



USAID
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KYRGYZ REPUBLIC

USAID Business Growth Initiative (BGI)

Year 2, Third Quarterly Report

Second Quarter 2016

July 30, 2016

This publication was produced for review by the United States Agency for International Development. It was prepared for the USAID Business Growth Initiative Project, task order number AID-176-TO-14-00001, implemented by Deloitte Consulting, LLP

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USAID BUSINESS GROWTH INITIATIVE
CONTRACT NUMBER: AID-176-I-11-00005
TASK ORDER NUMBER: AID-176-TO-14-00001

DELOITTE CONSULTING, LLP

July 30, 2016

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1. Summary of Activities and Major Accomplishments during Second Quarter of 2016

The following have been BGI's primary activities and major accomplishments in the second quarter of 2016:

European Clothing Retailers' Buying Missions to Kyrgyzstan

In June, Kyrgyz apparel makers hosted first-time visits of executives from two European retail chains seeking to add Kyrgyzstan to their global clothing sourcing strategies. The first was the initial mission of Brothers, a mid-sized Swedish purveyor of tailored men's clothing. The second was KIK, a €2.2 billion value German retailer with more than 3,300 stores in nine European countries. After touring several firms to investigate Kyrgyzstan's competitive production advantages, the firm decided to award a trial order of 50,000 pieces to Salkyn, one of BGI's participating factories. If the trial is successful, KIK will place an order of half a million articles by January 2017. KIK's International Sourcing Director Stefanie Artmann said that Kyrgyzstan is well-positioned to benefit from a growing decline in China's dominance in apparel making due to rising costs and alternative development economic priorities. The European Union's recent award of duty-free status for Kyrgyz apparel imports (GSP+) is also a huge advantage in accessing Europe, she said. She presented opportunities for Kyrgyz producers within the firm's global sourcing strategy and outlined steps Kyrgyz firms need to take to meet KIK's requirements for global suppliers, particularly emphasizing corporate social responsibility at an Innovation Club meeting on June 9.

Social Responsibility Audits of Apparel Firms

To help Kyrgyz apparel makers meet corporate social responsibility (CSR) requirements of international clothing brands, BGI engaged Hong Kong-based Consulting Service International (CSI) Ltd. in April to undertake compliance audits of eight leading firms. The baseline assessments identified the primary ways in which Kyrgyz apparel firms must strengthen their management and production systems to ensure that they meet minimum standards established by buyers. While the assessments found that Kyrgyz firms fall far short of meeting certification requirements of the Business Social Compliance Initiative (BSCI), a business-driven certification program to which most European retailers are members, all firms received positive ratings for their developmental potential – that is, whether their shortcomings can be significantly improved by implementing a stringent plan of corrective action. The auditor found that none of the firms violated the most serious infringements, such as use of child or forced labor or environmentally hazardous manufacturing practices, that would demand significant and long-term investment to meet compliance standards. Further, most European retailers are willing to issue purchase orders to firms that are implementing rigorous corrective actions such as installing fire prevention and safety systems and introducing labor contracts and other measures designed to protect workers. Upon the completion of the audits, BGI sponsored a presentation to 20 *Apparel Innovation Club* members to introduce BSCI standards and how to obtain BSCI certification. BGI is now working with apparel firms to develop plans for corrective action and to implement identified steps for ameliorating deficiencies.

Launch of Internet Strategy and Online Presence Support for Tourism Promotion

BGI launched a tender to local marketing firms for the development of an internet and social media marketing and implementation strategy to link the efforts of stakeholders throughout the tourism value chain to sell Kyrgyzstan as a tourist destination. Currently a fragmented system of tour operators, hotels and restaurants, tour guides, transportation services and others, the tourism sector needs to promote public-private cooperation in marketing and delivering a more comprehensive set of experiences to visitors across the country. BGI's internet marketing strategy will build on two key government efforts, the soon-to-be-launched tourism website currently developed by the Tourism Department of the Ministry of Culture, Information and Tourism, and the upcoming 2016 World Nomad Games (WNG) in September. The WNG will generate a culturally rich source of images and video with which Kyrgyzstan can weave a compelling story for promoting unique tourism experiences. The BGI strategy will link the central tourism website with the internet platforms of DMOs and tourism businesses around the country.

BGI then plans to provide assistance to DMOs, guest houses, tour operators and other services to develop electronically interconnected linkages and a coordinated set of social media marketing strategies based on harmonized key works and hash tags, ‘memes’ (stories) and other tools designed to optimize and reinforce website searches and content delivery. BGI intends to award the contract in the third quarter.

Installation of Road Signs to Support Tourism

To improve access and promote awareness of tourist attractions, BGI hired *Welcome to Kyrgyzstan*, to design, manufacture, and install 89 road signs throughout Kyrgyzstan, focusing initially on signage supporting sponsored destination management organizations (DMOs) in Karakol, Jyrgalan, and Osh. In Karakol and Osh, BGI will and install pedestrian maps to major attractions in the cities and signs to key landmark sites in Issyk-Kul’s tourism resort areas. The brown signs adhere to the internationally recognized color and format for parks and recreation and mirror the signage the company previously installed to attractions in Karakol and around Lake Issyk-Kul in 2012. All of the signs are expected to be installed by the end of the third quarter, while nearly 50 signs will be in place in Issyk-Kul by the opening ceremony of the World Nomad Games on September 3. Following this phase of the signage initiative, BGI will consider launching a second wave of signage installation that will take place in the spring of 2017.

Guest House Improvement Pilot in Karakol

To help *Destination Karakol* to address identified challenges in hospitality service standards, BGI engaged Yvonne Halling, an international Bed & Breakfast (B&B) ‘coach’ to pilot implementation of a guest house management and marketing capacity building program. The two-module course, which took place in April and May, exposed 25 guest house owners and managers to trends in hospitality, goal setting, time-management and marketing practices. The first module focused on creating a service culture and implementing international standards in housekeeping, room management, interior design, and processes for guest registration, obtaining customer feedback, managing finances and selling additional services. The second module focused on creating essential marketing systems necessary for successful business promotion, guest attraction and branding consistency. Ms. Halling taught participants how to create and maintain promotional programs on all primary social media platforms and employ customer relationship management (CRM) practices, including upselling, referrals and generating repeat business. Managing booking systems was also a key feature of the second module. BGI plans to roll out this capacity development pilot to Osh in the autumn and to employ Karakol participants in the training delivery system to build program sustainability in Kyrgyzstan.

Museum Capacity Development Program

Since museums are an integral way to convey the history and culture of the Kyrgyz people to tourists, BGI has launched a training program in the second quarter to help museum professionals make the transition from caretakers of cultural artifacts to facilitators of cultural experiences. BGI teamed up with the Center for Museum Initiatives (CMI) to develop and implement the four-module course that will take place throughout the remainder of 2016. The first module, led by experts from the *Moscow Museum Design Lab*, promoted the role that museums play within the tourism value chain and sought to build and strengthen networks and collaboration between museums and tour operators. The second, focused specifically on creating and enhancing the impact of museum exhibits, was conducted by professionals in museum management from the Republic of Georgia. The last two modules will be delivered in the fall in which participants will be exposed to marketing and communications, fundraising, and formulating private partnerships. Museum professionals from 20 museums across Kyrgyzstan and seven tour operators participated in the first two of four training modules in Cholpon Ata and Osh in May and June. Since the beginning of the program, participants conceived of and began to develop specific exhibition ‘products’ that they will continue to polish throughout the four-part training program. In November, they will present a total of 17 projects to seek funding for their implementation from the private sector, donor community and other philanthropic organizations interested in promoting tourism and cultural heritage.

2. Challenges and Risks to Project Implementation

As previously communicated, by far the largest challenge and risk that BGI faces relates to the future of USAID programming relative to the Government of the Kyrgyz Republic's unilateral termination of the 1993 bilateral agreement with the United States Government in August 2015. As USAID is well aware, this places future USAID programming at risk, including the delivery of the BGI Project. BGI is awaiting USAID's resolution of this diplomatic issue. In the meantime, BGI has focused primarily on delivering assistance under our value chain development activities and has generally found ways to avoid payment of VAT in pursuing these activities.

In the second quarter of 2016, two members of BGI's international resident team left the project, both of whom were members of BGI's senior management team. The project had planned the departure of Ms. Tanja Georgievska in June because it had become increasingly clear that managing human capital development activities separately from those for developing the overall value chains was inefficient and detracted from the seamless delivery of capacity development activities. Further, Ms. Georgievska had been working with BGI and USAID's prior project, REFORMA, for more than three years, and it was believed that most of her knowledge of USAID's Human and Institutional and Capacity Development (HICD) model had been sufficiently transferred to local staff. Since nearly all of her staff's work had gravitated to tourism sector development, BGI decided to place these activities into the tourism value chain component to be managed with the delivery of tourism development activities.

But BGI also unexpectedly lost another member of its international resident team during the second quarter. Mr. Fred Levitan, who was responsible for the implementation of all of the value chain activities of the project decided to leave the project for personal reasons amidst plans to hire an international advisor to assume responsibility for managing the tourism component who would report directly to the Chief of Party. Mr. Levitan left the project in April.

The loss of these two advisors does present some risk to the achievement of project implementation goals, but BGI management believes these have been mitigated in the short run by hiring two short-term advisors to move tourism value chain activities forward, which had been falling behind in project implementation under Mr. Levitan's leadership. By early in FY2017, BGI intends to recruit and mobilize an international resident advisor with specialization in tourism for a one-year period while continuing to rely on our short-term advisors during the period of transition.

In the short run, management of the apparel value chain will continue as is, with Mr. Mike Mikkelsen, senior short-term advisor, providing direction in apparel sales and capacity development, and BGI's apparel sector project manager, Mr. Artur Aliev, ensuring that the project continue to produce development results in line with BGI's contractual goals. In the meantime, BGI's Deputy Chief of Party, Gulnura Djanybaev, has been providing steady leadership with the Chief of Party in the delivery of all value chain activities, particularly since her role as head of BGI's business environment improvement activities has been diminished with the suspension of most of these activities as a result of cancellation of the bilateral agreement.

BGI's continued reliance on Mr. Mikkelsen does pose some project implementation risk, particularly as BGI seeks to structure a potential change in the project's formal relationship with him that could result in separation of our relationship if all parties are unable to come to agreement. Nevertheless, as part of BGI's third year work plan, the project has proposed activities designed to diversify reliance on Mr. Mikkelsen's business model by expanding activities that help self-selected apparel sector front-runners and leaders to pursue a strategy of promoting their own clothing brands through several sales channels, targeted to small retailers and wholesalers in Russian Central Asia and Kazakhstan. In addition, Mr. Mikkelsen has promoted BGI's expanding its sales force by hiring a part-time sales representative based in Europe, which would, to some degree, diffuse BGI's reliance on Mr. Mikkelsen's continued involvement to achieve project goals. At the same time, the appearance of Kevin Yates (through Mike's invitation) and Karl Borgschulze (associated with the firm BGI engaged to complete social compliance assessments) as trading company owners interested in sourcing apparel for their retail clients, also provides some diversification in sales channels for Kyrgyzstan's apparel firms.

3. Textile/Apparel Value Chain

BGI's Activities in Q2 2016

Visit of Two Leading European Retailers to Kyrgyz Factories

BGI Second Year Work Plan, Apparel, Activity 1.1

In the second quarter of 2016, BGI began to generate visible results from the marketing and sales initiatives undertaken in Europe in March. In June, Kyrgyz apparel makers hosted first-time visits of executives from two European retail chains seeking to add Kyrgyzstan to their global clothing sourcing strategies.

The first visit was the initial mission of a mid-sized Swedish purveyor of tailored men's clothing. Begun in 1992, Brothers operates 75 stores in Europe, most of which are in Sweden, that specializes in men's tailored and smart casual clothing. CEO Peter Bondelid and Product Manager Federico Baudone, visited Zorin and Danil (Renovacio) for tailoring and Salkyn for basic T-shirts and shared their feedback about the potential of Kyrgyzstan as a sourcing destination for Brothers during the May meeting of the Innovation Club. They were impressed with the quality and price of samples prepared for their visit, but suggested that Kyrgyzstan should differentiate itself from other sourcing destinations by providing additional services in style and product design. The Brothers business model differs from other retailers in that it often seeks more style and design input from suppliers than other, primarily larger brands. While Brothers did not place an immediate order with Kyrgyz firms, the company intends to monitor improvement in production and quality control with the intention of placing future orders.

The second visit was from KIK, a €2.2 billion German value retailer with more than 3,300 stores in nine European countries. International Sourcing Director Stefanie Artmann and Clothing Engineer Jevgenija Prüßmeier visited Salkyn and Zorin factories. After Salkyn prepared counter samples and quotations for nine styles in different fabric options, Ms. Artmann placed the first trial order for six styles, a total of 50,000 pieces, provided that the factory manages to meet several social, health and safety requirements by mid-August. If the trial is successful, KIK will place an order of half a million articles with Salkyn by January 2017.

In order to successfully fulfill the trial order, the BGI apparel team is working closely with *Salkyn* on the following parameters:

- **Quality System** – Paul Collyer, BGI consultant is providing training to a BGI local hire, Industrial Engineer Elena Lavrik, who is working with Salkyn on improving its quality assurance system;
- **Packaging and Labeling** – The BGI team is investigating sources for procuring the packaging and boxes that meet KIK's requirements. The company also needs to be trained on how to package the products correctly.
- **Social Compliance** – The BGI team is helping Salkyn address several critical issues identified in the CSI corrective action plan. (See section on CSI in this report.)
- **Logistics** – The BGI team will engage a Russian logistics specialist in July to identify the least expensive and most direct methods and freight forwarding firms for shipping final goods to the EU.
- **Fabric** – The BGI team is working with Salkyn, international consultants and a recently hired local input sourcing consultant to obtain low cost fabric from China. The team is also working with Salkyn on improving its cost calculations.

