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KYRGYZ REPUBLIC

USAID Business Growth Initiative (BGI)

First Year Annual Report

August 2014 – September 2015

October 30, 2015

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USAID Business Growth Initiative (BGI) First Year Annual Report August 2014 – September 2015

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1. Summary of Activities and Major Accomplishments during First Project Year

The BGI project achieved the following key results in its first project year:

BGI Technical Area	Results
Value Chains	
Apparel Value Chain	<ul style="list-style-type: none"> Seven (7) firms Selected as Front-Runners, with 2014 revenues of \$8.76 million Fifteen (15) firms Selected as Leaders One (1) firm Selected as pilot for formal business and tax registration status Two (2) entrepreneurs selected to develop full feasibility studies for launching Innovation Centers to serve small apparel workshops Two (2) meetings of Innovation Club conducted Twenty- four (24) Russian firms attended presentation of Kyrgyz apparel company production capabilities in Moscow Two 2 Russian firms immediately initiated buying missions to Kyrgyzstan Two 2 Kyrgyz firms signed cut-make-trim (CMT) production contracts with Modis Fashion, to supply 50,000 articles of clothing in 2015 worth more than US \$1 million
Tourism Value Chain	<ul style="list-style-type: none"> Four (4) destinations selected for assistance of 53 applications submitted Implementation strategies for 4 destinations completed Baseline survey of tourism demand conducted in 3 destinations and Issyk-Kul resort area Thorough evaluation of the process for collecting tourism statistics completed and action plan submitted for improving the quality of tourism statistics collected by Kyrgyz government agencies
Construction Materials Value Chain	<ul style="list-style-type: none"> Construction materials value chain assessment completed
Business Environment	
Civil Aviation	<ul style="list-style-type: none"> Parliament passed new Aviation Code on June 29, 2015 Thorough IT assessment of Civil Aviation Agency conducted Four (4) implementation activities for Aviation Code identified and initiated but temporarily suspended by BGI
Mining Policy	<ul style="list-style-type: none"> Government adopted the Medium- and Long-Term Development Strategy for Mineral Resources Sector on February 20, 2015 Eight (8) regional seminars on the Development Strategy conducted for local communities to promote the provisions of the Strategy and the benefits of mining sector development
Tax Declaration	<ul style="list-style-type: none"> From Feb 7 – Mar 31, 2015, broadcast tax declaration awareness video 1,368 times and radio commercials 943 times in Russian and Kyrgyz languages From 2014 to 2015, the number of persons aware of the uniform tax declaration requirements increased from 39 percent to 62 percent From 2014, to 2015, the number of persons who said they will submit tax declarations increased from 56 percent to 61 percent From 2014 to 2015, the number of persons who are positive toward the universal tax declaration requirement increased from 38 percent to 49 percent From 2014 to 2015, the number of total tax declarations received by the STS increased from 311,200 to 331,920, an increase of 6.66%
VAT Administration	<ul style="list-style-type: none"> Package of amendments to the Tax Code and other laws to improve VAT administration procedures was approved by Government on May 25, 2015 Package of amendments passed the first Parliamentary reading on June 26, 2015
Ecological and Technical Safety Inspections	<ul style="list-style-type: none"> Eight (8) checklists revised according to Law and adopted by inspection agency for conducting ongoing business inspections One (1) methodology for collecting samples for environmental testing of water, air and soil determined to meet international standards by Finnish Environmental Institute (SYKE), used in the Finnish-Kyrgyz Water/Issyk-Kul Project testing at 17 sites along Lake Issyk-Kul in conjunction with the Kyrgyz State Agency for Environment Protection
Geology Agency Capacity Development	<ul style="list-style-type: none"> Completed the full implementation of the integrated data base management system at the State Geology Agency initiated under the USAID REFORMA Project Fifteen hundred (1,500) license case information input and documents scanned into the system
Local Business Service Provider Capacity Development	<ul style="list-style-type: none"> Nineteen (19) subcontracts awarded to local implementing partners worth US \$883,773 Issuance of additional four (4) subcontracts worth US \$289,593 temporarily suspended

2. Situational Background on Project Objectives

The USAID BGI Project is a four (4) year project economic development project to improve the enabling environment for business and investment and to stimulate development of non-agricultural, non-extractive value chains in the Kyrgyz Republic. It was awarded to Deloitte Consulting on August 7, 2014, thus overlapping with the USAID REFORMA Project, also implemented by Deloitte, for approximately 7 weeks. This negated the need for Deloitte to demobilize prior to the end of the REFORMA Project on September 25 and contributed to the continuity of proposed business environment initiatives pursued by REFORMA that were to continue under BGI.

During BGI's first quarter of operation, Deloitte fulfilled all contractual obligations outlined in the BGI Task Order, including submission of the following:

- Submission of a draft BGI Draft Work Plan on September 22, 2014, and a revised Work Plan on October 24, 2014. Subsequently approved on November 18, 2014.
- Submission of a draft Activity Monitoring and Evaluation Plan (AMEP) on September 22, 2014. Due to USAID's engagement of the organization, Social Impact (SI) to produce the Performance Monitoring Plan (PMP) for the Mission, which was to dictate the performance indicators that BGI and its Kyrgyz Republic Economic Growth (KREG) Activity would collect and report, USAID had approved the final version of BGI's AMEP on September 28, 2015. BGI's management team, with BGI's Monitoring and Evaluation Program Manager, participated in a two-day indicator development workshop sponsored by SI on November 20-21, 2014.
- Submission of the draft BGI Project Fund Manual on November 6, 2014. BGI received Contracting Officer approval for the manual on July 13, 2015.

Deloitte subsequently fulfilled contractual obligations by submitting the following deliverables:

- Submission of the First Quarterly Report on January 30, 2015, which was approved on February 12, 2015.
- Submission of the Second Quarterly Report on April 30, 2015, which was approved on May 7, 2015.
- Submission of the Third Quarterly Report on July 30, 2015, which was approved on August 4, 2015.
- Submission of the Second Year Work Plan on June 23, 2015, which was approved on September 28, 2015.
- Submission of the Revised Activity Monitoring and Evaluation Plan on September 11, 2015, which was approved on September 28, 2015.

3. Challenges and Risks to Project Implementation

During its first year, the largest challenge and risk to BGI project implementation has been a question of 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, effective as of August 20, 2015. As USAID is well aware, this places all future USAID programming at risk, including the delivery of the BGI Project. Consequently, at USAID's request, BGI suspended assistance to Government institutions, and Deloitte suspended activity under the following subcontracts:

- Legal Revision, Checklist Development and Training on New Inspections Methodologies - EcoPartner
- Study of the Elasticity of Social Fund Contributions (1) – Promotank
- Study of the Elasticity of Social Fund Contributions (2) – Siar Research
- Launching the Public Education Campaign for Mining Strategy – Nedra Public Fund

- Transferring Registration of Individual Entrepreneurs to the STS – Chamber of Tax Consultants

Additionally, Deloitte never issued the following subcontract awards despite conducting a competitive tender and selecting the award candidate:

- Bishkek Air Safety Conference – Karven Resort
- Implementing Electronic Signature Security for VAT Administration – Info-Comm
- Implementing Provisions of the New Air Code – Association of Civil Aviation Enterprises
- Digitizing the CAA Archives – Sinam
- Developing the CAA Regulation, Organization Structure and Financing Mechanism – Kalikova & Associates

Deloitte also suspended independent consulting agreements for the following projects:

- Assistance in Developing International Agreements for Trade in Services – Muktar Jumaliev
- Amending the Law on the Licensing System and Implementing Regulations – Nurgazy Zhokunov

On August 28, 2015, Deloitte sent a letter to BGI's USAID Contracting Officer which communicated which BGI activities and subcontracts would be suspended. The suspension of these subcontracts had obtained the prior concurrence by the USAID Mission Director of the Kyrgyz Republic and BGI's Contracting Officer's Representative (COR). This letter was acknowledged by USAID on September 18, 2015. BGI is continuing to provide assistance in activities supporting the private sector or educational institutions, while minimizing, to the maximum extent possible, exposure to VAT and sales tax on BGI activities. Deloitte is currently awaiting USAID's resolution of this diplomatic issue.

In the meantime, the pending Parliamentary elections in the Kyrgyz Republic also threatened to delay pending legislation during the autumn of 2015 until a new Parliament is formed after the elections, scheduled for October 4, 2015. Currently, BGI has several pieces of legislation that were pending as of June 30, at which time the Parliament took its two-month summer recess. Once the new Parliament convenes, BGI would have pursued passage of outstanding legislation although the suspension of these activities renders BGI's participation in these efforts questionable until the diplomatic issue is resolved.

Results of Parliamentary elections will also affect the formation of a new Government following the results of the elections, which will likely have some impact on BGI's current relationships with Government counterparts. Changes within the leadership of ministries and agencies may also have an impact on the completion of planned BGI activities as will the unresolved status of Government-assistance programs.

The final potential issue that has and will continue to have an impact on the performance of the BGI project is the macroeconomic position of one of Kyrgyzstan's primary trading partners, the Russian Federation. This has taken several forms including a slowdown in the purchase of Kyrgyz apparel and devaluation of the Russian ruble, which has put pressure on the value of the Kyrgyz som. Likewise, Russia's recession is affecting the flow of remittances into Kyrgyzstan from migrants, who have been fueling the country's construction boom, particularly in Bishkek. The slowdown in new building starts will affect the development and growth of BGI's selected construction materials sector, although the extent of the possible impact is currently unclear. Tourism may also be affected as Russians citizens comprise a not insignificant portion of tourist arrivals in Kyrgyzstan, and their inclination to travel amid economic uncertainties is currently able to be quantified.

4. Progress of Activities for Selected Value Chains

Textile/Apparel Value Chain

BGI's First Year Activities

Comprehensive Value Chain Study

BGI First Year Work Plan, Apparel, Activity 1

In December 2014, BGI issued one of its first competitive procurements to undertake a value chain study of the textile/apparel sector. The goal of the study was to better understand the structure and dynamics of the key actors in this value chain. We selected Central Asian International Consulting (CAIC), which undertook the study to identify specific value chain behavior, trends, and needs both at the sector and company levels. The value chain study evaluated the sector's competitiveness potential, impact on the economy and beneficiaries, quality of leadership within the value chain, synergies with other value chains, cross-cutting themes, and other important aspects.

CAIC completed a desk review of reports of published reports and documents to obtain a clear picture about the overall structure and dynamics of textile/apparel value chain. Following the desk review, CAIC conducted a survey of 100 textile/value chain actors, incorporating firms of all sizes, from small workshops to large apparel producers, trade associations that are registered as business entities, or individual entrepreneurs (which may actually own a sizable apparel firm). CAIC conducted six (6) focus groups in Bishkek and Osh to obtain qualitative information and validation of results obtained through survey questionnaires.

To assist CAIC to undertake these surveys and focus groups, BGI mobilized John Haycock, an international advisor with more than 40 years of experience in apparel manufacturing management and apparel sector consulting. Mr. Haycock worked with BGI and CAIC to design the research and analysis activities that shaped the completion of the textile/apparel value chain study. He helped CAIC to design value chain survey questionnaires, mentored CAIC and BGI staff in conducting interviews with key value chain stakeholders and focus groups, and provided analysis of interview responses to contribute to eventual conclusions reached through the value chain study. On December 9, he conducted a day-long seminar to train both CAIC researchers and those from M-Vector, which is conducting a skills study of both the apparel and tourism value chains, on the relevance of survey questions and key issues within the sector to enable them to generate follow-up questions based on responses. The results of the study were presented to stakeholders on April 29, 2015.

Development and Presentation of Strategy for Strengthening the Apparel Sector

BGI First Year Work Plan, Apparel, Activity 1

BGI held its first meeting with apparel manufacturers and other value chain stakeholders on January 29 to introduce the project's vision for helping firms transition beyond current market challenges.

BGI presented a current assessment of the Russian and Belarussian apparel market entitled, *Crisis – A Problem or an Opportunity?*, which discussed how the Russian retail apparel market has undergone a huge transformation in the past few years, with bazaar sales losing significant market share to large retail chains and internet sales, and retailers expanding to smaller cities across Russia. But despite shifts in marketing channels and recessionary pressures, Russia remains a viable market for Kyrgyz producers, with annual apparel sales of US \$50 billion. Many Russian retail brands seek to diversify their source of supply. BGI then proposed to conduct an initial presentation of Kyrgyz apparel manufacturing capabilities to Russian retailers attending the February Tekstilegprom trade exhibition in Moscow in February.

On April 29, BGI unveiled its strategy to support the Kyrgyz apparel sector to address competitive challenges within the rapidly changing Russian and global clothing markets. Based on the results of meetings with Russian apparel brands, Kazakh apparel retailers, and Chinese wholesale suppliers of fabric, described below, BGI formulated its strategy to stimulate systemic change in how Kyrgyz clothing producers respond to evolving opportunities and sector competitive threats. To better understand the current structure of the Kyrgyz apparel sector, BGI also drew upon the results of the CAIC detailed value chain study.

A foundation of BGI's support will be to provide highly customized and sustained firm-level assistance to a select group of apparel producers to a small number of front-runner firms, based on the application and submission of business plans that demonstrated strategic vision for future growth. Those applicants not selected for the front-runner group but who are clear leader among Kyrgyz apparel firms will also receive assistance through trade fair exhibitions, limited coaching, and other mechanisms. After these "front-runner" firms achieve results with BGI assistance, these firms will, in turn, demonstrate to "leaders" how to find and supply new buyers, reduce production costs, improve quality, and build strategies that will help them make the transition required to serve increasingly demanding customers. They will also encourage them to enter the general or simplified tax regime, transact business through banking channels, and seek EAEU technical standards certification required to expand into the retail chain market. BGI has developed an approach through which front-runners and leaders will share experiences by establishing a regularly scheduled business-to-business forum called the *Innovation Club*. This club will be the mechanism through which front-runners will transfer their newly acquired knowledge and skills to leader firms.

To help prospective participants develop their applications for support, in May BGI offered business planning workshops with an emphasis on contract manufacturing and brand development, two strategic models that have been successful for competing in global apparel markets. By the submission deadline on June 8, BGI received 23 applications from apparel makers who wanted to participate in the program.

Selection of Front-Runners/Leaders and Conduct of Gap Analysis

BGI Task Order, Apparel, Activities 2 and 6

On July 31, BGI selected seven (7) Kyrgyz apparel firms who will receive customized, one-on-one coaching, consulting, and other assistance to address competitive challenges, based on the submission of business plans that demonstrated strategic vision for future growth and willingness to make the necessary improvements to effect change. . Since then, BGI and a team of international and local consultants have been working with these front-runner firms to develop customized business strategies and work plans to guide company development activities over the coming year. The selected front-runner companies are Zorin, Lila Style, Fedor Panin, R & I, Olga Classic Style, Nazik, and Dilbar. After achieving results with BGI assistance over the coming year, these firms will advise sector peers how they were able to find and supply new buyers, reduce production costs, improve quality, and build strategies that helped them to make the transition required to serve increasingly demanding customers. In this way, support for front-runner companies will create effective business models that will be made available to other apparel makers participating in BGI's *Innovation Club*.

In addition, BGI also selected 15 leader apparel companies including the following firms for assistance: Larissa, Bermet, E-Line Moda, Aktis, City B, Barkhat, Ardamina, Credo, Inesse, Mona Liza, Aziar, Shek, Nissi, Modniki, and Svetlanka. For these leader companies, BGI will develop more limited, yet intensive, capacity development assistance in various aspects of operational and strategic management. It is expected that several of these companies will graduate into front-runner firms when BGI intends to select additional front runners in mid-2016.

Launch of Innovation Club to Build Linkages and Cooperation between Apparel Firms *BGI Task Order, Apparel, Activity 4*

Both front-runner firms and those not selected for individual development assistance this year will participate in BGI's apparel sector *Innovation Club*, a monthly networking and knowledge-sharing platform where Kyrgyz apparel companies can exchange ideas, share approaches and learn about leading business, sales and production practices from international and local experts and selected front-runner firms.

The inaugural meeting of the *Innovation Club* took place on August 20 with the participation of 15 leading apparel manufacturers. The agenda of the opening event featured discussion of the merits of flow-line production and brigade systems delivered by international garment expert Mr. Paul Collyer. Other speakers Mr. Aleksei Lavrinenko, Deputy General Director of CTNC, discussed the importance of business strategy and long-term vision and shared his view on organization challenges based on recent interaction with front-runner companies in developing strategic plans. Mr. Maksim Smirnov, partner at Kalikova & Associates, provided an overview of legal and tax requirements that are needed to become a formally registered company. Legalization is critical for Kyrgyz apparel firms wishing to secure supply contracts from Russian and foreign buyers. Topics for the monthly innovation club meetings will be determined based on the interests of the participating firms.

Selection of Innovation Centers *BGI Task Order, Apparel, Activity 5*

BGI has identified two potential private sector partners for initial cost-share investment in *Innovation Centers* to provide production services to small apparel makers co-located in former Soviet factories. They are Stanislav Pak, operating in the former First of May production facility in Bishkek, and Dastan Style, also located in a former Soviet factory in Osh. The Innovation Centers will provide technical services directly to small companies to enable them to produce and sell new products that will, in turn, help them find new customers, produce higher-quality garments, reduce production costs, and increase the number and size of orders.

