construction market has grown at an annual rate of approximately 20%¹⁰. Local market capacity accounts for approximately 47% of the total industry. Fast growing sectors of the market are, among others, innovative and cost-effective building technologies. There is a huge demand for skilled foreign contractors and project managers for large-scale and challenging building projects.

The cities of Almaty, the commercial center, and Astana, the new capital, are at the focus of Kazakhstan's booming economy. For example, in 2002 almost 52,000 m² of luxury apartment floor space were built in Almaty alone, with average retail price of US\$ 800–1,000 per m². Most residential and commercial construction in Kazakhstan and Turkmenistan is undertaken by German, French, or Turkish companies¹¹.

The oil and gas sector is expected to be a significant purchaser of architecture, construction, and engineering services for years to come. The direct demands of the oil companies include construction in the oil fields (offshore platforms, artificial islands, etc.), as well as onshore processing facilities, necessary utilities, infrastructure, and office buildings.

There is a growing demand for all types of construction services: primary building, renovation and conservation of industrial and public utilities and residential buildings; R&D; civil engineering, tunneling and tunnel lining, foundation engineering, design and assembly services.

This interest means an increased need for banking, catering, hotels and other buildings in businesses servicing the oil companies.

Turkmenistan

A multibillion dollar natural gas pipeline connecting Turkmenistan—which has the world's third largest natural gas reserves—with Afghanistan and Pakistan is planned as a means to improve regional security in CAR¹². A feasibility study presented by the Asian Development Bank in June 2003 concluded that this project should proceed. When it does, future demand for QM services in the civil engineering and construction sectors will be very high.

¹⁰ <http://www.tntexpo.com/pdf/kazak/buildexpo.pdf>

¹¹ EV Team's Interview with Koksal Yildiz, MTG (Almaty)

¹² <http://www.forbes.com/home/newswire/2002/12/27/rtr833456.html>

Recommendation: *QM should extend its services to freight forwarding in Kazakhstan and Turkmenistan, with possible future expansion to Uzbekistan.*

Rationale:

Each of the five freight forwarding companies interviewed during this evaluation—Bertling Logistics, InterDean, Militzer & Munch, Panalpina, Transrail—described their operations in CAR and specifically requested QM assistance in Kazakhstan, Turkmenistan, and Uzbekistan.

As important parts of the Silk Road, and the only two CAR countries which are not landlocked thanks to direct access to the Caspian Sea, Kazakhstan and Turkmenistan have always been important transit crossroads to and from Russia, Iran, Afghanistan, China and further to Europe and the Middle East.

Many local companies in both Kazakhstan and Turkmenistan are already arranging railway and multimodal shipments within the CIS, Baltic countries, and Europe-Asia transport corridors, as well as arranging road and air shipments, terminal handling, and customs clearance through a wide network of regional agents and partners.

Turkmenistan has invested heavily in development of new railroads, air transport and U.S.-style highways¹³. Reconstruction of the Tedjen-Ashgabat-Mary highway has been financed by EBRD.

However, the Turkmen government recognizes and acknowledges the need for further development of its transportation infrastructure. The country has money, and is willing to pay foreign contractors for services (most of the construction work in the country is being done by French and Turkish construction companies; and Halliburton is playing an active role in hydrocarbon industry development).

To enable Turkmen seaport authorities to increase the capacity of its Turkmenbashi seaport (ex-Krasnovodsk), EBRD has provided it with a credit line. Currently, Panalpina is providing loading and berthing services for vessels up to 300 MT deadweight.

A joint venture with a Swiss company, Transrail, is providing rail transportation services for cargo in transit through Turkmenistan. There are many representative offices of EU and U.S. forwarding companies in Turkmenistan (e.g. InterDean, Bertling Logistics, Militzer & Munch etc.), and some forwarding companies note that the route via Turkmenistan through Azerbaijan, Georgia, the Black Sea and Turkey to Europe has been the most efficient.

Uzbekistan also has great potential in international freight forwarding, and cargo and passenger charter flights for CIS–Central Asia; Eastern and Western Europe–Central Asia; and Iran–Central Asia routes.

¹³ <http://www.bisnis.doc.gov/bisnis/isa/991118txfrtfrwd.htm>

Recommendation: *The QM should provide a broader array of services along the TQM pipeline.*

Rationale:

Market research conducted by the QMC confirms that it should provide additional consulting services, training, and seminars in:

- Environmental Quality Management (ISO 14000)
- Occupation Safety Hazard Management System (ISO 18000)
- HACCP – New version being released through ISO for the food industry
- Laboratory accreditation (ISO/IEC 17025)

Further possibilities include areas such as ISO 9000 and very likely ISO 9001 Training and Consultancy Services.

In order to provide such services, the QM staff will require special training. Additional technical support can be provided by short-term (paid and volunteer) experts. Projections indicate that QM sales can increase by 30% in one year. Additional, highly sought services will increase the value of the QM, but will have no impact on its becoming sustainable sooner.

Recommendation: *For QM to become sustainable, it requires at least one more year of donor sponsorship.*

Rationale:

Examples of transition strategy could include: EDP provides office space, utilities and keeps 80% of the staff on the payroll. Also, it would be desirable to diminish the number of staff on the payroll of EDP while increasing those on the payroll of a commercially oriented QM.

An exit strategy for the QM component could include the following scenarios:

- (a) a buy-out by venture capital firm, either local or Western;
- (b) an acquisition by one of the brand names in the industry, like Alex Stewart, TUV, or Moody; and
- (c) MBO, i.e. a buy-out by nationals, wholly or in part by the QMC employees themselves.

