



USAID | **KYRGYZSTAN**
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USAID REFORMA Project

Year One, Second Quarterly Report

First Quarter 2012

April 10, 2012

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1. Summary of Activities, Achievements and Challenges

The USAID REFORMA Project began its second quarter with a focus on engaging with the new Government of the Kyrgyz Republic, which was formed in late December 2011. Previously having undertaken discussions with private sector to understand its reform priorities and with other donors to identify their assistance focus, REFORMA subsequently validated that the new government's reform priorities were aligned with those the project had initially determined to pursue. These areas were determined broadly as the following: (1) reducing the regulatory burdens placed on the private sector by streamlining licensing and permitting requirements; (2) improving the policy and legal framework to stimulate greater investment in Kyrgyzstan's mining sector; and (3) providing assistance to improve fiscal policy formulation, management and implementation, the focus of which would become clearer following the outcome of REFORMA's Fiscal Assessment, scheduled for February.

At the start of REFORMA's second quarter, the Kyrgyz Government confirmed that these were among the priority reforms by featuring them prominently in its program for its First 100 Days in office. REFORMA then began discussions with key stakeholders within the Government, including Vice Prime Minister Joomart Otorbaev; Minister of Economy and Anti-Monopoly Policy Temir Sariiev; and Deputy Ministers of the Economy, Sanjar Mukanbetov, Oleg Pankratov, and Adylbek Kasymaliev to further define REFORMA work plan activities. At the same time, REFORMA also began to engage the newly appointed Chairman of the State Agency for Geology and Mineral Resources, Uchkunbek Tashbaev, to identify government priority activities to improve the business and investment climate for mining. To identify possible REFORMA activities to strengthen the fiscal policy and implementation environment, REFORMA also conducted a Fiscal Assessment, a contractual deliverable designed to identify niches of opportunity to provide assistance amid the range of donors operating in this sphere of reform. REFORMA also began discussions with the MEAP to develop a program to improve the performance and efficiency of the Ministry through the project's objective to implement Human and Institutional Capacity Development (HICD) programs within REFORMA counterpart ministries and government agencies.

A discussion of the background of the initiatives undertaken by REFORMA and the current status of REFORMA's activities as of the end of the second quarter are more thoroughly discussed below.

1.1 Optimizing and Streamlining Business Licenses and Permits

Background. Reducing the regulatory burden on business has occupied the reform agenda of both the Kyrgyz government and the business community for several years. In 2008, the government established an Interdepartmental Commission to improve the regulatory environment for entrepreneurship, which began assessing the stock of licenses and permits required to conduct business activity. Subsequent events overshadowed this initiative, but the commission was revived by the Prime Minister in 2011 with renewed emphasis to implement a modified guillotine methodology with the goal to eliminate the number of required business licenses and permits by 25%. Undertaken with significant technical assistance and support from USAID's Business Environment Improvement (BEI) Project, this stock-taking exercise revealed that a number of business activities are double-licensed by different agencies, many required sub-licenses, and a significant number of required licenses were never legally sanctioned. Consequently, this initiative helped reestablish deregulation as a key reform priority outlined in the government's Medium-Term Development Strategy (MTDS) created in the late summer of 2011. To support this work, the Ministry of Economic Regulation (MER) was tasked with drafting a revised "Law on Licensing" that was circulated by the Government Office for comment from relevant ministries and agencies as recently as November 2011.

REFORMA Activities this Quarter. In developing the REFORMA Agenda, the project identified the need to complete the license review process, offer recommendations to the Government for eliminating or retaining these licenses, and help the Government develop its future policy on licensing

and permitting to be reflected in a revision of the previously circulated “Law on Business Licensing.” Upon formation of the new Government, the MEAP then formally requested that REFORMA provide such assistance. In keeping with REFORMA’s implementation philosophy, the project intended to engage a local firm to undertake these review and recommendation activities. Consequently, REFORMA issued its first tender on February 2, 2012, for the procurement of these services from Kyrgyz firms and organizations interested in undertaking this work. Four local organizations or consortia presented proposals to REFORMA on February 13, and on February 24, Deloitte Consulting entered into negotiations with the winning bidder, Foresight Foundation. Work on the review process officially commenced on March 14, 2012, and the implementing organization has submitted its first progress report. This report communicated that Foresight Foundation has reviewed the licensing regime of 13 normative and legal acts and made recommendations to the Government’s Interagency Commission, which will determine to accept or reject them. This represents approximately 45% of the work to be completed under this two-month project.