In total, BGI received 12 applications from potential private sector and university partners, including two applications from Osh. In July, BGI and an international apparel production expert visited six short-listed applicants in Bishkek and Osh to better understand their capabilities and needs. In the last quarter of 2015, BGI will work with these selected entrepreneurs to validate their business plans and the projected revenues these firms can expect to receive by providing access to specialized equipment that improves quality and reduces costs in embroidery, pocket-making, pattern-laying and laser cutting. BGI will establish productivity baselines of initial companies served to measure improvements following implementation. If the business model is successful, BGI may provide additional support for the purchase of other specialized equipment and seek additional investment opportunities with entrepreneurs able to service small firms co-located in their production facilities.

Tekstilegprom Presentation, Moscow, Russia *BGI Task Order, Apparel, Activity 2*

On February 18, BGI hosted a presentation of the production capabilities of the Kyrgyz apparel industry to Russian retailers in a business-to-business (B2B) meeting conducted in association with the Russian Tekstilegprom apparel exhibition in Moscow.

This was the first time that Kyrgyz producers engaged a captive audience of 24 Russian retail brands and designers' studios, most of which had never previously contracted with Kyrgyz apparel-makers. The presentation highlighted Kyrgyz advantages in flexible product development and production capabilities, lower logistics costs and shorter lead times than many international mass-market competitors. Feedback also revealed that joining the Eurasian Economic Union could offer immediate price advantages for Kyrgyz apparel producers who sell to retailers within the economic bloc, despite widespread fears that

tariff hikes on Chinese fabrics would destroy Kyrgyz competitiveness. Responding to the changing tastes and purchase characteristics of the Russian market is critical to the long term health of Kyrgyzstan's textile/apparel sector, currently experiencing falling sales after nearly 10 years of rapid growth. The meeting highlighted the production demands of Russian retail buyers, which Kyrgyz producers will need to meet to compete in this market segment.

An immediate result of the presentation was that two Russian retailers provided BGI with detailed buying specifications while two Kyrgyz firms reported that serious discussions were underway with three other significant brands. The following week, BGI facilitated the first purchase mission of a sizable Russian apparel chain to the Kyrgyz Republic, which negotiating contracts with two Kyrgyz firms, Zorin and Fedor Panin, selected front-runners. A smaller, but more upscale retailer visited Kyrgyzstan in March also keen to find sources of previously untapped supply. Nevertheless, the contractual terms of Russian retailers may be difficult for Kyrgyz manufacturers to meet. While it was evident that there is substantial Russian interest in sourcing from Kyrgyzstan, it also became clear that Kyrgyz firms will need to change the way they do business and adjust to the demands of larger-volume buyers to conclude supply contracts with this new market segment.

Participation in Fashion Exhibition in Almaty

BGI Task Order, Apparel, Activity 2

On March 13-14, BGI staff attended the Central Asian Fashion Fair in Almaty, Kazakhstan, to learn more about the Kazakh apparel market and to formulate the appropriate market entry strategies for Kyrgyz apparel firms. Exhibitors at the event represented 16 countries, including: Italy, France, Greece, Portugal, Spain, Russia, Turkey, Latvia, Lithuania, Great Britain, Poland, Kazakhstan, Mongolia, Belarus, and Romania. Attendees were from Kazakhstan, Turkmenistan, Russia, and other CIS countries. Kazakhstan is considered the second largest export market for Kyrgyz apparel producers, with most sales transactions being conducted through traditional bazaar outlets.

BGI established initial contact with buyers, consultants, trade associations, and other individuals that could help BGI to better understand the market. The most significant finding was that, while retail stores/malls are the preferred venues for apparel purchasing by Kazakh consumers, retailers do not design, produce, or sell their own store brands. The vast majority of Kazakh retailers acquires marketing and distribution rights of foreign brands and simply sells the merchandise in upscale retail areas.

In this way, the Kazakh market differs from Russia, where most retailers have their own brands that are supported by design, product development, merchandising and sales departments. Russia is more suited for contract manufacturing partnerships while Kazakhstan requires that companies have their own brands that are supported with strong marketing and sales strategies. Thus, these two key markets offer different production and business models for Kyrgyz apparel makers. BGI will develop country-specific marketing and sales strategies that can be used to support Kyrgyz companies interested in either contract manufacturing, brand development or both.

Keqiao Textile Fair in China

BGI Task Order, Apparel, Activity 3

In May, BGI supported three apparel companies with pending Russian sales contracts (Zorin, Panin and Olga Classic Style) to expand their source of fabric supply beyond the traditional wholesale purchase of fabrics in the Madina bazaar in Bishkek. Since fabric prices consume roughly 50 percent of the production cost of a garment, these apparel makers have found that cutting fabric costs while increasing use of higher-quality fabrics is critical to break into the supply chain for Russian apparel brands.

BGI sponsored participation in a key international exhibition of textiles, yarn and accessories, the Keqiao Textile Expo 2015, which took place May 6-8, just outside of Shanghai. In addition to textiles, the exposition exhibited textile and apparel-making machinery and equipment for knitting, sewing and dyeing garments and fabrics. The Kyrgyz logistics firm, Inter Asia Trade, helped BGI to organize the

trip. Keqiao itself is a well-known center for wholesale trade of textile products. In addition to visiting the exhibition, BGI and Kyrgyz companies observed Keqiao's year-round markets and wholesale centers and also visited Yiwu – known throughout China as the center for wholesale supply of hardware and accessories for garments.

By identifying alternative sources of supply, it is anticipated that companies will be able to save 10-15 percent of production input costs, which will help them to become more competitive in the Russian market and in other countries. A wider source of supply will help them to expand their product lines and improve product quality and variety by using better fabrics at cheaper prices, and pass these reduced prices on to customers. It will help them bring production costs to a level at which they can conclude manufacturing contracts with Russian brands, whose wholesale price points have been lower than the best prices offered by Kyrgyz producers. These savings will also generate greater margins for producers to spend on marketing, brand promotion and other costs of business expansion, including formalization.

Belarus Study Tour

BGI Task Order, Apparel, Activities 2 and 3

BGI's Artur Aliev was invited to participate in a study tour to Belarus sponsored by GIZ from November 30 – December 5, 2014. The Belarusian apparel sector is one of the Kyrgyz Republic's greatest competitors in the Russian apparel market. The primary participants of the tour were government officials from the Ministry of Economy, the Ministry of Foreign Affairs, Ministry of Energy and Industry, the Kyrgyz Embassy in Minsk, Legprom, and a few owners of apparel firms. The main objectives of the study tour were to acquire a better understanding of the likely impact of the customs union on Kyrgyzstan's textile/apparel sector by examining how Belarus's government has collaborated with the private sector to take advantage of potential opportunities and mitigate problems and the potential loss of competitiveness. Study tour participants visited government agencies responsible for sector development policy, international trade, product testing laboratories, sector business associations and government-owned textile/fabric factories. Additionally, upon BGI's suggestion, GIZ arranged visits to two Belorussian apparel producers to explore areas of potential collaboration.

Research for Development of Corporate Formalization Strategy for the Apparel Sector

BGI Task Order, Apparel, Activity 2

BGI obtained valuable information during the initial months of apparel value chain activity that helped in understanding market realities for Kyrgyz apparel producers in Russia and Kazakhstan. BGI learned that there is substantial market demand especially in Russia, but to supply this market requires a fully integrated approach that combines improvement in workforce skills and the overall productivity of manufacturers with changes in the way firms do business.

To better understand policy constraints and opportunities, BGI selected a local legal and tax advisor to study the tax policy environment and develop proposals to present to the Government to enable firms to transition away from the existing tax patent regime. A new tax regime would enable apparel companies to conclude sales contracts with brands and large customers in Russia, Kazakhstan and other countries. The legal/tax advisor is preparing a study that analyzes the following three dimensions: (1) maps transactions under the current patent system; (2) evaluates the tax and legal strategies for helping firms transition from formal status as an individual entrepreneur under the tax patent system to registering as a limited liability company; and (3) provides company-specific support for one front-runner apparel firm that is now in the process of registering as a limited liability company. The advisor has worked directly with four front-runner companies to understand and map transactions flows that occur under the patent system and is analyzing the legal basis for these transactions.

The mapping exercise has confirmed that apparel companies are unable to provide adequate records that document costs as the firms rely on vague estimates rather than the use of actual financial and managerial accounting techniques and tools. When the analysis phase of the project is concluded, BGI will help other firms to make the transition to corporate registration and tax regime, provide assistance

to those firms to improve their financial and managerial accounting and tax compliance capacities, and present a tax strategy to the Government to help firms make the transition that will ultimately bring greater tax revenue to the Government.

Sponsorship of Fashion Design Competition

BGI Task Order, Apparel, Activities 2 and 4

More than 50 Kyrgyz fashion designers, many of them students and young people, presented their collections at a fashion show competition that coincided with the 10th anniversary of the Association of Light Industry of the Kyrgyz Republic (Legprom) from June 11-15. As general sponsor of the competition, BGI provided a forum to display Kyrgyz design talent and award winners in the *Professional Designer* and *Young Designer* categories. Show organizers received more than 70 applications to participate, of which they selected the 52 best collections. The awards jury consisted of both national and international fashion industry experts and leading designers. BGI sponsored the competition to promote the further development of talented students, young fashion designers and design professionals because they will play a key role in strengthening the competitive position of domestic garment manufacturers in the CIS regional markets in the future.

BGI presented certificates to the two grand prize winners, who subsequently represented Kyrgyzstan at designers' competitions this in September in Moscow. In the Kyrgyz show, professional designer Aysana Abdrasulova received the grand prize for her product line, *Solar Nostalgie*, and took her collection to the *Russian Fashion – 2015* competition, where she won honorable mentions in two categories. Ilzara Kombarova won the young designer prize for her collection, *Azari*, in Kyrgyzstan although she did not receive an award when competing in the *Exercice* competition for new talent in Moscow.

BGI also supported the week-long gala by sponsoring a training workshop entitled "*The DNA of clothing brands in the fashion industry*," conducted by Andrei Burmatikov, an expert in the Russian fashion industry. During the seminar, participants examined commercial trends in the development of merchandise collections and learned how to improve marketing strategies based on the specifics of the Russian apparel market. More than 40 representatives of clothing and knitwear companies attended the workshop.

Unrelated to this fashion show, BGI also sponsored the participation of the Kyrgyz winner of a young designer fashion show in a three-week study program at the Instituto Marangoni, in Milan, Italy, in September. As a result, Ms. Anna Tyo will make a presentation of her impressions of her study at an upcoming meeting of the Innovation Club, as well as make presentations to current design students at Kyrgyz universities over the coming months.

Jonathan Stivers Tour of Dordoi Bazaar

BGI hosted a tour of Dordoi bazaar for the Assistant Administrator of USAID's Asia Bureau, Mr. Jonathan Stivers, the senior USAID executive for assistance to 32 Asian countries. On his circuit through Central Asia in April, Mr. Stivers sought to meet not only with USAID mission and project staff, but also with entrepreneurs and representatives of Kyrgyz business. BGI's focus on the apparel value chain and the role that Dordoi has played in fueling sector growth compelled him to visit the market as part of his Bishkek tour.

Ms. Lubov Ardamina, head of a Kyrgyz knitwear company, escorted the USAID party to the wholesale containers of several leading apparel firms, including Olga Classic Style, Alinex, and Larisa Fashion. At the Larisa container, the group interviewed owner Larisa Popkova as well as the heads of Diva Style and E-Line Moda. USAID Mission Director Michael Greene and Deputy Mission Director Nate Park were among those touring the market.

In addition to the bazaar tour, BGI hosted a round table for Mr. Stivers to meet representatives of other business sectors. Executive directors of the Chamber of Tax Consultants, the Association of Markets, the Association of Young Entrepreneurs, and Bishkek Business Club offered views on the current business climate and perspectives on the impact of the Kyrgyz Republic's accession to the Eurasian Economic Union.

New BGI Initiatives Planned for Q4 2015

Improve Firm Level Performance of Selected Front Runner Companies

BGI Second Year Work Plan, Apparel, Activity 1.1

BGI will soon finalize the completion of customized firm-level action plans for each of the seven (7) selected front-runner apparel firms. These work-plans are being prepared in close coordination with the owners and managers of front-runner companies and will cover the entire range of company operations such as production, marketing/sales management, product development and costing, contracting, financial management and accounting, general management and HR, input sourcing, and others. The plans will articulate a series of comprehensive interventions that will be implemented in order to achieve tangible results, with a focus on production and marketing and some purchase of equipment on a cost-share basis, if supported by strategic plans. Production-related assistance will focus on improving productivity and production output through line-flow production methods and use of modern planning and production measurement techniques. Marketing and sales assistance will involve upgrading of general marketing, sales, and, where appropriate, brand development techniques, combined with practical coaching from international consultants. Assistance will focus on securing deals as either contract manufacturers for brands in Russia and elsewhere or brand building in CIS markets, such as Russia and Kazakhstan, or both. BGI will partner with local consultants to provide the necessary assistance for other company functions.

Launch of Innovation Centers in Bishkek and Osh

BGI Second Year Work Plan, Apparel, Activity 1.4

BGI will work with the selected two partners, Stanislav Pak and Dastan Style, by helping them develop viable business plans, pro forma financial statements, and an action plan that goes beyond the information which they initially submitted in the application. The first step will be the preparation of a feasibility study that will involve an analysis of costs and revenues and review of possible business models that will become part of the finalized business plans. One of the keys to implementing the business plans of both entrepreneurs is the initial purchase of specialized machinery such as an embroidery machine, a small laser cutter, and a computerized pattern making system. These will enable the Innovation Centers to provide outsourced production services that will be used to help small clothing producers in Bishkek and Osh reduce costs, improve productivity and quality, and secure higher value orders.

Development of Corporate Formalization Strategy for the Apparel Sector

BGI Second Year Work Plan, Apparel, Activity 1.5

The local legal/tax advisor will finalize the strategy for helping apparel firms make the transition to limited liability companies. This change in legal/tax status will enable the companies to enter into formal contracts with brands in Russia and other parts of the world. BGI will assist willing firms to develop the necessary accounting and financial management skills and systems. The advisor will develop the strategy by working initially with one apparel front-runner firm to help it navigate the tax and legal issues involved with becoming a formal business entity and paying corporate income taxes, VAT, sales taxes, and social fund contributions for employees. Subsequently, the advisor will work with BGI to create a proposal to the Government for helping firms make the transition to formal status.

Tourism Value Chain

BGI's First Year Activities

Launch of Destination Management Program

BGI First Year Work Plan, Tourism, Activity 1

On February 25, BGI launched its Tourism Destination Management Program as a foundation upon which the project will assist tourism stakeholders to prioritize and implement strategies for developing the tourism value chain in the Kyrgyz Republic. Approximately 100 tourism sector stakeholders in Bishkek participated in the launch event at which BGI presented the overall concept of Destination Management Organizations (DMOs). BGI also explained that the project will employ a competitive process to select destinations based on the development strategies proposed by consortia of local stakeholders formed for the purpose of improving the tourism product in local communities. Following the Bishkek presentation, two BGI teams conducted road shows to six cities throughout Kyrgyzstan that explained key program concepts, qualification requirements and how to apply to the program to more than 300 local stakeholders from a wide range of organizations. BGI explained that it intended to select 2-3 destinations for receiving technical assistance and grants to realize proposed strategies, improve local tourism products and services, and build sustainable DMOs.

BGI received more than 50 applications for diverse projects from stakeholder groups representing every region of the Kyrgyz Republic. After inviting 11 shortlisted candidates to make oral presentations to a five-member evaluation committee, BGI selected the four initial winners to receive support for implementing their destination management plans.

The winners of BGI's Destination Management Program were:

- **Karakol Riverpark Consortium, Issyk-Kul Oblast** – Improve riverfront property, organize and promote cultural festivals, market and promote activities;
- **Burana Consortium, CSR Central Asia, Chui Oblast** – Improve signage, sanitation, experiences for visitors to this 9th century religious monument;
- **Osh Silk Road Consortium, Osh Travel, Osh Oblast** – Develop signage and product and service delivery of accommodations along this segment of the Silk Road;
- **Jyrgalan Consortium, Issyk-Kul Oblast** – Conduct promotional activities and upgrade light infrastructure and guesthouses surrounding a nascent winter sports area, 50 kilometers from Karakol.

In July-August, BGI engaged Augusto Huescar, an international destination management professional, who worked with the BGI tourism team to help selected DMOs prepare comprehensive strategies and action plans for community development. All DMOs seek to attract larger numbers of tourists to their destinations through improvements in basic infrastructure, tourism product development, improved quality of services, and enhanced marketing and sales to local communities and potential tourists. The Burana and Osh DMOs have positioned themselves as hubs for cultural/historical tourism that represent both Northern and Southern parts of Kyrgyzstan. The Jyrgalan DMO seeks to evolve as a preferred year-round destination for extreme sports enthusiasts and nature lovers. While the nearby Karakol-River Park DMO wants to increase tourism expenditures by developing a diverse group of attractions that will keep tourists in Karakol for prolonged stays.

