

Government of Turkmenistan

United Nations Development Programme

And

The Central Bank of Turkmenistan

Project title: Support to Accounting System Modernization

Brief description: This project is aimed to support the Government of Turkmenistan in the development and implementation of new accounting system through modification of the regulatory and legislative frameworks to support its successful functioning, and by providing training to strengthen accounting capacities based on international best practices. The project would also aim to strengthen capacities of the government in the field of audit and financial control.

Ashgabat, 14 June 2007

Part I. Situation Analysis

The accounting system in Turkmenistan is in the stage of development. A number of steps have been taken towards implementation of accounting reform, beginning with an adoption of The Law of Turkmenistan on Accounting on 20 December 1996, which sets out the basis of the conduct of accounting and related requirements. Article 5, State Regulation of Accounting, stipulates that the state regulation of accounting is aimed to the formation of the single accounting policy, which will be in accordance with the requirements of the generally accepted international standards; the state regulation shall be performed by the body, which is authorized by the Cabinet of Ministers of Turkmenistan. Transition to a national accounting system that complies with international accounting standards is a long process, which would require development of relevant legal and institutional framework and training.

According to the government national program "Strategy of Economic and Political and Cultural Development of Turkmenistan up to 2020", introduction of the international standards of accounting shall be introduced in order to implement economic reforms, attract foreign investments and develop efficient capital markets. An overall goal for the modernization of accounting and auditing in Turkmenistan is to achieve improved accountability, accounting and audit through the proper use of modernized accounting and audit standards and practices. Developing, and putting into practice, national accounting standards and national auditing standards that are consistent with international standards and best international practices may meet this goal.

UNDP support to the government efforts in introducing international standards of accounting and reporting is included in the Country Programme Action Plan for the period from 2005 to 2009. In order to develop potential project in this area, in March 2005 UNDP has supported preparation of the Review of accounting and auditing standards and practices.

Part II. Strategy

UNDP project aims at supporting the government efforts in introducing international standards of accounting and reporting, thus contributing to the achievement of the relevant objectives specified in the national development programme. The intended project outputs aim to support the achievement of country programme output 1.1.1 "Improved institutional and legal frameworks for economic and financial management, social protection", contained in the UNPD Country Programme Action Plan. The main objective of the project is to support a modernization of accounting system of Turkmenistan. The project will assist the government in establishment of regulatory, legal and institutional frameworks to support introduction of international accounting and auditing standards through a provision of international expertise and consultancy services, and training of government specialists.

The project strategy will consist of the following four interrelated phases:

1. Introductory Phase - Building the foundation;

In the beginning of an introductory phase, the project oversight mechanism will be established, including Project Board, comprised of representatives of the Central Bank, and UNDP.

A significant component of this phase would consist of acquaintance with international accounting and auditing standards, a thorough analysis of existing relevant legislation and regulations, and developing a methodology for harmonization. This would be achieved through obtaining and translating publications on international accounting and auditing standards and related materials (e.g., instructions, Codes of Conduct, etc.) from English to both Russian and Turkmen, and

through participation of government personnel in external study tours or locally conducted workshops. A review of existing relevant legislation and regulations would need to be carried out by an international expert experienced in modernizing accounting systems for the government.

Based on an increased level of awareness and knowledge about international standards, and concrete recommendations developed during a review of existing legislation and regulations, a methodology for harmonizing national standards with international accounting and auditing standards will be prepared. The methodology needed would include: a revised Chart of Accounts, Glossary of Terms, Accounting Manual, Transition Guidelines, an Audit Manual, etc. Once approved, these materials should be made widely available to those units of government that would be subject to modernization, in the most appropriate form (hard copy or electronic form or both). Those organizations wishing to begin the implementation on their own should be encouraged to do so, with technical assistance provided upon request.

2. Implementation Phase - Transformation;

One of the first steps in this phase is to identify all ministries, agencies and enterprises at national level and regional level that will be introducing the modernized accounting and auditing systems. From this total listing, units that will participate in the pilot activities will be identified. It is important to ensure that a representative group of organizations is included (from ministries, agencies, enterprises, from the main sectors and from the regions). A timetable and schedule of pilot activities would need to be prepared and communicated to all participants.

Further, the appropriate methodology prepared during phase 1 would be distributed to all pilot participants. An initial awareness and 'pilot launching' seminar should be scheduled and held with all pilot organization's accounting officials and selected internal audit teams invited. Over the course of the one-year pilot activities, hands-on technical assistance should be provided to each of the pilot organizations to the point where the new approach is working properly (at first using parallel systems). Mid-way through the pilot activities and towards the end, there should be assessments of progress and results, and 'lessons learned' should be communicated to all participants.

Following pilot projects implementation, new approach should be replicated in all remaining ministries, agencies and enterprises. Over the three years following the pilot activities, implementation will take place in all other governmental bodies, to the extent possible using representatives from pilot organizations who have gained practical implementation experience. A schedule for the introduction of the modernization process for all remaining organizations should be developed, approved and communicated.