D. Regional Trade Promotion (RTP)

Overall Recommendations:

In direct correlation with E&E Bureau goal (SAA I: Economic Restructuring) to foster the emergence of a competitive, market-oriented economy, EDP should:

- continue to implement measures to liberalize trade and the foreign exchange markets;
- review regulations which place trading companies at a disadvantage;
- review regulations which restrict the SMEs' ability to make their own import/export decisions (such as importing used equipment, contract prepayments, etc.);
- prepare and disseminate materials for SMEs which explain the details of export and import operations in light of the new regulations;
- monitor the effect of new regulations with regular independent surveys
- design technical assistance initiatives to improve SME access to information about foreign markets and general international business issues.

An overarching RTP approach should start with (a) a trade flow analysis, which should be followed by (b) a series of supply and demand surveys. The final step should be (c) the organization of linkages between networks of producers and buyer-exporters (e.g. via better RTN).

Overall Rationale:

This approach has most recently been used in projects in the Africa region, in particular with the Common Market for Eastern and Southern Africa (COMESA). These activities have been successful in generating extensive new business among the participants. The potential for similar intraregional trade development exists in CAR as well.

Trading patterns in the world change continuously. The reasons for the currently limited trade among CAR neighbouring countries differ from one country to another. One factor is, however, common to each situation: information on existing market opportunities is insufficient and not easily accessible. Because of this lack of information, it is generally believed in these areas and by those external to the area that the particular regional market potential is negligible.

Recommendation: *Support environmental and trade promotion legislation.*

Rationale:

The overall EDP approach should build its RTP component policy on the Lomé Convention¹⁴ *acquis* and should foster a new partnership that combines politics, trade, and development, including harmonization of business laws in CAR,¹⁵ as well as be aimed at generating new trade and investment transactions between enterprises in CAR's transition economies.

Recommendation: *More effective facilitation of intraregional trade development through Trade-Flow Analysis*

Rationale:

An effective avenue to trade facilitation is through a trade flow analysis, scanning the import and export trade between a group of CAR countries and the rest of the world, or between the group and another group of significant trading partners.

The major outcome of the trade flow analysis is a list of products both imported from and exported to the rest of the world by the group of CAR countries in question.

The smetradecenter.net should become more proactively involved into developing specifically designed computer programs, so that it becomes an effective B2B resource and trading tool used extensively by the network which RTN could use for its own research, and for trade flow analysis undertaken at the request of CAR countries' authorities and intergovernmental organizations.

The first and most important step in RTP approach is to identify the products that, in theory, could be traded among the countries in CAR. Such a product inventory serves as a basis for planning further trade promotion action. It is also essential for demonstrating that quantifiable trade potential exists, and for convincing all relevant parties, both *public and private*, that efforts for intra and interregional trade promotion are justified.

A trade flow analysis can be carried out in various ways. For example, the UN Statistics Division (UNSD) database can provide the source of trade figures for this purpose. This source ("Comtrade") provides import and export statistics for about 200 countries and customs territories, derived from records supplied by government authorities. The harmonized presentation of these statistics makes comparison and aggregation of them relatively easy for a given group of countries, as well as for the world as a total.

Geographic coverage of data

¹⁴ Now the Cotonou Accords.

¹⁵ See the OHADA legislation in the FCFA states of West Africa.

In the case where a country does not produce satisfactory statistical reports (as it is with most CAR countries with an exception of Kazakhstan), trade data should be derived from partner statistics or “mirror statistics”¹⁶.

Chronological coverage of data

The dynamic analysis of the trade flow uses past rates of export and import growth as an indication of the dynamism of a country or the CAR region as a whole in a particular product group.¹⁷

The approach reveals complementary products; i.e. products successfully exported by one country to the rest of the world, and for which there exists a significant import demand in this region (intra-regional analysis) or in another region (inter-regional analysis). In basic terms, the *indicative export potential* is defined as the lower value a country or a group of countries import(s) from the world and the amount another country or group of countries export(s) to the world.

Supply and demand surveys

RTN should facilitate the collection, processing, and presentation of data for the supply survey. Two main approaches for publicizing the findings of the surveys should be used. The first consists of a series of workshops; the second, which achieves an immediate impact, should be used in the promotion of intraregional trade and concerns the organization of “buyers/sellers” meetings.

After agreement has been reached on the product selection for intraregional trade promotion, the potential trading partners can then be determined. By this stage, all participating CAR countries should have expressed either an import or an export interest in one or more short-listed products.

Recommendation: *Focus on sector-specific orientations*

Rationale:

Events in specific sectors are usually organized to assist enterprises to take advantage of intra-regional and inter-regional trade opportunities.

The overall EDP approach for CAR should concentrate on sector-specific issues, for example issues for Ferghana Valley, which should include:

¹⁶ Mirror statistics are a second-best solution since trade with other non-reporting countries is not recorded. There is also the problem of trans-shipments, which may mask the actual source of supply. Finally, mirror statistics invert the reporting standards by evaluating exports in c.i.f. terms and imports in f.o.b. terms.

¹⁷ It should be noted that growth rates could over-inflate the indicative export potential, since past performance is not necessarily a guarantee of future performance.

- 1) Approaching new export/ import markets outside traditional FSU countries;
- 2) Promoting new highly productive harvesting equipment
- 3) Promoting new highly productive equipment for vegetables processing
- 4) Marketing / Merchandizing / Labelling
- 5) Packing (Twist, Frozen & Vacuum)
- 6) Cotton & Silk (deep processing)
- 7) Seeds & Nuts

In addition, a number of publications should be produced on a continuous basis, in cooperation with a network of trade support institutions, to satisfy the demand for trade-related information in CAR economies in transition.

Recommendation: *Focus strategically on achieving growth through trade.*

Rationale:

As stated in the SOW, one of the purposes of the EDP evaluation is to advise on possible future approaches that would be most effective in promoting the growth of Central Asian small and medium enterprises. Facilitating this process must constitute the cornerstone of EDP's approach to RTP.

This goal requires empowering small producers to acquire the skills needed to harness their productive potential, and a holistic view on entrepreneurship and SME development, as well as the inclusion of trade in any given CAR country's overall development strategy.