BGI and the DMOs identified priority activities for 2015 and prepared estimated budgets that involve improvements to basic infrastructure such as signage and purchases of necessary equipment that will enhance products, attractions and services. Other priorities include development of online tools and marketing and sales activities that will raise awareness about the destinations. The next step for BGI is to obtain USAID approval for the destination plans in the fourth quarter of 2015. BGI will also hire local environmental protection specialists, conduct environmental evaluations for each site, and finalize the project's environmental compliance processes for the duration of the project. Once USAID is

satisfied with BGI's environmental evaluation and mitigation plan, if necessary, BGI will research the requirements and work with DMOs to obtain permissions from the relevant authorities to draw up architectural and construction plans and the procurement of signage, equipment, and services to support destination strategies.

Completion of Baseline Survey of Destination Management Sites and Issyk Kul *BGI First Year Work Plan, Tourism, Activity 1*

To obtain baseline performance data for selected destinations, BGI contracted a local market research firm, SIAR Research and Consulting, to conduct surveys of tourists in three of the four selected destinations and the Lake Issyk-Kul resort community. This data will help BGI measure the impact of first year activities on tourism development for the summer 2016 season. The team did not survey tourists in Jyrgalan since its tourism activity is nascent, and its primary tourist season is winter.

SIAR completed over 300 in-depth surveys with tourists in three destinations: Burana, Karakol, and Osh. Surveys for Jyrgalan will be conducted during the winter season. In addition, SIAR completed surveys of 300 tourists in areas around Issyk Kul in Cholpon Ata, Karakol, and Kadji Sai.

BGI has confirmed with the lead members of the DMOs the following baseline numbers of tourists and overnights in 2015:

Destination	Tourists (Numbers)	Tourists	Nights	Average Tourist Nights
Osh	Osh Travel	253	-	-
	Zhukov Guest House	256	759	3.0
	Aigul Guest House	143	157	1.1
	Kyrkol Guest House	603	820	1.4
	Total Osh	1,255	1736	1.8
Burana	Local Tourists: 20,789	20,789		
	Foreign Tourists: 5,108	5,108		
	Schoolchildren: 5,805	5,805		
	Free of Charge: 1,677	1,677		
	Total Burana	33,379		
Jyrgalan	Alikol Jyrgalan Guest House	210	350	1.7
	Total Jyrgalan	210	350	1.7
Karakol	Nice Hostel	200	370	1.9
	Jamilya Guest House	900	1720	1.9
	Riverside Guest House	350	710	2.0
	Madinur Guest House	841	1590	1.9
	Total Karakol	2,291	4,390	1.9

All figures for destination guest houses represent the 2015 tourist season. For the Burana Museum Complex, figures represent the actual number of tourist tickets sold/distributed in 2014.

About half of all respondents in the BGI destinations have visited Kyrgyzstan an average of 2-4 times while respondents that were interviewed in the three areas around Issyk-Kul have visited Kyrgyzstan more than ten times on average. Tourists from non-CIS countries stated that vacation and recreation was the main reason for visiting Kyrgyzstan. While visitors from CIS countries and domestic tourists also visited the destinations and Issyk Kul for vacation and recreation, the percentage is less than that of tourists from non-CIS countries. The majority of tourists from CIS countries and domestic tourists responded that they visited these destinations in order to visit their relatives and friends.

The average levels of spending for most tourists in BGI's four selected destinations and areas around Issyk Kul is \$75 per day with most money spent on food, accommodations and transport. The lowest expenditures were for guide services and tickets for sightseeing tours.

The surveys showed that tourists at all four of BGI's destinations were satisfied with the services provided by the members of the destination management organization which includes guesthouses, hotels, tour operators, information centers, and museums. The highest level of satisfaction was given to Burana but this number might be misleading because Burana's destination management organization does not have any guesthouses. Most respondents reported that the level of service in museums and other cultural and historic attractions at the destinations in Burana, Karakol, and Osh should be improved. In comparison, respondents at the three resort areas of Issyk Kul are less satisfied with the services offered.

Improving the Collection of Tourism Statistics

BGI First Year Work Plan, Tourism, Activity 3

BGI's participated in the UNWTO Tourism Statistics Conference in Ankara, Turkey, from December 2-4, 2014, to launch efforts to improve the collection of tourism statistics by relevant government authorities. BGI partially sponsored the participation the National Statistics Committee (NSC) official, a Tourism Department manager at the Ministry of Culture, Information and Tourism, the head of the Kyrgyz Association of Tour Operators (KATO), and BGI Tourism Program Manager Artyom Zozulinsky. The conference covered a comprehensive range of subjects to improve the quality of statistics collection for volume, expenditures and accommodation for both inbound and outbound tourism, international practices in measuring tourism sector employment, the collection of domestic tourism statistics, the establishment of UNWTO Tourism Satellite Accounts (TSA), and other key subjects. Attending this conference was the prelude to developing a comprehensive program to improve the collection of tourism statistics in the Kyrgyz Republic and introduced key participants to the issues involved.

In April, mobilized international advisor, Vladimir Markhonko, to introduce and implement international/UNWTO best practices/recommendations for the collection and reporting of tourism statistics. Ms. Nurjan Toktogulova, a local consultant, worked with Mr. Markhonko to identify and consider locally based solutions at each stage of the assessment process. The project will strengthen the level of collaboration between the National Statistics Committee (NSC), the Border Service, and other Government agencies.

Mr. Markhonko's research identified that, despite the availability of a large number of supply-side statistics – number of hotels, guest houses, beds, restaurants and the supply of other services – the accuracy of much of this data is questionable. Research also found that the Kyrgyz Republic collects very little data on the demand side. This is primarily because it is significantly more challenging – and costly – to collect information from tourists through surveys and other research instruments than through suppliers of goods and services. Additionally, the study found that institutional arrangements among data collection agencies could be strengthened and that developing standard definitions for tourism indicators would contribute significantly toward the collection and compilation of appropriately corresponding data.

The assessment also determined that, while NSC staff has mathematical skills, they lack the critical thinking capacity required for producing and analyzing meaningful statistics. Based on the assessment study, BGI will seek to improve the analytical capacity of the NSC as well as enhance the presentation of tourism statistics through improved website features for better use by both the public and private sectors in business planning. The first phase of the project is expected to last six months.

Over the coming year, BGI planned to hire Mr. Markhonko to assist the NSC in implementing many of the study's priority recommendations to establish the foundation for improving the accuracy of collected data and strengthen communication among key agencies and their mechanisms for information exchange. The project intended to introduce internationally recommended standards for the collection and reporting of tourism statistics and help implement methodologies for gathering demand-side data to improve their use in business and strategic decision making.

Prior to launching the implementation phase of this project however, USAID requested that BGI suspend this activity following the cancellation of the bilateral Agreement by the Government of the Kyrgyz Republic, effective August 20. It will resume when USAID lifts the suspension

Launch of BGI's Turkish Outbound Tourism Program

BGI First Year Work Plan, Tourism, Activity 6

In the third quarter of 2015, BGI began its study to assess potential opportunities for attracting Turkish outbound tourists to Kyrgyzstan. BGI believes that the Kyrgyz Republic can entice a greater number of Turkish tourists to the cultural, historical, and religious tourist attractions that the Kyrgyz Republic has to offer if the country were directly targeted as a source of tourist visits. BGI will build upon the strong historic, cultural, economic, and political ties between the Kyrgyz Republic and Turkey by creating a program to promote Kyrgyzstan as a tourist destination to the Turkish middle class and improve the delivery of products and services targeting this market.

BGI identified three components of BGI's research that will help form a Turkish tourist development strategy. First, BGI would issue a tender to local firms to conduct a desk study of the Turkish outbound tourism market, including monitoring internet blogs and social media. Next, BGI would send members of the tourism team to Turkey to interview numerous Turkish tour operators and Turkish business associations, TURSAB and the Turkish Tourism Investors Association to identify the demands and preferences of their outbound tourists and discuss the potential of increasing the number of Turkish tourists to Kyrgyzstan. Finally, BGI would engage Geopoll, a US-based survey company, to conduct short surveys of 2,000 Turkish tourists through questionnaires delivered through Turk Cell, the primary Turkish cell phone provider.

In September, BGI hired a local NGO, Egemendik, which is an association of Kyrgyz individuals and firms with educational and business ties to Turkey. Through internet studies, Egemendik began assessing demand in the Turkish outbound tourism market, which involved gaining an understanding of the various interests and expectations of Turkish outbound tourists, market segments and demographics. In September, BGI also conducted a fact-finding trip to Turkey, in which initial findings already showed an interest from Turkish tourism operations in promoting tours to the cultural/historic and nature based attractions of the Kyrgyz Republic. BGI will complete the study in the fourth quarter, which will draw on the conclusions of all three research components to develop recommended courses of action in product and service development and promotion to achieve goals in increasing the number of Turkish tourist arrivals.

New BGI Initiatives Planned for Q4 2015

Implementation of Destination Management Plans for the Four Selected Destinations

BGI Second Year Work Plan, Tourism, Activity 2.1

After receiving USAID approval to proceed, BGI will begin to implement priority activities for the four selected destinations beginning in the fourth quarter. Priority activities will include but are not limited to environmental and construction assessments for repairs, renovations, and landscaping in private and public areas for all of the destinations. BGI will also work with the destinations to design, produce, and install signage at each of the destinations. All destinations will receive capacity development in priority gap areas such as financial management and accounting, hotel management, museum management, and others. Other priority activities involve purchases of necessary safety equipment for winter tourism at Jyrgalan, transport equipment and supplies for Osh, supplies and equipment for events in Burana, and beginning landscaping and the beautification of public spaces in Karakol. BGI will also initiate promotional activities such as website development, social media marketing, and local community outreach for all destinations, and develop an action plan targeted to women and youth to strengthen their economic participation in tourism activities.

Completion of Market Research of the Turkish Outbound Tourism Market

BGI Second Year Work Plan, Tourism, Activity 2.5

In the fourth quarter, BGI will complete its research of the Turkish outbound tourism market. Geopoll will launch its mobile SMS-based survey of 2,000 Turkish tourists who live in Istanbul and Ankara and generate a report of its findings. BGI will evaluate the results of all three research activities to determine whether to pursue next steps in promoting and delivering Kyrgyz attractions to Turkish tourists. BGI will then develop a program to build upon these attractions, in selected destinations or launching a new destination development strategy, if necessary, to build product and delivery systems. Following this, BGI will develop and implement marketing and promotional initiatives targeted to identified market segments.

Participation in International Tourism Fairs

BGI Second Year Work Plan, Tourism, Activity 2.8

There are two major international tourism trade exhibitions conducted each year – the World Tourism Market (WTM) London and the International Tourism Berlin (ITB). BGI will partially support the participation four members of the Kyrgyzstan Association of Tour Operators (KATO) at the World Travel Market (WTM), a London tradeshow which will be held from November 2-5. The participation of two BGI staff will be to better understand how KATO members conduct their tourism business, including how they generate and handle business leads and opportunities. BGI will work with the participants to improve the existing KATO exhibit space and increase the number of leads and meetings that will be arranged during scheduled networking events at WTM. BGI's observations and results from the WTM event will shape how the project may support future tourism tradeshows.

Construction Materials Value Chain

BGI's First Year Activities

Completion of the Construction Materials Value Chain Study

BGI First Year Work Plan, Construction Materials, Activity 1

In December, BGI selected the International Business Council (IBC) and the Association of Young Entrepreneurs (JIA) to contribute to the conduct of a comprehensive value chain study of the construction materials sector with international consultants from Deloitte's subcontractor, SSG Advisors. Prior to the arrival of the international team in March, the IBC team was gathering statistical data, creating a stakeholder data base, and arranging meetings and logistical support for SSG Advisors. Once SSG Chris Cavanaugh and Jeff Readman arrived, the team began conducting interviews, workshops, and focus group discussions, mapping the value chain and completing the stakeholder analysis portion of the study. The international team returned in May to complete the second portion of the study, including continuing the focus groups in Bishkek and Osh, and verifying data previously collected.

BGI completed the construction materials value chain study during the third quarter of 2015. Based on findings and recommendations, BGI believes one set of activities will focus on the development of the Sary Tash Stone Producers Association, which is comprised of 30 member companies that are engaged in the production, processing, and marketing/sales of travertine stone. BGI has identified a number of measures supporting the institutional development of the Stone Producers Association, including support with organization structure and management, finance/dues, membership services, outreach/communications, and marketing/sales.

The study also found that domestic producers of bricks, cement, concrete, and gypsum would benefit from energy or cost saving technologies that might be available either from domestic or international sources. The study also recommended addressing the industry's acute need for public-private dialogue within the sector regarding issues such as technical product standards, permits, and urban planning. All

of these standards remain legacies of the USSR and do not reflect the current realities of the Eurasian Economic Union.

BGI will use the study to determine its overall sector development strategy for the next three years to enhance the competitiveness of Kyrgyzstan's construction materials industry cluster to take advantage of both domestic and regional construction spending patterns and strengthen linkages throughout the value chain so firms can expand and enhance production, increase productivity, hire more skilled labor for higher value-added production, and effectively market output to profitable accounts.

BGI will further develop a comprehensive set of development activities for the construction materials sector and will conduct a presentation to stakeholders on the analysis and planned future activities to support value chain development in the fourth quarter. BGI expects to present a strategy for value chain development in November and launch activities by January 2016.

New BGI Initiatives Planned for Q4 2015

Development and Presentation of Strategy and Recommended Activities to Support Construction Materials Value Chain Development

BGI First Year Work Plan Construction Materials, Activity 1

BGI will present recommended construction materials value chain development activities to USAID for approval in November, with a subsequent presentation of the approved strategy and action plan to stakeholders. It is expected that we will emphasize private sector development activities, such as enhancing the Sary Tash Stone Producers Association and its member firms. Improving technical standards of construction materials is also one of the key activities BGI could pursue that would significantly benefit the sector as a whole, including forcing member firms to be accountable for international standards in quality and improve overall construction safety for citizens of the Kyrgyz Republic.

Activities involving materials standards as well as standards and permits in the construction process, however, require significant involvement of the Government for which assistance is currently suspended.

Gender/Youth

BGI's First Year Activities

Conduct a Baseline Gender and Youth Study

BGI First Year Work Plan Gender/Youth, Activity 1

BGI completed its gender and youth study in June, which confirmed our hypotheses regarding the issues surrounding gender and youth in the Kyrgyz Republic. BGI had utilized this study in developing its Second Year Work Plan for including gender and youth considerations in its overall programming.

Support of a Business Boot Camp for Youth Enterprise Startups

BGI Task Order, Gender/Youth, Activity 4

BGI has teamed up with the Business Clinic of Central Asia (BCCA) to host a 10-week training and business planning program for seven selected startup firms founded by Kyrgyz youth.

Selected from 40 applicants, these early-stage entrepreneurs will participate in classroom training and mentor and peer coaching while developing a complete business plan for launching their enterprises and prototypes of their initial product or service offerings. Each startup team will receive seed capital of US \$1,000 from BCCA. On August 18, teams will present their business plans to a group of potential Kyrgyz investors, some of whom may provide additional capital and continued coaching should they choose to invest.

BCCA is a for-profit business that began in 2013 to stimulate entrepreneurship among young people and identify potentially lucrative investment opportunities for their small capital fund. In 2014, BCCA pioneered the concept by sponsoring a six-week Boot Camp for four selected startups, three of which are still operating with funds initially provided by BCCA. Following this experience, the firm decided to provide a longer incubation period in 2015 and expand the number of enterprises selected for participation.

Startups participating in this year's Boot Camp largely plan to develop services delivered through the internet. They include an internet cosmetics store, an on-line cinema, a website offering temporary employment opportunities, internet sales of Kyrgyz handicrafts, an electronic platform for wholesale trade, and an online cleaning service.

At the August 18 Demo Day presentation, each startup team presented their business plans to a group of approximately 15 potential Kyrgyz individual investors, some of whom may provide additional capital and continued coaching should they choose to invest. Investors had the opportunity to question each startup team following their 10-minute business presentation at Demo Day. That evening, entrepreneurs and investors participated in a dinner at which investors dined with the firm they deemed of greatest interest, followed by an hour of 15-minute speed-dating sessions with other firms. Startups participating in this year's Boot Camp largely plan to develop services delivered through the internet. The following are summaries of these seven businesses:

- **Films.kg** offers an online opportunity for learning foreign languages by watching favorite movies with subtitles. The website will provide online translation, the ability to change subtitles from one language to another and many features to help those who are just becoming acquainted with foreign languages.
- **Torg.kg** is an online marketplace (somewhat like Amazon) that enables customers to choose a variety of products without having to go from one website to another. Local businesses can easily create their own online shop on Torg.kg without having to develop and maintain their own websites.
- **Belle.kg** is an online cosmetics store that will offer a variety of cosmetics brands without having to search from store to store. Belle.kg also provides professional cosmetic consultation and quick delivery. Belle.kg is getting an investment of \$2,000 and the contract will be signed in the last week of September.
- **ELICLAND** is an online service that sells unique handicraft products from Central Asia. The service provides accessories and traditional jewelry made from modern techniques with wood, leather, felt and silk. The name Elicland means *Land of the Deer*, derived from the Kyrgyz word, *elic*. The website seeks to portray the cultural richness of the Kyrgyz nomadic tradition to the whole world.
- **Cleanton** is an online provider of customized cleaning services for apartments, houses and offices. It offers several types of cleaning services including damp cleaning and general cleaning following renovation. The firm's *Master Cleaners* use professional tools are ready to accept urgent requests. Cleanton has been able to negotiate a \$4,000 investment pool
- **BayTech** offers a GPS neck-chain for tracking the location of livestock. The product, called *Trackus*, uses similar technologies that have been used for tracking livestock in other parts of the world. BayTech's GPS device is uniquely designed for extreme mountain conditions, while its lower production and maintenance costs keeps prices low.
- **iBox** is an online platform that allows users to easily and conveniently buy and sell used technological devices. The website uses appropriate filters and categories according to brand, year of production, model, price, and popularity. In addition, the site alerts users to newly added devices based on his or her preferences.

