



**USAID** | **KYRGYZ REPUBLIC**  
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# USAID REFORMA Project Year Two, First Quarterly Report

## Fourth Quarter 2012

January 10, 2013

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January 10, 2012

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## 1. Major Accomplishments and Summary of Activities and Challenges

In the Fourth Quarter of 2012, the USAID REFORMA Project moved into a new project phase, completing or nearly completing several projects that have played a central role in our reform agenda over the first project year and setting the stage for launching a number of new projects to begin in early 2013.

### Projects Completed or Nearing Completion in the First Quarter of 2013

**Licensing Law.** For the past several months, the status of the ‘Law on Licensing’ has remained in limbo, primarily resulting from the change in Government in September and substantial opposition to the Law among government agencies, particularly to the provision establishing a Licensing Chamber. By December, however, the MoE removed the controversial provision from the text of the proposed Law and again circulated the draft for comment. As of the end of the year, the Law was being finalized by the Government for submission to Parliament when its session begins in mid-January 2013. In essence, the licensing review process has been completed, and, with the expected passage of the Law on Licensing, only approximately 250 business activities will remain subject to licensing from an original total of more than 600. In the next quarter, REFORMA will provide support to the Government, if requested, in promoting public discussion of the provisions of the Law and for its implementation. Implementation support will consist primarily of helping the MoE to develop the capacity to manage and monitor implementation in conjunction with REFORMA’s HICD program.

**Development of the Strategic Planning Process and Creation of the Strategic Plan of the Ministry of Economy (MoE).** In the fourth quarter, REFORMA extended PDC’s original HICD assessment contract for the MoE to develop and institutionalize a strategic planning process, to train staff on its implementation, and to finalize the Ministry’s Strategic Plan that was begun independently during the first half of 2012. PDC worked with each department to help them to develop their strategic goals and objectives and to help them identify viable performance indicators and targets for monitoring implementation. The resulting Strategic Plan clearly delineates the goals, activities, expected result, deadlines, budget, source of funding and the person responsible for the achievement of the identified result. The final version will be completed in early January and presented to the entire Ministry staff at an event that will also introduce REFORMA’s new HICD Communications Strengthening Program at the Ministry. REFORMA will seek USAID’s participation in this significant event.

**Tax Study of Resorts and Sanatoriums in the Kyrgyz Republic.** The Tourism Department of the Ministry of Culture and Tourism, with the Union of Entrepreneurs, requested REFORMA’s assistance in undertaking an analysis of financial and tax data collected from approximately 150 resorts and sanatoriums in the Issyk-Kul region. The purpose of the analysis was to study the effectiveness of four currently applied tax regimes available to resorts and make recommendations for creating an alternative regime that would ensure fairer distribution of the tax burden among resorts and increase budget revenue to the State. REFORMA hired two well-known, local tax specialists to undertake the analysis and to propose recommendations for reform, which was concluded in late November. In December, REFORMA supported a two-day conference at which the Ministry presented the recommendations to 53 resort and sanatorium owners and managers. The participants supported the proposed system of imputed tax to be paid in the form of a mandatory patent based on the number of beds and on a hotel rating system that was also introduced at the conference. The Ministry of Culture and Tourism will now draft amendments to the current Tax Code and advocating for their adoption within Government and Parliament.

**Participation in the National Consulting Forum Sponsored by the Institute of Management Consultants.** REFORMA’s project implementation structure promotes the capacity of Kyrgyz private sector firms and organizations by procuring their technical advisory services to implement reforms within counterpart institutions. This mandate inspired REFORMA to participate in the II

National Consulting Forum at the end of November, sponsored by the Institute of Management Consultants and the EBRD Business Advisory Services (BAS) program. REFORMA exhibited at the one-day event and distributed information about our past and upcoming competitive tenders and USAID tender rules. We used this forum as a way to generate broader knowledge of our program with the expectation that more firms will participate in REFORMA competitive tenders in the future.

### Projects that will Gain Momentum in the First Quarter of 2013

**Medium- and Long-Term Development Strategy of the Mineral Resources Sector.** REFORMA's work with our local consortium to create a Development Strategy progressed steadily through the fourth quarter although it experienced a setback when our contracted international expert was unable to contribute to the research activities during the period due to the discovery of a serious health condition. Although the expert will be unable to participate in the program in person, he helped REFORMA to identify a replacement candidate, who is planned to make two visits to the Kyrgyz Republic in the first quarter of 2013. This candidate will contribute substantial research on international practices for consideration by Kyrgyz stakeholders in: (1) Mining legal regimes, administrative and governance constraints; (2) geo-science information aspects of international best practice; (3) local communities and social license to operate; and (4) development of small deposits and mining hubs. During February and March, REFORMA will launch three stakeholder round-tables and three stakeholder policy seminars as a core component of the methodology for strategy development. They are designed to engage a wider set of stakeholders in discussing the policy choices and selecting those appropriate for sector development in the Kyrgyz Republic.

**HICD Assessment at the State Agency for Geology and Mineral Resources.** On December 20th, REFORMA officially launched a second HICD Program with the signing of an MOU between State Geology Agency Chairman Dr. Ishimbai Chunuyev and Mr. Carey Gordon of USAID. REFORMA selected the State Geology Agency because of its critical role in strengthening the business environment for mining and mineral resources. The Agency will also be responsible for implementing many regulatory policy provisions adopted in the Medium- and Long-Term Development Strategy. REFORMA has since selected CAI Consulting as our local implementing partner to undertake the HICD Assessment, which will get underway in early January 2013. The Assessment will include conducting a diagnostic study of the Agency's organization, its functions, its activities and its IT needs, identifying performance gaps, and recommending targeted performance solutions. The assessment will be completed in March when the team will identify the Agency's priority areas for further support under HICD Program implementation.

**Public Relations and Communications Program at the Ministry of Economy.** A key recommendation of the MoE's HICD Assessment was to improve the Ministry's ability to communicate with the public and its external and internal stakeholders. In late December, REFORMA selected Door Media through competitive tender to build MoE capacity in public relations and communications. Door Media will provide a range of technical assistance activities to improve the MoE's communications capabilities over a four-month period. It will conduct a target audience survey to obtain baseline data, assess the MoE's current communication systems, evaluate the activities, tools, and capacities of Ministry leadership and its Public Relations Unit and assess the quality and function of its web site. Door Media will then assist the Ministry in developing a Communications Strategy and Action Plan and provide on-the-job training and coaching of the PR Unit, Deputy Ministers, and Department Heads to implement the plan. Door Media will also help to improve the Ministry's web site for use as a communications tool for disseminating information to businesses and the public.