Production Capacity Development of Front-Runner Factories to Meet Buyer Specifications

BGI Second Year Work Plan, Apparel, Activity 1.1

BGI's consultant for production management, Paul Collyer, continued assisting front-runner companies to implement production improvement programs to meet specifications of buyers of European and Russian retail chains.

In April, Mr. Paul Collyer developed a *Factory Operations Manual*, which covers production flow layouts to maximize use of space, time and quality management, inline and post production quality assurance and quality control processes and systems, standard operating procedures (SOPs) for factory processes, standard minute value (SMV) formulas for calculating total production costs into price quotations, optimal processes for managing material intake, material storage, cutting, sewing, and finishing/packing. The Manual also includes: factory quality management report templates, proposed factory organizational charts with identified roles and responsibilities, and factory daily score cards to assess company performance. This manual will form the basis of implementing key operational improvements in all participating factories.

In May, Mr. Collyer visited Kyrgyzstan and worked closely with seven BGI front-runner and leader companies to explain the manual and templates in detail. Included in the manual was a self-assessment for quality assurance, which six of the companies completed prior to his arrival. Although the assessments showed that a deal of work needs to be completed to meet all of the assessment points, there are areas that can be addressed relatively quickly that will position them to have viable quality management systems and practices since the assessment criteria represent achievement of 'world class' status.

The objective of these visits to were to clarify any areas of misunderstanding and to come to an agreement between the companies and BGI on the priority areas for improvement and development of corrective action plans for quality assurance. While the Factory Operations Manual outlines a comprehensive set of Standard Operating Procedures (SOPs) for implementing quality assurance systems and practices, each procedure requires supporting materials and documents to be developed that are specific to the needs of each company and its products.

Of the seven companies participating in these improvement programs, the team gave priority to assisting Zorin and Salkyn because they are the leading firms poised to receive initial orders from European and Russian retail chains. (Salkyn subsequently received the trial order from KIK for 50,000 pieces and Zorin received an initial \$40,000 order for women's dresses from Russian-based Mellon Fashion Group as a result of a February marketing mission to Russia.) The self-assessments revealed that Zorin and Salkyn are starting from different points. Zorin requires only initial guidance then will implement the corrective action plan on its own, with only periodic monitoring. Salkyn, however, requires much greater support. Nevertheless, for both Zorin and Salkyn, the primary need is to implement a needle control policy as required by international brands and to upgrade (Zorin) and implement (Salkyn) final inspection and audit procedures.

Ms. Elena Lavrik, a local industrial engineer whom BGI hired as a consultant, accompanied him in all of his assistance efforts to ensure knowledge transfer of modern production practices and techniques and to carry production improvement actions with the factories during Mr. Collyer's absences. For the remainder of the quarter, Ms. Lavrik has continued working with the companies to support implementation.

Trial Orders and Product Development with Established Network of Russian and European Retailers

BGI Second Year Work Plan, Apparel, Activity 1.1

As the result of the marketing and sales initiatives in February and March, BGI firms received many requests from potential buyers for product sampling and costing. During the first five months, from February until mid of June, 11 clothing factories prepared 105 product samples eight retail chains - five European and three Russian.

Samples Produced per Month

Factories	February	March	April	May	Mid-June	Total by Factory
Aktis	1	1	5			7
Ardamina		3	1			4
Dilbar			5			5
E-Line Moda	1			2		3
Larisa Fashion			1			1
Nazik	8	3	9	7		27
Olga Classic	1	1	2			4
Panin	7	1	4	2		14
Salkyn			1	8	13	22
Tedis		1				1
Zorin	4	1	6	6		17
Total by Month	22	11	34	25	13	105

The following provides the status of discussions with the initial eight firms which BGI is currently pursuing:

MELON FASHION GROUP (Swedish-Owned, Russian-Based)

The Swedish-owned Melon Fashion Group (MFG) operates under three woman's brands (Zarina, Love Republic, and Befree) and offers trendy, fashionable, high quality products in approximately 600 stores in Russia. Product sampling and costing this spring and continuous communication with the buyer resulted in a firm order in April for Zorin for one dress style of 5,035 pieces. (See table below.) Although Zorin does not specialize in women's dresses, the company's strong quality control and inspection system resulting in receiving MFG's first order. In June, MFG then placed a second order at Nazik for 4,497 pieces of woven dresses to be delivered in September. See the summary of these orders in the table below:

Melon Fashion Group – Initial Orders for Kyrgyz Apparel Firms

Order and Product	Customer	Factory	To Be Delivered	Quantity	Value
#1 – Dress	MFG (Russia)	Zorin	August 2016	5,035	\$39,273.00
#2 – Dress	MFG (Russia)	Nazik	September 2016	4,497	\$39,573.60
TOTAL				9,532	\$78,846.60

CONCEPT CLUB (Russia)

The company owns three brands – Concept Club, Acoola Kids, and Infity Lingerie – and operates about 200 stores in Russia. Concept Club is a brand targeted to young audiences. It provided several styles for sampling and costing, and the BGI apparel team is working with factories to deliver them.

TAKKO (Russia)

In total, Kyrgyz firms prepared four sample styles, but further collaboration has been put on hold due to unclear financial status of the firm.

NELLY.COM (Sweden)

Founded in 2004, Nelly.com is one of the biggest on-line retailer in Northern Europe with €175 million in annual turnover. Nelly targets the young and active market by following fashion bloggers and celebrity fashions. Its NLY private label accounts for about 40% of total sales. The BGI apparel team has had two meetings with company representatives. This is one firm that encourages suppliers to proposed fashion designs (similar to Brothers), which necessitates additional design skills of apparel firms.

PRIMARK (Ireland)

Primark is an Irish clothing retailer operating in the EU and the US. Comparable to the low-cost, US-based Walmart, Primark offers a wide range of products, including newly born and kids clothing, women's wear, men's wear, home ware, accessories, footwear, beauty products and confectionery. Its annual buying budget is approximately \$4 billion. At the request of top management, the BGI team presented Kyrgyz-made copies of Primark's own products to compare costing and quality. The team also presented some trend boards with new product samples. As the result of the meeting, PRIMARK requested that BGI develop some new models, prepare samples and then meet again with their buying departments. Currently, BGI is working with factories on style development and sample production.

ASOS (UK)

ASOS is a British online fashion and beauty store primarily targeted to young adults. With 2015 revenue of £1.2 billion, ASOS sells more than 850 brands as well as private label clothing and accessories. The BGI team met with representatives of production department and original clothing designs prepared by the factories, received good feedback from the firm for its trend boards. Currently, BGI is awaiting guidance from ASOS about next steps in further cooperation.

BROTHERS (Sweden)

Discussed previously, the medium-sized retailer focuses on men's tailoring. The firm visited several Kyrgyz factories in May and were satisfied with style samples produced. The firm is currently considered expanding its international sourcing to include Kyrgyzstan.

KIK (Germany)

Discussed previously, KIK has placed a trial order of 50,000 pieces, approximately \$65,000 in value, with Salkyn for October delivery. If satisfied, it will place an order for 500,000 pieces by January 2017.

Innovation Club Meetings*BGI Second Year Work Plan, Apparel, Activity 1.2*

Since August 2015, BGI has been conducting monthly Innovation Club as a way to share experiences and promote implementation of best practices among Kyrgyz apparel front-runner and leader firms and to keep them informed about project results and future activities. In the second quarter of 2016, BGI conducted three Innovation Club meetings: (1) April 19 (6th meeting); (2) May 30 (7th meeting); and (3) June 9 (8th meeting).

At the Innovation Club meeting on April 19, Mike Mikkelborg and Yulia Ediger, shared with the Innovation Club members the results of meetings with European retailers such as Nelly (Sweden), Brothers (RNB Group, Sweden), and United Colors of Benetton (Italy) that had been conducted in March. The firm with the most immediate interest was Brothers, which planned a visit to Kyrgyzstan for May. In addition, Yulia Ediger presented findings from the recent business trip to China in which she and the BGI apparel team explored textile mills and investigated types of fabrics, shipping options from Chinese mills to Kyrgyzstan, and third party quality inspection opportunities in China. After the meeting, representatives of Kyrgyz apparel companies had a better understanding of the marketing initiatives carried out by BGI consultants in Europe. They also were introduced to opportunities in

working directly with Chinese textile mills rather than bazaar wholesalers in Bishkek, and began to understand how to place orders, manage quality assurance, and ship fabrics to Kyrgyzstan.

In May, BGI hosted the first visit of European retailers to Kyrgyzstan – Brothers (RNB Group) from Sweden and KIK from Germany. The Brothers delegation, headed by CEO Peter Bondelit and Production Manager Federico Baudone, visited several factories for tailoring and shared their feedback about the potential of Kyrgyzstan as a sourcing destination for Brothers during the Innovation Club on May 30th.

In June, the eighth Innovation Club meeting was devoted to a presentation by KIK, the second European retailer to visit Kyrgyzstan this spring. With annual sales of €2.2 billion, KIK is one of the leading German brands with more than 3,000 stores in eight European countries. At the meeting, Ms. Stefanie Artmann presented KIK’s global sourcing strategy and the role that Kyrgyz producers can play in supplying apparel to the retailer. She said that Kyrgyzstan is well-positioned to benefit from a growing decline in China’s dominance in apparel making due to rising costs and alternative development economic priorities. The European Union’s recent award of duty-free status for Kyrgyz apparel imports (GSP+) is also a huge advantage in accessing this market, she said.

At the meeting, Ms. Artmann announced that she was placing a trial order with one of Kyrgyzstan’s factories (Salkyn) under condition that the factory manages to meet several social, health and safety requirements. At the meeting, she highlighted that Kyrgyzstan has great potential to develop sourcing relationships with EU retail buyers, recommending that companies “stop dreaming and start doing” – by working on meeting international production standards and social responsibility requirements, improving quality, reducing lead times, completing accurate costing analysis, and completing better market research with the help of donor programs like BGI.

Exploring Tajikistan’s Textile Mills as an Alternative Source of Yarns and Fabrics

BGI Second Year Work Plan, Apparel, Activity 1.1

As a result of sales initiatives, the BGI apparel team identified demand for garments made of cotton jersey. Although China supplies most Kyrgyz jersey manufacturers cotton yarn, most raw cotton and much cotton yarn is actually produced in Central Asia, particularly Uzbekistan and Tajikistan. The cotton fiber produced in these countries is of higher quality (staple size is longer), proximity to Kyrgyzstan can result in considerable savings in transportation costs and shorter lead times. Since cotton fiber and derivative cotton fabrics from Uzbekistan are banned for purchase by socially conscious buyers from Europe due to the prevalence of child and forced labor in Uzbekistan, BGI decided to investigate opportunities for supply in Tajikistan. On April 28-29, BGI visited five leading cotton mills in the Sughd Region of Tajikistan to explore the production potential of Tajik cotton processing mills. They visited the following mills:

- Olim Textile (closed joint stock company), www.olimtextile.tj (Sughd Region);
- R.B.T. Tajikistan spinning, www.rbt-spinnig.com (Khudjand);
- Giavoni LLC – color jeans division of Carrera Jeans (Khudjand);
- Spitamen Textiles (Khudjand);
- Nohid (Istaravshan);
- Nassoji Khujand (Khudjand)

The objectives of the trip were to identify prospective mills that can provide different types of cotton yarns, cotton fabrics, dyeing of yarns and fabrics, and spinning and knitting services. BGI subsequently prepared short profiles of each mill and brought back product samples, where possible. As a result, BGI has made the following recommendations:

- The mill offering the best opportunities for cooperation is Olim Textile in the Sughd region. It has modern equipment, sufficient production capacity (14,000 kg/daily), and can provide good quality yarns;

- A new factory to be launched in Dushanbe this year will offer the most advantageous opportunity for dyed yarns;
- Alternatively, Kyrgyzstan can source knit fabrics and then dye them at the Nohid factory in Istaravshan.

BGI and its advisory team has identified that knitting and fabric dyeing services will (theoretically) not be needed from Tajikistan once Salkyn opens its new factory in Tokmok this coming October. The new plant will knit fabrics, and do both dyeing and printing. However, yarn spinning will remain a missing part of the cotton value chain in Kyrgyzstan, where Tajik mills can act as a backup until a similar plant is put in place locally.

Social Compliance Assessment of Eight Clothing Factories

BGI Second Year Work Plan, Apparel, Activity 1.1

• Following meetings with potential buyers in the United Kingdom, Sweden and Italy to determine the requirements in production capacity, delivery time, ethical standards and quality, the BGI apparel team identified the strengths and weaknesses of the local apparel companies in meeting the requirements of EU retailers. Kyrgyzstan is strong in terms of cost, location, clean energy supply and favorable trade agreements with Russia and EU. However, local apparel companies were not compliant with the international industry social responsibility, health and safety standards. With increasing global attention on consumer safety, labor rights, and environmental protection, international retailers are intensifying their commitment to ensure that apparel suppliers adopt healthy and safe manufacturing practices.

To help Kyrgyz apparel makers meet corporate social responsibility (CSR) requirements of international clothing brands, BGI engaged Hong Kong-based Consulting Service International (CSI) Ltd. in April to undertake compliance audits of eight leading firms. The baseline assessments identified the primary ways in which Kyrgyz apparel firms must strengthen their management and production systems to ensure that they meet minimum standards established by buyers. Most European buyers are members of the Business Social Compliance Initiative (BSCI), a business-driven certification program that ensures supply chain compliance with safety practices aligned with international standards.