Planned REFORMA Activities. The continuation of this activity is to provide assistance to the MEAP in solidifying its recommended policy for the future issuance of business licenses and permits and ensuring that these policies are accurately reflected in the draft “Law on Licensing.” The MEAP has asked REFORMA to provide such consultation and align the draft Law with these policies. REFORMA is currently negotiating with Foresight Foundation to provide these services under a subsequent phase of the project. As an extension to this work, MEAP has also asked REFORMA to assist with evaluating business processes established for supervising, controlling and inspecting business activity. In the coming quarter, REFORMA will evaluate the requirements for undertaking this activity, determine with USAID whether to support this activity, develop a package of tender documents for procuring review and implementation assistance from local organizations, and issuing, reviewing and awarding proposals for completing this work.

1.2 Improving the Business Environment for Mining

Background. The mining sector represents one of the primary areas of opportunity for generating expansive economic growth for the Kyrgyz Republic, but it has been widely identified as requiring substantial policy, legal and regulatory reform to achieve its full economic potential. In the past, its potential for sizable revenue generation stimulated opportunities for the uncompetitive allocation of mining rights that has been detrimental to development of the sector, particularly given the weak governance institutions of the Kyrgyz Republic. Speculators with the political connections to have acquired licenses have let mineral deposits with reasonable expectation for development sit idle. Licenses acquired through these means have compelled successive governments to revoke or fail to renew previously negotiated license agreements. Uncertain requirements for retaining and renewing licenses has damaged Kyrgyzstan’s reputation for creating and maintaining a stable climate for foreign investment so necessary to stimulate development of this source of national wealth. Within this environment, the behavior of some private firms has tainted the relationship of the industry with local communities, some of which have been manipulated into hostility for the private gain of special interests. The newly formed Kyrgyz Government identified development of the mining sector as one of its key priority economic reforms required to jump-start the economy. As part of its 100-Day Plan, the Government formed a Working Group of independent experts to assess the legal framework and make recommendations for changes to the package of laws underpinning development of the sector.

REFORMA Activities this Quarter. While developing the REFORMA Agenda, the project identified improving the business environment for mining as a key priority for reform and noted the relative dearth of donors providing policy, legal and regulatory assistance to the sector. Upon the recent Government formation, REFORMA responded to specific requests of the Government for immediate assistance to support the Government’s Working Group, including the allocation of a REFORMA staff member to participate full-time and providing meeting space for the Group in REFORMA offices. REFORMA also supported the conduct of open hearings in Batken, Osh and Jalalabad for the Government and members of the Working Group to present recommended legislative changes to the public for comment.

Beyond these short-term measures, REFORMA has begun to develop a strategic work plan for providing ongoing assistance to sector development that reflects the reform priorities of both the Government and the private sector. On February 28, 2012, REFORMA issued a competitive tender to Kyrgyz organizations and firms to provide advice to the project on the development of a comprehensive Work Plan. Four bidders responded to the procurement request, and the successful bidder, notified on March 12, was the International Business Council (IBC), whose membership reflects a substantial number of domestic and foreign investors in the extractives industry. Since then, REFORMA has been working with IBC to develop a plan through which to implement assistance to substantially improve the business environment for mining. This plan is expected to be presented to USAID for consideration and approval in mid-April.