Linkages between networks of producers and buyer-exporters are critical. To varying degrees, these links affect marketing, distribution, and market intelligence as well as access to technology and inputs.

Recommendation: *Promote regional trade links in response to Eurasian Common Economic Space (CES).*

Rationale:

The vision of USAID/CAR involves building pluralism and stability among the people and institutions of Central Asia. USAID's goal is to expand opportunities for the citizens of these nations to participate in improving their governance, their livelihoods, and their quality of life.

On the other hand, a serious concern must be outlined regarding CES, which is an ambitious project aimed at fostering the emergence of a new Russian-dominant entity in Eurasia, while maximizing Moscow's political and economic power. It is a multi-phased agreement, signed in Yalta (Crimea, Ukraine) to create a Common Economic Space (CES) which include some FSU countries, particularly Kazakhstan. Uzbekistan and Kyrgyzstan are heavily encouraged to enter.

The accords will marginalize other former Soviet countries, such as Kyrgyzstan, which are WTO members, and put pressure on them to join CES. They could not do otherwise; millions of Uzbeks, Kazakstanis, and Tadjiks are employed in Russia as guest workers and support families back home, contributing up to one-third of national GDP.

Recommendation: *Focus greater effort on attracting foreign direct investment.*

Rationale:

One of the most important questions in the SOW for this evaluation is, “Should the EDP be focusing more effort on attracting foreign direct investment? If so, what are recommended approaches to facilitate the development of the relationships?”

Although the following discussion presses the limits of the present SOW, the authors believe that these issues deserve consideration in any future reformulation of enterprise development strategy.

To enhance FDI, two things should happen. First, the regulatory climate must continue to improve. Second, the government needs a clear and coherent vision and that vision should manifest itself in policy. Therefore, public private partnership in this area is of utmost importance.

Areas that would benefit most from FDI are those that take advantage of the existing resources in each particular CAR country. In the team’s opinion, FDI in tourism development through the CAR would be a natural. However, commitment to tourism development and infrastructure investment to facilitate that investment requires a vision that each central government has so far only articulated piecemeal.

The Team also believes that EDP should consider supporting the creation of Free Economic Zones (FEZs) or territories of priority development as vehicles for the realization of a development strategy that generates a public-private partnership independent of administrative pressures.

Overall RTP Conclusion:

Trade facilitation services should exploit new market opportunities with the EU, China, and the Hindustan Peninsula to increase RTP success and sustainability. EDP’s vision for the RTP component is a sustainable supply of and demand for trade facilitation services. Demand for information on importing and exporting and in particular trade agent services is growing in the region. EDP’s trade advisors are also expanding the professional services available to clients seeking trade facilitation.

The EDP should begin to charge trade facilitation fees. Moreover, EDP trade advisors could begin to work for RTP as independent contractors, thereby setting the stage for their movement out of a donor-funded project and into the demand-driven market service sector. EDP will increase RTP’s utility by charging commission fees on

successfully brokered trade deals. The RTN sub-component could further boost its value to client enterprises through website modification: in particular with simpler graphics, better Russian translations, and updated web links.

EDP should focus on attracting foreign direct investment, especially from regional neighbors China and Afghanistan. Moreover, investment should also be promoted from Iran, India, and Pakistan. While it might be outside RTP's current scope to include investment promotion, EDP could add this as a component that works closely with RTP.

RTP could begin investment facilitation efforts now through promotion of regional trade fair participation among client enterprises. In addition, RTP could catalyze investment relationships by working through chambers of commerce.

E. Enterprise Improvement (EI)

Overall Recommendation: *EI should refocus enterprise improvement interventions at targeted value chains and specific enterprise clusters.*

Overall Rationale:

Providing business advisory services to enterprises in strategically important and appropriate value chains and clusters will accelerate overall progress towards EDP's Intermediate Result and toward USAID's targeted Strategic Objective by promoting more widespread, sustainable employment in the CAR.

EI's cross-cutting approach to client selection was initially appropriate to gain many SME clients quickly. To boost EDP's impact, however, EI interventions should shift exclusively to targeting important and appropriate enterprise groups. EI should target strategic value chains such as the construction industry in Kazakhstan¹⁸. EI should also target location-specific clusters of SMEs engaged in similar activities to attain local critical mass, such as among Ferghana Valley orchard farmers.

By focusing on SMEs in a particular value chain, EI will facilitate economic growth among linked groups. Currently EI delivers consulting services to the fruit and vegetable supply chain through each Ferghana Valley EDC. Consultants and specialists work with client enterprises that are linked through production: tomato seed importers and producers; tomato growers; and tomato paste processors, packagers, and distributors. The Ferghana Valley EDCs continually seek out SMEs that complement the business activities of existing client enterprises, for instance locating and working with upstream suppliers of these enterprises. EDP should replicate Ferghana Valley targeting activities throughout the region. Moreover, EDP should begin to target downstream clients as well, since stimulating downstream demand will, via natural market forces, stimulate upstream production.

¹⁸ <http://www.tntexpo.com/pdf/kazak/buildexpo.pdf>

Recommendation: *EI's business consulting should be based on an entrepreneurial quest for opportunities and solutions for client enterprises.*

Rationale:

EDP should encourage an entrepreneurial spirit among its EI business consultants. The more entrepreneurial relationship managers and practice specialists assume in their quest to solve client problems, the more they lead by example. For instance, a silk production company in Ferghana, Uzbekistan noted that the company's greatest obstacle to growth is irregular electrical supply from the government electricity company. The relationship manager had not yet suggested a generator, or investigated generator financing options for the company. While EI's existing suite of consulting services is useful, innovative problem solving should also factor into all direct consulting activities.

Likewise, EI's overall approach to client selection should be creative and entrepreneurial. Relationship managers and EDC managers should look for creative ways to achieve EDP's IR and contribute to USAID's SO: actively searching for clients with respect to strategic location, sector-specific value chains, and appropriate activity clusters.