While the assessments found that Kyrgyz firms fall far short of meeting certification requirements, all received positive ratings for their developmental potential – that is, whether their shortcomings can be significantly improved by implementing a stringent plan of corrective action. The auditor found that none of the firms violated the most serious infringements, such as use of child or forced labor or environmentally hazardous manufacturing practices, that would demand significant and long-term investment to meet compliance standards. (See table below.)

Further, most European retailers are willing to issue purchase orders to firms that are implementing rigorous corrective actions such as installing fire prevention and safety systems and introducing labor contracts and other measures designed to protect workers. Overall, the audit found that firms were unaware and not intentionally negligent of international practices and how to meet standards for compliance.

Upon the completion of the audits, BGI sponsored a presentation to 20 *Apparel Innovation Club* members to introduce BSCI standards and how to obtain BSCI certification. Currently, BGI is working with apparel firms to develop plans for corrective action and to implement identified steps for ameliorating deficiencies.

Overall Result of CSR Audit of Kyrgyz Apparel Firms

Company	Current Social Performance	Development Potential
Zorin	Critical	High
Salkyn	Critical	Medium
Ardamina	Critical	High
Panin	Critical	Medium
Nazik Fashion	Critical	Medium
E-Line Moda	Critical	High
Renovacio (Danil)	Critical	High

The Social Performance criteria are the following:

Alert	Extraordinary conditions were found during the assessment, e.g. unsafe building and working conditions, notice of child labor, etc.
Critical*	Violation in more than 1 critical issue
Improvement Needed	No violation to critical issues but with more than 10 minor non-compliant issues
Good	No violation to critical issues but with less than 10 minor non-compliant issues

* Critical Issues

- Insufficient wage payment
- Insufficient rest day
- Unsafe working condition (building and fire safety)

Presentation to American Chamber of Commerce in Hong Kong

BGI Second Year Work Plan, Apparel, Activity 1.1

On June 16, Mike Mikkelsen, BGI's senior apparel advisor presented Kyrgyzstan's competitive advantages to representatives international apparel buying offices at a breakfast meeting of the Apparel & Footwear Committee of the American Chamber of Commerce in Hong Kong. At the meeting, Mr. Mikkelsen highlighted Kyrgyzstan's quick-response capabilities to service European retailers with high-quality products, prices and a two-week advantage in delivery times over East Asian competitors. He benchmarked Kyrgyzstan's advantages compared to those of China, Myanmar, Cambodia and Turkey and outlined Kyrgyzstan's 10-year development strategy and action plan to capture market share from competitors facing rising labor costs, transportation delays and quality control challenges.

Mr. Mikkelsen emphasized that leading retailers and brands are beginning to discover Kyrgyzstan as a desirable sourcing alternative and outlined why Kyrgyzstan is a viable new contender for apparel buying budgets, illustrating competitive advantages with a case study based on a Kyrgyz dress manufacturer. He also stressed that low cost need not come at the expense of low labor wages, citing Kyrgyzstan's relatively high level of worker productivity that can offset the impact of higher wages on wholesale prices.

The presentation followed a period of networking in which Mr. Mikkelsen distributed a copy of a magazine he and the BGI team designed to introduce potential buyers to key Kyrgyz factories and their products. Representatives of companies like H&M, KIABI, Sears/Kmart, sourcing and logistics companies were present in the event and expressed interest in cooperating with Kyrgyz apparel companies. Several logistics firms, such as KGS Sourcing and VF Global Sourcing, commented that Kyrgyzstan could fit into the global supply chain strategy. The founder of Cargo Services and Allport, Mr. John Lau, is also considering seeking a Kyrgyz joint venture partner to build a transportation business linking Kyrgyzstan to Europe.

Knowledge Transfer and Building the Capacity of BGI's KCTAR

BGI Second Year Work Plan, Apparel, Activity 1.1

During the second quarter, BGI expanded the staff of KCTAR's local consultants in order to ensure that the knowledge and know-how of BGI's Russian and international consultants are transferred to Kyrgyz professionals. Four local consultants specializing in the apparel sector joined BGI's KCTAR team during this period, as well as a Russian consultant specializing in fabric and accessories sourcing. Kyrgyz specialists include:

- Industrial Engineer/Social Compliance Specialist –Elena Lavrik
- Quality Assurance Specialist – Nazgul Ramatova
- Input Sourcing Specialist – Nargiza Abdugaparova
- Production Technologist – Irina Vladimirova
- Merchandiser/Input Sourcing –Alexandra Chernova

Now, the BGI KCTAR team consists of four experienced specialists from Russia and four local specialists. The team is expected to grow further by recruiting a local pattern maker, logistics specialist, and graphic designers.

Launch of Innovation Centers in Bishkek and Osh

BGI Second Year Work Plan, Apparel, Activity 1.4

To help small firms continue to compete in traditional bazaar markets, BGI formed a strategy to provide collective assistance to these firms and found an efficient way to reach them – at their point of production within former Soviet factories housing multiple workshops. Following a request for applications for creating apparel *innovation centers* in these factories to supply outsourced services to small apparel workshops, BGI selected two companies – TeDIS, located in the *First of May* factory in Bishkek and Dastan Style LLC, in the centrally located *Dom Bita* in Osh – as recipients of assistance to establish innovation centers. BGI will provide seed capital to these firms through its grants program.

TeDIS – TeDIS will serve the 52 small workshops in the 1st of May factory complex, each employing an average of 10 workers. The small companies located in the complex provide tailoring and limited range of production services to the Kyrgyz wholesalers who, in turn, sell to the Kazakh and Russian buyers. These customers often want semi-finished products to be pre-assembled with embroidery. In order to accommodate requests for embroidery services, the small companies have to spend considerable time to travel and work with off-site providers who are usually expensive.

The TeDIS innovation center will provide both laser cutting and embroidery services to save time and material costs for the small workshops. This service will add additional value to their products, which will increase their chances of attracting new customers. The laser cutting and embroidery will be offered as a unique package of services not offered elsewhere at affordable rates. BGI Project is giving an in-kind support to the TeDIS Innovation Center by cost-sharing in the purchase of laser cutting and embroidery equipment.

Dastan Style – The innovation center located in Osh City intends to provide pattern making services as well as practical training to the small companies in the southern region of Kyrgyzstan. The low-cost pattern making services provided by the Dastan Style Innovation Center will help local companies cut costs on creating accurate patterns without having to travel to Bishkek or employing manual pattern-making processes. This will increase the competitiveness of companies in the southern region, both in local markets and those of Russia, Uzbekistan, and Tajikistan. It will also help to prepare highly qualified professionals through practical training using modern technology.

The BGI Project is providing support to the Dastan Style Innovation Center by provide cost-share purchase of the Grafis CAD program, plotter and professional training courses. With this equipment and training, Dastan will provide small workshops with easy and available onsite access to affordable pattern making, which is in high demand.

The innovation centers will give small workshops access to specialized equipment that will improve product quality, reduce production costs and enable expansion of product lines. It is expected that both centers will receive the equipment in August.

New BGI Initiatives Planned for Q3 2016

Determination of Structure of KCTAR

BGI Second Year Work Plan, Apparel, Activity 1.1

Currently, Kyrgyz apparel firms have virtually no experience dealing with the requirements of reputable EU and Russian retailers/brands that operate according to international practices. This lack of experience extends to all operations required to serve the international apparel industry including: production, sourcing, marketing/sales, product development, human resources, compliance, and finance. Kyrgyz companies are unable to create the right marketing and sales packages (accurate cost calculations, samples, delivery terms, finance) nor gain access to the right decision makers. The Kyrgyz firms are also unable to communicate with buyers and understand their requirements. This gap extends also to include major limitations in organizing the entire product work flow, from purchase order to delivery, as Kyrgyz firms do not understand buyers' technical requirements. These limitations have become very clear as Kyrgyz firms have struggled to respond to the price quotations and style requests already generated by pilot selling missions to Russia and Europe. BGI has concluded that Kyrgyz firms are currently unable to meet this demand due to gaps in line-quality assurance, technical specifications, sourcing, pattern making, graphic design, logistics, documentation, compliance (social, labor, environmental, health, safety), and tools through which to provide standard industry financial terms to buyers.

To address these constraints, BGI engaged the services of an experienced senior apparel advisor, Mr. Mike Mikkelsen, who worked with BGI to structure a sustainable non-profit training center, the Kyrgyz Center for Textile and Apparel Research (KCTAR), to address the above constraints in transitioning the Kyrgyz apparel sector to participate in global supply chain markets. During the first quarter of 2016, BGI began exploring with USAID how to structure this entity to be owned collectively by apparel firms, which would provide ongoing guidance and assistance in readying apparel makers for supplying retail Russia and Europe. KCTAR would receive BGI's support during the project period and, subsequently, sustain its activities through monthly membership fees and sales commissions.

This structure is still being considered, but alternative structures have also arisen. Mr. Mikkelsen, currently working as a paid consultant to BGI, has proposed, for numerous rational reasons, to invest in developing these activities by creating a private-sector trading and service company under his ownership. This has led BGI and USAID to consider programming its technical assistance in conjunction with a grant, through BGI's project fund, under similar terms and conditions as USAID's Global Development Alliance (GDA) program. To assist USAID and BGI to structure this transaction, BGI plans to hire a consultant in the third quarter to work with all parties to review, structure and recommend alternative partnership arrangements that meet all USAID legal requirements and development objectives. BGI expects that alternative structures will be proposed in the third quarter to be finalized by the end of 2016.

Selection of Beneficiary Companies for Cycle 2

BGI Second Year Work Plan, Apparel, Activity 1.1

BGI will announce the application process among local clothing factories for selection of companies for participation in the second cycle of BGI's Apparel Development Program. This time, BGI will present a new set of requirements for participation and criteria of selection to the program, which have been adjusted based on experience acquired over the past year with retail chains in Europe and Russia. BGI also plans to eliminate the distinction between front-runners and leaders because experience has shown that there is some fluidity among firms in both groups – several leaders have demonstrated stronger ability to submit style requests and meet international requirements than originally believed and some front-runners have proven disinterested in pursuing strategies to supply retailers as CMT firms. This has

encouraged BGI to develop an approach to assist firms interested in strengthening their own branded clothing lines for sale to Central Asian wholesalers and independent retailers in Russia and Kazakhstan. BGI is currently fine-tuning this approach for submission to USAID as part of our proposed third year work plan.

Preparation of BGI's Third Year Work Plan

During the third quarter, BGI will finalize its proposed approach to continue developing the Kyrgyz apparel sector. It is expected that activities supporting BGI's proposed approach will be launched with approval of the work plan early in the fourth quarter of 2016.

4. Tourism Value Chain

BGI's Activities in Q2 2016

DMO Repair and Renovation Works and Equipment Acquisition

BGI Second Year Work Plan, Tourism, Activity 2.1

In the second quarter, BGI also engaged the services of short-term international consultant, Kyle Gunther, to work with Meg Small and the BGI tourism team to move tourism initiatives forward, particularly those procurements for renovations and equipment identified by BGI-supported destinations. With this additional leadership support, the tourism team was able to make active progress in a number of the activities prioritized for each of the DMOs:

- Completed scopes of work, including technical planning, scope of repairs and renovation, which were approved by USAID;
- Nearly completed the USAID environmental checklists for each renovation and reparation works being supported by BGI;
- Initiated procurement for construction materials for each of these works;
- Initiated procurement of equipment to support DMO operations across Kyrgyzstan.

The following table itemizes the extent, total cost and BGI cost contribution of the repairs, renovation and procurement of goods for DMO members:

SOW	DMO	Recipient	Activity	Proposed BGI Support	Cost Share	Total Cost	Cost Share Percent	USAID Sow Status	Tender and Activity Related Info			
									Announcement	Tender Docs	Environ. Checklist	Complete Date
1	Karakol	Public Initiative	River Park materials/construction	\$57,498	\$50,000 ¹	\$107,498	47%					
2	Jyrgalan	Alakol Guest House (Ibakov)	Construction materials only	\$26,000	\$21,168 ²	\$47,168	45%	Approved	3-Jun	Y	Pending	
		Four potential new guest houses in Jyrgalan	Construction materials only	\$8,000	\$3,600 ³	\$11,600	31%	Approved	3-Jun	Y	Pending	
3	Jyrgalan	Emil Ibakov	Purchase of 3 yurts and platforms	\$13,500	\$18,000	\$31,500	57%	Approved	3-Jun	Y	N/A	
	Osh	Aigul Guest House (Sary Tash)	Purchase of 2 yurts and platforms	\$9,000	\$9,000	\$18,000	50%	Approved	3-Jun	Y	N/A	
4	Osh	Zhukov Guest House	Construction materials only	\$12,335	\$5,550.75 ³	\$17,886	31%	Approved	3-Jun	Y	Pending	
5	Osh	Osh Travel, Ainura Guest House	Stands and chairs	\$2,000	N/A ⁴	\$2,000		Approved	3-Jun	Y	N/A	
6	Osh	Osh Travel, Ainura Guest House	Computer and electrical equipment	\$2,000	N/A ⁴	\$2,000		Approved	3-Jun	Y	N/A	
7	Osh	Chyrmash Guesthouse	Provision of heating elements	\$3,200	\$3,200	\$6,400	50%	Approved		Y	Pending	
				\$133,533	\$110,519	\$244,051						

With SOWs approved by USAID, product specification lists were finalized and procurement processes begun for each of these works during the reporting period. BGI advertised tender announcements associated with the provision of construction materials June 3, 2016, in local newspaper publications in Bishkek (Vecherny List) and Osh (Osh Park), as well as on social media outlets and prepared full tender documentation packages to be readily available for interested bidding parties once the environmental checklists and mitigation plans are finalized. These checklists have proven difficult for BGI to formalize, but with the advice of a newly hired Environmental Office by the USAID/Kyrgyzstan Mission, BGI expects them to be approved early in the third quarter. BGI will make additional efforts to finalize the Karakol checklist only pursuant to receipt of design and approvals from respective state agencies aligned with this municipal park project.