3. Sustainability Phase - Ensuring awareness and continuity;

An awareness campaign should be designed and implemented to improve communications of progress, lessons learned, schedules, methodology, etc. not only to those directly affected by the modernization, but by other interested parties. The awareness campaign should be aimed at both professionals and the general public. For professionals, journal articles should be drafted on accounting and audit issues; for the general public, articles could outline the modernization process and progress being achieved. Consider using the media (possible radio and/or television announcements to inform the general public of the changes taking place).

A program of studies consistent with international requirements should be designed and implemented to ensure that future cadre of professionals are educated in line with new standards. Based on existing programme offered by the Banking School of the Central Bank of Turkmenistan, a new academic 'Financial Management' program of studies would be developed, with outlines for each course that would be in harmony with international requirements, such as

those set out by the International Federation of Accountants (IFAC). Based on the course outlines, appropriate teaching materials would be prepared, including exercises and tests/examinations.

Before official launching of "Financial Management" programme, training of trainers programme would aim to address learning needs in the short to medium-term. It is important that those who will be involved in providing the training to others, as part of the above program, receive training in the new accounting and auditing standards and practices, using the teaching materials mentioned above.

4. Evaluation Phase - Assessing results.

Monitoring and evaluation activities would be carried out throughout the project implementation to clearly identify what was accomplished through the activities carried out during the above phases of the modernization process. This would be achieved through meetings with key government and other officials, including regional representatives and participants in the training program. To the extent that objectives may not have been fully achieved, causes/reasons need to be identified, and measures to ensure their successful implementation in the future to be determined.

The evaluation would help to ascertain that the new National Accounting and Auditing Standards are in place and working. The evaluation would identify government bodies that have successfully implemented the new system and that they are in compliance with international systems and practices (e.g., government and enterprise annual reports, audit reports, course evaluations, etc.), identify those where implementation is progressing well, and those that require additional assistance.

Based on evaluation phase results an action plan would be developed to identify and address any remaining needs to achieve full implementation

Part III. Management Arrangements

The project will be implemented by the Central Bank of Turkmenistan, which will be the main Implementing Partner for this project. This Implementing Partner will be responsible and accountable for managing a project, including the monitoring and evaluation of project interventions, achieving project outputs, and for the effective use of UNDP resources.

In accordance with UNDP procedures, appropriate management arrangements and oversight of project activities will be established, such as the Project Board - the group responsible for making management decisions on a consensus basis for a project when guidance is required by the Project Manager, including approval of project revisions. Final decision making on project activities and accountability rests with UNDP in accordance with its applicable regulations, rules, policies and procedures. Potential members of the Project Board are reviewed and recommended for approval during the Programme Advisory Committee (PAC) meeting.

Project Assurance is the responsibility of each Project Board member. The Project Assurance role supports the Project Board by carrying out objective and independent project oversight and monitoring functions. This role ensures appropriate project management milestones are managed and completed.

The Project Manager has the authority to run the project on a day-to-day basis on behalf of the Project Board within the constraints laid down by the Project Board. The Project Manager is responsible for day-to-day management and decision-making for the project. The Project Manager's prime responsibility is to ensure that the project produces the results specified in the

project document, to the required standard of quality and within the specified constraints of time and cost. The Project Manager will be selected in consultation with the Implementing Partner.

The Project Support role provides project administration and management support to the Project Manager as required by the needs of the project or Project Manager.

Part IV. Monitoring and Evaluation

Overall monitoring and evaluation will be carried out in line with UNDP procedures. To ensure effective monitoring of the project, the Project Board and the Project Manager would be responsible for project monitoring and for devising corrective action, if needed. Quarterly progress reports shall be submitted by the Project Manager to the Project Board through Project Assurance, using the standard report formats of UNDP. An annual project review will be conducted during the fourth quarter of year as a basis for assessing the performance of the project. In the last year, this review will be a final assessment. This review will involve all key project stakeholders and the Implementing Partner, and focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes. The review will be structured by a set of common standards, and will be subject to spot external quality assurance assessments.

Part V. Legal Context

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement (SBAA) between the Government of Turkmenistan and the United Nations Development Programme, signed by the parties on 02 March 1992.

All equipment, material and supplies purchased and funded on behalf of the UNDP in the execution of this project will be used exclusively for the purpose of the project. All equipment and supplies provided will be utilized in accordance with the rules and regulations of the United Nations.

The following types of revisions may be made to this project document with the signature of the UNDP Resident Representative only, provided he or she is assured that the other signatories of the project document have no objections to the proposed changes:

- Revisions of, or addition of, any of the annexes of the project document;
- Revisions, which do not involve significant changes in the immediate objectives, outputs or activities of the project;
- Mandatory annual revisions, which re-phase the delivery of agreed, project inputs or increased expert or other costs due to inflation or take into account expenditure flexibility.

PROJECT RESULTS AND RESOURCES FRAMEWORK*

Intended Outcome as stated in the Country Results Framework: Policy and planning framework of the country more extensively incorporates efficient and people-centred approaches to development planning, budgeting and monitoring.