There is always a risk of failure in recommending solutions and choosing clients; however RMs and EDCs in general should demonstrate to client enterprises through their own decisions that risk is a part of business. Fear of failure and retribution should never represent an obstacle in EI's attempts to deliver interventions to new clients and new sectors.

Recommendation: *EDP should work intensively with fewer clients over a shorter period of time.*

Rationale:

EDP's Enterprise Improvement component could optimize project reach by moving client enterprises more rapidly through the consulting process, thereby liberating resources to serve new clients. For instance, EI could offer client enterprises three months of free consulting service, which would include SAP creation. After the initial consulting period, EI could offer follow-on services at reduced fee. Since many relationship managers indicated difficulty of balancing the needs of 15-20 client enterprises simultaneously, EI might consider an RM portfolio of six clients during an initial three-month intensive consulting period. Each quarter, therefore, six new clients would enter each RM's portfolio.

EI would inform client enterprises of the limited consulting period and thereby urge faster progress in implementing SAP recommendations. Following the initial three months, client enterprises would have access to the same services currently offered; however, they would be required to pay for services according to a graduated fee scale.

Resources saved in providing fewer months of free services could finance more satellite offices of one or two persons in more locations throughout the region. Each satellite office might only work with ten or fifteen client enterprises at a time; however, having more offices overall will increase the project's scale in terms of number of enterprises served.

Finding: *The EI component should consider additional indicators for evaluating client enterprise growth.*

Rationale:

Currently the EI component evaluates its success based on sales and productivity growth within client enterprises. While these are good indicators, the evaluation team believes additional targets will enable more sound enterprise development assessment. The evaluation team recommends the following additional growth indicators:

- Number of new products introduced
- Number and value of new sales contracts attributed
- Number of new customers gained
- Number of new linkages cemented
- Increases in employee income

EI should gather all indicator results, including existing indicators, via a third-party survey and assessment.

Recommendation: *EDP should establish a sound exit strategy for the EI component.*

Rationale:

EDP should have a more solid exit strategy, both on the demand side and on the supply side. The evaluation team believes the potential demand, at present, for paid local consulting services will differ by country and possibly even by city and region within each country. In general, however, demand for fee-based business consulting services is weak at present. EDP needs to rethink its exit strategy to stimulate demand in its absence. The team feels that EI should introduce fee-based transactions now to limit any crowding-out effect on nascent local companies and to habituate client enterprises to a fee-based consulting system.

To further facilitate a supply of skilled consulting professionals, EDP should consider several modifications. EI staff should rotate among offices to give the least skilled consultants access to highly skilled staff in other locations. For instance, a junior consultant from Khujand could complete a six-month tour in Almaty; or a senior consultant from Bishkek could spend six months in Ferghana. EDP could also consider paying consultants part of their salaries on commission, based on client success. Finally, EDP should consider options of working through local consulting companies where they exist—perhaps providing technical assistance to local consultants to better service their paying clients.

F. Association Development (AD)

Overall Recommendation: *EDP's Association Development (AD) component should develop its clients' advocacy capacity.*

Overall Rationale:

In addition to providing members with information and networking opportunities, associations play an important advocacy role within society, effectively encouraging an enabling business environment. Currently the AD component does not directly assist partner associations to develop their advocacy capacity. In fact, most partner associations interviewed during this evaluation placed little or no emphasis on advocacy efforts in discussing their objectives.

EDP's AD component should place greater emphasis on assisting partner associations to develop and implement advocacy campaigns, particularly with respect to lobbying for legislation favorable to business. The SO to which EDP's IR contributes is an improved enabling environment for SMEs. While using associations to disseminate business information and skills, EDP should seize the additional opportunity to improve CAR's business environment by promoting partner associations' advocacy roles.

In fact, EDP could increase the emphasis on, and number of grants awarded to, partner associations for advocacy-related projects. For instance, grants could finance training for associations in developing advocacy campaigns, or could directly finance advocacy efforts on the part of a particular association.

Recommendation: *EDP's Association Development component should provide more specific consulting to partner associations.*

Rationale:

Interviewed partner associations noted the value of more specific consulting advice from the AD component. While associations interviewed in Kazakhstan voiced this sentiment most strongly, associations in other countries would equally benefit from consulting services that go beyond financial management advice and SAP creation. The AD component should advise partner associations on a wider range of more specific organizational issues, such as development of member services, development of advocacy programs, membership drives, and member retention.

The AD component should also consider using EVAs to provide training both to association leadership and to member enterprises. The Ferghana Valley EDCs provide EVA services to association members specifically for agricultural training, for instance, seminars on crop cycles. AD should use EVA consulting services throughout the region. Moreover, AD should locate association development specialists—possibly under the EVA program—to provide direct one-on-one association development technical assistance to partner associations. The AD

component could also locate trade and customs experts to provide training to member enterprises through partner associations.

Recommendation: *EDP's AD component should cultivate public-private partnerships among associations and public sector stakeholders.*

Rationale:

The Association Development component could more effectively support associations' advocacy efforts by encouraging partner associations to establish relationships with public-sector representatives. Partnerships among associations and other stakeholders could include the following:

- Linking partner association efforts to efforts supported by other donors
- Creating partnerships with government representatives, including local government and community leaders
- Developing relationships with other relevant institutions including banks and credit institutions
- Cooperating with other associations to form cohesive positions on relevant issues

Recommendation: *EDP's Association Development component should encourage partner associations to lobby for curriculum modifications that support SME development.*

Rationale:

EDP could effectively support its IR by using the AD component to encourage development of secondary and tertiary education curricula that disseminate useful business information, knowledge, and skills. New business skills and new knowledge are required in CAR's developing market economies. Demand for accounting, finance, and management skills is growing. National-level curricular modifications to increase knowledge of these subjects should parallel EDP's Accounting Reform component. Business associations, particularly those focused on accounting or management, are ideal lobbyists for such changes in the school systems.