During the quarter, BGI hired Construction Engineer Nurlan Orozbaev to work with each of the DMO Program Managers (and respective beneficiaries) from June-December 2016 to implement all aspects of the construction works, from inception of renovation/reparation ideas to tendering, drafting of checklists to completion and finalization of quality works. Nurlan will add value during the tendering process for renovation works, commit to timely completion and approvals of USAID environmental checklists, and ensure supervision and oversight of repairs and renovations works

The BGI team also initiated procurement for equipment associated with DMOs during this reporting cycle or period. In total, BGI drafted scopes of work to support equipment purchase and distribution and obtained approved from USAID for four (4) distinct tenders. (See table above.) BGI issued three tender announcements associated with this equipment on June 3, 2016, in local newspaper publications in Bishkek (Vecherny List) and Osh (Osh Park), as well as on social media outlets. BGI anticipates finalizing contracts with winning bidders early in the third quarter for delivery and acceptance of equipment by July 30. BGI expect to issue additional equipment tenders for DMOs in the coming quarter.

During the second quarter, BGI also issued a grant to the Karakol DMO to provide administrative and overhead support during its first year of operation. The organization legally registered within Kyrgyz Republic in March and officially opened an office, hired an Executive Director, and began efforts to enhance the institutional capacity of the DMO.

Although the development of the Karakol River Park has been supported by the municipal government since the submission of Karakol's DMO application to BGI in June 2015, final approval had not yet been granted to the DMO. Following the DMO's official registration as a public foundation, it initiated efforts to ensure there is sufficient support for and buy-in associated with the river park initiative among the local community and contracted services to a local professional to prepare a topographical survey necessary to move the project forward during permitting cycle. In June, the municipality finally decided to grant the DMO land usage of the park for 10 years. This milestone decision ensures that the DMO has a partner with the municipality for developing and introducing the park to benefit members of the community for years to come. However, additional permitting and design considerations, as well as cost share structuring of the initiative with BGI, have impeded USAID from making a final decision on funding this project.

Additional *Destination Karakol* Initiatives

BGI Second Year Work Plan, Tourism, Activity 2.1

Following the community launch of the DMO *Destination Karakol* in the first quarter, the DMO formed six smaller working groups along functional lines to define fundamental aspects of the organization's work plan, including marketing, financial, managerial and operational considerations. These working groups have been fundamental in structuring the organization and in building public support around the mission of the organization. The DMO continues to demonstrate commitment to uniting tourism sector players and citizens with a passion to create positive changes in the city. These efforts are paying off. During the second quarter, the Karakol city administration organized a three-day working meeting to develop the city's development strategy for 2016-2020. Local public organizations, firms and other active citizens were invited to attend and participate, and Karakol DMO actively engaged in these strategic meetings, offering ideas in city development through tourism development and promotion.

In addition, one member of the Karakol DMO, Aigul Asakeeva, organized a meeting, sponsored by EBRD, titled "The Role of Public Catering in Tourism Development" for representatives of the hospitality sector and tour operators in Karakol in cooperation with the Tourism Training Center "Success in Cholpon-Ata.. Discussions were based on a local example of the impact of the ethno-café, "Dastorkon". She made a presentation about the café business and described why such enterprises are crucial to the Karakol tourism sector. Members *Destination Karakol* were able to share their experiences and ideas on cooperation.

Guesthouse Management and Marketing Program *BGI Second Year Work Plan, Tourism, Activity 2.1*

In the second quarter, BGI engaged Ms. Yvonne Halling, an international Bed & Breakfast expert and coach, in the implementation of a Guest House Management and Marketing Capacity Building Program pilots in Karakol.

The first of two modules under this program took place on April 26-28, 2016. Module 1 exposed 28 participants (22 women, 6 men) to trends in the hospitality sector, time-management, goal setting, boundaries between family and business, creating a service culture, housekeeping in line with international standards, room management and interior design, processes for checking in/checking out, customer feedback processes, and recording financial information and selling on site. Participants were issued work plans and recommendations with which to improve their respective guesthouse operations. It was foreseen that each owner/manager would implement an array of changes, including adaptation and use of financial spreadsheets, creation of new websites to be started or built, cleaners and housekeepers hired and trained, tasks delegated to staff to allow more time for marketing, discounting schemes eliminated for many guest houses, prices for services increased, and overall commercial orientation and outlook introduced. It was noted at the holding of the second training series, that many of these interventions and recommendations had been implemented.

On June 1-4, a second module training series focused on marketing and promotion for guesthouses was held for 25 participants (17 women, 8 men). The focus of this follow-on training course was more aligned with guest or tourist attraction, followed by introduction to upselling and repeats/referrals systems with special attention to online marketing. Participants learned of marketing systems necessary for successful business, such as CRM system, creating and maintain accounts on multiple social media platforms, branding consistency, and creating booking forms and list managers.

Given the success of this training series in Karakol, BGI is considering avenues through which to replicate this training in other geographic locations of the country, with a focus on guest houses in the South. BGI will determine the parameters of this proposed program during the third quarter.

In addition to classroom, training BGI organized individual consulting sessions for DMO founders (Madina Balakhisheva, *Madanur Hotel*; Andre Wolkorte, *Riverside Guesthouse*; Elaman Imashov, *Hostel Nice*; Almaz Kemelov and Zina Kemelova, *Jamilya Guesthouse*) within both modules. This engagements included a detailed assessment of respective properties, staff, and management, marketing and housekeeping practices, followed by detailed recommendations. Among improvements made in their properties are: separation of personal and business finances; introduction of the financial spreadsheets; hiring housekeepers; arranging check-in/front office area; investment in better internet connection; re-decoration of properties.

The program was also supported by series of webinars and a Facebook group page to ensure constant communication flow with the training participants, answer questions and provide additional consultancy if needed.

Formal Registration of the Jyrgalan DMO *BGI Second Year Work Plan, Tourism, Activity 2.1*

During the second quarter, the Jyrgalan DMO advanced efforts to formalize itself as an official organization representing the interests of the Jyrgalan community. A June 2016 meeting with approximately 20 community members resulted in a decision to register as a public union with the Ministry of Justice, to be named *Destination Management Organization in Jyrgalan*. The DMO will be responsible for: (1) development and support to activities enhancing tourism development and promotion of Jyrgalan as an upcoming destination; (2) introduction of a capacity development program for creating tourism service businesses in Jyrgalan; (3) procurement of key equipment necessary to create a cadre of services of interest to prospective tourists; and (4) support of other services related to the public good and community of Jyrgalan. Initially, there will be five founding members of the DMO.

Jyrgalan as a community lacks sufficient infrastructure and guesthouse capacities necessary to support larger numbers of tourists envisioned for winter and summer tourism in the near to longer term future. Over the course of the second quarter, BGI began to address this deficiency by assessing the potential capacity of five community entrepreneurs to open additional guest houses in Jyrgalan. Upon USAID approval, BGI initiated the procurement of construction materials to improve the comfort and attractiveness of these future guest houses to tourists. BGI will finalize the procurement of construction materials and begin renovation works in the third quarter.

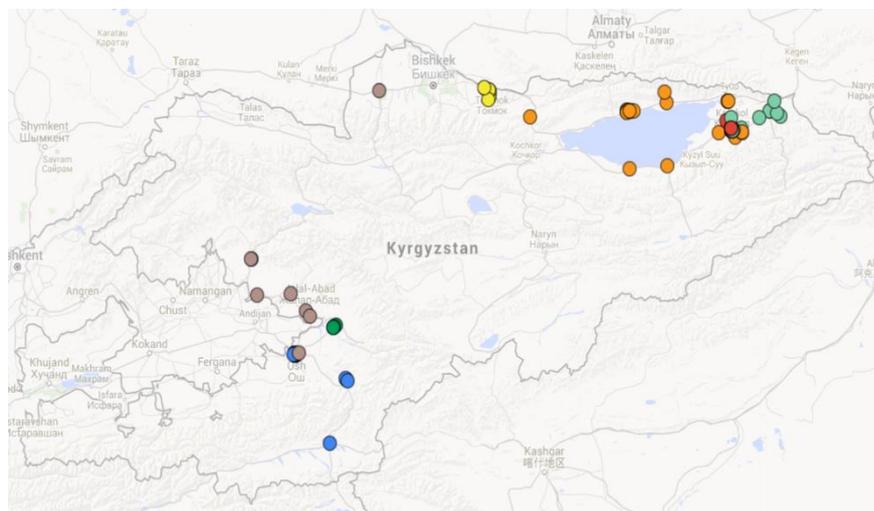
Additionally, BGI has worked with members of the Jyrgalan DMO to identify tourism-related services that can be developed by community members as sources of income and tourist satisfaction. This includes trekking/hiking guided tours, camping and yurt camp services, cycling tours, and horseback riding services. BGI will develop a capacity development program for implementing these micro-businesses and procuring equipment to support the businesses during the next quarter.

Installation of Signage for Tourism Attractions

BGI Second Year Work Plan, Tourism, Activity 2.1

Lack of signage was identified as a key constraint to basic tourism infrastructure across Kyrgyzstan and all four tourism-related DMO destinations supported by BGI. During the first quarter, BGI conducted a competitive tender for manufacturing and installation of signage across the country, which was awarded to Kyrgyz vendor *Welcome to Kyrgyzstan*.

During the second quarter, BGI and a representative of *Welcome to Kyrgyzstan* completed two trips to seek the input of DMOs regarding the type of signage best suited for locations, as well as physical geographic locations of proposed signage. The team identified a total of 89 signs in 85 locations around the country as priorities for installation. Since the US government is planning to support repairs of the Uzgen mausoleum under a separate project, BGI included signage for this tourist attraction in its overall plan, as well as several other locations on the way to the selected destinations.



Welcome to Kyrgyzstan is in the process of finalizing the designs of all signage and will begin installation in of the first seven signs in Burana beginning in July. The vendor developed an extensive database with an interactive map to provide visualization of detailed installation plans. This map will be accessible to BGI management, as well as USAID, to keep track of the installations process. BGI anticipates all proposed signage will be installed by

the end of the third quarter of 2016. Following conclusion of this first phase, and given perceived needs for additional directional signage needed within the country, BGI may consider a second phase of signage identification and installation in FY2017.

Capacity Building Program and Skills Improvement for Kyrgyz Museum Staff

BGI Second Year Work Plan, Tourism, Activity 2.1

Based on challenges identified in work with museums, BGI decided to implement a multiple-phase capacity building program for staff of leading museums to diversify and enhance tourism experiences in

the Kyrgyz Republic. As reported in the previous quarter, BGI awarded a contract to the Center for Museum Initiatives (CMI), an organization with an extensive experience in museum and cultural heritage in Kyrgyzstan, to develop and implement the program.



The program contains four modules to be implemented over a six month period. CMI developed selection criteria for museums and respective individuals, which included statistical data s (number of visitors/tourists), importance to the BGI Destination Management Program, the potential attraction and its current role and contribution to tourism (infrastructure, current activities, popularity among tourists/ tours, etc.), total estimated budget from fundraising activities or sales, and proposed plans to transfer acquired knowledge to other museum staff upon completion of the training. Additionally, participants from the Ministry of Culture, Information and Tourism and non-governmental organizations that are supporting initiatives in museums and

cultural heritage were targeted to take an active part in the program. Based on this criteria, the program targeted 25-30 participants from select museums.

The first training module focused on introducing the role that museums play in developing and strengthening tourism and was implemented by museum experts from the *Museum Design Lab* in Russia. It took place in Cholpon-Ata from May 23-27, 2016. In total, 35 individuals (31 women, 4 men) from twenty Kyrgyz museums and seven local tour operators learned about best practices in enhancing tourist experiences through museum and visit-center packages.

The second training module focused on strengthening Kyrgyz museums' exhibitions, educational programs, special events and services, which took place in Osh, Kyrgyzstan on June 20-24, 2016. A total of 31 participants (26 women, 5 men) participated in the module. Respective museum experts from the Republic of Georgia covered an array of topics, including: the mission of museums in the 21st century under contemporary social and cultural conditions, exhibition policy(ies) of museums, methodologies for development and management of exhibitions, planning and implementation of exhibitions, training programs and cultural events, and modern approaches to organizing exhibitions and museum management.

The final two modules will take place in the third and fourth quarters and focus on fundraising and marketing (Q3), and communications (Q4). The training modules will be facilitated by other regional, Russian-speaking experts.

During each of these first two module training series, program training participants were involved in intensive exercises to propose and develop specific projects for their respective organizations. Seventeen projects to date were presented to experts, counterparts and private sector representatives during the first two modules. The program is designed to help museums comprehensively package and promote these project concepts for funding consideration at a BGI-planned and held **Demo Day** in November 2016, through which museum professionals can showcase their programmatic ideas and concepts to potential philanthropic donors, including business persons, international donors and international and local NGOs.