During the 10 weeks of intensive work, and per BCCA request, BGI supported BCCA in identifying a couple of interns who were helping them with both program and logistical matters throughout the Bootcamp. As the work of the start-up continues, BCCA has recently developed a survey to recruit additional interns which was advertised on BCCA web site and social media.

Startups are improving their products and having meetings with potential investors. BCCA produced startup video pitches in Russian to send to more potential investors. The English version of video pitches is about to be finalized and disseminated as well.

Ensuring Gender and Youth Inclusion in Tourist Destination Management Organizations *BGI First Year Work Plan, Gender/Youth, Activity 1*

BGI's gender and youth component proposes to anchor initial activities within destination management (DM) strategies. To begin this process, BGI conducted fact finding trips to the four selected tourism destinations in the third quarter in association with formalizing DM strategies. The gender and youth objectives of the trips focused on mapping out local initiatives that support and engage youth and women in tourism development and helping BGI identify suitable partners for future programming. BGI's gender and youth specialist met with international agencies and potential beneficiaries among local businesses, NGOs and groups that are interested or can foster youth and gender issues. Specific focus was made to identify opportunities for handicrafts development in the selected destinations. BGI has identified several initial activities targeting gender and youth. Nevertheless, the further visits to destinations will help to shape the vision regarding finalization of activities, which will be pursued in the fourth quarter with the regional launch of the BGI Grants program. This is especially relevant since implementation of BGI gender and youth development activities will be initiated through grants mechanisms.

New BGI Initiatives Planned for Q4 2015

Finalize Activities to Ensure Gender and Youth Inclusion in Destinations *BGI Second Year Work Plan, Tourism, Activity 2.3*

During the fourth quarter, BGI will finalize the gender and youth dimension of the destination management strategies. Currently, the gender and youth component will address issues of greater inclusion and participation by focusing on the following activities:

Support the **Jashtar Camp** on November 14 and 15, which is a nationwide, semi-formal youth conference that seeks to engage young people in civic, cultural and economic life that will take place in six cities throughout Kyrgyzstan. BGI will provide some funding for Jashtar events in Bishkek and in two destination development sites, Osh and Karakol. Burana youth can participate in the Bishkek event and Jyrgalan youth can join the Karakol event. Specific topics of the event will cover youth entrepreneurship and engagement in tourism and apparel value chains, and promotion of role models and success stories. BGI will assist in identifying speakers for the events in the three cities, sponsor a bus tour in Bishkek and Osh (and a walking tour in Karakol) that demonstrates potential employment opportunities as city guides for tourists, and provide funding for some identified costs incurred by camp organizers to conduct the events.

Support the **Tourism-Fest**, which will be a two-day festival on November 21-22 that opens the winter season in Jyrgalan, a BGI-supported destination. While sponsoring some of the activities of the event, which will serve as a familiarization tour (FAM tour) for tour guides, journalists and ski/adventure tourism bloggers, BGI will also support the creation of a "hospitality yurt" for participants, which will feature sales of food, food items and souvenirs made by Jyrgalan and Karakol women. The event strives to engage the local community by educating people about tourism business opportunities in Jyrgalan. BGI will sponsor training programs for community participants in preparing food and hand-making souvenirs for participants.

5. Progress of Activities for Strengthening Human Capital

BGI's First Year Activities

Completion of the Study of the Demand and Supply of Value Chain Skills

BGI First Year Work Plan, Human Capital, Activity 1

During the first quarter, BGI conducted a tender for the selection of a local organization to undertake a qualitative and quantitative analysis of the key skills demanded by private firms in the development of the apparel and tourism value chains and the sources and quality of supply of future workers among universities, vocational schools and training organizations. BGI selected M-Vector as the winning firm, which began working with BGI's Human Capital and Value Chain teams, as well as CAIC, the firm engaged to conduct the apparel value chain study.

After conducting a desk research, which identified the key issues studied under various surveys or reports, M-Vector conducted 38 in-depth interviews in tourism and 54 in the apparel sector, with representatives from both firms and educational institutions. The firm held six additional six in-depth interviews with government institutions and other organizations. M-Vector also surveyed 376 textile companies and 291 tourism companies, mainly in Bishkek and Chui Oblast, Issyk-Kul Oblast, Osh and Osh Oblast. The firm prepared a data base in Excel of the surveyed companies in both sectors with full contact details and information on the type of business activities pursued. Together with the BGI team, M-Vector also met most of the international donor organizations that have been supporting the apparel sectors in the past years. Meetings were held with representatives from ADB, International Labor Organization, GIZ (3 project units), USAID WLSME Program, European Training Foundation (ETF), ITC, as well as some local organizations such as Business Professional Network (BPN) supported by Swiss funds.

With this data, M-Vector analyzed the size and nature of managerial and workforce skills gaps of the value chains. The firm also evaluated the participation of women and youth in formal education and training and barriers that prevent them from accessing skills and jobs in the sectors. BGI will present conclusions and recommendations of the study at events planned for April 28 and 29.

The subcontracting firm, M-Vector, submitted its final report for acceptance in Russian and English on June 18, 2015. In the third quarter, BGI published the Report on the Study of the Demand and Supply of Skills in the Tourism Sector in English and Russian and distributed among stakeholders: universities and vocational schools training in tourism, tourism associations, the Tourism Department, donor institutions working in the sector and other relevant partners. The Report has been also published by the BGI subcontractor M-Vector on its website <http://www.m-vector.com/ru/news/?id=350>.

On April 28 and 29, BGI presented findings from its study on the size and nature of demand for workforce skills in the Kyrgyz apparel and tourism sectors and the degree to which universities and vocational schools are able to meet these needs. The Kyrgyz consulting and research firm, M-Vector, which BGI selected to conduct the study, outlined its conclusions in two different presentations to stakeholders of both sectors that took place on consecutive days. BGI's study was the first large-scale research of the workforce skills demanded by firms in the apparel and tourism sectors. The results of the study were based on interviews with roughly 800 managers and employees of firms and more than 70 managers and instructors of educational institutions.

In connection with these presentations, BGI also invited providers of education and training to exhibit their services to participants during coffee breaks before and after the event programs. As many as 25 universities, vocational schools and training institutions offered exhibits over the two-day period, the first day featuring tourism sector curricula and the following day that for apparel design and production. The exhibition provided an opportunity for private firms to interact with institutions to initiate contact between educational providers and their ultimate private sector clients.

BGI is employing the results of the study to develop its plans for strengthening the knowledge and skills of Kyrgyzstan's future workers as well as improving access to education and training for employers and workers in these sectors.

Human Capacity Support to the Destination Management Program

BGI Second Year Work Plan, Tourism, Activities 2.1 and 2.3

Following the selection of destinations to be supported by BGI, the human capital team joined the tourism value chain team in conducting initial activities with Destination Management Organizations (DMOs) in the field. In August, they met with DMO consortium members, as well as education institutions and NGOs in the destinations, to identify potential areas of capacity building assistance and potential partners in delivering such assistance. As a result, the team developed an outline of capacity building activities across all four DMOs. The envisioned DMO capacity-building activities are designed to two target groups within the destinations: (1) DMO members and other firms and individuals currently engaged in delivering tourism products and services; and (2) members of the local community.

Capacity building of DMO members envisions specific training and coaching of at both basic and advanced levels. There are many commonalities in capacity building needs that can be addressed collectively through each destination, although there are a few specific training needs pertinent to each destination. The list of potential training areas identified is given below:

- Guesthouse Management
- Guest Relations and Monitoring Product and Service Quality
- Museum Management
- City Tour Guides
- Mountain Tour Guides
- Safety and First Aid
- Marketing and e-Promotion
- Basic Product Pricing/Accounting
- Hotel Management (advanced)

BGI will also offer information sessions to the wider community to introduce the destination management concept, followed by training to interested participants on forming tourism-related businesses and services and promoting tourism in their communities by. Potential activities include:

- Sustainable tourism development and the benefits of developing community-based tourism
- Tourism businesses and how to develop and deliver tourism-related products and services
- Basics of accounting, financial management and other

In parallel, the team has met with potential implementing partners relevant to the needs identified, including: the Kyrgyz-Turkish Manas University, the Academy of Tourism, the School of Professional and Continuing Education at the University of Central Asia, the Continuing Education Center at the American University-Central Asia, "Training Hotel", School of Mountain Guides, "Human Resources" Company, "Logic" Training Center and individual experts. During the fourth quarter, BGI will initiate training course development activities and launch the first training courses for destination partners.

Human Capacity Support to the Apparel Sector

BGI Second Year Work Plan, Apparel, Activities 1.1, 1.2 and 1.7

BGI is finalizing its plans for strengthening the knowledge and skills of apparel workforce as well as improving access to education and training for employers and workers in this sector through partnership and collaboration with universities.

During the current quarter, BGI met with several universities as BGI potential partners, which are the main suppliers of specialists for the textile and apparel industry. These are:

- Kyrgyz State Technical University named after Razakov
- Kyrgyz State University of Construction, Transportation and Architecture
- Kyrgyz State University named after Arabaev

The Kyrgyz State Technical University is the main supplier of the specialists for the apparel and textile industry. In the past, it was the only university that prepared designers, technical designers and textile/apparel production managers. Currently there are two departments in the Technical University:

- Department of Garment Design and Technology
- Department of Art Design

The Department of Garment Design and Technology consists of 18 professors and instructors who prepare students to serve as the link between apparel design and production in the industry supply chain. Today, the department brings together eight teaching laboratories and training workshops, carries out research on problems of light industry, and offers a graduate school for higher education. Students develop the skills to transform a sketch to a finished garment. Although the university offers hands-on training to create garment prototypes, students must use old, industry-standard equipment. Students do obtain practical experience through internships, which are mandatory and last from four until eight weeks. The department has concluded general agreements with approximately 40 companies for providing internships to students. Every year in average, about 20 students graduate from this department with degrees as either Bachelor of Technician-Technologist or Bachelor of Technician-Designer (four-year study).

The Department of Art Design prepares students for careers in fashion and graphic design. The fashion design curriculum covers fashion sketching, creative design, draping, pattern drafting and computer applications (in theory, only, since universities lack computer equipment and programs). Currently 20 professors and instructors work for this department, and every year approximately 35 students graduate a degree in Bachelor of Artist-Stylist Costume Design or Bachelor of Graphical Design.

The Kyrgyz State University of Construction, Transportation and Architecture, the Department of Artistic Design prepares artist-stylists, costume designers and technical designers. This department is smaller than that of the Kyrgyz Technical University; it has 12 professors and instructors. On average, about 35 students graduate from this department every year. At the initiative of the department head, with the support of Legprom (the Association of Light Industry) the university has sponsored job fairs for the last five years. Prospective graduates prepare their resumes and portfolios with their best works and sketches to present to participating representatives of textile/apparel companies. The job fairs allow employers to communicate with the best students, become acquainted with their work, and to interview and offer pre-diploma internships in their companies. In turn, students actively participate in different kinds of contests and festivals.

The Kyrgyz State University named after Arabaev, Department of Artistic Costume Design has a similar curriculum to the Kyrgyz State University and offers a similar education process. There are 12 professors. On average, 10-15 students graduate a Bachelor of Artist-Stylist in Costume Design.

Based on this information, BGI defined six training modules that will be developed and provided to managers and staff of BGI's front-runner and leader companies, including participation of university faculty and university students in their final year. BGI plans to contract local and international consultants to develop and organize following training modules:

1. Human Resource Management
2. Marketing and Sales Management
3. Financial Accounting and Financial Management

4. Production Management
5. Fashion Design
6. Strategic Management and Strategy Design

These initiatives are fully in line with the training needs and skills gaps identified when working with selected front-runners apparel firms.

Improving Institutional Efficiency in the Public and Private Sector

BGI First Year Work Plan, Human Capital, Activity 3

On December 16, BGI and GGPAS organized a one-day conference on *Improving Institutional Efficiency in the Public and Private Sector*. The conference was attended by 99 representatives from ministries, agencies, associations and local consulting and research companies. It offered an opportunity for information exchange and showcased various methodologies and approaches applied in different public organizations under Human and Institutional Capacity Development (HICD) programs. In addition to the plenary session, the conference gave participants the opportunity to participate in groups and expose themselves to case studies on practical instruments and tools for increasing efficiency at work, developed and delivered by local consultants who implemented capacity development projects under REFORMA and GGPAS.

The State Geology Agency's Deputy Director Ulan Ryskylov and REFORMA subcontractor Feliks Shapiro delivered a presentation on implementing the geological management data base at the Agency with a focus on the scanning process of licenses. The Head of the Strategic Planning Unit at the Ministry of Economy, Nazgul Sydygalieva, and REFORMA local IT expert, Vlad Tkachov, delivered a presentation on the implementation of the monitoring and evaluation system at the Ministry to measure progress of its Internal Development Strategy.

Sponsorship of the Institute of Management Consultants (IMC) Annual Forum

BGI First Year Work Plan, Human Capital, Activity 3

IMC is a business association with membership of roughly 70 mostly independent management consultants. IMC conducts an annual Forum each December to promote the development of the consulting profession in the Kyrgyz Republic. One of BGI's objectives is to improve the capacities of local consultants to provide services to value chain firms, and IMC is the key counterpart to reach local consultants.

The theme of this year's Annual Forum was *Development of Professional Standards in Consulting*, which took place on December 17 in Bishkek. The event was organized by the Institute of Management Consultants (IMC) in the Kyrgyz Republic with the support of the European Bank for Reconstruction and Development (EBRD), Embassy of Switzerland and BGI. Within the framework of this forum, local and international experts discussed the topics of development of professional standards in consulting, ways to obtain certifications such as the Certified Management Consultant (CMC), the Project Management Professional (PMP), the Certified Performance Technologist (CPT), as well as other standards and certifications in consulting.

BGI supported IMC with 2 presentations: Project Management Professional and the PMI Chapter in Kazakhstan delivered by Vladimir Zotolokin from PMP Chapter in Almaty, Kazakhstan and the Certified Performance Technologist delivered by BGI Human Capital Component Leader Tanja Georgievskaya. BGI provided funds to support the Forum by sponsoring the speaking engagement of Mr. Vladimir Zolotin of the PMI in Almaty, who discussed the benefits of obtaining certification as a Project Management Professional (PMP). The following day, Mr. Zolotin made a more in-depth presentation to interested consultants on the field of project management, which provided general information about the procedures and criteria for PMP certification, an international certification in project management. The

participants of the workshop also discussed creation of an open platform for all individuals interested to obtain the PMP Certification.

BGI also provided funding for covering some of the organizational costs of the Forum. BGI took part in the exhibition with its own stand providing information about the new project and informing participants about work that was done under REFORMA project. The Forum was attended by 116 participants. After the Forum, IMC prepared and submitted a brief report and a 5-minute video about the Forum.

6. Progress of Activities for Improving the Business Environment

Tax Policy and Administration

BGI's First Year Activities

Simplified VAT Administration System

BGI First Year Work Plan, Tax Administration, Activity 1

With the BGI award, USAID determined to continue to support VAT administrative reform initiated by the REFORMA Project. Throughout the fourth quarter of 2014, BGI Tax Program Manager Dilyara Ishalina provided advice on the recommended changes to VAT administration reflected in amendments to the Tax Code, the Criminal Procedural Code, and the Code on Administrative Responsibility to government officials during the process of obtaining approval for the proposed amendments from the relevant ministries and agencies. The proposed changes: (1) eliminate the use of high-security invoice forms and replace them with a system for generating unique electronic invoice numbers; (2) simplify the VAT crediting and refunding procedure for conscientious taxpayers who meet fast track criteria; (3) tighten voluntary VAT registration procedures by conducting thorough due diligence prior to registration; and (4) reduce the period for which distributed invoice numbers are valid following the failure of any taxpayer to file a monthly VAT report.

The decision made by the Kyrgyz Republic on accession to the Eurasian Economic Union (EAEU), however, fundamentally changed VAT administration procedures for the goods brought from the EAEU member-countries. Previously, the State Customs Service (SCS) was responsible for VAT administration for imports, but accession to the EAEU required that indirect tax administration (VAT and excise tax) in trade transactions with EAEU-member countries be fully transferred to the State Tax Service. This changed administrative procedures for VAT payers trading with EAEU-member. Consequently, BGI subcontracted MF Consulting to revise the earlier developed Manual on VAT administration processes to reflect new processes to be introduced upon Kyrgyzstan's accession to the EAEU and to conduct training courses for tax inspectors on new VAT administration processes.

From December 1-5, 2014, BGI conducted four, 4-hour workshops for 111 large- and medium-sized VAT payers in Bishkek to present the proposed VAT administration changes to the Tax Code as well as new processes to be introduced after accession to the EAEU. During the workshops, BGI conducted a survey to determine the reported time and costs taxpayers experienced in performing six existing VAT procedures. In addition, 11 taxpayers were interviewed in Osh and Jalal-Abad to understand taxpaying experience in the South. The baseline data collected will help to further monitor the changes in time and costs following adoption of the VAT amendments.