In this manner the AD component could support EDP objectives in several distinct ways: encouraging partner associations' development into effective advocacy organizations; encouraging accounting reform; and facilitating increased general access to business information, knowledge, and skills.

Recommendation: *EDP's Association Development component should establish an electronic database of materials related to association development.*

Rationale:

AD's partner associations all require guidance on some basic aspects of establishing and operating an organization. A database of useful documents could represent a cost-effective means of providing additional development support to partner associations.

An electronic database could include resources such as the following: templates for founding statutes, mission statements, organizational and governing structures, meeting agendas and conduct, staff training, marketing materials, activity plans, and financial statements.

Recommendation: *EDP's Association Development component should convert the part of its present grant program which supports the Pilot Productive Projects (PPP) activity for fruit and vegetables—and which is now ongoing in all three countries spanning the Ferghana Valley—into activities that follow the concept of the Farmer Ownership Model (FOM).*

Rationale:

AD currently provides PPPs with association development grants to make progress on filling the critical holes in the fruit and vegetable supply chain. Then, EI brings technical assistance in the form of SAPs. Although this approach is laudable, its implementation is unsystematic and should be reconfigured. The Farmer Ownership Model (FOM) would be an excellent alternative: it was developed by Lynn Engstrand while at the World Bank as a new approach to rural business development. The FOM transforms low productivity, subsistence farming into commercially sustainable agriculture by providing subsistence farmers with the critical elements they need to engage in profitable agribusiness.

FOM projects have been successfully implemented with donor funds provided by the World Bank, IFC, and UNDP in several of the world's poorest countries. The IFC is currently implementing successful FOM pilots in Tajikistan; UNDP will be introducing them as part of their new Sustainable Income Generation Project (SIGP) in Uzbekistan. USAID/CAR should do likewise in all three countries, beginning in Kyrgyzstan, with the EDC located in Osh as the base.

ANNEX I: Methodology

The Enterprise Development Program (EDP) evaluation project consisted of two main tasks: an evaluation of the EDP project to date based on USAID goals and targets; and specific recommendations for future economic development work in the region. Both project components required extensive field research, document review, and analysis.

Review of background materials

USAID/CAR provided the evaluation team with the following background documents. These documents gave an overview of the EDP program, with some focus on particular components.

- Pragma's Current Scope of Work
- A comprehensive list of partners and counterparts in the region
- Pragma's Monitoring and Evaluation Report
- A Yale University Report on Accounting Materials
- Pragma Monthly Reports for May, June, July, and August 2004
- Ferghana Valley Agribusiness Initiative Strategic Action Plan
- Pragma's Current Work Plan
- CIPA-EN's Sustainability Plan
- The Office of Enterprise and Finance's Performance Monitoring Plan

USAID staff and EDP implementing partner, The Pragma Corporation (Pragma), provided numerous additional documents during the five-week field research period. These documents are listed in an annex entitled "Documents Consulted."

Interview Protocol/Data Collection

The team developed interview and investigation protocol based on USAID's framework questions listed in Section C of the project contract. Interview protocol included initial lists of relevant interviews and interview question templates. Interview questions differed for Pragma staff, client enterprises, government representatives, business associations, etc. since the evaluation team sought different information from each source. USAID/CAR provided the team with a "Comprehensive List of Partners and Counterparts in the Region." The team consulted this list in deciding which individuals, companies, and organizations it would interview.

Field work revolved around visits to ten of EDP's twelve Enterprise Development Centre (EDC) offices, including Almaty, Atyrau, and Pavlodar in Kazakhstan; Bishkek and Osh in Kyrgyzstan; Ferghana and Tashkent in Uzbekistan; Khujand and Dushanbe in Tajikistan; and Ashgabat in Turkmenistan. Additional EDP offices include Ust-Kamenogorsk and Uralsk in Kazakhstan.

Each EDC location prepared a meeting program for the team, noting particular clients, associations, and staff with whom the team should meet. While useful, the

team altered each EDC schedule, choosing client enterprises, associations and others not always included in the EDC itinerary. The team selected respondents based on suggestions from EDP, interest in following up with a particular industry sector or practice area, and availability and proximity of the individual, organization, or enterprise. Moreover, the team always sought additional meetings that had not been prearranged by the EDCs: for instance, with other EDP clients and donor project offices, and government agencies.

EDP office visits involved extensive interviews with project staff including country directors, managers, relationship managers, specialists such as marketing, finance, and trade specialists; visits to and discussions with client enterprises as well as nonclient enterprises; meeting with government representatives in each country; and interviews with other donor projects. Where possible, field research included discussions with third-party private entrepreneurs, banks, and investment facilities in each country to gauge business climate.

The team conducted highly structured interviews using the question templates, as well as less structured interviews. Interviews with client enterprises, partner associations, and project staff tended to be more structured than interviews with government representatives and nonclient enterprises. The team conducted some interviews with a single individual and others with two or more. In general interviews with client enterprises and partner associations tended to include the director or president and one other representative; interviews with EDP staff typically included several individuals.

The team generally traveled together during the field research, except for splitting up in Kazakhstan, with one member traveling to Atyrau, another member to Pavlodar, and a third remaining in Almaty. Also, the team split to enable a visit by one member to Turkmenistan while the other two members traveled to Tajikistan.

During EDC location visits the team frequently split up to maximize the number of interviews completed in any one location. During some meetings, however, two members or the entire team took part in an interview: This was especially true during meetings with country directors and EDC managers. Of utmost importance was the fact that the team was able to communicate freely in Russian with interviewees, which helped greatly in gathering accurate information.

Data Analysis

The team focused on qualitative analysis in completing the EDP program evaluation. However, based on USAID's results framework for the contractor, the team did complete summary quantitative analysis: number of client firms and associations serviced, sales and productivity increases of client enterprises. Evaluation goals (outlined in Section C of the contract) as listed below framed the team's interview and project document analysis.