Outcome indicator as stated in the Country Programme Results and Resources Framework, including baseline and target. Improved institutional and legal frameworks for economic and financial management, social protection

Applicable MYFF Service Line:

Partnership Strategy

Project title and ID: Support to Accounting System Modernization

Intended Outputs	Indicative Activities	Inputs
1.1 Project management arrangements in place	1.1.1. Establishment of Project Board with project oversight functions 1.1.2. Selection of Project Manager and support staff and setting up project office	Project staff Office equipment Stationeries
1.2. Acquaintance with international accounting and auditing standards	1.2.1 Purchase of the publications related to international accounting and auditing standards and other related materials (e.g., instructions, Codes of Conduct, etc.), translation of these materials into local languages, and dissemination among the institutions that would be subject to modernization. 1.2.2 Study tours to countries that have significant experience in transforming their accounting systems in line with international standards, and/or locally conducted awareness-raising workshops or training courses conducted by international experts.	Procurement of publications Study tours Workshops

<p>1.3 Review of existing accounting and auditing system and prepare methodology for improvement</p>	<p>1.3.1. Detailed review of existing national accounting and auditing system, aimed at a comparison with international accounting standards, and identification of specific areas and reasons for the differences, including legal and institutional frameworks, and other aspects;</p> <p>1.3.2. Develop a methodology for harmonizing existing accounting and audit laws and regulation, including revised Chart of Accounts, Glossary of Terms, Accounting Manual, Transition Guidelines, Audit Manual, etc.</p> <p>1.3.3. Conduct consultations on the proposed methodology standards among the accounting profession, official regulatory authorities, business organizations, universities, and other institutions;</p>	<p>International consultant(s) National consultants Workshops Publications</p>
<p>1.4 Regulatory framework to support accounting system modernization is developed</p>	<p>1.4.1. In collaboration with concerned institutions in the business, financial, banking, government, and academic sectors and in the accounting profession prepare an action plan to address the differences and develop models tailored to current circumstances;</p> <p>1.4.2. Prepare draft legislation and set of interpretation notes, guidelines and instructions aimed at supporting appropriate implementation of standards aligned with international accounting and auditing standards</p>	<p>International consultant(s) National consultants</p>
<p>1.5 Pilot projects to support carrying out of accounting system for modernization designed and implemented</p>	<p>1.5.1. Identification of all ministries, agencies and enterprises at national and regional levels that will be introducing the modernized accounting and auditing systems, and selection of those units that will participate in the (accounting and audit) pilot activities.</p> <p>1.5.2. Preparation of a timetable and schedule for implementation of pilot projects.</p> <p>1.5.3. Awareness raising and 'pilot launching' seminar to be held with all pilot organization's accounting officials and selected internal audit teams invited.</p> <p>1.5.4. Technical assistance and advice to be provided to each of the pilot organizations to the point where the new approach is working properly (at first using parallel systems). Assessments of progress and results to be prepared, and lessons learned to be communicated to all participants.</p>	<p>National consultants Workshops</p>

<p>1.6. Development of a training programme to support introduction of international accounting and auditing standards</p>	<p>1.6.1. Development of a new academic 'Financial Management' program of studies, with outlines for each course that would be in harmony with international requirements, based on existing programme offered by the Banking School of the Central Bank of Turkmenistan. 1.6.2. Design and delivery of training-of trainers programme 1.6.3. Delivery of training programs by trained trainers for a wide range of accountants and users of financial statements</p>	<p>International consultant(s) National consultants Workshops</p>
<p>1.7. Monitoring and Evaluation</p>	<p>1.7.1. Carrying out monitoring and evaluation activities, including an assessment of project results</p>	<p>International consultant National consultants</p>

SIGNATURE PAGE

Country: Turkmenistan

UNDAF Outcome(s)/Indicator(s): By the end of 2009, policies to promote social well-being and human security are strengthened and expanded in accordance with national goals and the nationalized MDGs

Expected Outcome(s)/Indicator (s): Policy and planning framework of the country more extensively incorporates efficient and people-centred approaches to development planning, budgeting and monitoring.

Expected Output(s)/Indicator(s): Improved institutional and legal frameworks for economic and financial management, social protection

Implementing partner: Central Bank of Turkmenistan

Other Partners: National banks, Ministry of Economy and Finance

Programme Period: 2005-2009
 Programme Component: Development of Economic and Social Policies and Plans
 Project Title: Support to Accounting System Modernization
 Project ID:
 Project Duration: 01.07.2007-31.12.2009
 Management Arrangement: NEX

Budget \$144,340.00
 General Management Support Fee _____
 Total budget: \$144,340.00
 Allocated resources:
 • Central Bank \$20,000.00
 • Regular \$124,340.00
 • Other:
 o Donor _____
 o Donor _____
 o Donor _____
 • In kind contributions _____
 Unfunded budget: _____



Agreed by the Central Bank of Turkmenistan: _____ Date: _____

Agreed by UNDP: _____ Date: 25 June 2007