Internet and Online Marketing Strategy for Kyrgyz Tourism

BGI Second Year Work Plan, Tourism, Activity 2.4

BGI intends to develop and implement an overall assistance strategy to improve the online presence, quality of information, and travel market engagement for Kyrgyzstan's tourism sector on the internet. BGI initially foresaw utilizing media involvement in the World Nomad Games to launch this positive, high-quality marketing content strategy by first promoting the Games on the internet and through social media, coupled by support to professionals in the media while attending and covering the Games.

Lastly, these media contacts would as well be leveraged toward overall promotion of Kyrgyzstan as a tourism market of preference moving ahead.

During the second quarter, BGI selected a local Kyrgyz marketing firm to improve the quality of online tourism information about Kyrgyzstan primarily in Russian and Turkish on sites such as Wikipedia, WikiTravel and Lonely planet. The year-long contract will assist *Egemendik* in providing content and search engine optimization for the designate Kyrgyzstan tourism portal/website, which will ultimately managed and maintained by the Tourism Department of the Ministry of Culture, Information and Tourism. In the third quarter, BGI also intends to hire an international marketing firm to begin collaborating with the local firm on all online marketing efforts in English.

In the third quarter, BGI also intends to host an information tour of international travel bloggers and members of the internet travel media to three key destinations in Kyrgyzstan: Jyrgalan, Osh, and Kochkor/Lake Song-Kul. Each blogger will be obligated contractually to post a certain number of blogs/photos highlighting Kyrgyzstan as a travel destination over the subsequent six-month period. BGI will also engage a media consultant to assist in identifying the most influential bloggers and travel writers for this tour as well in efforts associated with future online tourism marketing.

World Nomad Games Promotion

BGI Second Year Work Plan, Tourism, Activity 2.5

In the first quarter of 2016, the Project conducted several meetings with the Secretariat of the 2016 World Nomad Games with the intention of supporting this significant tourism event by providing sizeable marketing and operational assistance for the Games as to be held in Issyk Kul oblast from September 3-6, 2016.

During the second quarter, the Secretariat was unable to define and highlight a targeted and comprehensive promotional/operational plan for its marketing efforts to the World Nomad Games. The lack of a resolution to the renewal of the bilateral agreement between US and Kyrgyzstan also served as a continued obstacle toward full and effective support to the Secretariat by USAID BGI. As a result, BGI scaled back its envisioned level of support with marketing efforts initially foreseen. The focus will be limited to ensuring that international media attending the 2016 World Nomad Games have a positive experience in Kyrgyzstan to engage and report in a way to support long term tourism development.

New BGI Initiatives Planned for Q3 2016

Turkish Outbound Tourism Initiative

BGI Second Year Work Plan, Tourism, Activity 2.3

During the second quarter, BGI identified initial activities designed to promote tourism among the Turkish outbound travel market. There are three key activities BGI will pursue to promote this goal during the third quarter: (1) Invite several well-known Turkish travel bloggers to participate in BGI's information tour, which includes coverage of the World Nomad Games; (2) Develop a set of six short media clips in the Turkish language that highlight 5-7 historical sights of relevance and importance to Turkish tourists. These videos will be uploaded to YouTube and utilized in further online promotional efforts, as well as at fairs and events as supported by BGI moving ahead; and (3) Organize a *Kyrgyz Nights* event in Istanbul in November in partnership with the Egemendik and the Turkish Travelers Club. Key participants will also include: Kyrgyz diaspora in Turkey, the Turkish Association of Tour Operators (TURSAB), Kyrgyz and Turkish tour operators, Turkish universities, and Turkish bloggers with whom the project has developed relationships. BGI is considering expanding the exhibition program to include conducting a B2B round table for Kyrgyz and Turkish tour operators, promoting Kyrgyz tourism and conducting a survey at a retail mall in Istanbul, and making a presentation about Kyrgyzstan to university students.

Participation in the World Travel Market in London

BGI Second Year Work Plan, Tourism, Activity 2.8

Immediately following the World Nomad Games, BGI will work with KATO to develop a longer-term strategic vision and approach for providing support to participating in key international tourism fairs. The annual World Travel Market (WTM) fair will take place in London from November 7-9, 2016. BGI will also consider whether to participate in two tourism exhibitions on Istanbul and Izmir in December and January.

Museum Capacity Building Program and Skills Improvement

BGI Second Year Work Plan, Tourism, Activity 2.1

BGI will conduct the final two modules of the museum capacity building program that will take place in the third and fourth quarters of 2016. Tentative dates for offering of modules, both of which will be moderated or facilitated by experts from Ukraine and Russia:

- **Module 3:** September 19th -23rd, Bishkek- Fundraising, Stakeholder Coordination, Partnerships and Leveraging Resources in/for Museums. Training to be delivered by experts from Ukraine.
- **Module 4:** October 17th -21st, Bishkek, Communications and Museums to be delivered by Russian experts as previously used during module 1 training series.

Following the conclusion of the in October, BGI will sponsor a Demo Day for museum professionals to present programmatic ideas and concepts for investment consideration by philanthropic organizations, individuals, donors and NGOs. BGI may consider offering a match-funding grant to realize those projects that are able to solicit funding from the larger community of possible donor organizations. BGI also plans to organize a study tour for a limited number of the most proactive participants to expose them to best museum practices in other countries. Tentative implementation of this exchange program is December 2016-February 2017. BGI will collaborate with parties including the Public Affairs division of the US Embassy to consider potential partnership and coordination in conducting the study tour and any follow-up activities.

Guesthouse Management and Marketing Program

BGI Second Year Work Plan, Tourism, Activity 2.1

In the next quarter BGI plans to roll-out the guesthouse management and marketing program initiative in its Osh destination to expose a larger number of guesthouses and hotels to the innovative tools and techniques in hospitality. Work will commence in July with a field assessment of Osh hospitality businesses to profile respective guesthouses (number of rooms, occupancy rates, online presence, marketing practices, staff, guest profile, and pricing policy) and elicit specific training needs and interest from potential participants. Based on the assessment results, BGI will develop a tailored scope of work for the previously contracted B&B expert Yvonne Halling to conduct training modules in the fall. USAID BGI will look to build additional capacity of previous attendees and future trainers to this program, via a training of trainers (ToT) whom will be directly affiliated with the Osh training, as well as follow-on trainings in other parts of the country.

As a follow-on training activity, BGI also plans to organize domestic study tours for guest houses that produce results in implementing practices learned during training. The internal study tour will identify the most service-oriented hotels and guest houses as hosts of the program to enable to acquire knowledge on business processes, kitchen and hygiene, housekeeping practices and ultimately implement major takeaways in their own guesthouses.

In parallel, BGI plans to conduct more basic-level training to develop the capacities of guest houses in Jyrgalan and Sary Tash. The training course will expose guest house owners to follow proper housekeeping and kitchen hygiene rules, develop breakfast menus, employ basic marketing concepts, and implement good practices in guest house operations.

Audio Guide Pilot in Bishkek

BGI Second Year Work Plan, Tourism, Activity 2.11

During the second quarter, BGI conceptualized an initiative that would support tourist experiences in Kyrgyzstan by providing technology-based walking tours of Kyrgyz cities and attractions. The objective of this activity is to enrich the sightseeing experiences of incoming tourists by providing free multi-lingual (English, Russian, Turkish) audio-guide tours that would be accessible online as well as through a free, mobile platform and respective application called izi TRAVEL (<https://izi.travel/en>).

BGI has drafted an initial scope of work to create a pilot walking tour in Bishkek and will issue a local tender for development during in the third quarter. Pending the success of the Bishkek pilot, BGI will replicate these tours for attractions in other parts of the country.

Pilot Initiative Wi-Fi KG

BGI Second Year Work Plan, Tourism, Activity 2.11

BGI is investigating opportunities to partner with Kyrgyz mobile phone operators, MegaCom, Beeline, to expand wi-fi access, especially in BGI destinations, to enhance tourism services. BGI conducted an initial meeting with MegaCom Administrative Director *Almaz Primov*, in which he expressed interest on how to frame and offer a pilot program that could benefit destinations in Issyk Kul, Osh or Chui oblasts. BGI will continue this dialogue over the coming quarters to determine how to structure a public-private partnership to promote great access to wi-fi throughout the country.

Preparation of BGI's Third Year Work Plan

During the third quarter, BGI will finalize its proposed approach to continue developing the Kyrgyz tourism sector. It is expected that activities supporting BGI's proposed approach will be launched with approval of the work plan early in the fourth quarter of 2016.

5. Construction Materials Value Chain

BGI's Activities in Q2 2016

Creation of Association of Kyrgyz Stone Producers

BGI Second Year Work Plan, Construction Materials, Activity 3.3

In April, 12 producers of natural, decorative stone formally registered a new Association of Stone Producers to develop joint marketing strategies to expand sales beyond their traditional markets and to promote greater use of Kyrgyz decorative stone in national and international building projects. Kazakhstan has been the leading importer of Kyrgyz stone, but producers believe that they can compete more widely in the \$24 billion global market. Members think that they can also expand sales domestically, particularly in exterior facades of apartment blocks.

The association was also established to be a united voice of businesses in creating a favorable environment for sector development. It will help the sector develop quality and technological improvements to compete more effectively. Kyrgyzstan has extensive deposits of natural stone that are found primarily in the south. There are more than 170 known deposits of travertine, granite, marble, limestone, shell rock, and others, and the State Geology Agency estimates proven reserves of natural stone at 57 million m³.

In the third quarter, BGI plans to award a grant to support administrative expenses for the association's first year of operation. BGI will continue to support the association to develop its institutional and human capacity as it maneuvers to develop the sector as a driver of Kyrgyz exports and source of import substitution for the construction sector. It is expected that association membership will increase over the coming year and that members will assume an increasing portion of the administrative costs of the association through member dues.

Participation in the *Middle East Stone Show* in Dubai *BGI Second Year Work Plan, Construction Materials, Activity 3.3*

From May 23-28, members of the newly established Association of Kyrgyz Stone Producers participated in the *Middle East Stone Show* held in UAE, Dubai (<https://www.middleeaststone.com/>). *The Middle East Stone Show* is the only event in the Gulf Cooperation Council (GCC) region dedicated to the stone, marble and granite processing industry. The exhibition provides an exclusive platform for showcasing finished and unfinished stone products and the industry's latest stone designs and technologies. The show offers designers, architects and other decision-makers access to international and domestic manufacturers and suppliers, live demonstrations, and networking opportunities, and a comprehensive conference and seminar program.

During the exhibition, Kyrgyz stone producers studied new technologies of stone processing and new chemicals and materials for stone production and cutting. The Kyrgyz delegation purchased some of these chemicals to test their efficacy at their own factories.

Since Kyrgyzstan's traditional markets use decorative stone primarily for external building facades, the delegation toured finished buildings in Dubai to observe the use of stone in interior décor and flooring. They also analyzed the pricing structures of competitors from Turkey, Iran, India and others to assess opportunities for Kyrgyz firms to enter the GCC market.

While the largest constraint for Kyrgyz producers is high transportation costs, Kyrgyz participants determined that labor wages and low prices for electricity offer the potential to compete in this significant market. The global market for stone is estimated to be US \$24 billion per annum, while the GCC market alone is expected to represent nearly one quarter of this amount, \$4.87 billion. During visit of the event, the Kyrgyz companies managed to establish contacts with various types of stakeholders- stonecutting companies, traders/wholesalers, service companies and sellers of chemicals and expendable parts.

At the meetings with potential buyers, the Kyrgyz delegation distributed product samples and information materials they brought to the exhibition. Several meetings resulted in establishing relationships with wholesalers and retailers who agreed to represent Kyrgyz producers to end buyers and exhibit samples of finished Kyrgyz stone products in their show rooms.

Participation in the *Stone Industry Show* in Moscow *BGI Second Year Work Plan, Construction Materials, Activity 3.3*

In June, BGI supported the participation of three members of the Association of Kyrgyz Stone Producers in the *Stone Industry Show* in Moscow (<http://en.stonefair.ru/>). The *Stone Industry Show* is a leading international exhibition for natural stone. Kyrgyz companies brought samples of stone products made from travertine, limestone and granite, as well as promotional materials about Kyrgyz stone products. Participation in this event helped to introduce the Kyrgyz delegation to the global stone industry and, in particular, to stone wholesalers and consumers from Russia, Kyrgyz producers to understand how to enter and promote in the Russian market, stone consumers preference and requirements. The exhibition was an excellent opportunity to establish initial business contacts with traders, builders and professionals of the stone industry in Russia. It also facilitated the analysis of the pricing structures of competitors from Armenia, Iran, Egypt, India, and others to assess opportunities for Kyrgyz firms to work in Russian market. As a result of participation, Kyrgyz firms signed two contracts with Russian companies to sell travertine and are continuing to negotiate other deals with distributors and wholesalers.

New BGI Initiatives Planned for Q3 2016

Preparation of BGI's Third Year Work Plan

During the third quarter, BGI will finalize its approach to developing the Kyrgyz construction materials sector. As part of this exercise, BGI will work with USAID to determine whether expanding assistance to the sector beyond support to the Association of Kyrgyz Stone Producers is the best use of BGI's resources over the remaining 21 months of the project.

6. Gender and Youth

BGI's Activities in Q2 2016

Grant to Support Ideagrad Summer Youth Entrepreneurship Program

BGI Second Year Work Plan, Activity 12.2

On June 20, Ideagrad kicked off its third summer business boot camp for young entrepreneurs supported by a grant from BGI. Formerly called Business Clinic Central Asia (BCCA), this is the third year in which Ideagrad has offered its 10-week comprehensive business training and mentoring program to selected youth startups. This is the second year that BGI has sponsored the program, which this year is taking place at the newly established Ololohaus, a non-profit, co-working space set up to support creative and artistic endeavors in Bishkek.