- a) Evaluate USAID/CAR's overall approach to private sector development through direct firm-level assistance to the SME sector.
- b) Evaluate Pragma's new Enterprise Improvement strategy for providing firm-level assistance in light of other systemic approaches and sustainability issues
- c) Evaluate the appropriateness and impact of the accounting reform component for Central Asian enterprises.
- d) Measure the impact (against project targets), effectiveness in strengthening the private sector and SME growth potential (measured against "best practices") and sustainability (measured in terms of the prerequisite systems needed for sustainability) of the major components
- e) Provide recommendations and suggestions for follow-on activity

Under the first evaluation goal (a) the team evaluated USAID/CAR's approach based on an understanding of the relevant SO, and the relevant IR:

SO: Improved environment for the growth of small and medium sized enterprises

IR 1: Increased opportunities to acquire business information, knowledge, and skills

The team evaluated the degree to which USAID's overarching strategy for achieving SME development is appropriate.

Under the second evaluation goal (b) the team analyzed the effectiveness of EDP's Enterprise Improvement (EI) cross-cutting strategy in assisting individual enterprises and entrepreneurs to succeed. The team evaluated EDP's approach relative to alternative strategies for small and medium enterprise development.

Under the third evaluation goal (c) the team considered the degree to which EDP's accounting reform component has facilitated enterprise development. The team analyzed EDP's accounting reform strategy and evaluated current designs to move the component out of EDP.

Under the fourth evaluation goal (d) the team reviewed all EDP components, and based on project targets, best practices in SME development, and potential sustainability of the project objectives, evaluated EDP's overall positive impact toward USAID/CAR's goals.

Under the fifth evaluation goal (e) the team considered the alternatives initially noted in the evaluation contract: 1) continuation of EDP as is for one or two option years; 2) continuation of EDP with project modification for one or two option years; and 3) redesign of USAID/CAR's small and medium enterprise development activities in the region.

ANNEX II: Persons Consulted**USAID****USAID Washington, D.C.**

Mr. Michael Field

CAR Mission, Almaty

Mr. George Deikun

Mr. Michael Fritz

Ms. Svetlana Golovatskaya

Mr. Mark Hannafin

Mr. John Lord

Ms. Mary Norris

Mr. Lewis Tatum

Bishkek

Mr. Clifford Brown

Ms. Fatima Kasmahunova

Tashkent

Mr. James W. Bonner

Mr. Robert M. Simmons

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Mr. Peter Argo

Mr. Ashley Moretz

Mr. Suhrob Tursunov

Ashgabat

Ms Patricia McCabe

GOVERNMENT**Kazakhstan**

Mr. Zhanat B. Kurmanov, Ministry of Finance

Mr. Akhmetzhan Kushenov, Ministry of Environmental Protection

Kyrgyzstan

Mr. Janybek Azamat, Ministry of Economic Development, Industry and Trade

Mr. Bolot I. Otunbaev, Ministry of Foreign Affairs

Uzbekistan

Mr. Abdulaziz Abdusattorov, UZBEKINVEST Insurance Company

Mr. Nodir Kalandarov, UZBEKINVEST Insurance Company

Mr. Alim Mukhitdinov, Agency for Foreign Economic Relations
Mr. Otarbek Suleimanov, UZBEKINVEST Insurance Company
Mr. Nizomiddin Sidikov, UZBEKINVEST Insurance Company
Mr. Alisher Shaykhov, Chamber of Commerce of Uzbekistan
Mr. Golibzhon Saydaliev, State Savings Bank (Ferghana Branch)
Mr. Aziz Rasulov, UZBEKINVEST Insurance Company

Tajikistan

None

Turkmenistan

None

PRAGMA**Kazakhstan**

Ms. Aliya N. Almagambetova
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Mr. Chad Clay,
Mr. Gregory Hemphill,
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Mr. Beknour Kissikov
Ms. Yelena Krassilnikova
Ms. Gulnur Kuvina
Mr. Nikolay Lomakin
Mr. Igor Marchenko
Mr. Alexander Marchenko
Mr. Edward Nemeroff
Mr. Murat Nurpeisov
Mr. Rhett Power
Mr. Sergey Pyzhenko
Mr. Kelly Seibold
Ms. Aigul Suleymenova
Ms. Alfiya Valieyeva
Mr. Eugene Zenov
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Mr. Bakhtiyar Alymov
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Ms. Azalia Dairbekova
Mr. Andrey Davydov

Mr. Marshall Holman
Mr. Meerbek Erdolatov
Mr. Azim Gaibulin
Mr. Yaroslav Solovyov
Mr. Terence Slywka
Mr. Andrzej Schafernaker
Ms. Elena Zabirova

Kyrgyzstan (Osh)

Mr. Atay Almanbetov
Mr. Bahtygul Asanova
Mr. Sabyrbek Akimbaev
Mr. Robert Arocha
Mr. Itil Asmon
Mr. Melis Bekbolotov
Mr. Abduhakim Karimov
Mr. Edilbek Konurbaev
Ms. Luiza Mamarasulova
Ms. Nadezhda Sekacheva
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Uzbekistan (Fergana)

Mr. Davron Akhmedov
Ms. Albina Gafiyatulina
Mr. Muminjon Isamiddinov
Mr. Makhamatjon Kasimov

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Mr. Daler Jumaev
Mr. Rahmat Khakulov

Mr. Mavzuna Khakimova
Ms. Zarrina Shodieva
Mr. Safar Sultanov
Mr. Mickey Torreano

Turkmenistan (Ashgabat)

Mr. Serdar Agayev
Mr. Vladislav Erniyazov
Mr. Kyle Gunther

Off-Site Program

Ms. Bobbe Barnes, Moscow

PRIVATE SECTOR

Kazakhstan

(Not EDP's beneficiaries or partners)