Following approval by all relevant ministries, the Ministry of Economy submitted the package of VAT amendments to the Government on January 19 for review, approval and further submission to the Parliament. BGI continued to provide consultative assistance throughout the process of Government approval. MF Consulting also began the process of analyzing laws and regulations reflecting indirect tax administration processes, reporting forms, and other procedural VAT documents based on accession to the EAEU. The analysis revealed discrepancies and contradictions in tax legislation and administration procedures, and MF Consulting submitted a detailed comparative table of the Kyrgyz and EAEU legal provisions with recommendations to the State Tax Service for further action, along with the list of laws

and regulations that need to be developed or amended. The company mapped the processes showing taxation procedures for import and export transactions with EAEU countries for goods, works and services. It conducted a similar mapping exercise to show taxation procedures for goods processed in Kyrgyzstan and those processed by other countries within the EAEU. As a result of this analysis, MF Consulting developed new VAT forms to adjust previously recommended VAT administrative processes with those of the EAEU. Finally, the firm submitted a list of VAT documents and reporting forms, both existing and proposed, to the STS for further review and approval.

On May 25, 2015, the Government approved BGI-sponsored Tax Code amendments, which were approved in the first Parliamentary reading prior to the June 30 legislative recess. Nevertheless, there was insufficient time to obtain full legislative approval before the break, despite significant support for its provisions. The proposed VAT amendments are expected to be passed in the second and third readings in the Parliament once the new Parliament is elected on October 4. It is currently unclear, however, when these amendments will be placed on the Parliamentary agenda.

Meanwhile, in preparation for the approval of the VAT changes, BGI finalized the training video on new VAT procedures for STS officials and formally presented it to STS management. The video consists of three modules: (1) Basic requirements and the relationships between tax authorities and taxpayers in the EAEU; (2) Changes in the administration of VAT that will result from enactment of the draft law approved by the May 25th Government Resolution № 318; and (3) General business processes for tax officers when working with taxpayers on VAT administration. The first EAEU related module of the video was immediately posted to the STS web site, and its link www.sti.gov.kg/евразийский-экономический-союз/видеоматериалы/видеоролик was circulated among local business associations and entrepreneurs.

BGI also finalized and printed 400 copies of the Question and Answers Booklet on EAEU taxation issues for tax inspectors and 1,000 copies of the EAEU VAT Administration Booklet describing processes for collecting VAT from importers and exporters. Both booklets were distributed among regional tax offices, ministries and 10 large business associations for further circulation among their members. BGI also prepared a VAT Administration Manual for tax inspectors describing the new VAT procedures that will come into effect once they are approved by Parliament.

BGI also supported the printing of six booklets for the STS on amendments to tax laws in light of Kyrgyzstan's accession to the EAEU explaining new tax regulations and documents required for new reporting processes. BGI printed 5,000 copies of each booklet in both the Kyrgyz and Russian languages that were distributed throughout the republic and at all border posts for importers and exporters.

BGI will continue to monitor the passage of the proposed VAT amendments in the Parliament during its second and third readings. Once Parliament passes VAT reform legislation, BGI will continue to help the STS implement process changes that will significantly simplify VAT administration, including assistance in securing electronic signatures from taxpayers who must begin to submit VAT reports through the internet. BGI will also monitor the impact of administrative improvements by surveying VAT payers.

Statistics on VAT Payment and Reporting

Year	Number Registered VAT Payers	Number Firms Submitting VAT Reports	Percent Reporting against Registered	VAT Over-Payment Million KGS	Over-Pay Million US\$*	VAT Contribution to Budget KGS	Contr Million US\$*	Overpayment Percentage of Budget Contribution
2009	9,934	8,132	82%	4,748.2		13,467.4		35%
2010	8,168	7,471	91%	5,811.5		14,602.0		40%
2011	8,595	7,699	90%	6,383.0	\$138.70	20,352.9	\$442.5	31%
2012	8,962	7,656	85%	7,182.7	\$149.60	25,769.3	\$536.9	28%
2013	9,420	8,478	90%	8,246.0	\$164.90	30,083.2	\$601.7	27%
2014	9,138	8,259	90%	8,900.0	\$171.10	32,663.4	\$628.1	27%

* Exchange rate: 2011 46/\$1; 2012 48/\$1; 2013 50/\$1; 2014 52/\$1; 2015 63/\$1

Implementing Electronic Signature Security for VAT Administration

BGI Second Year Work Plan, Tax Administration, Activity 4.1

New VAT processes will require mandatory electronic filing of reports and expanded access for taxpayers to the VAT payers' database. In June, BGI issued a competitive tender to select an IT firm to support the STS in creating software to certify digital signatures for electronic tax reporting, including VAT. This will streamline the tax filing process and eliminate taxpayer burdens currently associated with registering and obtaining e-keys from an intermediary firm. The developed software will allow the STS to authorize taxpayers' digital signatures with substantially less cost and difficulty than through the intermediary firm.

In July, BGI determined the winner through a competitive tender but had to suspend the activity at USAID's request following the cancellation of the bilateral Agreement by the Government of the Kyrgyz Republic, effective August 20.

Participation in VAT Workshop in Moscow

BGI First Year Work Plan, Tax Administration, Activity 1

From December 9-11, 2014, BGI sponsored participation of Kyrgyz tax officials in a VAT training workshop in Moscow conducted by the Eurasian Academy of Public Finance for CIS tax experts and tax service officers. At the workshop, participants were presented the main trends in VAT policy in European countries. These included VAT rate increases, revocation of benefits, fighting VAT fraud, approaches and instruments for effective VAT payment control, tax audit methodologies, automation of VAT administration processes and other VAT-related best practices.

Tax Literacy on Universal Declaration

BGI First Year Work Plan, Tax Administration, Activity 2

The Tax Code adopted in 2009 intended to introduce a system of universal tax reporting for all forms of economic activity in the Kyrgyz Republic, as well as for all Kyrgyz families and citizens. Due to widespread lack of tax literacy among the Kyrgyz population, however, Parliament waived the universal tax declaration (UTD) requirement until January 2016. Consequently, the REFORMA Project worked with the STS and its subcontractor, the Chamber of Tax Consultants (CTC), throughout 2013 and 2014 to develop and implement a comprehensive public outreach campaign to strengthen the taxpaying culture throughout the country. The CTC executed a program of public relations, advertising and information that was distributed via electronic and print media throughout the country. REFORMA also contracted with a local animated video production company, Pyat Paltsev, to create a total of three commercials in

Russian and Kyrgyz, which aired from October 2013 to June 2014, to improve public awareness of tax obligations and future universal declaration requirements. REFORMA also undertook a taxpayer awareness survey to obtain baseline data for monitoring and evaluating the impact of the REFORMA public education campaign. Research teams surveyed 1,200 taxpayers throughout the Kyrgyz Republic, in both August 2013 and August 2014 to determine the impact on awareness. Nearly all awareness indicators posted significant gains, but the largest evidence of success was the STS's reporting a 7% increase in the submission of tax declaration forms in 2014.

At the request of the STS, BGI has continued the public education campaign initiated by REFORMA to improve tax literacy in preparation for the 2016 introduction of universal tax declaration. In January 2015, BGI adjusted REFORMA's UTD video commercials and audio announcements for further broadcasting on TV channels and radio stations in February-March 2015 prior to the April declaration filing deadline.

Beginning February 7 and ending March 31, twelve television channels and three radio stations across the Kyrgyz Republic aired the video and audio ads, arranged by a subcontract to the media firm, Vsglyad.kg. During the period, the video was broadcast 1,368 times, and the audio commercials aired 943 times in Russian and Kyrgyz languages. In addition, the CTC published and distributed 800 posters and 10,000 leaflets, and contracted for banners to be placed on two popular local news websites akipress.kg and 24.kg. Information was posted on the web sites of partner organizations (CTC and the Ministry of Economy), and the uniform tax declaration forms and procedures manual were posted to the STS website for use by the taxpayers. The CTC received 64 questions on its website and responded to all immediately.

During the two-month campaign, the CTC also employed social media marketing, posting information on, in social networks (Diesel, Facebook, Odnoklassniki and the CTC Facebook page). The number of people on Diesel.kg forum who viewed the Kyrgyz Republic's Universal Declaration section increased from 33,107 to 48,089 during the campaign. It was the most viewed notice in the Policy and Society section of the Diesel forum. More than 4,551 users actively participated in voting and evaluating information posted by the administrator on the Odnoklassniki CTC page at <http://ok.ru/profile/561547304941/statuses/63614791123181>

BGI supported the STS's other public awareness efforts through radio interviews, information forums, and press café for journalists. The CTC conducted a master class for mass media representatives on how to complete the tax declaration forms using an electronic calculator that BGI updated with recent changes to the tax declaration forms. The CTC also conducted a mini press club for Kyrgyz language media representatives. Following these activities, seven articles on UTD were published in print and electronic media.

Results Survey of the Tax Declaration Campaign

BGI First Year Work Plan, Tax Administration, Activity 2

In June, BGI selected ISR Consult to conduct a nationwide survey to assess taxpayer awareness of the uniform tax declaration (UTD) requirements and those for universal tax declaration that will take effect in 2016. In 2013 and 2014 REFORMA completed two waves of similar surveys to measure awareness of these requirements. The ISR Consult survey used the same questionnaire as was employed in the 2013 and 2014 surveys. In July-August, ISR Consult selected 1,200 taxpayers in the same regions as selected in previous surveys, based on a representative sample of taxpayers.

The results showed that the majority of interviewed respondents are aware of the Universal Tax Declaration – 62% (against 39% in 2014 and 37% in 2013); the number of well-informed people about UTD increased from 30% to 45% and those exhibiting a positive attitude to Universal Tax Declaration increased from 38% to 49%. The number of taxpayers reporting on UTD to the STS showed growth from 27% to 40%, and those taxpayers who intend to report on UTD increased from 56% to 61%.

Results of REFORMA's and BGI's Tax Declaration Campaigns 2013-2015

Indicators	2013	Percent Change	2014	Percent Change	2015
Aware of uniform tax declaration	37%	5%	39%	59%	62%
Submitted uniform tax declaration	19%	42%	27%	48%	40%
Will submit uniform declaration forms	37%	51%	56%	9%	61%
Aware of available tax deductions	4%	125%	9%	44%	13%
Used tax deductions in their declarations	0%	1%	1%	400%	5%
Aware of penalties if not declaring	13%	131%	30%	50%	45%
Perceive universal declaration positively	48%	-21%	38%	29%	49%
Turn to STS employee for tax assistance	68%	13%	77%	-27%	56%
Total number of uniform tax declarations submitted	290,800	7%	311,200	6.66%	331,920

Among those who were found to be unaware of the UTD, they indicated the following reasons: 37% of respondents believed the nature of the UTD was out-of-date, 31% said they were unaware due to the lack of effort by the Government and other governmental agencies to publicize them, and 18% said there was a lack of nationwide media coverage. Based on these findings, BGI will make recommendations to the STS to take into consideration for future UTD promotional and awareness raising campaigns. The analysis of the survey showed a positive correlation between an increase in the number of taxpayers reporting on UTD and the years of nation-wide promotional campaigns conducted with the support of USAID, which indicates the strong impact and the necessity of conducting far-reaching awareness campaigns.

Overall, the results of the nation-wide survey demonstrated the effectiveness of BGI's large-scale awareness campaign conducted in January-February, which employed a variety of communication channels such as TV, radio, print media and web resources.

During implementation of this survey, ISR Consult tested a new data collection approach using an internet tool through which test surveys were conducted through five popular web sites. The results were that 1,735 users opened the online questionnaire, of which 645, or 37 percent, completed the five-question survey. From this social media marketing (SMM) tool, 65 percent of respondents were aware of the uniform tax questionnaire requirements, 40 percent were aware of the upcoming requirement for universal declaration. Nevertheless, nearly all respondents were based in Bishkek, so such a tool would not fully capture regional responses.

The final report on the UTD survey will be submitted to BGI in October. As a result of the cancellation of the bilateral agreement, USAID will determine when BGI can make a presentation to the STS on survey findings.

Capacity Development for Tax Officials on the Declaration Forms

BGI First Year Work Plan, Tax Administration, Activity 2

BGI continued supporting the STS in its work on improving the collection of Uniform Tax Declaration (UTD) forms. Following a series of one-day training workshops for tax officers in February, in April BGI's subcontractor, the CTC, conducted a five-day, in-depth training-of-trainers for 28 officers of the STS. Four tax officers from each oblast were selected as future trainers and points-of-contact to provide advice and consulting to taxpayers on issues related to completion of the UTD. Tax officers were also given a master class on practical skills of how to use internet resources and were trained on how to post

information on social networks, respond to online questions, and monitor online forums to assess public feedback on introduction of the universal declaration.

In addition, the CTC developed a new simplified UTD form for individuals who do not have taxable income, created procedures for completing the declaration form for this category of individuals, finalized the list of documents to be submitted for additional tax deductions, made editorial changes to UTD forms and drafted the appropriate amendments and additions to procedures for filling out UTD forms for all categories of taxpayers. The CTC also improved the REFORMA-supported electronic calculator on the STS's website, declaracia.kg.

Study of the Elasticity of Social Fund Contributions

BGI Second Year Work Plan, Tax Administration, Activity 4.2

In May, BGI launched a study to support a request of the Secretariat of the Business Development and Investment Council, at the directive of then Prime Minister Joomart Otorbaev, to assess the attitudes of business owners and entrepreneurs toward Social Fund insurance rates. BGI and the Secretariat selected two organizations to complete the study, Siar Research and Consulting and Promotank. Siar Research was to conduct the business survey and Promotank was to analyze the results of the macroeconomic model and, with Siar, make recommendations to the Business Development and Investment Council for Government consideration.

The purpose of the study was to determine if reducing the rate of mandatory social insurance payments would motivate firms to increase the number of formally registered workers, thereby reducing the level of activity in the shadow economy. The combined employer and employee contribution rate for social insurance is 27.25 percent, which the business community deems excessively high, particularly relative to benefits provided. The study also sought to find ways to spread the burden of social contributions more equitably across the economy. The Social Fund provides benefits to many entrepreneurs and farmers who never contribute to the system, placing payment liabilities almost entirely on businesses that are fully operating in the formal economy.

The Secretariat designed the study to survey 1,200 businesses, individual entrepreneurs and farm entities and to build a macroeconomic model to analyze the sensitivity of responses to payment rates. Based on this analysis, the model would help to determine if reducing the rate would ultimately increase Social Fund revenue collection. Increasing the collection rate for social insurance payments would reduce pressure on the national budget to fund pension benefits that currently comprise 12.5 percent of the entire budget.

In August, Siar completed interviewing 1,200 payers of insurance contributions. These respondents represented legal entities and individual entrepreneurs in all regions of the country operating in various economic sectors and subject to different tax regimes. The analytical report describing the findings of the survey was expected to be submitted in the fourth quarter to help determine respondents' attitude to the tariff rates of insurance contributions and the level of their compliance with the law and the level of shadow employment.

Meanwhile, the second subcontractor, Promotank, completed desk research of Kyrgyz legislation on social insurance rates and the administration of insurance contributions. The analysis showed that:

- The 'one stop shop' regime, authorized by legislation, does not actually work for registration purposes;
- There is significant ambiguity of certain provisions of the Law on State Social Insurance and of the Instruction on the Procedure of Accrual and Payment of the Social Insurance Contributions;
- Required dates of reporting and dates of payment of social insurance contributions do correspond.

Promotank then compared these to the experience of neighboring states: Russia, Kazakhstan, Tadjikistan. The benchmarking analysis showed that the rates of social insurance contributions in neighboring countries do not differ much from those of the Kyrgyz Republic. Russia and Tadjikistan placed the primary burden of social tax payment on employers while Kyrgyzstan and Kazakhstan split this burden between the employers and employees. Since the average salary rate and pension payment in each country depends on the economic growth rate of the country, it was determined that it was not feasible to base recommendations on the experience of neighboring countries.

The proposed macroeconomic model was to employ the findings of the survey, together with the results of the desk research, to make projections on the elasticity of collections on insurance contributions based on simulations of changes of Social Fund collections against the insurance contribution rates. Based on these results, the team was to propose various alternative options to the Government.

BGI was expecting to begin the modeling exercise in September, but this work was suspended at USAID's request following the cancellation of the bilateral Agreement by the Government of the Kyrgyz Republic, effective August 20. It will resume when USAID lifts the suspension.

Ministry of Economy Adoption of the Fiscal Policy Concept for 2015-2020

BGI First Year Work Plan, Tax Administration, Activity 3

Throughout the year, BGI supported the Ministry of Economy in the development of the National Fiscal Policy Concept for 2015-2020 and the Action Plan that identifies existing challenges and recommends government policy priorities regarding taxes, social contributions and mandatory non-tax payments. The Fiscal Policy Concept is an important strategic document that defines the primary fiscal policy and administration issues, determines the main priorities for consistent fiscal policy improvement for the upcoming six years, and sets forth mid-term goals and objectives in the area of fiscal policy and tax administration. The earlier national Midterm Strategy for Tax Policy covered the period of 2006-2008. Since adoption of the Tax Code in 2009, no such critical strategic documents were developed in the fiscal policy field.