### New Projects to be Launched in the First Quarter of 2013

**Study of Indirect Tax Policy and Administration.** To implement a key provision of the Government's near-term Private Sector Development Strategy, the Government asked REFORMA to undertake an analysis of the Kyrgyz Republic's indirect tax regime, specifically VAT and sales tax policy and administration, both of which have been highly criticized by the private sector and other

Government institutions. During February and March, 2013, REFORMA will provide a team of international indirect tax policy experts to recommend the optimal solutions for VAT and sales tax policy based on an analysis of the potential impact that alternative solutions and economic scenarios have on tax receipts. The study will also include an evaluation of the current challenges in VAT and sales tax administration and make specific recommendations to improve and simplify the administrative regime for businesses. To ensure that the study incorporates local context, REFORMA has hired a local tax expert who will begin to collect and analyze data prior to the arrival of the international team.

**Public Outreach, Awareness and Training of STS Officials for Introducing the Uniform Tax Declaration Regime.**

The adoption of the 2009 Tax Code introduced a system of universal tax reporting for all forms of economic activity in the Kyrgyz Republic as well as for all Kyrgyz families. Its introduction, however, has been delayed due to lack of capacity at the STS to process these tax declarations, but the Government must now initiate the required reporting regime. The STS has requested that REFORMA provide support for widespread public education and outreach assistance and training to initiate the reporting regime that will come into effect on January 1, 2013 for the 2012 tax year. Through competitive tender, REFORMA recently selected the Chamber of Tax Consultants to undertake these activities under a tight deadline. Beginning in January, the Chamber will begin promoting public awareness of the need and requirements for uniform tax reporting, train tax officials to assist taxpayers on the correct completion of the declaration forms, and develop tools for the taxpayer to complete and submit tax declaration forms. Training for STS officials will take place throughout all Kyrgyz oblasts in February and March.

**Training of Trainers of Regional Business Associations, Local Government Authorities and University Student Volunteers for the Introduction of the Uniform Tax Declaration Regime.**

To further support the STS's universal reporting regime, REFORMA will issue another competitive tender in early 2013 to extend a training-of-trainers program to regional business associations, local government authorities, and regional university students. It is expected that these trainers will further train businesses, entrepreneurs and families on how to complete tax declaration forms. REFORMA will track the number of persons these trainers are able to train, and subsequently support the program through a countrywide post-declaration survey. Next year, REFORMA anticipates providing additional public education and training support, and survey data collected in 2012 will serve as a baseline for monitoring increasing awareness and tax reporting participation over time.

**Survey of the Business Environment for the Mining and Mineral Resources Sector.**

Early in 2013, REFORMA will issue a competitive tender to undertake a comprehensive survey of private sector activities in the mineral resources sector, and both the private sector's and the public sector's views on the policy, legal, regulatory, and inspections regime in the Kyrgyz Republic. This survey will support and expand upon the results of the survey conducted in the summer of 2012 by the Eurasia Foundation of Central Asia (EFCA) on local community attitudes toward mining exploration and development. REFORMA's survey will help identify private sector reform priorities as part of the Development Strategy's set of policy recommendations as well as identify ways to strengthen the State Geology Agency's implementation capacities for inclusion in REFORMA's HICD Assessment of the Agency. REFORMA anticipates that the survey will also provide critical information on environmental inspections that will help determine future activities with the State Inspectorate for Ecological and Technical Safety.

## 2. Improving the Business Environment for Mining and Mineral Resources

### Background

Upon its launch in late 2011, the REFORMA Project identified improving the business environment for mineral resources development as a key priority for reform by both the newly formed Kyrgyz Government and the private sector. During REFORMA's first year, the project provided support for

sector development under the Government's 100-day plan, which included assisting a government-sponsored working group to draft and promote the passage of amendments to four laws to improve the business environment – the Law on Subsoil, the Land Code, the Tax Code, and the Law on Non-Tax Payments. REFORMA sought to develop a comprehensive plan of sector development assistance, however, so in April the project awarded a competitive tender to the International Business Council (IBC) to help create a REFORMA Action Plan. The Action Plan set forth a road map for REFORMA assistance to improve the business and investment environment for mineral resources development.

One of the core activities identified in REFORMA's Action Plan was to help the newly created Mineral Resources Policy Department at the Ministry of Economy to develop a Medium- and Long-Term Development Strategy for the sector. To do so, REFORMA issued a competitive tender, which was awarded in August to a consortium of local organizations, led by the Kyrgyz Mining Association, Kalikova & Associates law firm and the Ken-Too Environmental company. The consortium began its development work in earnest in the fourth quarter of 2012 after the public launch of the Development Strategy to a group of more than 80 stakeholders in September. Both First Vice Prime Minister Otorbaev and Minister of Economy Sariev presided at this event. The strategy development process will take place over a six-month period.

Another core activity outlined in REFORMA's Action Plan is to build the capacity of Kyrgyz government institutions to implement the Development Strategy. REFORMA had previously launched a Human and Institutional Capacity Development (HICD) program within the Ministry of Economy (MoE) in the second quarter of 2012 to strengthen the Ministry's ability to implement the range of economic development reforms REFORMA is pursuing within the business enabling environment. Among the beneficiaries of this HICD program has been the Ministry's Mineral Resources Policy Department, which has developed its internal strategic plan as part of the larger Strategic Planning Process that REFORMA has instituted within the MoE. Late in the fourth quarter, REFORMA launched its second HICD program within the State Agency for Geology and Mineral Resources (State Geology Agency) with a Memorandum of Understanding (MOU) signing ceremony between Agency Chairman Ishimbai Chunuyev and USAID Representative of the Kyrgyz Republic, Carey Gordon.

## **Medium- and Long-Term Development Strategy for the Mineral Resources Sector**

### **REFORMA Activities in Q4 2012**

REFORMA devised the following methodology for developing the national Medium- and Long-Term Development Strategy: (1) research policy, legal, and regulatory practices among top-performing countries; (2) analyze the impact of various international policies and practices based on current industry status and the business environment in the Kyrgyz Republic; (3) work with stakeholders throughout the development period to vet political and economic choices and the appropriateness of policy approaches; and (4) recommend a comprehensive policy approach to sector development to be used as the basis for implementing recommended policies across legislative, regulatory, fiscal, environmental, educational and social spheres. The outcome of the Development Strategy is to provide stakeholders in the Kyrgyz Republic the appropriate policy choices to ensure widespread economic growth, job creation, environmental and health protection, and a fair distribution of economic benefits to the government, private investors, and the Kyrgyz people.