Ms Galiya Akhmetzhanova, AIM Fund Managers
Mr. E. Max Baker, Oriel Resources (London) plc
Ms Saule Bektemisova, AIM Fund Managers
Mr. Marat Dzhaukenov, "HSBC" Commercial Bank, (UK)
Ms Gabdrakhim Kumargaliyev, Transport Services Company
Ms Yelena Kushenko, K-Mobile cell phone operator
Mr. Veikko Maripuu, "Suprema Securities" (Estonia)
Mr. Rafik Nadrshen, "MTG Constructing" (Turkey)
Mr. Chris O'Brien, "Agip KCO" Petroleum Production JV Operator
Mr. Koksai Yildiz, "MTG Constructing" (Turkey)
Mr. Dmitriy N. Zhukov, "Kazakhstan Venture Partners"

(EDP's beneficiaries and partners - SMEs)

Mr. Latif Bagitov, ATK
Mr. Askat Bekzhanov, "Kazmaral", Furniture & Appliances
Ms. Irina Gorshkova, "Fuchs" Hotel and Restaurant Equipment Supplier
Ms. Svetlana Hayrulina, "Captial" Private Pension Fund
Mr. Yuriy Kim, "Umex" Real Estate Agents
Ms Raissa Legay, Stroytorgservice Ltd
Ms. Marina Lozhkina, "Optimum L", IT Services and Consulting
Mr. Kiril Masalki, "Kazdiatest", Pharmacological Lab & Test Kits
Mr. Hadisha Mergembayeva, Chief of Chair of Therapeutic Stomatology
Mr. Evgeniy Novikov, "Umex" Real Estate Agents
Ms. Gulden Ospanova, "Global Air", Travel & Tourist Agents
Mr. Oleg Sergeev, "Office Courier" Equipment, Stationary, & Supplies
Ms. Natalia Tserkova, "Central House of Accounting Practitioners"
Mr. Nurlan Zhumgulov, "Consulting Center", Marketing Consultants
Ms. Lubov Vasilyevna, "Deko LLP", Safety Clothing Manufacturer
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(EDP's beneficiaries and partners - associations)

Ms. Zhibek T. Azhivaeva, "Association of Micro and Small Entrepreneurs"
 Ms. Aliya Bekkuzhiyeva, Union of Entrepreneurs and Employers
 Mr. Hadisha Mergembayeva, State Institute of Physicians
 Mr. Timur Nazkhanov, Kazakhstan Forum of Entrepreneurs
 Ms. Munavara Paltasheva, Almaty Association of Entrepreneurs
 Ms. Natalia Tserkova, "Central House of Accounting" Association of Businesses

Kyrgyzstan*(Not EDP's beneficiaries or partners)*

Staff and management of Silk Road Lodge hotel

(EDP's beneficiaries and partners - SMEs)

Mr. Erik Kutanov, "Saamal Company Ltd.", Bakery and Fast Food

(EDP's beneficiaries and partners - associations)

Ms. Gulnara Baimambetova, "Women Entrepreneurs Support Association"
 Mr. MirAli Mukhamedziev, Kyrgyz Republic Association of Tour Operators

Uzbekistan*(Not EDP's beneficiaries or partners)*

Mr. Enis Buka, Radisson SAS Hotel Tashkent
 Mr. Shavkat Rustamov, "Center of Legal Services"
 Mr. Davron Karimov, "Center of Legal Services"
 Mr. Timur Yadgarov, Strategic Development Department, KAPITALBANK

(EDP's beneficiaries and partners - SMEs)

Agriman International, Ferghana
 Mr. Agzamjon A. Mamatkulov, BMX Consulting
 Mr. Rovshan, Rovshan Hotel
 Sadda Silk Production

(EDP's beneficiaries and partners - associations)

Mr. Kadir Karimov, Seed Growing Industrial Company AUDT
 Mr. Murtazo M. Maksumov, Andijan Farmers Association
 Ms. Minovar Tulakhodjaeva, National Association of Accountants and Auditors
 National Association of Accountants and Auditors, Andijan
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 Erkin Audit

Turkmenistan*(EDP's beneficiaries and partners - SMEs)*

Mr. Tacmurat Nobatov, Turkmenistan Telekecisi Telecom Engineering Company

(EDP's beneficiaries and partners - associations)

Association of Accountants

Association of Beekeepers and Honey Producers

Tajikistan*(EDP's beneficiaries and partners - SMEs)*

Ms. Dilorom Kuvatova, Babilon-Mobile GSM

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Mr. Bakhtiyor Muminov, Babilon-Mobile GSM

Mr. Mannon Saliev, InterTrans

(EDP's beneficiaries and partners - associations)

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ANNEX IV: Statement of Work¹⁹

PURPOSE

The purpose of the EDP evaluation is twofold: 1) evaluation program performance; and 2) to advise the Mission on possible future approaches that would be most effective in promoting the growth of Central Asian small and medium enterprises.

The Mission will utilize the outcomes of the EDP evaluation to inform the Mission's decision on whether to exercise one or both option years of the contract or to terminate the project and develop a new approach. If the last option is recommended, the EDP evaluation will advise on possible strategies, the pros and cons of each strategy, and provide a recommendation on the best strategy.

OBJECTIVES

Since its start-up, the EDP has been operating successfully, and has met or exceeded its benchmarks and targeted results at the end of the first year of implementation. The Mission believes, however, that a thorough independent evaluation is necessary to:

- evaluate USAID/CAR's overall approach to private sector development through direct firm-level assistance to the SME sector;
- evaluate Pragma's new Enterprise Improvement strategy for providing firm-level assistance in light of other systemic approaches and sustainability issues;
- evaluate the appropriateness and impact of the accounting reform component for Central Asian enterprises;
- measure the impact (against project targets), effectiveness in strengthening the private sector and SME growth potential (measured against "best practices") and sustainability (measured in terms of the pre-requisite systems needed for sustainability) of the major components; and
- provide recommendations and suggestions for the follow-on activity.