The pace of the Government's overall reform agenda has resulted in numerous requests and/or needs to provide immediate assistance to the State Agency for Geology and Mineral Resources. On February 15, 2012, the State Agency issued a letter to REFORMA in which it asked for general assistance in the nature of: (1) continued support for access to local experts to establish an overall framework for sector development; (2) study tours to identify best industry practices; (3) assistance in public education and media support to improve public support for the sector; and (4) supply of Information Technology support to improve transparency in the allocation of mining rights and the holders of licenses through the Agency's web site, in addition to the purchase of technical equipment to undertake these activities, including computers, servers, cameras, and simultaneous translation equipment. With USAID approval, REFORMA will pass on these requests for consideration as part of IBC's recommended Work Plan and expects to provide assistance to the State Agency in at least some of these forms.

In the meantime, the State Agency also asked REFORMA to sponsor 9 persons from the Kyrgyz Government to participate in the Central Asian Minex Forum on April 17-19 in Astana. The Agency also made a request to REFORMA to provide the following immediate assistance: (1) drafting the underlying policies and procedures for implementation of the hastily drafted "Provision on the Procedure for Regulation of Subsoil Use," which will govern the issuance of mining licenses through negotiated competitions and auctions; and (2) collecting, reviewing, consolidating and validating documentation that describes the characteristics of land objects to be auctioned to potential investors. At the same time, REFORMA is also concerned that the draft regulation does not fully reflect international practices in the allocation of rights for mining exploration and development. In these respects, there are few immediate resources within the Kyrgyz Republic from which the Government can seek advice to ensure that policies and procedures currently under consideration reflect the international practices that would encourage perceptible improvement in attracting desired investors to the sector. Consequently, REFORMA requested USAID approval to mobilize a mining expert from the short-term technical assistance roster of REFORMA's contract.

Planned REFORMA Activities. REFORMA anticipates presenting USAID with a comprehensive Work Plan in the next few weeks that expands upon the First Year Work Plan that REFORMA submitted in December 2012 and identifies a portfolio of activities that strategically address a number of business environment constraints for mining sector development. REFORMA's intension, subsequently, is to develop competitive tenders for local firms and organizations to implement the range of activities identified in the proposed Work Plan. It is expected that this Work Plan will also include a number of activities requested by the Government for assistance but also reflect the identified reform needs of the private sector. If USAID approves the initial mobilization of an international advisor, his recommendations will also be included in this proposed Work Plan. Following USAID approval of the plan, REFORMA will develop and issue tenders for the implementation of its Work Plan. In the next month, REFORMA also expects to hire sector specialists to manage and monitor all REFORMA activities that support mining sector development.

1.3 Provide Trade Policy Advice and Requirements for Harmonization and Negotiation with the Customs Union

Background. When REFORMA began to develop its Agenda in the initial weeks of the project, it found that pursuit of trade policy (as well as fiscal policy described below) was highly dependent on policy adopted by the new Kyrgyz Government, which was formed only in mid-December. Consequently, USAID agreed that development of REFORMA's approach to support trade policy would wait until the new Government had determined to the degree it wished to prepare for potential membership in the Russia-Kazakhstan-Belarus Customs Union. However, one of the first requests REFORMA received from the MEAP was to fund the provision of two consultants for two years to analyze the impact of Customs Union membership on Kyrgyzstan's tariff structure and technical product regulations, particularly to provide analysis supporting the Kyrgyz Republic's membership negotiations with Customs Union members. The Ministry prepared the scopes of work for these consultants and identified candidates it wished to hire to complete this analysis, which it presented to REFORMA for consideration. REFORMA subsequently engaged these consultants.

REFORMA Activities this Quarter. USAID and REFORMA determined that providing this type of support would have significant impact on the negotiated terms upon which the Kyrgyz Republic would join the Customs Union, should it decide to do so. However, hiring consultants to work full-time on behalf of the Ministry was not the structure under which the REFORMA Project was designed to deliver technical assistance implementation. Rather, the project was designed to build institutional capacity of Kyrgyz consulting firm, think tanks and NGOs to provide sustainable policy advisory services to the Government. Therefore, it was determined that REFORMA would respond to the Government's time-sensitive needs by hiring the two identified individuals for an initial three-month period. During this period, REFORMA would issue a competitive tender to hire a local organization that would develop its capacity to provide sustainable trade policy advice to the government through REFORMA implementation and mentoring. The selected firm could then discuss with the MEAP whether it wanted to continue employing these consultants or seek trade policy advisory services in some other form.