Ideagrad selected seven youth start-ups for this summer's program from a pool of 47 initial applications. The selected teams develop and execute their business plans, share their progress with the rest of the incubation program participants, and produce prototypes of their products or services. As in other years, most of the entrepreneurs use the internet or social media as the service delivery mechanism for their business ventures. This year, proposed enterprises include an online sales platform for automotive products, a chatroom for young computer programmers, an educational app for schoolchildren, and an online training course and source of resume-writing tools for young job-seekers. A more traditional business proposes to build eco-friendly furniture to be sold through an online sales portal. At the end of the training program, entrepreneurs present their products and services during Demo Day to a group of potential investors, which this year will take place on August 24. In addition to potential outside investment, Ideagrad invests seed capital of \$1,000 to each team for an equity share. By providing entrepreneurs with a cushion during the difficult early phases, Ideagrad helps them produce prototypes of their products and services, graduate their ideas to the next level, and successfully scale their new ventures.

Evaluation of Developing a DMO 'Cluster' on Issyk-Kul's South Shore

BGI Second Year Work Plan, Tourism, Activity 2.1

Based on the submission of several grant applications predominantly from handicraft producers, in June BGI undertook a scoping trip to Issyk-Kul's south shore to determine if there was sufficient tourism interest and local buy-in to create a DMO focusing on handicraft and other cultural experiences based in Bokonbaevo. The result of the trip was to award a small micro-contract to the Institute for Sustainable Development Strategy (ISDS) to conduct a more in-depth assessment of development opportunities for tourism engaging the following villages, NGOs and tourist attractions:

- Ak Terek, Tort-Kul and Kun Chygysh municipal authorities;
- Community-Based Tourism office\Tourism Information Center in Bokonbaevo village
- Kyzyl-Tuu yurt camp and ethnographic museum/Felt Museum
- Tuura-Suu community (Preschool Museum/TERME Art Center)
- 'Altyn Oimok' Handicrafts Association
- Falconry and archery in Bokonbaevo run by Salburuun Federation
- Manjly-ata Resource Center
- 'Skazka' Canyon

- Barskoon area representatives
- Jety Oguz resort area and its neighborhood representatives
- Other areas/actors in the southern part of Yssyk Kul region.

ISCS will undertake this assessment during the third quarter for possible inclusion in BGI's third year work plan. The organization will map the targeted communities and their capacities for offering ethno-tourism attractions, identify the yurt/jailoo camps, handicraft/souvenir shops, guest-houses, cultural attractions that are interested in being the part of a new cluster-based new destination, analyze capacities of the organizational infrastructure to manage and coordinate the delivery of services that collectively create ethno-cultural nomad products, and develop recommendations for structuring a cluster-based, regional DMO.

New BGI Initiatives Planned for Q3 2016

Developing Youth Potential in Business, Institute for Youth Development NGO (Bishkek) *BGI Second Year Work Plan, Activity 12.2*

In the third quarter, BGI intends to issue a grant to the Institute for Youth Development to conduct its annual 'Jashtar Camp 2016' that takes place each November in two cities with national status (Bishkek and Osh) and in seven oblast centers and small towns (Naryn, Talas, Batken, Jalal-Abad, Uzgen, Karakol and Kara-Balta). For execution of this grant, BGI intends to provide technical assistance to the organizers to enhance the day-long program to obtain greater impact on the development of youth business skills at this year's Jashtar Camp.

Evaluating the Validity of Grant Applications to Promote Handicrafts *BGI Second Year Work Plan, Activity 12.2*

- Creating an Artisanal Production Center, Nakta LLC (Biskek) to train artisans around the country to improve production quality employing the P/I/C/S (Prepare/Improve/Cut/Support) methodology.
- Creating an Ethno-Village "Tash Tulga," Ai Tikek Handicrafts Cooperative (Naryn Oblast) in the Lake Song-Kul region.
- Creating a Cultural and Ethnographic Center in the Village of Pristan-Przhevalsk, Tolgonay ene-Boz Ui Ordo NGO (Issyk-Kul Oblast).
- Establishing an Ethnographic Center "Taar" in Osh to produce wool for yurt-making employing the "taar" technology.

7. Tax Policy and Administration

BGI's Activities in Q2 2016

Due to the termination of the bilateral agreement most of BGI's activities in tax policy and administration remain suspended. The key suspended activities include: (1) Study of the Elasticity of Social Fund Contributions; (2) Support for the Transfer of the Registration of Individual Entrepreneurs from the National Statistics Committee to the STS; and (3) Implementing Electronic Signature Security for VAT Administration.

Participation in Fiscal Policy Working Groups *BGI Second Year Work Plan, Tax Administration, Activity 4.9*

Despite the suspension of tax policy and administration activities, BGI's in-house tax expert Dilyara Ishalina continued her work as a member of various tax commissions and working groups.

On 21-23 April 2016, she participated in a 3-day off site meeting of the tax working group established by the Prime Minister's Resolution #363 as of August 3, 2015 to review and resolve the following tax policy and administration issues:

- Draft amendments to the Tax Code to improve and/or remove existing tax legal contradictions;
- Recommend that the Government amend the Tax Code to offer tax exemptions for grants and technical assistance provided by international organizations;
- Initiate a new law on procedures for legalizing property that had been purchased using revenue generated prior to January 1, 2016. (Renewal of the ‘tax amnesty’ program.)

Simplified VAT Administration System

BGI Second Year Work Plan, Tax Administration, Activity 4.9

BGI’s Tax Program Manager Dilyara Ishalina continued working with the Ministry of Economy and the Parliament to promote the VAT amendments to the Tax Code that had been previously drafted by BGI and REFORMA.

In May-June, the proposed VAT law passed the second and third parliamentary readings, and on June 30, the proposed VAT amendments to the Tax Code and to other legislative acts (including amendments to the Criminal Code and the Code of Administrative Responsibility) were passed by the Parliament. The passed amendments eliminate the use of high-security paper invoice forms and replace them with a system for generating unique electronic invoice numbers. Electronically generated invoice numbers are better designed to reduce fraud in VAT reporting and reduce liability for missing invoice forms for taxpayers.

The new law requires that the STS post non-sensitive information about VAT-registered businesses on its website to assist taxpayers to become more vigilant in ensuring the authenticity of their counterparts. These requirements include mandatory posting of information about VAT payers to the STS website, including the taxpayer’s full name and its TIN; the date of VAT registration or cancellation; and the numerical series of VAT invoices issued. Free access to such information will help taxpayers to verify counterparts’ data when executing business contracts thus reducing the incidence of VAT fraud. The amendments also compel the State Tax Service (STS) to better scrutinize firms that voluntarily register as VAT payers to reduce the incidence of fraud in VAT administration.

The Jogorky Kenesh had passed these amendments in their first reading a year ago, but they reappeared on the legislative agenda only this spring following parliamentary elections in October 2015. The amendments were sent to the President’s Administration for review and further submission to the President for signing. The President is expected to sign the law in August.

Once the bilateral agreement between the governments of the USA and the KR is reinstated, BGI intends to continue to help the STS implement process changes that will simplify VAT administration, including assistance in creating software to certify digital signatures for electronic tax reporting, including VAT, to help streamline the tax filing process and eliminate taxpayer burdens currently associated with registering and obtaining e-keys from an intermediary firm.

Study of the Elasticity of Social Fund Contributions

BGI Second Year Work Plan, Tax Administration, Activity 4.2

The Study remains suspended at USAID’s request following the termination of the bilateral Agreement by the Government of the Kyrgyz Republic, effective August 20, 2015.

The Government instructed the National Institute of Strategic Studies (NISS) to complete the research in the absence of donor support. The Institute engaged an expert to process the data collected by BGI subcontractors. The work is underway and is expected to be completed in August.

Promoting Tax Literacy for the Introduction of the Universal Tax Declaration (UTD)

BGI Second Year Work Plan, Tax Administration, Activity 4.8

The Kyrgyz Government through its Resolution № 228 of April 30, 2016 approved the revised forms of the Unified Tax Declaration, including procedures for their completion. These forms and procedures were developed with the support of USAID BGI in 2015 through its subcontractor, the Chamber of Tax Consultants, following comments received from taxpayers and reflecting amendments and additions to the Tax Code. One of the proposed and approved novices was to introduce simplified forms for individuals who are not involved in any business and do not have taxable income (i.e. retirees, housewives, students, etc.)

In the meantime, the Government decided to seek Parliamentary postponement of mandatory universal tax filing until 2020 for the tax year 2019. It drafted a proposed law that lists those categories of taxpayers that are currently required to file UTD every year and postpones mandatory UTD filing for all other categories. Until then, individuals have the right to submit their UTDs on a voluntary basis. For the first time, however, proposes individuals who are not the Kyrgyz citizens but who have residence permits, those who have kairylman¹ status, and those who own property in the Kyrgyz Republic to also file tax declarations. Starting from 2016, municipal civil servants will also be obliged to file their UTD declarations.

The proposed law was passed by the Parliament on June 22 and was sent to the President for signing. The law is expected to be signed in July 2016 and is coming into force from January 1, 2016.

Implementing the Law to Simplify Registration and Liquidation Procedures for Businesses

BGI Second Year Work Plan, Tax Administration, Activity 4.3

This activity remains suspended by USAID request following the cancellation of the bilateral Agreement by the Government of the Kyrgyz Republic, effective August 20.

From January 1, 2016, the state registration of individual entrepreneurs and farm entities has been transferred from the National Statistical Committee (NSC) to the State Tax Service. Following BGI's initial support for developing a methodology for the functional transfer, the STS has been working on implementation of the law on its own.

In May, the Ministry of Economy drafted a Government Resolution to obligate all individual entrepreneurs and farms registered before January 1, 2016, to undergo mandatory re-registration with the State Tax Service by January 1, 2018. The proposed regulation is designed to synchronize the data of the Unified State Statistical Register with those in the State Taxpayers' Register. For example, as of January 1, 2016, the NSC registered 669,259 individual entrepreneurs and farm entities, while the STS reports the registration of only 488,308 individual entrepreneurs and farm entities. Thus, more than 27 % of business entities that are on the NSC's Register were not registered with STS. This data distortion drove the decision to require re-registration at the STS to rule out those entrepreneurs that are no longer operating or those who are registered at both statistics bodies. Those entrepreneurs who fail to re-register by the beginning of 2018 will lose the validity of their state registration. On June 2, 2016, the proposed Resolution was posted for public discussion.

Once the bilateral agreement between the Governments of the US and the Kyrgyz Republic is reinstated, BGI intends to support a public outreach campaign to inform its target value chains about the requirements to undergo state re-registration with the STS. This will be particularly critical for apparel producers registered as individual entrepreneurs.

¹ Kairylman is an ethnic Kyrgyz who is a foreign citizen or an individual without any citizenship, who is returning to his/her historical motherland and who obtains the Kairylman status, i.e. a temporary legal status granted until the person obtains the Kyrgyz citizenship.

8. Business Regulations – Licensing and Inspections

BGI's Activities in Q2 2016

Optimizing the Conduct of Environmental and Technical Safety Inspections

BGI Second Year Work Plan, Business Regulation, Activity 5.1

BGI's activities in business licensing and inspections remain suspended at USAID's request following the termination of the bilateral Agreement by the Government of the Kyrgyz Republic, effective August 20, 2015.

Despite the suspension of business regulation activities, BGI's in-house lawyer, Raisa Ermakova, continued working with the Ministry of Economy and the Parliament in improving the legal framework for the conduct of environmental and technical safety inspections.

Most of the activities on optimization of the inspection procedures were completed through amendments made to the Law on Procedures for Inspecting Businesses. Following passage of the law by the Parliament on March 3, 2016, the law was signed by the President on April 15².

To enforce the new legal norms on business inspections, amendments were made to the Methodology for Conducting Business Inspections that had been drafted previously by BGI through its subcontractor EcoPartner. The draft Methodology was added to the Regulation on Procedures for Conducting Business Inspections. The draft Regulation along with the full legal package, including Government Resolution, Justification Letter, RIA, comparative table and other documents) was submitted to the MoE for subsequent approval by the Government.

The drafts Laws on Radiological Safety and on Ecological Safety that had been drafted with the BGI support by the Consortium of EcoPartner Company and Independent Ecological Expertise were submitted by Deputy Bekeshev to the government bodies to obtain the government conclusion for subsequent submission to the Parliamentary committees and the Parliament for review. BGI's lawyer will continue providing consultative support to the MoE and the Parliament throughout the process of review of these proposed laws.

Reforms in Business Licensing and Permitting

BGI Second Year Work Plan, Business Regulation, Activity 5.2

BGI's activities in licensing and permitting remain suspended at USAID's request following the termination of the bilateral Agreement by the Government of the Kyrgyz Republic, effective August 20.

Nevertheless, BGI lawyer Raisa Ermakova continued working with the Ministry of Economy and the Parliament providing consultative support in the process of the Parliamentary review of the amendments proposed to the Law on Licensing and Permitting System.³

² BGI through its subcontractor, EcoPartner, had drafted the original amendments and additions to the Law "On the procedures for conducting inspections of businesses" and submitted it to the MoE along with the full package of supporting documentation. The MoE then combined this proposed law with the amendments proposed by the IFC. Following public discussion, the draft law was approved by line ministries and agencies and adopted by Government Resolution dated July 20, 2015. It was subsequently submitted to the Parliament for review and adoption and was passed in all three readings.