QUESTIONS

The following list of questions is not meant to be exhaustive, but illustrative of the issues that should drive this evaluation. Additional questions deemed necessary to achieve the objective of this evaluation may be suggested by the contractor and should be proposed as part of the evaluation plan, to be submitted to USAID prior to arrival to Central Asia (prior to the fieldwork). The contractor should prioritize and present the most relevant questions necessary to achieve the objective of this evaluation.

Overall EDP

¹⁹ This annex omits the long Background section of the original SOW.

1. Does EDP's overarching strategy sufficiently tie the various activities together such that the components complement each other and contribute to a stronger and more robust private sector?
2. Do EDP activities appear to have contributed to the growth and/or performance of the SME clients served as compared to SMEs not served? To what extent has the program been successful in reaching large numbers of firms (i.e. scale), in promoting sustainable impacts (i.e. sustainability), and affected the performance of SME clients as compared to SMEs that did not receive assistance (impact)?
3. How has the EDP integrated, from the start, an exit strategy that builds local capacity to address on-going constraints, such as access to new skills, know-how and information? To what extent has the EDP fostered stronger business relationships that allow firms to effectively compete over time?
4. How well is the EDP contributing to USAID/CAR's SO 1.3 relative to the amount of resources being dedicated to it?
5. Do the PMP indicators adequately measure the progress and performance of the project? Are there additional indicators that are currently not in the PMP that can better measure the project's performance in its current stage of progress?

Enterprise Improvement

1. Should USAID be taking more of a value chain or industry cluster development approach in some regions to maximize impact? Please provide illustrative examples of where and what industries should USAID focus on.
2. Can the local SME segment support a consulting industry? If so, in what countries and what approach would be most effective? Do local consultants have the knowledge and skills necessary to effectively provide consulting services? If not, what should be the EDP's approach to developing the sector? Are (and, if so, where) the EDCs hindering the development of a local consulting market in some regions? If and where the development of a consulting market is an effective private sector development strategy, what is an appropriate exit strategy for USAID investments so as to promote the sustainability of consulting services?
3. Is the EDC approach appropriate for the varied environments throughout the region, or are there other approaches that would be more effective and sustainable? Should USAID focus on indigenizing or sustaining the EDCs, or should the EDCs remain a temporary structure through which assistance is being delivered? How sustainable and effective is the assistance provided by EDCs? For example, are clients "internalizing" the assistance provided and applying it over a period of time? Are there indications that the project is changing the behavior of management, thus making operations more market-oriented and productive?

4. In accessing the PMP, provide recommendations regarding indicators. For instance, in addition to sales and productivity increases, should the EDP be using additional indicators to measure success on their PMP? If so, what are they?
5. In making recommendations for the follow-on activity, provide guidance on:
(a) whether the project expand into other technical assistance activities in Turkmenistan; (b) why the regional trade deals in Kyrgyzstan are low in comparison to the other countries; (c) the major constraints or mitigating factors faced by the contractor; and (d) the most effective way to build on the success and progress achieved by USAID/CAR's SME firm-level technical assistance programs and to capitalize on past progress?

Accounting Reform

1. To what extent are enterprises utilizing IAS? Why or why not?
2. Are enterprise managers using the accounting information produced from the CIPA trained accountants to make key business decisions?
3. Do the local EDC consultants understand the importance of converting to IAS, and are they able to convey that message to the clients? Is the CIPA program well integrated into the EI component?
4. Will the progress made with enterprise accounting be jeopardized without corresponding public accounting programs in each country?
5. Is the CIPA program education and testing the skills and knowledge necessary for enterprises in the region?
6. Are enterprise managers using the accounting information produced from the CIPA trained accountants to make key business decisions?
7. Do the local EDC consultants understand the importance of converting to IAS, and are they able to convey that message to the clients? Is the CIPA program well integrated into the EI component?
8. Will there be sufficient capacity to develop the CAP and CIPA level exams? Will CIPA-EN be sustainable in the Central Asia market?
9. Do local associations provide "value added" to their members? Besides the accounting reform component, can the project implement additional measures to strengthen the accounting associations?
10. What should the ICCAA focus on for its future development? What services can it provide to its members and what are potential sources of revenue?
11. What is the most effective way to build on the success and progress achieved by USAID/CAR's accounting reform program? Should future enterprise accounting activities be separated out from SME development activities, or combined with public accounting?

RTN

1. To what extent do EDP's SME clients value the RTN and the smetradecenter.net website? How is it valued in comparison to other program components?
2. How important is the RTN to increases in trade experienced by EDP's SME clients?
3. Is the RTN sustainable? What is the vision for the RTN post subsidy and is the current structure consistent with that vision? Given the future likelihood of sustainability, are there modifications that should be made to the RTN to increase its utility and value to SMEs?
4. Why hasn't the Kyrgyz Republic benefited as much as the other countries through the RTN activities?
5. Should the EDP be focusing more effort on attracting foreign direct investment, especially from countries within the region such as China, Russia, and Afghanistan? If so, what are recommended approaches to facilitate the development of the relationships?

QMC

1. What are the overall prospects and constraints for QMC's future?
2. Has the QMC raised the overall quality of training services provided in Kazakhstan or has it distorted the market because of its subsidies?
3. What are the overall prospects and constraints for QMC's future? Should it be providing a broader array of services to become sustainable sooner?

Association Development

1. How important is this component to strengthening the policy and regulatory environment for SME growth?
2. Do SMEs fully understand the role of associations? If so, how do they value the services of associations? Do business associations have the capacity to provide value-added services to their members? If not, what would be the best approach to improving capacity?
3. Do local associations have the capacity to effectively utilize the grants program? Has the grants component helped strengthen associations' advocacy and membership service activities? Has the training from the SME project effectively prepared the associations to increase member services?
4. Should there be additional areas where the AD component should focus in addition to the four current focus areas? How effective is collaboration with the Trade Facilitation and Investment project? Are there ways to improve upon this collaboration?
5. Regarding the PMP, are the indicators related to AD appropriate given the objective of strengthening the environment for SME growth?"