In October, the consortium submitted a comprehensive Work Plan (see Mining – Appendix 1) which distributed the research and reporting responsibilities among all consortium members. As part of the development process, the REFORMA Project engaged Craig Andrews, an international advisor formerly of the World Bank with more than 15 years' experience working in the Kyrgyz Republic's mining sector, to assist the team in analyzing international practices pursued in four key areas of focus: (1) Mining legal regimes, administrative and governance constraints; (2) geo-science information aspects of international best practice; (3) local communities and social license to operate; and (4) development of small deposits and mining hubs. (see Mining – Appendix 2). Unfortunately,

REFORMA was informed that Mr. Andrews was unable to make his planned trip in November and will be unable to contribute to the Development Strategy in the Kyrgyz Republic because of health reasons. He has since identified a former World Bank colleague, Mr. Gotthard Walser, to complete his planned Scope of Work. REFORMA expects Mr. Walser to make two trips to the Kyrgyz Republic in the coming months to provide advice to REFORMA's Development Strategy consortium.

### Planned REFORMA Activities for Q1 2013

REFORMA expects Mr. Walser to conduct his first trip to the Kyrgyz Republic in late January/early February to provide input to the consortium's current research relating specifically to the first two items of the Andrews' Scope of Work. Within this scope, he will also provide assistance to the consortium in leading several round tables and policy seminars targeted to the range of stakeholders within the mineral resources sector. REFORMA views these public forums as critical to obtaining buy-in to the policy choices ultimately included in the Development Strategy. They are also a mechanism to educate local stakeholders – including members of Government and Parliament – on the ramifications of various policy choices on developing an attractive business and investment climate for sector growth and development. Working with the consortium, REFORMA has planned the following round table and seminar schedule for the first quarter of 2013:

Format and Topic	Proposed Date and Time	Target Audience
Round Table – Policy Choices for the Development Strategy in the areas of: Geology, the Role of the Mining Sector in the Economy, and Tax Regimes	13 February 9:30 am – 1 pm	50 people Experts and Stakeholders
Round Table – Policy Choices for the Development Strategy in the areas of: Legal and Regulatory Frameworks for Subsoil Use	20 February 9:30 am – 1 pm	50 people Experts and Stakeholders
Round Table – Policy Choices for the Development Strategy in the areas of: Environmental and Social impacts in the Development of Mineral Resources,	27 February 9:30 am – 1 pm	50 people Experts and Stakeholders
Seminar – The mining industry of the Kyrgyz Republic: Geology, Economics, Regulation, and Development Prospects	28 January 3 – 6 p.m.	30 people Jogorku Kenesh MPs and Staff
Seminar – The mining industry of the Kyrgyz Republic: Geology, Economics, Regulation, and Development Prospects	5 February 9:30 am - 5:30 pm	30 people President's office Government Ministries and Agencies
Seminar – The mining industry of the Kyrgyz Republic: Geology, Economics, Regulation, and Development Prospects	12 February 9:30 am - 5:30 pm	30 people Local Self- Government
Seminar – The mining industry of the Kyrgyz Republic: Geology, Economics, Regulation, and Development Prospects	19 February 9:30 am - 5:30 pm	30 people NGOs, Business Associations, Private Sector
Press Briefing	4 February 11 am – 12 pm	30 people Journalists and Mass Media

### Human and Institutional Capacity Development (HICD) at the State Agency for Geology and Mineral Resources

#### REFORMA Activities in Q4 2012

During the fourth quarter, REFORMA selected the State Agency for Geology and Mineral Resources as its second partner organization to obtain assistance because of the central role it will play to improve the business environment for mining and mineral resources and to implement the Medium- and Long-Term Development Strategy. In addition, the Agency's recently appointed chairman, Dr. Ishimbai Chunuyev, was fully supportive of the impact that improving the Agency's institutional

framework, strategies and capacities could have on improving the overall performance of the mineral resources sector. On December 20th, REFORMA officially launched the HICD Program at the Agency with the signing of an MOU between Dr. Chunuyev and Mr. Carey Gordon of USAID (see Mining – Appendix 3). During the launching ceremony, REFORMA presented the HICD approach and methodology and the HICD Assessment activities planned for the first quarter of 2013. The event was covered by the Kyrgyz daily news portal Aki Press (see Mining – Appendix 4). Parallel to this event, REFORMA had issued a competitive tender to select a local implementing partner to undertake the assessment part of the program and selected the Central Asian International Consulting (CAIC). REFORMA has been coordinating its activities with other donors, such as the World Bank and EBRD, which intends to begin to provide substantial training to the State Geology Agency in the second quarter of 2013.

### **Planned REFORMA Activities for Q1 2013**

REFORMA's HICD Assessment will get underway early in 2013. The Assessment will include conducting a full diagnostic study of Agency's organization, its functions and its activities, identifying performance gaps, and recommending targeted performance solutions. The Assessment team will also undertake a thorough inventory of the Agency's computer and information technology equipment and determine its IT needs, both in the near term and in the long run, to determine the extent of equipment procurement support REFORMA may be able to provide. To assist CAIC in assessing the technical capacities of the Agency, REFORMA will also hire international advisor, Mr. Kirk Adams, to identify ways the Agency can strengthen its processes, systems and structure to adopt leading international practices in regulating the mineral resources sector. Mr. Adams is familiar with the current mining environment in the Kyrgyz Republic and has particular specialization in conducting competitive tenders for allocation of exploration and mining rights and interacting with international investors on behalf of governments in emerging economies. The first assessment activity will be to create a Performance Assessment Team of agency staff counterparts and CAIC and form a Stakeholder Group, consisting of a group of stakeholders, including other donors.

The HICD Performance Assessment will take place from January until March 2013, when the REFORMA team will present the final report with findings and recommendations to the Agency. Once the Performance Solutions Package is presented, REFORMA will work with USAID and the Agency to identify the Agency's priority areas for further support under HICD Program implementation.

### **New Initiatives Planned for Q1 2013.**

#### **Private Sector Survey of the Business Environment for Mining**

Early in 2013, REFORMA plans to issue a competitive tender to undertake a comprehensive survey of private sector activities in the mineral resources sector, and the private and public sector's views on the policy, legal, regulatory, and inspections regime in the Kyrgyz Republic. This survey will support and expand upon the results of the survey on community relations conducted by the Eurasia Foundation of Central Asia's (EFCA) in the summer of 2012. REFORMA's survey will help identify private sector reform priorities as part of the Development Strategy's set of policy recommendations as well as identify ways to strengthen the State Geology Agency's implementation capacities for inclusion in REFORMA's HICD Assessment of the Agency.