BGI Tax Program Manager Dilyara Ishalina was a member of the Government's Working Group of the Ministry of Economy's Fiscal Policy Methodological Council to develop the Fiscal Policy Concept and worked closely with the relevant government ministries and agencies to identify the key issues that needed to be addressed in the proposed Fiscal Policy Concept. In February, BGI supported a two-day working meeting for members of the Working Group, tax experts from the President's Administration, Parliament, Government Office, Ministry of Finance, STS, representatives of the Customs Service and representatives of business associations, such as the International Business Club, the Bishkek Business Club and the Chamber of Tax Consultants. The purpose of the workshop was to finalize the draft of the Fiscal Policy Concept, based on comments previously received from the business community, and to develop an Action Plan for implementing the Policy Concept.

On March 26, the Government sent the draft Concept and the Action Plan to the relevant ministries and agencies for review and approval and on June 12, the Ministry of Economy posted the draft for public discussion. On July 7, the Government approved the Fiscal Policy Concept by Resolution No. 455 "On the approval of the Fiscal Policy Concept for 2015-2020 and the Action Plan for its implementation." On July 17, the Government Resolution was published in the government newspaper Erkin-Too, and 15 days later the Action Plan came into force. Its adoption will become an important step for the Government and will help all stakeholders to pursue the consistent fiscal policy during the upcoming five years.

On August 19-21, 2015 BGI supported a three-day off-site meeting for the Working Group to discuss and determine further steps in implementation of the adopted Action Plan. Participants included the Deputy Minister of Economy in charge of fiscal policy, the Deputy Chairperson of State tax Service, and representatives of the Ministry of Finance, the President's Administration, Parliament, business, USAID and BGI. Participants reviewed the most controversial tax issues raised by businesses, such as: taxation

of the share of participants in the authorized capital on account of undistributed revenue (the Tax Code lacks the regulating provisions); imposing income tax of the property share; taxation of the income of foreign organizations generated as a result of its economic activity in KR through a permanent establishment; and VAT taxation of the transfer of social infrastructure objects by economic entities to the local self-government bodies.

BGI intended to provide continued support in the implementation of the National Fiscal Policy Concept, but this work was suspended at USAID's request following the cancellation of the bilateral Agreement by the Government of the Kyrgyz Republic, effective August 20. It will resume when USAID lifts the suspension.

Implementing the Law to Simplify the Registration and Liquidation Procedures for Businesses

BGI First Year Work Plan, Tax Administration, Activity 5

On June 1, the President signed the law “On Amendments and Additions to Certain Legislative Acts of the KR” to simplify the registration and liquidation procedures for businesses. Passed by Parliament on April 23, the law was developed by Kalikova & Associates under a grant issued by the REFORMA Project in April 2014.

The law simplifies the registration and liquidation procedures of enterprises through amendments to the Tax Code, the Civil Code, the Law on State Registration of Businesses, the Law on Accounting and others. The law reduces the list of necessary documents, eliminates duplicative functions performed by various government bodies, reduces the timeline for review of liquidation documents, establishes a clear timeline for conducting unscheduled tax audits during the liquidation process, and sets a timeline for conducting inspections by the Social Fund during liquidation, thus removing burdensome administrative barriers for businesses.

For the registration of individual entrepreneurs, the law transfers their business registration from the National Statistics Committee to the State Tax Service (STS). The STS will simultaneously register enterprises as business entities as well as complete their tax registration within five working days at either the place of their residence/passport registration or place of their business operations. BGI announced a tender for providing legal assistance and business process reengineering to the STS to help it introduce these new procedures that will be transferred to the STS as of January 1, 2016.

In July, BGI selected the Chamber of Tax Consultants (CTC) to undertake this work and help the STS in taking over the functions of the state registration of individual entrepreneurs. The CTC was expected to assist the STS in drafting the legal framework to transfer these processes to the STS and to automate registration through the development a separate software module for its tax management system. A working group was set up by the STS management, composed of representatives from the CTC, the STS, the National Statistics Committee (NSC) and the Social Fund (SF) for development and implementation of a specific action plan. The working group developed the Concept for registration, re-registration and liquidation of the businesses of individual entrepreneurs and farm entities by the STS, which was released for review and approval process by other ministries and agencies in August. The CTC also helped the STS to identify the first steps in the registration transfer process. The successful implementation of this project was to contribute to simplification of state registration and termination of entrepreneurial activity by individuals and facilitate statistical comparison of information obtained from different sources and improvement of the national statistics system.

Nevertheless, this activity was suspended at USAID's request following the cancellation of the bilateral Agreement by the Government of the Kyrgyz Republic, effective August 20. It will resume when USAID lifts the suspension.

Legal and Regulatory Framework for Business Licensing and Inspections

BGI's First Year Activities

Optimizing the Conduct of Environmental and Technical Safety Inspections

BGI First Year Work Plan, Business Regulation, Activity 1

Beginning in 2013, the USAID REFORMA Project hired the local firm, EcoPartner, to implement a project to improve the conduct of inspections by the State Inspectorate for Environmental and Technical Safety. The firm strengthened the Law ‘On Procedures for Inspecting Business Entities’ according to international practice, modified inspection checklists to eliminate duplication with other inspections agencies and to ensure they complied with laws and regulations, drafted amendments incorporating proposed changes to legislation, and drafted implementing regulations.

In March 2015, BGI held a tender to subcontract a local firm to revise 60 laws and regulations that were reviewed under REFORMA to reflect changes caused by the Kyrgyz Republic’s accession to the European Economic Union (EAEU). BGI awarded the contract to EcoPartner, the subcontractor that had drafted the original revisions, in consortium with the public fund, Independent Ecological Expertise. Following these revisions, EcoPartner drafted amendments and additions to the Law “On the procedures for conducting inspections of businesses.” along with the full package of supporting documentation. The proposed changes included the requirement for mandatory publication of inspection plans and the list of inspections that were actually performed by inspections agencies during the quarter. It also recommended that the Government publish the results of inspections of those types of activities that are hazardous for human health and the environment. The proposed law provided for authorizing the Government to release from inspections those businesses that represent low levels of risk, to reduce the maximum time allowed to conduct certain types of inspections, and other provisions to ease doing business. Following public discussion, the draft law was approved by line ministries and agencies and by Government Resolution dated July 20, 2015. It was subsequently submitted to the Parliament for review and adoption.

EcoPartner in consortium with the NGO, Independent Ecological Expertise, also drafted two laws on ecological safety and radiological safety to close the legal gap caused by the revocation of all technical regulations following EAEU accession. Both draft laws were posted for public discussion on the Parliament’s website in May. On June 8, the initiator of the draft laws, MP Dastan Bekeshev, formally asked the Ministry of Economy and the State Agency for Technical and Ecological Protection to further review the draft law and submit it to Parliament. The Ministry of Economy accepted the draft laws and initiated review and discussion of the drafts within the ministry and agency.

To address the absence of a prescribed methodology for conducting inspections, the REFORMA project had previously drafted regulations describing this methodology and that for taking samples of water, air and soil for laboratory testing. In early June, the Finnish Environmental Institute (SYKE), as part of a project with the Kyrgyz State Agency for Environment Protection to measure the water quality of Lake Issyk-Kul, took samples from 17 sites around the lake using the proposed sampling methodology. In addition to finding the water quality to be satisfactory, the project found that the methodology “is in line with state standards.”

The Finnish-Kyrgyz Water/Issyk-Kul Project concluded that the sampling methodology “covers the whole chain of sampling procedures in detail that, according to best international practices, is essential for...proper analyses and increasing the performance of laboratories responsible for conducting such analyses.” Project experts recommended that the Government approve the proposed methodology

The Kadamjai Center for Disease Prevention and State Sanitation-Epidemiological Oversight under the Health Ministry supported the above conclusion, which also tested the new methodology to measure the

level of antimony, mercury and arsenic in the air, soil and water of the Chauvai settlement in Batken oblast.

On June 30, EcoPartner presented the two methodologies to 48 officials from the State Inspectorate for Ecology and Technical Safety and the State Agency for Environmental Protection. The new methodologies received positive feedback from participants as did a presentation on four revised checklists for industrial safety and mining oversight, ecological safety, fire safety, and labor safety that the consortium presented on June 18. These four checklists were revised to reflect new requirements imposed by the government to introduce the international system for classification and labeling of hazardous chemical substances.

In addition to this work, the firm planned to conduct training on the new inspections methodologies for both inspectors and businesses. In September, BGI conducted a workshop for 33 businesses in the south of the republic, the Ala Buka region, to present the new inspections methodologies for conducting ecological and technical safety inspections and for taking samples of water, air and soil for laboratory testing. In association with these activities, BGI developed and printed 2,000 copies of the Guide for Entrepreneurs on the Conduct of Inspections to explain to businesses inspection procedures, rules and requirements, and their rights and obligations during the inspection process. Copies of the Guide were disseminated among business associations.

Although EcoPartner conducted the initial training to the business community, this activity was suspended at USAID's request following the cancellation of the bilateral Agreement by the Government of the Kyrgyz Republic, effective August 20. When USAID lifts the suspension, EcoPartner will further distribute the Guide to businesses as well as resume the training workshops that were originally planned for inspections agency officials.

Reforms in Business Licensing and Permitting

BGI First Year Work Plan, Business Regulation, Activity 2

Throughout the year, BGI continued supporting the Ministry of Economy in drafting amendments to the Law on the Licensing and Permitting System of the Kyrgyz Republic to strengthen implementation of the law and to ensure that it supports the implementation of the four draft regulations created under the REFORMA Project. In drafting the four implementing regulations, REFORMA had identified numerous ways in which the Law must be amended to ensure its smooth implementation with the regulations, which were well vetted by both issuing agencies and the business community.

In January 2015, the Ministry established an expert group comprised of the representatives of licensing agencies, the business community, and BGI experts. The group conducted weekly meetings to discuss the proposed amendments to 28 articles of the Law. They made a significant number of editorial changes to the Law and introduced a number of previously undefined terminologies. The proposed amendments introduce new terms, such as cancellation of licenses, licensing requirements, licensing fees, an electronic system of license issuance, and terms and definitions previously absent from the Law. They introduce licensing checklists, reduce the number of licenses for 12 types of licensed activities, and remove other controversies identified during the meetings. They would resolve the problem of sublicensing by introducing a clear definition of works and services, cancelled the rights of 23 licensing government bodies to collect fines from licensees, and rescinded the ability of licensing agencies to suspend licenses, which would help to reduce corruption in business licensing and permitting. Under the proposed amendments, licenses can be suspended only through court decision. The amendments were posted to the Government's website on April 20 for public discussion. When presenting the amendments to the Ministry of Economy and the Government during a series of 10 meetings and discussions, the Ministry of Economy also proposed that all business licenses be issued free of charge, except for those licensing limited resources, such as geological exploration rights.

On May 18, Prime Minister Sariev sent the proposed amendments for review and approval to the 26 license issuing government bodies. Eleven licensors opposed some provisions of the law, which were

reflected in the matrix of disagreements. They wanted to cancel the provision that grants licenses for unlimited terms, preserve the authority to annul licenses and permits, retain the number of licenses they currently issue, and, overall, remove their agency/ministry from jurisdiction of the Law. The remaining 15 government bodies agreed with the proposed amendments, creating a majority that allowed the Government to accept the proposed amendments and submit them to the Parliament. As part of the review process, the BGI team conducted 36 meetings with the participation of 117 government officials to discuss the proposed amendments.

The unresolved disputes, however, compelled Prime Minister Sariev on June 23 to recirculate the draft amendments to licensing agencies and the Ministries of Justice and Finance to undergo a new round of approvals. In the third quarter, BGI continued working with the Ministry of Economy and the Government to finalize the proposed amendments to the law, based on the comments and suggestions received from ministries.

In the meantime, the Government asked BGI to research how to license the distribution of the radio frequency spectrum to provide electronic communication and transfer of electronic data services. National legislation does not allow the authorized government institution to sell radio frequency licenses through auctions. To close this legal gap, BGI experts, together with the Ministry of Economy and the State Communication Agency, agreed to make additions to the law on electronic and postal communication, combining them with earlier amendments to the licensing law. The draft law also introduces the concept of establishing indicators of ineffective use of the radio frequency spectrum, determines the terms and conditions for revocation of licenses, introduces seven definitions important to legal interpretation, proposes amendments to six articles and introduces eight new articles. As a result of numerous meetings and discussions in the Government, a new draft law was prepared that will also harmonize Kyrgyz legislation with the legislation of the EAEU member-countries, making the process of coordinating and reconciliation of radio frequencies with these countries easier.

On July 24, the Ministry of Economy presented the proposed amendments to the Licensing Law at the meeting chaired by Vice Prime Minister Valeriy Dil and attended by the heads of departments of the Government office and deputy ministers of licensing ministries and agencies. The finalized draft law was submitted to the Government on September 4 for review. On September 15, final discussion of the proposed law was held between the Government and the Ministry of Economy, and on September 17, the draft law was submitted to Prime Minister Sariev. Prime Minister Sariev will set the date for the consideration of the draft law at a Government meeting, which is expected to occur after Parliamentary elections on October 4.

Further work in the area of business licensing, however, has been suspended at USAID's request following the cancellation of the bilateral Agreement by the Government of the Kyrgyz Republic, effective August 20. When USAID lifts the suspension and Parliament passes the amendments, BGI will undertake training for both licensing issuing agency personnel and businesses to ensure the smooth implementation of the Law and licensing regulations.

New BGI Initiatives Planned for Q4 2015

Pilot for Automated Issuance of Business Licenses

BGI Second Year Work Plan, Business Regulations, Activity 5.3

The Law on the Licensing and Permitting System of the Kyrgyz Republic, adopted in October 2013, included a provision for the automated application for and issuance of business licenses. To implement this provision, the Ministry of Economy asked BGI to support a pilot program for automating the issuance of business licenses, similar to the automated issuance of import and export licenses by the Ministry's Tulpar system. The Ministry of Education already expressed interest in being a counterpart agency for conducting the pilot. BGI staff, however, wanted to undertake an informal survey of key trading clients of the Tulpar system to better assess customer satisfaction with the system. This would

be a proxy to determine whether there would be real demand by applicants of business licenses for an automated license issuance process.

This activity was never initiated following the cancellation of the bilateral Agreement by the Government of the Kyrgyz Republic, effective August 20. When USAID lifts the suspension, BGI will consider whether to pursue the licensing automation pilot based on positive support from the business community.

Access to Finance

BGI's First Year Activities

Reintroduction of the Purchase Order Finance (POF) Product

BGI First Year Work Plan, Access to Finance, Activity 1

During the first quarter of 2015, BGI mobilized consultant Rick Currie to help the project assess the current status of the POF product that was originally initiated in Kyrgyzstan under the USAID Local Development Project (LDP). While LDP had concluded a successful pilot, its widespread roll-out was limited by existing National Bank of Kyrgyzstan (NBK) prudential regulations. To re-engage with the banking community to gauge their level of interest in reviving the product, Mr. Currie and BGI Project Manager Aliya Niyazalieva met with LDP's four partner banks – Demir Bank, Aiyl Bank, Bakai Bank and Bank of Asia. Demir and Bakai Banks agreed to participate in BGI's POF scaled-up program, pending results of the National Bank's decision on the proposed changes to prudential regulations. Aiyl Bank was also interested, but BGI determined that the bank might not be a suitable partner bank for POF loans. Due to the liquidity problems and very limited market focus, BGI decided that Bank Asia is not a candidate for BGI's access to finance program.

BGI and the Union of Kyrgyz Banks, also met with Lada Orozbaeva, Deputy Chairperson of the NBK to discuss the proposed reforms and changes to collateral, loan loss reserves, client identification and screening, POF risk identification and mitigation and other prudential regulation issues for short-term loans of six months or less, including POF. In June, the board of the National Bank of the Kyrgyz Republic (NBK) approved changes to its prudential regulations on credit risk management, asset classification and loan loss reserve requirements to discontinue the use of real estate to collateralize short-term working capital loans. With the National Bank's approved changes, BGI decided to move forward in reintroducing the POF loan product.

On July 22, BGI, jointly with the Union of Kyrgyz Banks, launched the new POF loan program at an event with Kyrgyz banks. Ms. Elizat Japarova, Chief Inspector of the Supervision and Licensing Department of the National Bank, presented the regulatory changes on short-term loans and answered questions from bankers. Mr. Currie familiarized participants with BGI's POF partner bank program requirements. The event was attended by 30 participants from 20 commercial banks, IFC, USAID, the National Bank and Union of Kyrgyz Banks.

Subsequently, BGI began working with partner banks to help them roll out the purchase order finance (POF) product to small and medium enterprises, particularly those in the apparel, tourism and construction materials sectors. The BGI team held meetings with Demir Bank, Bakai Bank and KICB to review the details of the partner-bank program, including the details of a draft letter of intent (LOI) that outlines the tasks and responsibilities of each party during the life of the program.

The BGI team also conducted ongoing discussions with team leaders of BGI's value chain activities to discuss coordination and next steps in the design of new loan products, especially for textile/apparel and construction and building materials. The apparel team plans to interview front-runner and leader firms, based on a credit demand survey that was designed by team. This survey will help firms to better identify current financing needs, understand what loan products are available, and other issues important to loan product development based on the firms' business cycles. BGI will then work with partner

banks to design appropriate loan products and services. After partner banks sign the BGI LOI, the team will introduce the best companies from the value chains to the banks.