³ The Government reform in business licensing and permitting has entered into its final phase with the submission of the proposed amendments to the Law on Licensing and Permitting System to the Parliament in early January 2016. The proposed amendments were reviewed by the Parliament staff and approved by the Legal Department, Special Inspections Department and other relevant departments and were submitted in March to the Parliamentary Committees for review and approval. The submitted legal package includes amendments to the Law on Licensing and Permitting System in the Kyrgyz Republic and the Law on Electrical and Postal Communication, approved by the Kyrgyz Government Resolution #891 of December 29, 2015. The draft law proposes amendments to 23 articles out of 33 covering exclusion of 12 types of licensed activities, introduction of 6 activities to be licensed, which will leave in total 92 licensed activities.

On April 5, 2016, the proposed amendments to the Law on the Licensing and Permitting System of the Kyrgyz Republic was reviewed and approved by the Parliamentary Committee of Transportation, Communication, Architecture and Construction. Given the importance of the proposed law, on April 15, 2016 the Social-Democratic Political Faction (SDPK) reviewed and approved the law, even though the faction's review is not required by the Jogorku Kenesh regulation procedures. On May 31, 2016 the proposed licensing amendments were reviewed and approved by the Committee of Fiscal and Economic Policy through the committee resolution.

On June 15, 2016, the proposed law was submitted to the plenary session of the Parliament. During the 1st reading on June 30, the main issue that caused heated discussion was the provision that allowed the issuance of a permit for construction with the concurrent issuance for the permit for construction design. Issuance of these two permits simultaneously had been lobbied by the Agency for Construction and Architecture with the Government despite the objection of the MoE and BGI. At the 1st reading, MP Aida Salyanova made a comment that, when being the General Prosecutor, she had provided her written resolution saying that the parallel construction is unlawful, but despite this, these amendments propose to include this activity on the list of licensed/permitted activities. Three other MPs supported Salyanova's position, and the subsequent discussion was centered only on the issue of parallel construction, leaving aside the entire draft law and other norms of the proposed law. No other comments were made on the proposed law, and it was sent for a General Assembly vote.

In the same plenary session, however, MP Natalia Nikitenko proposed voting on the draft Law on Electric and Postal Communication that she had initiated on June 17, 2016, and which had similar norms and provisions that had been included in the Government's draft law which was submitted to Parliament as part of the legal package together with the Licensing and Permitting Draft Law. Deputy Nikitenko had promised at one of the earlier Committee meetings that she would withdraw her draft law or would work out a compromised option for these two proposed identical laws, admitting that the Government had submitted its draft half a year earlier in January 2015 and acknowledging the similarity of the proposed amendments. However, during the 1st reading, she managed to advocate for her version of the draft law and had the Government's draft law voted down with 62/50 voting ratio. As a result, due to a controversial situation with the secondary draft law on Electric and Postal Communication, which was included to the licensing package by the Government, the Parliament did not pass the primary draft Law on the Licensing and Permitting System. Consequently, the proposed licensing amendments will be reviewed in six months (in line with parliamentary), but this time without the Law on Electric and Postal Communication, which was passed in this Parliamentary session. A new reading of the proposed licensing amendments is expected in December 2016.

9. Access to Finance

BGI's Activities in Q2 2016

Reintroduction of the Purchase Order Finance (POF) Product

BGI Second Year Work Plan, Access to Finance, Activity 6.1

Following the work performed during the first quarter when BGI submitted the draft POF credit policy to the designated staff at KICB, BGI received a revised version of the bank's draft POF policy on April 11, and made the following comments: a) to offer the POF loan product initially to the repeat borrowers of the KICB bank to minimize the risk of a new product; b) define the POF product as a short-term working capital finance product up to 1 year, and c) make principal repayments in installments to mitigate risks related to the new product. The draft POF policy is currently being reviewed by KICB's risk management department and will be then submitted for approval to the Management Board of KICB.

During the second quarter, BGI's access to finance and apparel sector met with business development experts from Bai Tushum bank to explain the nature of operations of apparel companies to help the bank refine lending terms and conditions for offering POF loans to the companies in BGI's value chain. The access to finance team also shared the results of a credit demand survey for 17 companies in the apparel

value chain. The purpose of the survey was to match specific short-term financing needs with the appropriate short-term loan products that the partner banks can offer.

Despite the lack of active POF lending on the part of participating banks, BGI also monitors key loan data on the micro-POF loans made by Bai Tushum, the only bank currently issuing POF loans. As of June 30, 2016, the bank has reported a total portfolio of 88 POF for working capital finance ranging from KGS 100,000 to 400,000. All loans are denominated in Kyrgyz som. They are mainly issued for dairy processing, sugar beet and bio cotton production.

Leasing Environment in the Kyrgyz Republic

BGI Second Year Work Plan, Access to Finance, Activity 6.2

After presentation of the Leasing Market Study results during the first quarter, the BGI team met with the management of the Union of Banks to discuss possible areas of cooperation to support the development and expansion of leasing in Kyrgyzstan. The Union of Banks is currently working on drafting amendments to the Leasing Law by involving legal and banking experts from its member banks. The BGI team will review progress achieved by the Union of Banks in drafting leasing legislation and then decide on further project assistance.

New BGI Initiatives Planned for Q3 2016

Development of Trade Finance through Grant to Highland Capital

BGI Second Year Work Plan, Access to Finance, Activity 6.4

During the second quarter, the BGI team held several meetings with the management of Highland Capital LLC to discuss the possibility of developing a trade finance product to enable BGI's apparel firms to offer up to 90 days deferred payment to their retail buyers. Current bank lending practices in the Kyrgyz Republic do not offer sufficiently flexible and competitive terms and low enough interest rates to enable apparel companies to offer terms that foreign retail buyers have come to expect from their apparel suppliers. To entice Highland Capital to investigate developing such a product, its management proposed that BGI award a grant to enable the firm to conduct research to determine whether there was sufficient demand for such a product among exporting companies to warrant creating a special purpose vehicle (SPV) and what the financing terms of such a product would require. In exchange for receiving a grant for this research, Highland Capital LLC offered to contribute US \$50,000 to issue a pilot trade finance loan to as many as three BGI-participating apparel companies by the end of October 2016. BGI expects to obtain approval from USAID and issue this grant in the third quarter.

10. Civil Aviation Safety

BGI's Activities in Q2 2016

BGI activities in civil aviation safety remain suspended following USAID's request following the termination of the bilateral Agreement by the Government of the Kyrgyz Republic, effective August 20, 2015. Suspended activities include: (1) Development and Adoption of ICAO Aviation Rules (BGI Second Year Work Plan, Civil Aviation, Activity 7.2); (2) Development of Document Management System Software, Archive Digitization and Hardware Procurement (BGI Second Year Work Plan, Civil Aviation, Activity 7.4); and (3) Drafting a Provision for the New Organizational Structure of the CAA (BGI Second Year Work Plan, Civil Aviation, Activity 7.3). Once suspension is lifted, BGI intends to launch all below-listed activities.

11. Mining Policy and Capacity Development

BGI's Activities in Q2 2016

BGI activities in Mining Policy and Capacity Development remain suspended following USAID's request following the termination of the bilateral Agreement by the Government of the Kyrgyz Republic, effective August 20.

12. Grants Program

BGI's Activities in Q2 2016

Grants Program Administration

BGI Second Year Work Plan, Administrative, Activity 12.1

During the second quarter, BGI issued three grants to the following organizations:

- *Destination Karakol* to support startup and initial operating expenses of the official DMO to develop Karakol as a tourism destination;
- The Association of Kyrgyz Resorts to support the purchase of outdoor exhibit tents and furniture for the Issyk-Kul 2016 International Tourism Fair;
- Ideagrad LLC to help finance its summer development program for young entrepreneurs.

In addition, a grant package for TeDIS LLC, an apparel firm that is creating an Innovation Center in the First of May factory, was also finalized, and approved by USAID, with signing of the grant agreement expected in July.

Two more grant packages for "Dastan Style" LLC and the Association Kyrgyz Stone are in their final stages for presenting to USAID approval and are also expected to be awarded in the next quarter.

Another first round applicant, the Archa Initiative, was invited to make a presentation for USAID and the application is now under USAID consideration.

BGI also received 59 applications in the second round of concept papers, due April 22, 2016. Of these application, 16 applications were shortlisted. In the third quarter, BGI will invite selected applicants to submit full application.

The third round of concept papers is due July 22, 2016.

The key challenge in implementing BGI's Grants program is the lack of strong applications among those submitted under Rounds 1 and 2. The quality of the most part of concepts and full applications received under Round 1 and 2 remain low. Some applications did not fit BGI goals and objectives.

New BGI Initiatives Planned for Q3 2016

During the next quarter, BGI will determine which grant applications to support, with the view that the project will discontinue issuing a blanket Annual Program Statement beyond FY2016

13. Subcontracts, Consultants and Grants Awards and History

The following is a list of subcontract, consultant and grant awards under the BGI Project.

BGI Local Subcontracting Awards and History – Q2 2016

	<i>Subcontracting Activity</i>	<i>Subcontractor(s)</i>	<i>Award Date</i>	<i>Period of Perform.</i>	<i>Contract Value</i>	<i>Status</i>
1	Conducting Textile/Apparel Value Chain Study	Central Asia International Consulting (CAIC)	Dec 2014	4 months	\$61,096	Completed
2	Conducting Assessment of Demand and Supply of Skills in BGI Value Chains	M-Vector	Dec 2014	4 months	\$56,411	Completed
3	Promoting Passage of the New Air Code	Kalikova & Associates	Dec 2014	6 months	\$38,329	Completed
4	Implementing VAT Administrative Reform	MF Consulting	Dec 2014	6 months	\$72,460	Completed
5	Providing Services for Entering the Russian Apparel Market for Kyrgyz Apparel Producers	Fashion Consulting Group	Feb 2015	2 months	\$26,220	Completed
6	Promoting Tax Literacy to Prepare for the Introduction of Universal Tax Declaration	Chamber of Tax Consultants	Feb 2015	6 months	\$68,960	Completed
7	Conducting Construction Materials Value Chain Study	International Business Council	Feb 2015	4 months	\$56,436	Completed
8	Broadcasting Video and Audio Announcements on Universal Tax Declaration	Vzgrad.kg	Feb 2015	2 months	\$41,856	Completed
9	Providing Continued Capacity Developments for the State Geology Agency	Education and Career Foundation	Feb 2015	6 months	\$24,812	Completed
10	Legal Revision, Checklist Development and Training on New Inspections Methodologies	EcoPartner	Mar 2015	7 months	\$72,295	Suspended (\$103,278)
11	Study of the Market for Leasing in the Kyrgyz Republic (1)	Union of Kyrgyz Banks	Jun 2015	4 months	\$21,307	Ongoing
12	Study of the Market for Leasing in the Kyrgyz Republic (2)	ISR Consult	Jun 2015	4 months	\$40,455	Ongoing
13	Study of the Elasticity of Social Fund Contributions (1)	Promotank Consulting	Jun 2015	5 months	\$24,244	Suspended (\$40,406)
14	Study of the Elasticity of Social Fund Contributions (2)	Siar Research	Jun 2015	5 months	\$43,360	Suspended (\$54,200)
15	Launching Public Education Campaign for Mining Strategy	Nedra Public Fund	Jun 2015	3 months	\$53,640	Suspended

BGI Local Subcontracting Awards and History – Q2 2016

	<i>Subcontracting Activity</i>	<i>Subcontractor(s)</i>	<i>Award Date</i>	<i>Period of Perform.</i>	<i>Contract Value</i>	<i>Status</i>
16	Conducting Results Survey of the Tax Declaration Campaign	ISR Consult	Jun 2015	2 months	\$25,685	Completed
17	Conducting Baseline Survey of Destination Management Sites	Siar Research	Aug 2015	3 months	\$29,910	Completed
18	Transferring Registration of Individual Entrepreneurs to the STS	Chamber of Tax Consultants	Aug 2015	8 months	\$11,382	Suspended (\$56,912)
19	Conducting Study of the Turkish Outbound Tourism Market	Egemenik	Sep 2015	3 months	\$11,400	Completed
20	Conducting Cell Phone Survey of the Turkish Outbound Tourism Market	Geocell (Mobile Accord)	Sep 2015	4 months	\$24,961	Completed
21	Organizing Grants Launch Events in Bishkek and Throughout Regions	Instream	Oct 2015	3 months	\$32,227	Completed
22	Apparel Consulting and Sales	Mike Mikkeltorg	Mar 2016	6 months	\$130,000	Ongoing
23	Developing Capacity of Kyrgyz Museums	Center of Museum Initiatives	Apr 2016	8 months	\$80,954	Ongoing
24	Provision of Services for Social/Ethical Compliance Consulting Firm	Capacity Building Foundation	Apr 2016	3 months	\$17,320	Completed
25	Designing, Manufacturing and Installing Tourism Road Signs	Welcome KG	May 2016	6 months	\$78,050	Ongoing
26	Supply of Equipment to Osh DMO	Welcome KG	Jun 2016	2 months	\$3,390	Ongoing
TOTAL SUBCONTRACTS AWARDED					\$1,147,160	

BGI Independent Local Consultant Awards and History – Q2 2016

<i>Consulting Activity</i>	<i>Consultant</i>	<i>Award Date</i>	<i>Period of Perform.</i>	<i>Contract Value</i>	<i>Status</i>
Amending the Law on the Licensing System and Implementing Regulations	Nurgazy Zhokunov	Jan 2015	12 months	\$20,000	Suspended
Assessing the IT Capabilities of the Civil Aviation Agency	Bolot Orozmatov	Mar 2015	9 months	\$10,000	Completed
Improving the Collection and Reporting of Tourism Statistics	Nurjan Toktogulova	Apr 2015	6 months	\$3,000	Completed
Design and Delivery of Business Plan Training and Evaluation of Apparel Project Applicants	Erkin Dzhamanbaev	May 2015	3 months	\$9,720	Completed