## **3. Building Human and Institutional Capacity Development (HICD) in the Ministry of Economy (MoE)**

### **Background**

The USAID REFORMA Project provides human and institutional capacity development (HICD) assistance to ensure that our counterpart institutions develop the capacity to fully implement and monitor sponsored reforms. Since the Ministry of Economy (MoE) is vested with far-reaching

powers to lead economic development and regulatory policy across broad swaths of the Kyrgyz economy, REFORMA selected the MoE as the first counterpart institution to receive HICD support. The assessment phase of the MoE HICD Program was launched in May 2012 with the Promotion and Development Center (PDC) as REFORMA's local implementing partner. PDC undertook a full diagnostic study of the MoE to obtain a holistic view of the Ministry's current performance, identify performance gaps, and recommend targeted performance solutions. REFORMA also engaged HICD Adviser Steven Kelly to assist PDC in adapting the USAID HICD assessment methodology to the corporate culture of the MoE.

The HICD Assessment team completed a series of external interviews with internal and external stakeholders, analyzed work processes throughout the Ministry, developed the Business Process Modeling Reference Book, identified the MoE's performance gaps, and proposed a model for implementing desired business processes. The Final Report with Findings and Recommendations for both the Ministry's institutional framework and its functional improvement included a Performance Solutions Package, which was presented to Minister Sariev, Deputy Ministers, and Department Heads in September.

Prior to launching the implementation phase of the HICD program, REFORMA met with Minister Sariev and the MoE State Secretary to discuss the results of the assessment and the recommendations of the Performance Solutions Package. Together, we determined that among the recommended areas of intervention, improving strategic planning, streamlining regulations, and strengthening communications processes and capacities are the areas to which REFORMA's future HICD technical assistance would be channeled to close the identified performance gaps. PDC had already provided assistance in governance and alignment of internal regulations during the assessment phase even though this task was not included in the original scope of work. It involved preparing 17 regulatory statutes that detailed the goals and objectives for each Department/Unit of the Ministry of Economy.

## **Strengthening the Strategic Planning Process and Plan Development**

### **REFORMA Activities in Q4 2012**

In the fourth quarter, REFORMA extended PDC's contract to maintain the momentum it achieved in the assessment phase to institutionalize a strategic planning process, to train MoE staff on its implementation, and to help to finalize the Ministry's Strategic Plan begun independently during the first half of 2012. In late October, Minister Sariev issued an internal ministerial order on the development of the MoE Strategic Development Plan for 2013 and a new regulation outlining the Ministry's organizational structure. The regulation instructed all departments to submit their departmental strategic plan proposals to REFORMA (see MoE HICD – Appendix 1). PDC also produced a concept for revisions to the MoE's Organizational Structure (see MoE HICD – Appendix 2).

Using a template developed by PDC, the company worked with each department to develop their strategic goals and objectives and to help them identify viable performance indicators and targets for monitoring implementation of their goals and objectives. Based on this information, PDC proposed the structure of the Strategic Plan, which clearly delineates the goals, activities, expected results, deadlines, budget, source of funding and the person responsible for the achievement of the identified result. PDC then helped an internal strategic planning working group to draft a Strategic Plan, incorporating the goals formulated for each level of the Ministry. Subsequently, each of the four Deputy Minister groups held their own strategic planning sessions, at which the heads of departments and units presented their goals and activities planned for 2013 to their respective Deputy Ministers. PDC also provided training on how to implement Program Budgeting as required through a pilot Government program.

In late December, PDC presented the proposed Strategic Planning process, which clearly identifies the roles and responsibilities of all MoE officials, procedures for the development of the annual strategic plan, procedures for amending it, and identification of performance indicators and performance

monitoring procedures. This proposed process was approved by an order of the Minister, which assigns the Policy Development Unit to continue the strategic planning activities after the completion of the strategic planning phase of the REFORMA HICD program. (see MoE HICD – 2)

### **Planned REFORMA Activities for Q1 2013**

The final version of the Strategic Plan of the Ministry will be completed in early January and presented to the entire Ministry staff in mid-January, 2013, at an event sponsored by REFORMA. In addition, REFORMA will provide assistance to the MoE in developing a new organizational structure to meet strategic objectives due to new governmental functions recently transferred to the MoE – Regional Development Policy, Anti-Corruption Policy, and Policy on State Reserves (Assets). Based on the new organizational structure and the functional analysis of the MoE's rules and regulations already conducted during the performance assessment, PDC will also develop a new Regulation for Government of the Ministry in early January.

## **Strengthening Public Relations and Communications**

### **REFORMA Activities in Q4 2012**

REFORMA's HICD Assessment of the MoE identified the need to improve its public relations and communications capacities to strengthen its ability to promote economic reform. In late October, REFORMA issued a competitive tender, which was awarded to Door Media. Door Media submitted its revised Work Plan in late December (see HICD MoE – Appendix 2) and is set to launch a Target Audience Survey based on questionnaires developed for three categories of the MoE's target audience: mass media, businesses, and stakeholder government organizations. The survey will help to establish a baseline for measuring improvement in the level of effectiveness of the Ministry's communications.

### **Planned REFORMA Activities for Q1 2013**

Door Media will provide a range of technical assistance activities to improve the MoE's public relations and communications capabilities over a four-month period. In addition to the Target Audience Survey, Door Media will undertake an assessment of MoE's communication systems, activities, tools and capacities of Ministry leadership and its Public Relations Unit as well as an assessment of its web site. Based on these assessments, Door Media will assist the Ministry in developing a Communications Strategy and Action Plan for 2013. The company will provide on-the-job training and coaching of the PR Unit and Deputy Ministers and Department Heads to implement the Action Plan and help to design and implement a Monitoring and Evaluation (M&E) Plan to assess improvement in public perceptions and communications capacities, enabling REFORMA to report results of this portion of its HICD Program. Door Media also help the Ministry improve the use of its web site to promote the dissemination of information to stakeholders throughout the country.

## **New Initiatives Planned for Q1 2013.**

### **Functional Capacity Development for Reform Implementation**

The Ministry's Strategic Plan will help to identify specific functional areas for REFORMA's capacity development assistance targeted to key counterpart departments. Key counterpart departments are those with which REFORMA has been working to implement its reform agenda and include the following target departments:

- Entrepreneurship Policy Department (business regulations, licensing, permitting, inspections, RIA)
- Trade Policy Department (Customs Union legal and regulatory conformance)
- Technical Regulation and Metrology Department (technical regulations conformance)
- Fiscal Policy Department (fiscal policy analysis and development)
- Mining Policy Department (mineral resources policy and sector development)

Taking a comprehensive and strategic approach, REFORMA will integrate policy reform activities with activities designed to improve the capacity of target departments to formulate, implement, monitor and enforce policy reform and to reinforce the implementation and sustainability of reform objectives.