Five banks have expressed initial interest in introducing the POF product – Demir Bank, KICB, Bai Tushum, BakaiBank and Aiyi Bank. In the fourth quarter of 2015, BGI will finalize the LOI with committed banks and begin providing training and coaching for participating bank credit staff.

Study on the Leasing Environment in the Kyrgyz Republic

BGI First Year Work Plan Access to Finance, Activity 2

Although the Kyrgyz Republic introduced leasing legislation more than 10 years ago, double taxation, lack of long-term bank funding, and costly mandatory insurance for leased equipment has limited its widespread use in equipment financing. In 2012, however, the government adopted changes to legislation that provided favorable tax treatment of equipment leases. While these changes stimulated growth in the leasing industry, persistent obstacles have restrained extensive use of the instrument.

In April, BGI selected ISR Consult and the Union of Kyrgyz Banks to undertake a study of the current environment for leasing and to investigate remaining causes of constraints. The study reviewed the legal framework and local practices and experiences in using leasing as a financing mechanism for private sector capital equipment investment. The team identified remaining constraints, particularly in the implementation of tax and customs regulations. The team also analyzed the leasing portfolios of banks, leasing companies and non-bank financial institutions and conducted in-depth interviews and seven focus groups with lessors and lessees to understand how successful leases have been structured, why these particular structures work, and what mechanisms could be introduced to make them work better. The team interviewed both government agency representatives – the State Customs Service, State Registration Service, State Tax Service, State Auto Inspection and the National Bank of the Kyrgyz Republic – and donor programs — EBRD, GIZ, ADB and the Kyrgyz Russian Development Fund.

As of year-end, ISR Consult and the Union of Banks were in the process of preparing a final report that is due for submission in October. The final report will include recommendations for how to strengthen the business environment for leasing, both in terms of the quality of the legal framework as well as in its implementation. The BGI Access to Finance team plans to conduct a presentation of the leasing market study results at a round table with banks and the business community in early November.

Support to the Annual Bishkek International Finance Forum (BIFF)

BGI First Year Work Plan, Access to Finance, Activities 1 and 2

On May 22, the Union of Kyrgyz Banks hosted its annual Bishkek International Financial Forum (BIFF) with the participation of representatives of Kyrgyz government agencies, banks, non-bank financial institutions, international institutions, and the business community. Vice Prime Minister Valeriy Dil, was the keynote speaker, followed by Ms. Lada Orozbaeva, Deputy Chairperson of the National Bank, BGI COR Paul Hamlin, IFC Country Officer Martin Naegele, and others. More than 200 stakeholders from the Kyrgyz Republic and neighboring countries attended the one-day forum at which participants discussed challenges in financing, leasing, insurance and other access to capital issues.

After the morning plenary discussion, the forum offered break-out sessions that brought forth perspectives in introducing new financial products, such as purchase order financing (POF), leasing, and new methods of electronic product delivery, including digital payments through mobile phones. Another session examined how to improve the financial literacy of consumers and clients. BGI hosted the session on POF that featured a presentation by BGI financial advisor Richard Currie. Mr. Currie shared his experience in the successful implementation of the product in Azerbaijan, Armenia, Moldova, Macedonia and Kosovo, through both banks and specialized non-bank financial institutions. During his presentation, he also familiarized participants with the results of a USAID-sponsored POF pilot loan program in Kyrgyzstan in 2012-2013. In this pilot, six financial institutions participated in POF credit training, and four partner banks issued nine loans totaling US \$4 million.

Civil Aviation Safety

BGI's First Year Activities

Passage of New Air Code and Harmonizing ICAO Aviation Rules with Kyrgyz Legislation *BGI First Year Work Plan, Civil Aviation, Activities 1 and 3*

In April 2014, the USAID REFORMA Project provided a grant to the Association of Civil Aviation Enterprises (ACAE) to help the Kyrgyz Civil Aviation Agency (CAA) implement a corrective action plan to improve air safety prior to an International Civil Aviation Organization (ICAO) safety mission. Significant progress in implementing this plan was considered the first step in efforts to release Kyrgyz airlines from a ban on flights to the European Union. But the Kyrgyz Republic's legal and regulatory framework and its lack of harmonization with ICAO standards was considered among the CAA's key shortcomings in plan implementation. Therefore, one of the primary activities undertaken by the grant team was to draft a new Air Code to establish a strong foundation for adopting the full package of ICAO rules and regulations governing international aviation safety. The draft Air Code was completed by the grant team by the end of the REFORMA Project in September 2014.

Upon BGI's project launch, USAID supported the project's continued support in improving air safety. In December 2014, BGI subcontracted the law firm that drafted the Air Code, Kalikova & Associates (K&A), to provide legal support to the process of obtaining Parliamentary approval the new legislation. Within the framework of this activity, K&A provided legal support for conducting public discussions of the draft Air Code, providing explanatory activities during the review process among Government bodies and Parliament, and revising the draft based on the comments and feedback received.

The first public discussion of the draft took place on December 4 in the Civil Aviation Agency (CAA). Ernis Mamyrganov, Deputy Minister of Transport and Communication of KR, Management and staff of CAA, representatives of air companies, Manas Airport management, refueling complexes, and officials from 'Kyrgyzairnavigation' participated in the discussions. Karsten Theil, representing Integra Consulting and the former Director of ICAO for Europe and North Atlantic Region, participated in the meeting. Mr. Theil had previously provided technical consulting support to the working group in order to ensure compliance of the Air Code with the ICAO standards.

From December 4, 2014 - January 5, 2015, the CAA organized three round tables with participation of all interested stakeholders. K&A received 159 comments to the draft Air Code and carefully considered and addressed each comment. In December, the CAA sent unofficial versions of the draft to Parliamentary members, and in January, K&A and the working group finalized the draft and presented it to the CAA for submission to the Parliamentary Committee on Transportation, which took place on February 7. On March 23, the Ministry of Transport and Communications presented the draft of the new Air Code for Government review, circulation and submission to Parliament. Three days later, the draft was posted to the Kyrgyz Government's website at <http://www.gov.kg/?p=52354> for public discussion. On June 12, the Cabinet of Ministers unanimously endorsed the legislation.

On June 29, the Parliament of the Kyrgyz Republic passed the new Air Code, with a vote of 107-1 for adopting the Law of the Kyrgyz Republic, "On Enactment of the Air Code of the Kyrgyz Republic." Mr. Jusupali Isaev, Chairman of the Parliamentary Committee on Transport, Communication, Architecture and Construction presented the legislation to the General Assembly after the Committee and all five Parliamentary factions approved the draft. This now brings Kyrgyz civil aviation primary legislation in line with international standards.

Upon obtaining approval of the new Air Code, BGI intended to provide support to bring ICAO's aviation rules (nineteen annexes of the Chicago Convention) into compliance with the new Kyrgyz Air Code and ensure that they are in line with EU norms and standards, including harmonization with both Kyrgyz and European legislation. BGI planned to issue a subcontract to the ACAE to draft the 11 most critical rules prior to the rescheduled ICAO Audit in January 2016. The Association would engage the

services of Kalikova & Associates and Integra Consulting, both of which were the primary authors and supporters of the new Air Code of the Kyrgyz Republic. As with the drafting of the Air Code, the CAA intended to create working groups to undertake these activities. BGI ultimately intended to draft all 19 ICAO Rules under the project and, to the degree possible, help the CAA develop internal guidelines, tools, handbooks, manuals, instructions and other materials for internal use by Agency staff that would govern the implementation of the Air Code and ICAO aviation rules.

These activities were never initiated at USAID's request following the cancellation of the bilateral Agreement by the Government of the Kyrgyz Republic, effective August 20. Once suspension is lifted, BGI will issue the subcontract and launch the project.

Document Management System Software Development, Archive Digitization and Hardware Procurement

BGI First Year Work Plan, Civil Aviation, Activity 5

In April 2014, ICAO's inspectors recommended that the CAA establish and implement an electronic documentation system (EDS) to ensure that all necessary documentation is available to CAA staff, including ICAO documents that are not published in the ICAO-NET website. In March, BGI contracted an IT expert to assess the Agency's IT infrastructure and information systems and make recommendations on how to comply with ICAO requirements. Based on the assessment, completed in May, the consultant also developed a scope of work for the EDS or all aviation information stored by the CAA and required by ICAO to be available for the conduct of safety inspections. To assist in implementing the EDS, the consultant proposed that CAA digitize all of its paper-based archives, which is estimated to consist of 65,000 pages, to be completed independently of the development of the EDS, provided that the files were properly scanned, catalogued and stored for uploading into the data management system. The consultant also developed specification for the purchase of hardware and basic business software to accommodate the implementation of a data management system.

In July, BGI issued three tenders for the procurement of the following:

1. Develop, install and support the software for the EDS;
2. Provide services for scanning (digitization), indexing, and loading of the archived CAA's documents;
3. Provide hardware and basic business software to ensure that the CAA has adequate equipment to accommodate the data management system.

In August, BGI selected the SINAM Company as the winning firm to complete the document scanning. The subcontract was never issued at USAID's request following the cancellation of the bilateral Agreement by the Government of the Kyrgyz Republic, effective August 20. The tenders for the other two procurements were never completed. Once suspension is lifted, BGI will resume the procurement for implementation of these activities

New BGI Initiatives Planned for Q4 2015

Draft Provision for the New Organizational Structure of the CAA

BGI Second Year Work Plan, Civil Aviation, Activity 7.3

In July, BGI issued a competitive tender to develop a draft Provision for the new organizational structure of the Agency to strengthen its safety oversight capacity and rectify the findings of the ICAO Universal Safety Oversight Audit in 2009 for submission to the Government. Based on consulting firm Integra's recommendations and approval of the Government for the draft Provision on the mechanism of self-financing of the Agency, the new provision was to include qualification requirements for key personnel in the Agency, a salary strategy, and a structure to optimize the availability of qualified staff to carry out required safety oversight functions.

Although the firm, Kalikova & Associates was determined the winner of this tender, this activity was suspended at USAID's request following the cancellation of the bilateral Agreement by the Government of the Kyrgyz Republic, effective August 20. Once suspension is lifted, BGI will issue the subcontract and launch the project.

Bishkek Aviation Safety Conference (BASC)

BGI Second Year Work Plan, Civil Aviation, Activity 7.6

Since 2008, the CAA has conducted the annual Bishkek Aviation Safety Conference for the civil aviation sector of Central Asian countries to strengthen communication and coordination. Some of these countries are on the EU's operating ban list and are taking measures to get the operating ban lifted. Last year, the REFORMA Project also provided partial support to the conference under a grant.

The conference is attended by the representatives of the International Civil Aviation Organization (ICAO), International Air Transport Association (IATA), Interstate Aviation Committee (IAC) from Moscow, TRACEKA (European Commission Civil Aviation Project), civil aviation agencies of Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Afghanistan and Turkmenistan. Representatives of airlines, airports, and air navigation providers of these countries also participate in this event.

The primary objectives of the conference are to: continue discussion of aviation safety issues with international consultants and experts and aviation authorities of different countries; strengthen communication and coordination between Central Asian countries and exchange knowledge and experience in enforcing air safety rules and requirements; and increase promotion of air safety by inviting international consultants and experts from ICAO, IATA and the Interstate Aviation Committee to participate.

BGI intended to provide partial support for the conduct of the BASC in August, whose focus was to be flight safety, aviation security and implementation of ICAO standards and recommended practice in civil aviation. Key guests from international agencies and civil aviation agencies of non-Asian countries were to make presentations on aviation safety and security.

BGI's participation in this activity, however, was suspended following the cancellation of the bilateral Agreement by the Government of the Kyrgyz Republic, effective August 20. Once suspension is lifted, BGI will issue a subcontract the association and will launch the project.

Mining Policy and Capacity Development

BGI's First Year Activities

Government Adoption of the Medium- and Long-Term Development Strategy.

BGI First Year Work Plan. Mining Policy, Activity 1

On February 20, the Cabinet of Ministers voted to adopt the *Medium- and Long-Term Development Strategy for the Mining Sector for 2015-2035*, which the Ministry of Economy created with the help of local experts funded by USAID's REFORMA Project. The strategy sets forth a policy vision based on international practices in mineral resources development. Key policy changes include engaging local communities in resource allocation decisions, providing information transparency to both the Kyrgyz public and potential investors, and consolidating site inspections for environmental and safety compliance, among many others. The Government's approval followed months of public discussion and circulation of the strategy among Kyrgyz ministries and agencies. BGI planned to continue USAID's support to the sector and provide assistance in implementing key components of the strategy. During BGI's first year, support took the form of providing public awareness of the policies set forth in the Development Strategy, participation in the Ministry of Economy's public-private Mining Advisory Council, and support for public officials to attend international mining conferences to become more

familiar with international practices in mining sector development and key criteria for international investment in the sector. BGI also continued Human and Institutional Capacity Development (HICD) support for the State Agency for Geology and Mineral Resources.

Public Awareness for Mining Sector Development

BGI First Year Work Plan, Mining Policy, Activity 4

With the adoption of the Mining Development Strategy, the Ministry of Economy asked for BGI's assistance to increase public awareness of the benefits of supporting mining development and the policy provisions of the Development Strategy. In June, BGI awarded a subcontract to the NGO, Nedra, to deliver eight regional seminars for local stakeholders, revise a brochure originally developed by REFORMA, and create a leaflet and poster to explain the Mining Strategy provisions in a simple and easy to understand way in Kyrgyz and Russian.

The seminars and public meetings took place with regional stakeholders across the country in six oblast and two rayon centers from July 21-30. Awareness-raising activities included discussions with local communities, representatives of local self-government, deputies of local councils, local community activists and local NGOs and journalists. Regional workshops such as these have proven to be effective in the past in disseminating information on new policy approaches and in building dialogue between local communities and government officials. By continuing to offer such a forum for discussion, government officials and policymakers had an additional opportunity to learn more about issues of primary concern voiced by local communities.

The public awareness campaign raised public attention and mining seminars were intensively and broadly covered by mass media through interviews for national broadcasting companies and publishing articles in local newspapers. These seminars were highly evaluated by representatives of local communities and mining companies, who asked to conduct additional seminars in other regions.

Nedra was to produce a video clip providing brief information about the mining industry, describing its role in economic development, and encouraging people to support creating a favorable environment for investment in the sector, but this activity was suspended at USAID's request following the cancellation of the bilateral Agreement by the Government of the Kyrgyz Republic, effective August 20. Once USAID lifts the suspension of this project, Nedra will complete creation of Final report on public awareness campaign, which will also include the regional stakeholders' database and analysis of answers on questionnaires and suggestions given during seminars.

Mining Advisory Council under Ministry of Economy

BGI First Year Work Plan, Mining Policy, Activity 2

BGI's Mining Program Manager, Timur Gainanov, actively participated in the work of the Mining Advisory Council established by the Ministry of Economy as a public-private dialogue platform where mining stakeholders can exchange their opinions and suggestions and draft and discuss legislative initiatives to promote continued reforms of the mineral resource sector. During 2015, the Council proposed and drafted a law that amends the Law on Subsoil Use, to introduce the following reforms: (1) introduces the first come, first serviced principle when granting exploration licenses, instead of engaging in direct negotiations, for those deposits that are not of national significance or on the list of deposits whose prospecting rights are scheduled to be auctioned; (2) requires the mandatory filing of EITI reporting for all mining companies; and (3) expands the number of institutions empowered to conduct expert assessments to those deemed capable of providing such expertise in addition to government institutions. These amendments are currently being circulated through the government approval process.

Participation in International Mining Forums

BGI First Year Work Plan, Mining Policy, Activity 5

BGI assisted a delegation of counterparts from the Ministry of Economy and State Geology Agency to participate in the Sixth Annual International Mining Forum, MINEX Central Asia, held March 17-20 in Astana, Kazakhstan. The purpose of the forum was to stimulate multilateral discussion of regional perspectives for development of the mineral resources sector, particularly in stimulating its use of modern technologies for exploration and international-practice policies for attracting investment. At the forum, Deputy Director of the State Agency of Geology and Mineral Resources, Mr. Ulanbek Ryskulov, presented the mineral resource potential of the Kyrgyz Republic and the reforms recently undertaken to improve management of the sector. In addition, government representatives obtained an opportunity to study international trends, mining industry development forecasts, analysis and recommendations from leading international experts.

Capacity Development Assistance to the State Geology Agency

BGI First Year Work Plan, Mining Policy, Activity 7

In December 2012, REFORMA officially launched a Human and Institutional Capacity Development (HICD) Program at the Agency. Following the conduct of a performance assessment, REFORMA chose to support three implementation activities, including development of: (1) a comprehensive data base management system as a central and definitive repository for sector regulatory information on mining license holders and their activities; (2) a modern web site that would communicate policies, promote public transparency, and serve as a repository for critical documents to be used in auctions and competitive tenders for mining exploration rights; and (3) a system of standard report templates and reporting processes for the required periodic report submissions of private sector exploration and mining activities.

In July 2013, REFORMA began the development of the data base management system, which would enable the Agency to create, update and review data on licenses awarded for mining rights, registered licensees, geological-mining surveys, fluctuations in the value of mineral resource reserves, extraction and loss of minerals during the production phase, geologically explored subsoil, and other critical information required for management of the Kyrgyz Republic's mineral resources. To ensure the data base's operation by the end of the project, REFORMA subcontracted the Education and Career Development Fund to enter data entry and scan documentation for all existing licenses. As a result of this project, 1,035 existing mining licenses and the geographical coordinates of licensed rights were entered in the data base system. This helped staff to shorten document processing time and to generate various statistical and program reports related to the management of license rights. As of the end of the REFORMA Project, the data base system contained the data required to generate mining license reports according to multiple criteria. The HICD project also delivered a fully functional website in October 2013 and optimized and standardized the templates for the exploration and extraction reports to provide mining companies with clear guidance and templates to prepare required annual and semi-annual reports on mining activity.