Thus, in mid-March, REFORMA hired Ms. Zhiparkul Aibasheva to undertake analysis of customs and tariff regulations and Mr. Nuritdin Dzhamankulov to provide advice on the impact of the Customs Union's technical regulations on Kyrgyz exports. Ms. Aibasheva will compare the customs tariff structure of the Kyrgyz Republic with the Uniform Customs Tariff (UCT) and with Russia's pending WTO obligations to reveal options for changing the obligations of the Kyrgyz Republic across the tariff nomenclature. She will analyze which commodities will not be affected by tariff increases and, alternatively, which will be quite sensitive to Customs Union membership negotiations. Based on analyzing Kyrgyz import statistical data, she will identify which commodity categories are of significant importance to the Kyrgyz domestic market and develop proposals for categorizing commodities for negotiations with the Customs Union and for negotiating changes of the Kyrgyz Republic's customs tariffs with the WTO.

As an advisor to the Ministry on technical regulations, Mr. Dzhamankulov will analyze how Kyrgyz national technical regulations and those set forth in international agreements would comply with the legal framework of the Customs Union, including those for veterinary, sanitary and phytosanitary (SPS) regulations. He will also identify the normative and legal acts that must be undertaken by the Kyrgyz Republic to ensure harmonization with the legal framework of the Customs Union. He will indicate the probable timelines for implementation to ensure that Kyrgyz products are registered in the Customs Union's database as meeting veterinary, sanitary and phytosanitary technical requirements. Mr. Dzhamankulov will participate in meetings of the Coordination Committee of the Customs Union in Moscow and the Expert Group on technical regulations and SPS. He will also hold weekly meetings for MEAP staff and members of private sector business associations on issues of labor safety requirements, (LSR), SPS arrangements and other technical regulations for Customs

Union compliance. As of this report, Mr. Dzhambankulov has made one presentation to Ministry staff and one presentation to the private sector in REFORMA offices on general SPS regulations. Participant lists and press coverage of these seminars is included as annexes to this report.

Planned REFORMA Activities. REFORMA will monitor the performance and submission of deliverables of these consultants to the MEAP during the next 2 ½ months. During this time, REFORMA will develop a tender and issue an award to a local organization to provide trade policy advice to the Ministry over the coming two years. REFORMA will also determine how it can provide capacity-building support to the local organization while it is trying to develop its trade policy advisory service credentials.

1.4 Building Human and Institutional Capacity Development (HICD)

Background. Implementing HICD programs in three counterpart Government institutions is one of the major activities envisioned by the REFORMA Project, to be implemented in coordination with the implementation of sponsored reforms to the business environment. With the formation of the 100-Day Plan and publication of the Government's development program, *Stability and a Worthy Life*, the Government identified increasing public governance efficiency, transparency and trust a reform priority. Consequently, the Government passed a resolution to implement a monitoring and evaluation program to assess the efficiency of all national government bodies and the local governments of Bishkek and Osh. It also established a set of performance indicators, to be further refined, that will help to evaluate the performance results of each ministry and agency. In this regard, MEAP has asked REFORMA for assistance in conducting a full performance assessment of the ministry to identify its baseline performance and performance gaps, determine the causes of these gaps, and recommend the implementation of HICD solutions to close the gaps and improve performance. Minister Sariiev has set a goal to turn the MEAP into the leading Ministry as measured by the performance evaluation criteria approved by the Government.