## **4. Implementing REFORMA's Fiscal Assistance Agenda**

### **Study on Indirect Tax Policy and Administration**

#### **Background**

The 2009 Tax Code contained tax policy reforms that improved the business environment in the Kyrgyz Republic. It eliminated many redundant taxes, consolidated other taxes, reduced rates for both the profit tax and VAT, and streamlined filing procedures. After three years of implementation, however, both the private sector and the government recognize that there are significant tax burdens remaining that need to be addressed in the near term. These include the continued need to simplify tax reporting procedures, reduce the rates and administrative burdens for employer social fund contributions to promote formal employment, implement risk-based tax and social fund inspections to combat corruption and reduce cost and time burdens to business during inspections, and implement other measures to improve overall tax filing and collections.

To determine specific activities for possible REFORMA assistance in fiscal policy and administrative reform, REFORMA conducted a Fiscal Assessment within the first months of project launch. At that time, however, the new Government's priorities for fiscal reform were still developing while several donor assistance initiatives were either just initiated or undergoing a change in focus. Since then, however, the Government, with World Bank assistance, has developed its reform priorities for private sector development, in which continued reform in tax policy and administration plays a significant role. At the top of the agenda is to determine how to reform the indirect tax regime, particularly the redundancies of both a sales tax and a VAT regime. Phasing out the two-tiered sales tax is a primary action slated for reform, but to do so, the Government must find ways to compensate for the loss in tax receipts that would consequently arise. While the public widely supports eliminating the sales tax, overall there has been wider frustration with the complexities surrounding VAT administration.

Continuing problems with VAT administration has triggered public opinion to propose to eliminate the VAT altogether and increase the sales tax rate to compensate for VAT collection shortfalls. Despite growing popularity with this proposed solution, even among public officials, the Government is aware that the elimination of VAT would jeopardize its standing with the IMF. At the same time, the Government's interest in reducing regulatory and tax burdens for small businesses has also stimulated a discussion of increasing the threshold for VAT registration above the current annual revenue of 4 million som, roughly US \$85,000.

#### **REFORMA Activities in Q4 2012**

Seeking to stimulate private sector growth, the Government has asked REFORMA to undertake an analysis of the Kyrgyz Republic's indirect tax regime to determine what fiscal policy changes it can make in the near term to reduce taxation burdens on business, while, at a minimum, maintaining its current level of tax collection receipts. For that reason, the Government seeks to understand the financial and economic implications of raising the VAT registration ceiling, eliminating or phasing out the sales tax, reducing fraud in VAT reporting, and honoring the timely payment of legitimate applications for VAT refunds. During the fourth quarter of 2013, REFORMA has spent considerable time recruiting an international team to undertake such analysis early in 2013.

#### **Planned REFORMA Activities for Q1 2013**

During February and March, 2013, REFORMA will provide a team of international tax policy experts to undertake the indirect tax study to recommend the optimal solution for VAT and sales tax policy. The study will evaluate how international practices in tax policy could be implemented within the

context of the Kyrgyz economic and political environment, model and analyze the potential economic and financial impact of various policy choices on business growth and budget revenue streams, and recommend solutions to administrative challenges in reporting, collection and refunding. The study will also evaluate current challenges in VAT and sales tax administration and make specific recommendations to improve and simplify the administrative regime. REFORMA will hire a local tax expert to ensure that the required data is available for use by the advisors, to brief the advisors prior to and throughout the study on the specific issues of the tax regime of the Kyrgyz Republic, and to liaise with key Government counterparts.

## **Public Outreach, Awareness and Training of STS Officials for Introducing the Universal Tax Declaration Regime**

### **Background**

Another consequence of the adoption of the 2009 Tax Code was the intention to introduce a system of universal tax reporting for all forms of economic activity in the Kyrgyz Republic as well as for all Kyrgyz families. Such tax reporting is required for civil servants, but the introduction of universal declarations for all citizens was delayed until January 2012. During the autumn of 2011, however, it was evident that the State Tax Service (STS) was not fully unprepared to process the resulting volume of tax returns, so the Parliament waived this requirement for another year. Despite continued processing limitations, Parliament refused to condone further delays, so the Government is forced to introduce this requirement for the tax year 2012. The STS must now introduce the required reporting regime to the entire Kyrgyz population, design and introduce reporting forms, and train its 300 tax inspectorates and 2,300 staff on reporting requirements. The STS has requested that REFORMA provide widespread public education and outreach assistance and training to initiate this tax reporting regime that will come into effect on January 1, 2013.

### **REFORMA Activities in Q4 2012**

During the fourth quarter of 2012, the STS, with the involvement of independent experts and members of the Methodological Council on Coordination of Fiscal Policy, has been finalizing the tax declaration forms for taxpayer submission and the appropriate instructions for completion. REFORMA provided short term technical assistance by hiring two local tax specialists to write instructions for the three types of reporting forms: (1) legal entities; (2) individuals engaged in entrepreneurial activity; and (3) individuals (and families) not engaged in entrepreneurial activity. Working with the STS, REFORMA has also issued a competitive tender to engage a local organization to conduct a comprehensive public outreach campaign and provide training to STS tax officials in all regions of the Kyrgyz Republic. In late December, REFORMA selected the Chamber of Tax Consultants (CTC) to undertake this substantial work.

### **Planned REFORMA Activities for Q1 2013**

REFORMA and the CTC will launch these initiatives in January, which are expected to conclude no earlier than April 30 and may be extended until June 30 for certain categories of taxpayers. There are two work streams that comprise this scope of work: (1) the Public Education and Outreach component; and (2) the Training of STS Trainers component. The CTC will work with the STS and REFORMA to design the entire public education and outreach campaign. The CTC will identify the appropriate public communications message(s) and design the print, electronic, broadcast, and audio/visual outreach and awareness materials to educate the public on the tax reporting requirements and how to fill out the declaration forms. The CTC will also design the public education/outreach ad placement plan, a plan for the distribution of printed materials throughout the Kyrgyz Republic and a recommended electronic media delivery program. The CTC will also: create training program materials for conducting training-of-trainers seminars for tax officials throughout the Kyrgyz Republic; determine the training delivery plan, schedule and logistics; and conduct the training courses in eight cities throughout the Kyrgyz Republic –Bishkek, Osh, Jalal-Abad, Batken, Cholpon-

Ata, Karakol, Naryn and Talas – to approximately 200 STS Officials over a two-day period. Below are the proposed deliverables and due dates of the program:

### Public Outreach, Awareness and Training for the Universal Tax Declaration Regime

Deliverable Set	Deliverables	Deliverables Due Date
<b>Work Stream 1: Public Education and Outreach</b>		
<b>Communication Message(s)</b>	Create the overall Communication Message(s) to be delivered to taxpayers designed to alleviate their concerns with tax reporting. Consider past taxpayer surveys and anecdotal data to ensure that public outreach materials and communications programs convey messages to ease taxpayer fears associated with universal tax reporting.	January 15
<b>Media Plan</b>	Create a print, broadcast and internet Media Plan to be presented to the STS and the REFORMA Project for approval. Design the public education/outreach ad placement plan, a plan for the distribution of printed materials throughout the Kyrgyz Republic (working with the STS), and a recommended electronic media delivery program (TV/radio programs/times/dates, internet sites for banners, etc.)	January 15
<b>Completed Declaration Forms</b>	Create three (3) Specimen Copies of Completed Declaration Forms (for each of the three categories of taxpayer).	January 30
<b>Taxpayer Brochures</b>	Create a Taxpayer Brochure for each of the three categories of taxpayers that explains how to fill out the tax declaration form. The brochure must convey the agreed-upon public outreach message described in the first task above.	January 30
<b>PR Posters</b>	Create a Poster targeted to taxpayers that conveys the message the agreed-upon public outreach message.	January 30
<b>Internet Banners</b>	Create the text for an Internet Banners for placement on recommended internet sites.	January 30
<b>Television and Radio Spots</b>	Create scripts for one 30-second Television Spot Commercial and one 30-second Radio Spot Announcement.	February 7
<b>Newspaper/ Journal Articles</b>	Write three (3) Articles for newspaper or magazine placement.	February 7 February 28 March 21
<b>Video Training Course</b>	Create one 60-minute Video Training Course targeted to all three categories of taxpayers on completing the Uniform Tax Declaration forms.	February 28
<b>Work Stream 1: Public Education and Outreach</b>		
<b>Training Course, Manual and Evaluation Form</b>	Create a two-day Training Course, Training Manual, and Course Evaluation Form for STS officials selected by the STS to train STS counterparts and taxpayers.	February 22
<b>Training Plan</b>	With the assistance and approval of STS and REFORMA staff, create Training Plan for Delivery of training courses and arrange training logistics in all eight cities, with STS and REFORMA staff, and organize and make arrangements for the delivery of training including: classroom premises, equipment, manuals, and transportation and lodging for trainers.	February 22
<b>Training Delivery</b>	Deliver the Training Program in all eight cities according to the training plan, including providing a list of training participants and course evaluation forms from each training program.	March 10 – 30
<b>Final Report</b>	Deliver a Final Report describing the entire project and summarizing the results achieved.	April 30

### New Initiatives Planned for Q1 2013

REFORMA is also currently designing another competitive tender that will be released in January 2013 to provide training-of-trainers courses to enable regional business associations, local government authorities, and volunteer university students to train their members, constituents, and

families on completing the tax declaration forms. Once tax declarations have been filed, REFORMA will also issue a competitive tender to conduct a taxpayer survey of public perceptions of the filing requirements and compliance with tax reporting. This will assist in planning a similar public education, outreach and training program for universal tax reporting in 2014 for the 2013 tax year, in which REFORMA may provide additional assistance.

## **Tax Study of Resorts and Hotels in the Kyrgyz Republic**

### **Background**

Currently, resorts and hotels in the Kyrgyz Republic may elect to file taxes under one of four existing four tax regimes: (1) regular tax regime; (2) tax contract; (3) simplified taxation (a single tax); and (4) voluntary patent. None of the existing regimes can ensure equal distribution of the tax burden, which results in unfair competition among resorts of various categories and tax evasion on the part of resorts that may incur a higher tax burden. Resorts manipulate their tax liabilities by understating the number of bed (objects of taxation) or understating the actual prices of the services provided. They then conclude an informal agreement with the tax inspector who then accommodates such understatements in his reports.

Consequently, the Union of Entrepreneurs has urged the Government to initiate the conduct of a study to develop recommendations to eliminate these opportunities for various underreporting of tax liabilities. The Tourism Department of the Ministry of Culture created a working group to collect financial and tax data from approximately 150 Issyk-Kul resorts from a total of 184 registered resorts and sanatoriums. Following the collection of this data, the Ministry sought to analyze the effectiveness of the currently applied tax regimes and develop alternative options of tax payment by resorts and sanatoriums to ensure fair competition. The Tourism Department requested assistance from REFORMA in analyzing data collected from resorts and making recommendations for the implementation of alternative regimes that would ensure fair taxation and increase budget revenue from resorts and sanatoriums.

### **REFORMA Activities in Q4 2012**

The REFORMA project agreed to provide such technical assistance and hired two established local tax specialists to undertake the analysis and to propose recommendation. The scope of work required the development of conclusions backed by economic justification and scenario modeling. Prior to the submission of the conclusion of the study, they sought the feedback from resorts and sanatoriums in a two-day conference in the Issyk-Kul. At the conference, supported by REFORMA, the Deputy Minister for Tourism and REFORMA tax experts presented their recommendations to 53 people representing resort and recreational businesses operating in Issyk-Kul, local administration and local tax authorities.

The participants supported the proposed system of imputed tax to be paid in the form of a mandatory patent. The study recommended that the number of beds will serve as the taxable base, which was agreed to be a valid and fair base for taxation because it is difficult to conceal and easy to count. Three tax bands were proposed by the tax consultants based on a hotel rating system that was also introduced at the conference.

The participants suggested including the services provided by the resorts into the amount of the imputed tax, for which they agreed to raise the tax rate by 20% and expand the taxable base. The participants discussed the most appropriate due dates of tax payment, recommending at least 4 installments for summer resorts and 9 installments for resorts operating year-round. It was also proposed that the Government should guarantee that the new system of taxation will be in effect for at least five years, yet, at the same time, entrepreneurs supported the imposition of tough fines and sanctions for concealing the taxable base.

REFORMA's specialists incorporated many of the views shared by entrepreneurs in the final recommendations of the study (see Tax – Appendix 1). It was generally agreed that the proposed

system of taxation will bring greater benefits than the existing system. It offers a simplified procedure of tax calculation based on two physical and verifiable indicators – the number of beds and the retail price per night of each bed. According to both participants and Tourism Department officials, the proposed imputed tax will reduce the time burden of taxpayers, reduce tax administration costs and help to eliminate tax evasion schemes. According to study estimates, the proposed system will increase budget revenues collected from resorts by 65 million soms. The Tourism Department plans to conduct a similar workshop in Bishkek in late January 2013, sponsored by REFORMA.