BGI Independent Local Consultant Awards and History – Q2 2016

<i>Consulting Activity</i>	<i>Consultant</i>	<i>Award Date</i>	<i>Period of Perform.</i>	<i>Contract Value</i>	<i>Status</i>
Assistance in Developing International Agreements for Trade in Services	Muktar Jumiliev	May 2015	4 months	\$16,800	Suspended
Apparel Transactions and Tax Requirements and Make Recommendations for Bringing Apparel Firms into the Formal Business Sector	Maksim Smirnov	May 2015	4 months	\$12,720	Completed
Completion of Apparel Front-Runner Work Plans	Aleksei Lavrienko	Sep 2015	5 months	\$12,000	Completed
Construction Engineer (Burana, Osh)	Bektemir Dzheenbaev	Oct 2015	4 months	\$3,494	Completed
Environmental Assessment Specialist (Burana, Osh)	Ruslan Riabikin (Consult-KG Ltd.)	Oct 2015	4 months	\$3,333	Completed
Construction Engineer	Nurlan Orozbaev	Oct 2015	4 months	\$3,413	Completed
Environment Assessment Specialist (Karakol, Jyrgalan)	Ana Kirilenko (Biom Youth Ecological Movement)	Oct 2015	4 months	\$3,421	Completed
Organization of the Exhibition of Women Entrepreneurs at the Opening of new Chancery of the US Embassy	Gulmira Asanbaeva (Alliance of Trainers and Consultants)	Oct 2015	2 months	\$3,108	Completed
Handicrafts and Catering Training - Jyrgalan Fest	Damira Abdybekova	Oct 2015	2 months	\$3,190	Completed
Travel and Free-Ride Ski Blogger - Jyrgalan Fest	Svetlana Khlebnikova	Nov 2015	2 months	\$1,778	Completed
Organization of Innovation Club Meetings	Capacity Building Foundation	Nov 2015	6 month	\$3,280	Ongoing
Environment Assessment Specialist (Apparel Sector)	Ana Kirilenko (Biom Youth Ecological Movement)	Oct 2015	4 months	\$1,205	Completed
Apparel Marketing and Sales	Yulia Ediger	Feb 2016	2 months*	\$2,346	Ongoing
Apparel Technician	Ekaterina Zibrova	Feb 2016	2 months*	\$3,188	Ongoing
Apparel Input Sourcing	Bermet Sydugalieva	Mar 2016	4 months	\$3,452	Ongoing
Legal and Tax Support for Support for Apparel Exports	Maksim Smirnov	Apr 2016	3 months	\$3,450	Completed
Support in Designing Fashion Collections for European Brands	Uliyana Zakharova	Apr 2016	4 months	\$3,450	Ongoing
Industrial Engineer for Apparel Sector	Elena Lavrik	May 2016	1 month	\$3,480	Ongoing
Technologist for Apparel Sector	Irina Valdimirovna	May 2016	3 months	\$3,480	Ongoing
Input Sourcing Specialist for Apparel Sector	Nargiza Abduzhaparova	May 2016	3 months	\$3,480	Ongoing
Quality Inspector for Apparel Sector	Nazgul Ramatova	May 2016	3 months	\$3,300	Ongoing
Sourcing and Merchandising Specialist	Aleksandra Chernova	Jun 2016	1 month	\$3,333	Ongoing
TOTAL CONSULTANT CONTRACTS AWARDED				\$143,421	

* Subsequently replaced with longer-term contracts issued from Washington

BGI Grant Awards – Q2 2016

	<i>Subcontracting Activity</i>	<i>Grantee</i>	<i>Award Date</i>	<i>BGI Grant Award</i>	<i>Grantee Portion</i>	<i>Percent</i>	<i>Total</i>
1	Purchase of Ski Safety Equipment	Alakol Guest House, Jyrgalan DMO	Feb 2016	\$18,042	\$3,961	18%	\$20,003
2	DMO Operating Costs	Destination Karakol	Apr 2016	\$21,300	\$6,000	22%	\$27,300
3	Issyk-Kul International Tourism Fair 2016	Association of Kyrgyz Resorts	May 2016	\$24,771	\$5,438	18%	\$30,209
4	Summer Program for Entrepreneurial Youth	Ideograd	Jun 2016	\$37,101	\$38,530	51%	\$75,631
				\$101,214	\$53,929		\$153,143

Shaded areas represent grants issued in prior periods.

BGI Grant Pipeline – Q3 2016

	<i>Subcontracting Activity</i>	<i>Grantee</i>	<i>Grant Award</i>	<i>Grantee Portion</i>	<i>Percent</i>	<i>Total</i>
	Purchase of Apparel Embroidery and Cutting Equipment – Innovation Center	TeDIS	\$31,550	\$8,650	22%	\$40,200
	Development of Trade Finance in Kyrgyzstan	Highland Capital	\$48,655	\$50,000	51%	\$98,655
	Development of Regional Public Private Dialogue – Business Development and Investment Council	Secretariat	\$41,691	\$29,900	42%	\$71,591
	Development of Youth Business Capacity	Institute for Youth Development	\$26,636	\$12,807	32%	\$39,443
	Support to Development of the Botanical Garden	Archa Initiative	\$37,780	\$18,860	33%	\$56,640
	Purchase of an Automated Apparel Cutting System	Zorin	\$132,750	\$192,750	59%	\$325,500
	Purchase of Plotter and Pattern-Making Software	Dastan	\$13,400	\$3,000	19%	\$15,400
	Initial Operating Costs of Association	Association of Kyrgyz Stone Producers	\$45,000	\$12,000	21%	\$57,000
	Strengthening TUK's Sustainability for Domestic Tourism	Trekking Union of Kyrgyzstan	\$37,800	\$10,000	25%	\$47,800
	Purchase of Solar Panels for Mountain Accommodations of Alpinists	Alpinists Club	\$10,000	\$10,000	50%	\$20,000
			\$425,262	\$347,967		\$773,229

14. Financial Results

Budget Cost Elements	Budgeted Amount	Invoiced Amount as of Jun 25, 2016	Accrual Amount as of Jun 30, 2016	Expended Amount	Remaining Budget to Complete
Labor	\$3,589,499.00	\$1,310,637.89	46,965.74	\$1,357,603.63	\$2,231,895.37
Total Other Direct Costs	\$5,652,519.00	\$2,859,013.80	\$142,663.75	\$3,001,677.55	\$2,650,841.45
PROJECT FUND					
<i>Local Subcontractor</i>	\$3,397,795.00	\$953,746.21	\$0.00	\$953,746.21	\$2,444,048.79
<i>Grants</i>	\$1,225,490.00	\$55,593.00	\$0.00	\$55,593.00	\$1,169,897.00
Indirect cost	\$5,348,954.00	\$1,609,433.51	\$0.00	\$1,609,433.51	\$3,739,520.49
<i>Fixed Fee</i>	\$858,738.00	\$334,871.49	\$0.00	\$334,871.49	\$523,866.51
<i>Fixed fee on subs and grants</i>	\$98,039.00	\$0.00		\$0.00	\$98,039.00
Total	\$20,171,034.00	\$7,123,295.90	189,629.49	\$7,312,925.39	\$12,858,108.61

15. Report Annexes

Annex A: Primary Events, Training, and Focus Group/Research Conducted

Annex B: Table of Deliverables

Annex A: Primary Events, Training, and Focus Group/Research Conducted

Primary Events, Training and Focus Group/Research Conducted (E=event, T=training, F=focus group)

Component		BGI Event	Men	Women	Total
Apparel	E	April 19 – Innovation Club Meeting. Results of meetings with Russian and EU retail chains and brands, QA and transportations companies in China	9	15	24
	E	April 19 – Presentation about BGI Project at Association of Young Entrepreneurs, Apparel Committee	7	9	16
	E	May 30 – Innovation Club Meeting. Meeting with the representatives of Brothers brand (Sweden)	15	22	37
	E	June 9 – Innovation Club Meeting. Meeting with the representatives of KIK retail chain (Germany)	12	38	50
Tourism	T	May 23-27—Museum Training Module #1: Museums and Tourism	4	31	35
	T	June 20-24 –Museum Training Module #2: Exhibitions	5	26	31
	T	April 26-28 –Karakol Guest House Management and Marketing Training, Module #1	6	22	28
	T	June 1-3 – Karakol Guest House Management and Marketing Training, Module #2,	8	17	25
Construction Materials	E	May 16 – Meeting with stone cutters companies	15	1	16
	E	May 23-28 – Middle East Stone Show in Dubai	4	0	4
	E	June 10 – Meeting with stone cutters companies	9	0	9
	E	June 20-24 – Stone Industry Show in Moscow	5	0	5
Human Capital	E	June 20 – Ideagrad Opening Ceremony	24	19	43
Tax Administration	E	April 15 – Methodological Council for fiscal policy under the Ministry of Economy Meeting	13	9	22
	E	April 21-23 –Ministry of Economy Working Group Field Session, Ala-Archa State Residence	6	4	10
	E	April 23 –Presentation to Prime Minister and Government officials Draft Resolution on VAT for import and re-export of goods from third countries	7	5	12
	E	May 27 – Methodological Council for fiscal policy under the Ministry of Economy Meeting	12	8	20
Licensing and Inspections	E	May 17 – MoE Workshop on Technical Regulations and Products Assessment	17	25	42
	E	April - June – A series of meetings with MPs to discuss and explain proposed licensing law amendments	6	5	11
	E	June – Briefings for business associations (CCI, BBC, JIA, NABA and others) on the provisions of the proposed licensing law and adopted inspections law amendments.	2	5	7
Total			186	261	447

Type of Event

Component	Number		Men	Women	Total
Training	4	Training Courses	23	96	119
Events	16	Events	163	165	328
	20	Total	186	261	447

Annex B: Table of Deliverables

Component	Document	ENG	RUS	PUB?
Apparel	Paul Collyers trip/company reports – May 2016	X		No
	Mike Mikkelsen's PPTs for Innovation Club meeting in April 19	X		Yes
	Elena Lavrik, Local consultant on Social Compliance and Industrial Engineering - Progress report on introduction of social compliance requirements and Quality Assurance forms at Zorin and Salkyn		X	No
	Uliana Zaharova, Fashion Designer – Fashion Board for May 2016	X		Yes
	CSI, Hayley Wong, Social Compliance Expert (BSCI standards) – Social Compliance Assessment and CAPs for 7 Kyrgyz Apparel Companies	X	X	No
	Anna Tarantsova – Input Sourcing trip to Tajikistan, and Sales trip to Moscow and St. Petersburg	X		Yes
	Yulia Ediger – Sales Trips to EU and Moscow/St. Petersburg	X		No
	Alexandra Chernova – Participation in input sourcing trade fair in Shenzhen, China. July, 2016	X		No
	Maksim Smirnov, Legal Advisor – KCTAR Registration Documents, and PPT of Concept of Tax Code Amendments for Apparel Sector	X	X	No
	Anna Kirilenko, Environmental Expert – Environmental check lists for Zorin, Tedis and Dastan	X	X	No
Tourism	Reports from Construction engineers for Burana, Jyrgalan, Karakol, and Osh	X		No
	Summary of Findings and Projects - Museum Program Module #1	X	X	Yes
	Summary of Findings and Projects – Museum Program Module #2	X	X	Yes
	List of Participants Museum Program Module #1	X	X	No
	List of Participants Museum Program Module #2		X	No
	Yvonne Halling_- Final Report, Guesthouse Management and Marketing Program	X		Yes
	Guest House Training Workbook Module 1	X	X	Yes
	Guest House Training Workbook Module 2	X	X	Yes
Signage Data Base	X		Yes	
Construction Materials	Meeting with Stone Producers May 6 – List of participants, minutes of meeting, MS Power Point Presentation		X	No
	Report on participation in the Middle East Stone Show, May 23-28, 2016	X		Yes
	Meeting with Stone Producers June 10 – List of participants, minutes of meeting, MS Power Point Presentation		X	No
	Report on participation in the Moscow Stone Industry Show, June 20-24, 2016	X		Yes
Tax Administration	Law on Making (VAT related) Amendments and Additions to the Tax Code passed by the Parliament on June 30, 2016		X	No
	Government Resolution of April 30, 2016 № 228 to approve new and revised UTD forms and procedures for their completion: FORM STI -100 – UTD Form for individuals not engaged in entrepreneurial activity.		X	Yes
	FORM STI -101 – UTD Form for legal entities, FORM STI -102 – UTD Form for individuals entrepreneurs, FORM STI -103 – UTD Form (simplified) for individuals who have no taxable income.		X	Yes
Business Regulations	Draft Regulation on Making Amendments and Additions to the Regulation on the Conduct of Business Inspections approved by Government Resolution # 533 of 6 November 2007, including:		X	No
	- Draft Government Resolution - Justification Letter - Regulatory Impact Assessment - Comprehensive Assessment Conclusion - Comparative Table		X	No
Grants	Final Grant Package – Ala Kol Guest House/Jyrgalan DMO	X		No
	Final Grant Package – Destination Karakol Public Union	X		No
	Final Grant Package – Association of Resorts of Kyrgyzstan	X		No
	Final Grant Package – TeDIS LLC	X		No
	Final Grant Package – Ideagrad LLC	X		No

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