REFORMA Activities this Quarter. REFORMA has worked with the MEAP to develop a scope of work for undertaking this assessment and the results and deliverables required of this project. As of the writing of this report, REFORMA is poised to issue a competitive tender to local firms to select an implementing partner for this work. Phase I of this work – undertaking a diagnostic study and recommending implementation solutions – will entail a full diagnostic study of MEAP's organization, its functions and its activities to present a holistic view of the Ministry's current performance, identify performance gaps, and recommend targeted performance solutions. It envisions analyzing the MEAP's current business processes, which will include describing the functions performed by the Ministry, the distribution of duties and authorities and their appropriateness, and the current skills of implementing staff by employing a business process modeling tool. After this analysis, the activity calls for preparing a performance solutions package, including: a performance scorecard; key performance measures for all levels of performance, and a consolidated performance report card for MEAP leadership to use in strategic planning and in allocating the ministry's resources to meet priority needs. The output of the project should help the Ministry to solve existing performance problems, determine its priorities and key development benchmarks, organize MEAP operations with the use of modern management technologies, and ensure the distribution of responsibilities among senior level staff.

Planned REFORMA Activities. REFORMA expects to award this tender by the beginning of May, and launch the undertaking of this assessment program, expected to last over a 100-day period. Once the assessment project is able to better identify the scope for implementation of the recommended solutions package, REFORMA will issue a tender to complete Phase II of the project, expected to launch in the early autumn of 2012 to be completed by year-end. Once the conduct of the MEAP assessment project gets fully underway, REFORMA will work with USAID and other counterpart agencies to identify two additional Government organizations to undertake a similar HICD program.

1.5 Undertaking a Fiscal Assessment to Identify Reform Assistance Needs

Background. USAID has long provided assistance in economic policy reform in the area of fiscal policy and implementation, which it views as a cornerstone for economic stability and growth in transition economies. When designing the REFORMA Project, however, USAID was well aware that fiscal policy and public financial management were areas crowded with donor assistance, which taxed the ability of the Government to coordinate reform. In addition, USAID's REFORMA project design activities fell within a period during which several donor initiatives targeted to fiscal policy and public financial management were either just initiated or undergoing a change in focus. Consequently, USAID determined that the REFORMA Project would undertake a Fiscal Assessment within the first months of project launch to reevaluate assistance needs in fiscal policy management and implementation and assess opportunities for REFORMA to provide complementary assistance to support and to reinforce the reform initiatives of other donors.

REFORMA Activities this Quarter. The REFORMA Project mobilized an expenditure management and fiscal policy specialist to conduct its Fiscal Assessment between January 30 and February 17, 2012, with the objective to determine the content and timing of opportunities for REFORMA assistance in fiscal policy reform and public financial management. At the same time, the US Government had recently launched two complementary, multi-agency initiatives designed to help emerging economy partners to self-finance more of their own needs through better domestic revenue mobilization, improved fiscal and budgetary transparency, and combatting corruption. Therefore, a secondary benefit of REFORMA's fiscal assessment was to provide updated information to the US Government in planning potential programming for the Kyrgyz Republic for two these two programs. It was also anticipated that the implementation of activities identified through this assessment would generate improvement in transparency and anti-corruption indicators to facilitate the granting of a US Congressional waiver for providing continued development assistance to the Kyrgyz Republic.

Fiscal Assessment Findings. As a result of the assessment, REFORMA confirmed that the fiscal policy and public financial management space is crowded with donors seeking to provide assistance because many donors have identified fiscal policy and public financial management as critical areas for reform assistance. As many as 10 different donor organizations are providing some support in the field of fiscal reform. Consequently, donors have carved out niches of assistance across the spectrum of fiscal functions and Government ministries/agencies responsible for policy development and implementation. REFORMA also found that the Kyrgyz Government's institutional framework for the formulation of fiscal policy and public financial management functions has frustrated donors and seems to continue to hinder reform efforts.