## 5. Optimizing and Streamlining Business Licenses and Permits

### Background

Reducing the business licensing burden has occupied the reform agenda of both the Kyrgyz Government and the business community for the past several years. From 2008 to 2011, the Government implemented a guillotine rationalization methodology to reduce the number of licenses required to conduct business activity with the support of the USAID Business Environment Improvement (BEI) Project. The BEI Project had nearly completed the licensing review process when USAID launched REFORMA in late 2011. At the request of the new Government, in early 2012 REFORMA agreed to fund the remaining review process. Through a competitive tender process, REFORMA hired Foresight Foundation, to complete the review for optimizing and streamlining business licenses and permits, which was concluded in May. Foresight reviewed a total of 464 licenses, recommended the elimination of 204 of them, and 109 were ultimately removed by law, adopted by Parliament in June and signed by President Atambaev in October 2012.

Parallel to the review activities of 2011, the Government also sought to sponsor a framework Law ‘On Licenses and Permits in the Kyrgyz Republic’ (hereinafter, ‘Law on Licenses’) that would establish overarching principles for government regulation through licensing and permitting. Also through the services of Foresight Foundation, REFORMA presented a draft law to the MoE in May 2012, which was then circulated for comment from relevant ministries and agencies in June. In the meantime, the MoE had added several provisions to the Law that were not included in the original draft, which expanded the scope of the law beyond its original intent. The most controversial of these provisions was the creation of a Licensing Chamber, the exact function of which was not fully contemplated and conveyed. The inclusion of these provisions created strong objection among Government institutions, which resulted in submission of written comment from 17 organizations. Although the MoE wished to submit the draft Law to the Government for presentation to Parliament prior to the final day of the legislative session on June 29, the volume of comments ensured that the Ministry was unable to submit it within this time frame. As of the beginning of the fourth quarter of 2012 the provisions of the Law were still being discussed between the MoE and the Government Office.

### REFORMA Activities in Q4 2012

In December the MoE removed the Licensing Chamber provision from the text of the proposed Law. With its removal, the MoE again circulated the draft Law for comment. As of the end of the year, the Law was being finalized by the Government for submission to Parliamentary committees when the Parliamentary session begins in mid-January 2013. In the meantime, REFORMA has been attempting to determine how many businesses have been alleviated from compliance with licensing requirements as a result of the elimination of licenses under the review/guillotine process. Obtaining base data from issuing agencies has been difficult to obtain, however, although REFORMA is still collecting this information as of the end of 2012 and will continue to collect it in the first quarter of 2013.

### Planned REFORMA Activities for Q1 2013

For the most part, REFORMA believes that the licensing review process has been completed. With the expected passage of the Law on Licensing, approximately 250 licenses of business activities remain from an original balance of more than 500. In the event that the Government requests REFORMA’s assistance in promoting public discussion of the provisions of the Law, REFORMA

will provide such support when the Law ultimately emerges from Parliamentary committee. In the longer run, REFORMA will focus on providing assistance for the implementation of the provisions of the law, including helping the MoE to develop the capacity to monitor implementation of the Law in conjunction with REFORMA's HICD program. Since creation of the Licensing Chamber has been dropped from the proposed Law, REFORMA will also help the MoE find alternative ways to achieve the anti-corruption objectives originally envisioned with the introduction of the Licensing Chamber.

## 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 in Q4 2012

REFORMA has been providing the Council with access to a business environment improvement specialist, Mr. Azamat Akeneev, as a liaison among REFORMA, the Council's Secretariat and Vice Prime Minister Ortobaev's office to better integrate REFORMA initiatives with the reform priorities of Mr. Ortobaev and the Investment Council, chaired by the Prime Minister. This has been effective in ensuring that REFORMA's activities in optimizing business licenses and permits meets Government reform goals as outlined by its Private Sector Development Strategy and has contributed to REFORMA's undertaking the indirect tax study in early 2013.

### Planned REFORMA Activities for Q1 2013

When REFORMA's Grant Program is approved and launched, REFORMA intends to help the Secretariat in developing its vision for sustainability to be reflected in a grant application. This will enable it to continue to act as an ongoing mechanism for public-private dialogue to voice private sector reform priorities and the Government's progress in addressing these priority reforms.

## 7. Primary Events and Deliverables Conducted and Produced During the Fourth Quarter 2012

### 2.1 Seminars and Public Events

- On November 30, 2012, REFORMA exhibited at the National Consulting Forum II, sponsored by the Institute of Management Consultants and the EBRD Business Advisory Services (BAS) program.
- On December 4-5, 2012, REFORMA sponsored a 2-day workshop, initiated by Tourism Department of the KR Ministry of Culture and Tourism, for the owners of resorts in Issyk-Kul to present the results of the tax study conducted by REFORMA's tax consultants.
- On December 20, 2012, REFORMA officially launched the Human and Institutional Capacity Development (HICD) Program with the State Agency for Geology and Mineral Resources, with the signing of a Memorandum of Understanding between State Agency Chairman Dr. Ishimbai Chunuyev and USAID Representative Mr. Carey Gordon.

## 2.2 Reports and Studies

- Tax Tourism Study (Tax – Appendix 1)

## 2.3 Brochures

- REFORMA Brochure (Prepared for National Consulting Forum) (Brochure – Appendix 1)
- REFORMA Tender Rules Brochure (Prepared for National Consulting Forum) (Brochure – Appendix 2)

## 8. Administrative and Staffing Issues

REFORMA has requested approval to hire an HICD Associate, Nargiza Kudaiberdieva, to assist our HICD Director, Tanja Georgievka, and our DCOP, Gulnura Djanybaeva in managing the increasingly expanding activities of REFORMA's HICD component across several implementation programs at the MoE as well as the launch of the HICD Assessment at the State Geology Agency. It is expected that REFORMA will consider selecting a third HICD partner during the first quarter of 2013.

REFORMA is also considering hiring another project manager to provide backup assistance and support as we expand our range of business environment improvement activities in mining, business regulations, and, perhaps, trade policy.

## 9. Subcontracting and Grant Pipeline, Performance and Results

The following is a complete history of REFORMA's Subcontracts, including those that have been completed, those still ongoing, and those in the pipeline for award and launch.

**REFORMA Subcontracting History and Awards**

<i>Subcontracting Activity</i>	<i>Subcontractor(s)</i>	<i>Award Date</i>	<i>Period of Perform.</i>	<i>Contract Value</i>	<i>Status</i>
<b>Optimizing and Streamlining Business Licenses and Permits</b>	<b>Foresight Foundation</b>	Mar 2012	3 months	\$70,425	Completed
	<i>Description of the Subcontracting Activity</i>				
Completed the review and recommendations for optimizing and streamlining business licenses and permits. Drafted and submitted to the Government required changes to all normative legal acts (NLAs) to implement the recommended elimination of licenses and permits. Signed into law the elimination of 97 of those recommended.					
<b>Mining Action Plan Advisory</b>	<b>International Business Council (IBC)</b>	Mar 2012	6 weeks	\$15,000	Completed
	<i>Description of the Subcontracting Activity</i>				
Helped to create REFORMA's Mineral Resources Development Action Plan, as a road map to provide comprehensive assistance to improve the business and investment environment for sector development by getting stakeholder feedback from the public and private sectors.					
<b>HICD for the Ministry of Economy – Phase I Assessment</b>	<b>Promotion and Development Center (PDC)</b>	May 2012	4 months	\$49,675	Completed
	<i>Description of the Subcontracting Activity</i>				
Completed the Phase I Assessment of REFORMA's first Human and Institutional Capacity Development (HICD) Program with the Ministry of Economy (MoE). Realigned 39 functions identified through analysis of 96 laws, resolutions, and regulatory and reduced them to 16 by drafting functional Regulations for the Ministry. Provided support in helping the MoE develop the Government's pilot program budgeting process.					

## REFORMA Subcontracting History and Awards

<i>Subcontracting Activity</i>	<i>Subcontractor(s)</i>	<i>Award Date</i>	<i>Period of Perform.</i>	<i>Contract Value</i>	<i>Status</i>
<b>Re-draft the 'Law on Licenses' and Submit RIA on Proposed Law</b>	<b>Foresight Foundation</b>	May 2012	6 weeks	\$24,150	Completed
	<i>Description of the Subcontracting Activity</i>				
Drafted a framework 'Law on Licenses' and completed the attendant Regulatory Impact Analysis (RIA) for the law.					
<b>Medium- and Long-Term Development Strategy for the Mineral Resources Sector</b>	<b>Kyrgyz Mining Association (KMA), Kalikova &amp; Associates, Ken-Too Company</b>	Aug 2012	6 months	\$149,820	Ongoing
	<i>Description of the Subcontracting Activity</i>				
Will be creating a national Medium- and Long-Term Development Strategy for the Mineral Resources Sector that will involve all stakeholders in the discussion of policy choices across legislative, regulatory, fiscal, environmental, educational and social spheres to stimulate sector growth and development.					
<b>HICD for the Ministry of Economy – Phase II Strategic Planning</b>	<b>Promotion and Development Center (PDC)</b>	Sep 2012	9 weeks	\$34,460	Ongoing
	<i>Description of the Subcontracting Activity</i>				
Assisting the MoE to develop a Strategic Plan and to institutionalize a strategic planning process that will drive REFORMA's future HICD assistance to reform counterpart departments.					
<b>Strengthening Public Relations and Communications for the Ministry of Economy</b>	<b>Door Media</b>	Jan 2013	4 months	\$61,095	Just Launched
	<i>Description of the Subcontracting Activity</i>				
Provide a range of technical assistance activities to improve the MoE's public relations and communications capabilities. Conduct a Target Audience Survey, assessment of MoE's current communication systems, activities, tools and capacities of Ministry leadership and its Public Relations Unit, and an assessment of its web site. Develop a Communications Strategy and Action Plan, provide on-the-job training and coaching of the PR Unit to implement the Action Plan, design and implement a Monitoring and Evaluation (M&E) Plan, and improve Ministry's web site.					
<b>HICD Assessment for the State Geology Agency</b>	<b>CAI Consulting</b>	Jan 2013	2 ½ months	\$61,310	To Launch
	<i>Description of the Subcontracting Activity</i>				
The Assessment will include conducting a full diagnostic study of Agency's organization, its functions and its activities, identifying performance gaps, and recommending targeted performance solutions. The Assessment team will also undertake a thorough inventory of the Agency's computer and information technology equipment and determine its IT needs.					
<b>Public Outreach, Awareness, and Training of STS Officials for Introducing the Uniform Tax Declaration Regime</b>	<b>Chamber of Tax Consultants</b>	Jan 2013	6 months	\$146,320	To Launch
	<i>Description of the Subcontracting Activity</i>				
For the introduction of Uniform Tax Declaration, undertake a Public Education and Outreach Campaign and conduct a Training of Trainers for 200 STS Officials.					
<b>TOTAL SUBCONTRACT AWARDED</b>				<b>\$612,255</b>	

## REFORMA Subcontracting Pipeline

<i>Subcontracting Activity</i>	<i>Anticipated Tender Date</i>	<i>Anticipated Award Date</i>	<i>Target Period of Performance</i>	<i>Anticipated Subcontract Value</i>
IQC for: (1) Event Planning; (2) Market Surveys; (3) Analytical Studies; (4) Public Education; and (5) Information Technology	Feb 2012	Mar/Apr 2012	1 year with renewable option	N/A
Training of Trainers of Regional Business Associations and University Students for the Introduction of the Uniform Tax Declaration Regime.	Jan 2013	Feb 2013	5 months	\$75,000
Survey of the Business Environment for the Mining and Mineral Resources Sector.	Feb 2013	Mar 2013	6 months	140,000
HICD Assessment of Third Counterpart Institution	Mar 2013	April 2013	4 months	\$75,000
<b>Total Anticipated Award</b>				<b>\$290,000</b>

## 10. Quarterly Financial Report

<b>Budget Cost Elements</b>	<b>Budgeted Amount</b>	<b>Disbursed Amount</b>	<b>Accrual Amount</b>	<b>Expended Amount*</b>	<b>Remaining Budget to Complete</b>
<b>Labor</b>	<b>\$1,004,654.53</b>	<b>\$428,235.70</b>	<b>\$43,299.04</b>	<b>\$471,534.74</b>	<b>\$533,119.79</b>
<b>Program Expenses</b>	<b>\$4,099,545.59</b>	<b>\$287,653.99</b>	<b>\$16,023.15</b>	<b>\$303,677.14</b>	<b>\$3,795,868.45</b>
<b>ODCs</b>	<b>\$777,382.34</b>	<b>\$329,260.17</b>	<b>\$106,261.00</b>	<b>\$435,521.17</b>	<b>\$348,861.17</b>
<b>Overhead</b>	<b>\$499,292.43</b>	<b>\$211,971.46</b>	<b>\$21,536.94</b>	<b>\$233,508.40</b>	<b>\$3265,784.03</b>
<b>G&amp;A</b>	<b>\$1,105,479.93</b>	<b>\$256,774.64</b>	<b>\$38,228.64</b>	<b>\$295,003.28</b>	<b>\$810,476.65</b>
<b>Fixed Fee</b>	<b>\$227,243.02</b>	<b>\$45,425.29</b>	<b>\$6,760.46</b>	<b>\$52,185.75</b>	<b>\$175,057.27</b>
<b>Total</b>	<b>\$7,713,597.83</b>	<b>\$1,559,321.25</b>	<b>\$232,109.23</b>	<b>\$1,791,430.48</b>	<b>\$5,922,167.35</b>

Disbursed + Accrued

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