Consequently, IMF's planned assistance to support fiscal reform has essentially reached a stand-still outside of its current direct budgetary support program under its Extended Credit Facility (ECF). At the same time, the Multi-Donor Trust Fund's (MDTF) Public Financial Management (PMF) program is significantly behind implementation targets. The underlying reasons for lack of progress have been attributed both to the Kyrgyz Government and to the PFM project design. The World Bank, in its role as program implementer, has mobilized a full-time international manager, which should help to provide expanded leadership to the Government to get the project back on track. But it will be several months before it is better understood what the project can realistically expect to achieve given only little more than a year remaining for the project. Additionally, numerous fiscal management functions are currently being automated with donor assistance and are at various stages of testing and implementation. For many of these programs, however, implementation time schedules have been delayed, and expectations that they are a panacea to address human flaws in capacity and behavior are likely to be overly optimistic.

The Kyrgyz Government's reform focus on the implementation of its 'First 100 Days Action Plan' discourages its near-term resolution of the structural organizational and management issues in its fiscal policy and public financial management framework. The Government is currently focused on

achieving short-term goals that demonstrate ‘quick wins’ in implementing reforms. Nevertheless, the plan includes a number of fiscal initiatives including: implementing a simplified VAT refund process; eliminating the unpopular sales tax for businesses that currently pay VAT; reducing the social insurance tax rate; and implementing a moratorium on inspections by all controlling bodies in 2012, including tax inspection. Despite the inclusion of these measures in the Government’s near-term Action Plan, these policy decisions have far-reaching implications on revenue generation and budget support. For that reason, the MEAP is developing an updated strategy on tax policy that is expected to provide further analysis and proposals for aligning tax policy and administration with the Government’s private sector development goals.

Planned REFORMA Activities. REFORMA must work with USAID to identify which fiscal policy and implementation activities it should support during 2012. The Chamber of Accounts has submitted a request to provide support in implementing an automation system as well as funding participation in international conferences of government auditing peers. It also indicated that it seeks assistance in improving its human resource management capacities, which might provide an opportunity for it to participate in REFORMA’s HICD program. The Government’s interest in resolving issues in VAT policy and implementation may also provide opportunities for REFORMA to provide tax advice in these pressing issues of policy. Once REFORMA has had the opportunity to launch other identified programs, the project must devote attention to its agenda to provide assistance in fiscal policy and implementation.

1.6 Promoting Platforms for Public-Private Dialogue

Background. The Kyrgyz Republic has admirably attempted to establish a practice of promoting government transparency initiatives and mechanisms for public-private dialogue. Establishment of the Public Advisory Boards (PABs) as watchdog bodies to monitor the institutional expenditures of Government was one mechanism to promote transparency in fiscal management. The legislative requirement to hold public hearings on proposed laws and regulations and requirements for conducting Regulatory Impact Assessments (RIAs) to evaluate the potential impact of proposed legislation are other mechanisms designed to promote public dialogue and government accountability. Likewise, the creation of the Business Development and Investment Council and its Permanent Secretariat as an institutional platform for addressing the legal and regulatory concerns of the business community is also an attempt to establish open dialogue between Government, the private sector and civil society.

REFORMA Activities this Quarter. In developing the REFORMA Agenda, the project considered what support it could provide to strengthen or build on these initiatives to promote dialogue and responsive government. Although REFORMA initially identified providing training and capacity building to improve the quality and effectiveness of RIAs, the World Bank’s Capacity Building Program at the MEAP has decided to provide some assistance in this area. Consequently, REFORMA will determine how it can reinforce these efforts once this relatively short program has concluded. Support to build the capacity of the PABs was considered as part of REFORMA’s Fiscal Assessment and could be a target of support by the other US Government assistance programs that were considered as part of the assessment.

Planned REFORMA Activities. REFORMA has decided to work with the Council’s Secretariat to help it develop a strategy for sustainability, to be supported by REFORMA’s Grant Program when it comes on line. In the meantime, REFORMA is providing the Council with access to a business environment improvement specialist, Mr. Azamat Akeneev, for an interim three-month period. Mr. Akeneev will serve as a liaison between the Secretariat and Vice Prime Minister Ortobaev’s office to coordinate Council meetings and the resolution of reform priorities voiced by private sector association participants in the quarterly meetings.

2. Major Accomplishments

The following are the REFORMA Project's major accomplishments during the First Quarter of 2012:

2.1 Subcontract Awards and Outstanding Tenders

- Award and launch of the competitive tender, *Review and Recommendations for Optimizing and Streamlining Business Licenses and Permits in the Kyrgyz Republic*, awarded to Foresight Foundation for US \$70,000 in mid-March. The project is on-track to complete its review process by mid-May after which REFORMA will negotiate for assistance on re-drafting the "Law on Licensing."
- Award and launch of the competitive tender, *Mining Work Plan Advisory*, to the International Business Council (IBC) for \$15,000. The project is on-track to present its Work Plan recommendations to REFORMA by April 15.
- Issuance of competitive tender documents, *Ministry of Economy and Antimonopoly Policy, Human and Institutional Capacity Development (HICD) Assessment*, on April 9, 2012.

2.2 Seminars and Public Events

- Conduct of public hearings on proposed changes to the legal framework for mining, conducted by State Agency Chairman Uchkun Tashbaev and members of the Working Group in Batken Oblast, Osh and Jalalabad. USAID sponsorship was announced in television and radio advertisements, approved by Fatima Kasmahunova, USAID Project Management Specialist/Public Outreach & Humanitarian Assistance.
- Launch of series of weekly seminars on *Technical Regulation Requirements of the Customs Union*. Conducted two seminars week of April 2, one at MEAP primarily to Ministry staff and one at REFORMA offices, primarily to business associations. Schedule and topics for future seminars is currently under development. A combined total of 50 participants attended the seminar.
- Conduct of Seminar/Briefing for *Responding to REFORMA Subcontracting Tenders*, on April 10. 60 participants registered and attended the event, representing 47 Kyrgyz organizations.

2.3 Reports and Studies

- Completion and submission of the Fiscal Assessment Report in late February, conducted by Fiscal Expert, Robert Voetsch.
- Submission of REFORMA's Subcontracting Plan in late January.

3. Progress and Challenges in Government Coordination

REFORMA has just begun to engage with the new Kyrgyz Government in January. On the whole, coordination has been good. REFORMA will be in a position to assess its relationship with Government institutions in the coming months.

4. Anticipated Variances from the Work Plan

REFORMA is generally on-track according to its Work Plan presented in December 2011. A copy of the Work Plan with a status update is attached to this document.

5. Administrative and Staffing Issues

REFORMA has identified and will be presenting to USAID two candidates for long-term, local staff positions in the near future. These positions remained empty during REFORMA's first two quarters of operation since it had not finalized its agenda and did not know specifically all of the skill

requirements that would be needed for project implementation. One position will be REFORMA's Manager of Extractive Industry Initiatives, who will manage and coordinate the REFORMA Work Plan approved by USAID for assistance to improve the business environment for mining. The second will be a Manager of Macroeconomic Policy Initiatives who will coordinate REFORMA initiatives in trade and investment policy, fiscal policy and overall macroeconomic policy and policy-formulation capacity building activities.

6. Subcontracting and Grant Pipeline, Performance and Results

The REFORMA Project submitted its draft Subcontracting Plan to USAID in late January. The Project is on track regarding its plan for subcontracting to local organizations, but it must present its Grants Manual for approval to the USAID Contracting Officer and develop its overall strategy and approach for grant awards.

Report Annexes

REFORMA attaches the following Annexes to this report:

- Press Coverage on Customs Union Technical Regulation Seminars – MEAP website announcements for seminar on April 12; Press coverage of seminars on April 3 and 4, 2012
- List of Participants of Customs Union Technical Regulation Seminar, April 3 and 4, 2012
- US Embassy Press Release on Support to Promote Investment in Mining – Feb 9, 2012
- List of Participants of Briefing Seminar for Subcontracting Tender Submissions, April 10, 2012

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