With the launch of BGI, the project expanded the functionality of the data base and provided assistance to continue to input and scan data. BGI hired the Education and Career Development Fund-Art Pro to develop and implement a new system module to automate the decision-making activities undertaken by the licensing committee. The committee is the body that determines whether mining licenses should be granted, extended, suspended, or amended. The new module enables tracking of all license cases submitted to the Geology Agency and reviewed during the committee's meetings, the issues discussed, decisions made, the presence of committee members, and the outcomes of each committee vote.

To enable greater public transparency, BGI's development partner, Art-Pro, also created an interface between the data base and the Geology agency website that will enable posting of updated results of licensing committee decisions. This will help mining companies to monitor the status of their licenses,

reduce the number of calls to Agency staff, and offer local communities transparency in monitoring the status of mining licenses in their regions.

Parallel to this activity, the licensing committee drafted and approved a regulation on licensing cases that outlined required internal procedures, checklists, methods for information exchange among departments, archiving procedures, and other data management practices previously undocumented.

In August, Art Pro, together with the Licensee Department Staff completed the scanning of 1,500 license cases or a total of 5,500 documents. With this and the modules above, BGI has completed its support to the data management system.

On September 11, 2015, the Geology Agency announced a public discussion on the Government website (<http://www.gov.kg/?p=63228&lang=ru>) on the draft law on improving reporting processes and subsoil amendments and additions to the Decree "On approval of legal acts in the sphere of subsoil use" dated December 14, 2012 №834. The optimization on reporting processes was one of the interventions supported by REFORMA Project to standardize reporting requirements and reporting formats as well as improve the efficiency of the Geology Department to analyze the data periodically submitted by mining companies and provide better quality reporting to the State Balance of Reserves of Mineral Resources and to the Government.

In a move to strengthen relationships with educational institutions, in May the Geology Agency and the Institute of Mining and Mining Technologies signed a Memorandum of Cooperation that created student internship programs and the development and implementation of mutual innovation projects. The goal of the agreement is to improve the quality of education by exchanging experience and knowledge not only through internships but also through jointly sponsored seminars and conferences. This memorandum formalized a previously initiated program that assessed the motivations and career goals of 230 students using motivation evaluation testing, resulting in the selection of 15 students to complete an internship program at the Agency, who assisted in the scanning of 77 license cases into the data base management system after the BGI team developed guidelines for the scanning process of documents and populating the data base. On June 4, the Geology Agency organized its second *Open Door Event* for 15 third- and fourth-year students from the Institute that gave students to opportunity to become more familiar with the work of the various departments of the Geology Agency.

New BGI Initiatives Planned for Q4 2015

National Conference on Building Partnerships and Conflict Mitigation in Osh *BGI Second Year Work Plan, Mining Policy, Activity 8.2*

The State Geology Agency requested BGI's support for conducting a conflict mitigation conference in Osh in conjunction with GIZ. The first such conference was held in October 2014 in Issyk-Kul with support of USAID and became the first platform for dialogue for government authorities, mining companies and local communities. Based on positive feedback from this conference, the State Geology Agency wanted to offer a similar opportunity for dialogue in the South. Many members of Government, Parliament, and local self-government will participate, as well as representatives of mining companies, donor and non-government organizations and mining firms. Originally, the conference was planned for spring then was postponed to the fall.

Nevertheless, BGI's planned sponsorship of this activity was suspended following the cancellation of the bilateral Agreement by the Government of the Kyrgyz Republic, effective August 20. Meanwhile, the activity has continued to be postponed by the Agency. Once suspension is lifted, BGI will determine whether to support this activity if it is still being pursued by the Agency.

Study for Introducing a Local Content Requirement for Mining Companies.

BGI First Year Work Plan, Mining Policy, Activity 8.5

The Ministry of Economy had requested BGI to support an assessment of the feasibility of introducing a local content requirement for mining companies to increase the ability of Kyrgyz firms to participate in the procurement of goods and services by mining development and exploration companies. The study was to identify which possible goods and services would be available for procurement by these firms and determine the possible incentives and restrictions which could be introduced to encourage greater procurement of local goods and services, based on international practices.

This activity was never initiated at USAID's request following the cancellation of the bilateral Agreement by the Government of the Kyrgyz Republic, effective August 20. Once suspension is lifted, BGI will determine whether to issue a competitive tender to launch the project.

World Trade Organization (WTO) Commitments

BGI's First Year Activities

Assistance with WTO Commitments

BGI Second Year Work Plan, Trade Policy, Activity 91.

BGI hired Mr. Muktar Jumaliev to provide consultative assistance to the Ministry of Economy (MoE) to reconcile commitments under Kyrgyzstan's WTO membership with those of the EAEU. In June, Mr. Jumaliev began working with the Inter-Ministerial Working Group under the Government and the Ministry of Economy to provide advice on resolving services sector issues with the EAEU Secretariat.

The BGI expert held a series of meetings with MoE specialists to explain the WTO obligations of the Kyrgyz Republic and the corresponding provisions of the General Agreement in Trade of Services (GATS) and helped the Government of the Kyrgyz Republic to identify possible negotiating positions on services, particularly on legal services, services in the production of alcoholic beverages, and postal services.

The consultant also worked with the MoE's WTO Department to analyze the Kyrgyz Republic's obligations in the area of sanitary and phytosanitary measures under WTO; help to formulate Kyrgyzstan's position for the WTO Ministerial Conference; review EAEU documents in the services sector and make recommendations for the Kyrgyz Republic's renegotiating position; prepare to notify the WTO on changes in Kyrgyzstan's foreign trade regime; and collect information about the outstanding disputes in trading spirits and alcoholic beverages under WTO. In August and September, the BGI expert will develop the guidelines for the Government for its WTO negotiations and notification procedures.

BGI's participation in this activity, however, was suspended following the cancellation of the bilateral Agreement by the Government of the Kyrgyz Republic, effective August 20. Once suspension is lifted, BGI will issue a subcontract the association and will launch the project.

7. Grants Program Launch

With the July approval of Deloitte's Project Fund Manual, BGI planned to launch its grants program. In August, BGI presented its Annual Program Statement (APS) to USAID for approval, which was not received by the end of the first year. BGI will launch its first public meeting in Bishkek in November and conduct a road show throughout the Kyrgyz Republic to inform and train potential grantees on application and award procedures.

8. Local Subcontracts and Consultants

The following is a list of local subcontracts and awards under the BGI Project.

BGI Local Subcontracting Awards and History – Q2 2015

	<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	Vzglad.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	\$103,278	Suspended
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	\$40,406	Suspended
14	Study of the Elasticity of Social Fund Contributions (2)	Siar Research	Jun 2015	5 months	\$54,200	Suspended
15	Launching Public Education Campaign for Mining Strategy	Nedra Public Fund	Jun 2015	3 months	\$53,640	Suspended
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	\$56,912	Suspended

BGI Local Subcontracting Awards and History – Q2 2015

	<i>Subcontracting Activity</i>	<i>Subcontractor(s)</i>	<i>Award Date</i>	<i>Period of Perform.</i>	<i>Contract Value</i>	<i>Status</i>
19	Conducting Study of the Turkish Outbound Tourism Market	Egemenik	Sep 2015	3 months	\$11,400	Ongoing
TOTAL SUBCONTRACTS AWARDED					\$883,773	

Anticipated BGI Local Subcontracting Awards – Q4 2015

	<i>Subcontracting Activity</i>	<i>Selected Subcontractor</i>	<i>Anticipated Award Date</i>	<i>Target Period of Performance</i>	<i>Anticipated Subcontract Value</i>
20	Implementing Electronic Signature Security for VAT Administration	Infocom	Selected but Suspended		\$110,339
21	Implementing Provisions of the New Air Code	Association of Civil Aviation Enterprises	Selected but Suspended		\$146,754
22	Digitizing the CAA Archives	Sinam	Selected but Suspended		\$32,500
23	Development of the CAA Regulation, Organization Structure and Mechanism of Financing as per the approved Air Code	Kalikova & Associates	Selected but Suspended		\$46,478
24	Cellular Survey of Turkish Outbound Tourism Market	GeoPoll	Negotiating	3 months	\$24,961
25	Civil Aviation Data Management System for the CAA		Suspended		\$100,000
26	Computer hardware and software procurement		Suspended		\$100,000
TOTAL ANTICIPATED SUBCONTRACT VALUE FOR Q4 2015*					\$561,032

BGI Independent Local Consultant Awards and History

	<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	Suspended
	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
	Assistance in Developing International Agreements for Trade in Services	Mukhtar Jumiliev	May 2015	4 months	\$16,800	Suspended
	Apparel Transactions and Tax Requirements and Make Recommendations for Bringing Apparel Firms into	Maksim Smirnov	May 2015	4 months	\$12,720	Ongoing

BGI Independent Local Consultant Awards and History

<i>Consulting Activity</i>	<i>Consultant</i>	<i>Award Date</i>	<i>Period of Perform.</i>	<i>Contract Value</i>	<i>Status</i>
the Formal Business Sector					
Completion of Apparel Front-Runner Work Plans	Aleksei Lavrienko	Sep 2015	Jan 2016	\$12,000	Ongoing
TOTAL CONSULTANT CONTRACTS AWARDED				\$84,240	

BGI Anticipated Independent Local Consultant Awards – Q4 2015

<i>Consulting Activity</i>	<i>Anticipated Award Date</i>	<i>Target Period of Performance</i>	<i>Anticipated Contract Value</i>
TOTAL CONSULTANT CONTRACTS AWARDED			

9. Financial Results

Budget Cost Elements	Budgeted Amount	Invocied Amount as of September 19, 2015	Accrual Amount as of September 30, 2015	Expended Amount	Remaining Budget to Complete
Labor	\$3,589,499.00	\$654,949.75	\$9,639.05	\$664,588.80	\$2,924,910.20
Total Other Direct Costs	\$5,652,519.00	\$1,204,167.11	\$126,616.64	\$1,330,783.75	\$4,321,735.25
PROJECT FUND			\$0.00		
<i>Local Subcontractor</i>	\$3,397,795.00	\$648,279.70	\$0.00	\$648,279.70	\$2,749,515.30
<i>Grants</i>	\$1,225,490.00	\$0.00	\$0.00	\$0.00	\$1,225,490.00
Indirect cost	\$5,348,954.00	\$900,619.95	\$0.00	\$900,619.95	\$4,448,334.05
<i>Fixed Fee</i>	\$858,738.00	\$200,923.33	\$0.00	\$200,923.33	\$657,814.67
<i>Fixed fee on subs and grants</i>	\$98,039.00	\$0.00	\$0.00	\$0.00	\$98,039.00
Total	\$20,171,034.00	\$3,608,939.84	\$136,255.69	\$3,745,195.53	\$16,425,838.47

10. 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)

QUARTER 1: Primary Events, Training and Focus Group/Research Conducted (E=event, T=training, F=focus group)

Component		BGI Event	Men	Women	Total
BGI Launch Event	E	October 14, 2014 – Launch event for BGI	85	46	131
Apparel	T	December 9, 2014 - John Haycock training of BGI Value Chain and Skills Demand/Supply subcontractors on key structure of the apparel sector	9	7	16
	E	January 29, 2015 – “Stakeholder Meeting in Apparel Industry”	32	89	121
	E	February 18, 2015-Buyer-Seller Meeting in Moscow	23	34	57
	F	February 10, 2015: “Research of Apparel Value Chain”	4	5	9
	F	February 13, 2015: “Research of Apparel Value Chain”	3	5	8
	F	February 16, 2015: “Research of Apparel Value Chain”	6	6	12
	F	February 19, 2015: “Research of Apparel Value Chain”	3	4	7
	F	February 26, 2015: “Research of Apparel Value Chain”	4	4	8
	F	February 27, 2015: “Research of Apparel Value Chain”	3	4	7
	E	April 29, 2015: Apparel Value Chain Results and Next Steps	27	78	105
	T	May 13, 2015: Workshop on Business Plan Writing and Applications	6	27	33
	E	May 15, 2015: Results of Value Chain Analysis – Osh	9	37	46
	T	May 20, 2015: Workshop on Business Plan Writing and Applications	10	19	29
	T	May 27, 2015: Question and Answer Session on Business Plans and Applications	9	29	38
	T	June 4, 2015: Workshop on Innovation Center	9	12	21
	T	August 12, 2015: Training on Ironing and Pressing	10	22	32
	T	August 20, 2015: Innovation Club Meeting	13	19	32
Tourism	E	February 25: Launch of Destination Management Program	61	59	120
	E	February 27, 2015: Destination Management Roadshow in Talas	39	31	70
	E	March 2, 2015: Destination Management Roadshow in Osh	45	24	69
	E	March 3, 2015 Destination Management Roadshow in Naryn	23	9	32
	E	March 4, 2015: Destination Management Roadshow in Jalalabad	14	9	23
	E	March 5, 2015: Destination Management Roadshow in Batken	15	8	23
	E	March 6, 2015: Destination Management Roadshow in Karakol	22	25	47
	E	April 24, 2015: KATO Roundtable	26	21	47
	T	DM Training in Burana			
	T	DM Training in Osh			
	T	August 4, 2015: DM Training in Jyrgalan	5	4	9
	T	August 5, 2015 DM Training in Karakol	7	5	12
Construction Materials	E	February 26: BGI-IBC Construction Materials Stakeholder event	68	21	89
	F	May 27, 2015: Construction Sector Economics and Strategy	8	0	8
	F	May 7, 2015: Workforce Development	7	0	7
	F	May 7, 2015: Workforce Development	8	3	11
	F	May 16, 2015: Construction Materials Production	6	0	6
	F	April 9, 2015: Government	8	0	8
	F	April 7, 2015: Government	7	0	7
	F	April 3, 2015: Construction Regulations/planning	7	0	7
	F	April 8, 2015: Education/Workforce	1	6	7
	E	May 28, 2015: Workshop CM Producers	5	0	5
	E	May 30, 2015: Workshop Construction Association JIA	7	0	7
Human Capital	E	December 16, 2014 – Conference on Improving the Institutional Efficiency in the Public and Private Sector, in cooperation with GGPAS	58	41	99
	E	December 17, 2014 – IMC Forum on Developing Professional Standards in Consulting	44	76	120

Component		BGI Event	Men	Women	Total
	E	December 18, 2014- Informative presentation on "Professional Standards in Consulting: PMP Certification"	8	12	20
	F	March 03, 2015 – Focus group "Survey to Assess the Supply and Demand for Skills in Textile Value Chain", Bishkek	1	9	10
	F	March 04, 2015 – Focus group "Survey to Assess the Supply and Demand for Skills in Textile Value Chain", Osh	4	6	10
	F	March 04, 2015 – Focus group "Survey to Assess the Supply and Demand for Skills in Textile Value Chain", Bishkek	1	8	9
	F	March 04, 2015 – Focus group "Survey to Assess the Supply and Demand for Skills in Tourism Value Chain", Bishkek	2	7	9
	F	March 05, 2015 – 3 Focus groups "Survey to Assess the Supply and Demand for Skills in Tourism Value Chain", Karakol	4	5	9
	F	March 05, 2015 – 3 Focus groups "Survey to Assess the Supply and Demand for Skills in Tourism Value Chain", Bishkek	4	3	7
	E	April 28, 2015: Presentation of the Results of the Skill Gap Assessment in the Tourism Value Chain, Bishkek	29	43	72
	E	April 29, 2015 – Presentation of the Results of the Skill Gap Assessment and Value Chain Analysis in Apparel Sector, Bishkek	26	75	101
	E	May 15, 2015 – Presentation of the Results of the Skill Gap Assessment and Value Chain Analysis in Apparel Sector, Osh	9	37	46
	T	June 15-August 18, 2015: Startup Boot Camp Training in Market Research, Design, Promotion Techniques, Entrepreneurial Skills, Financial Planning, Product Development, Business Modelling, Bishkek	21	0	21
	T	June 15-Aug18, 2015 Bootcamp, BCCA, series of training sessions on starting up a business	21	0	21
	E	August 18, 2015, Bootcamp Demo Day	66	49	115
Tax Policy and Administration	E	November 28, 2014 – Meeting on Discussion of draft Fiscal Policy Concept 2015-2020. Jannat Resort	12	5	17
	T	December 9-11, 2014 – VAT Conference. Moscow	3	1	4
	T	December 1,2,4,5, 2014 – Seminars for Taxpayers "Changes of VAT administration in 2015" Bishkek	2	110	112
	E	February 12-13, 2015 – Two day Meetings of the working group on Fiscal Policy Concept 2015-2020 Action Plan Development. Jannat Resort Bishkek	9	4	13
	E	March 27, 2015 – Round Table Discussion on VAT administration within the context of CU. MF Consulting and Government agencies	2	5	7
	T	May 20,21,22 2015 - Training for tax inspectors on VAT procedures in Bishkek	31	37	68
	T	June 15, 2015 - Training for tax inspectors on VAT procedures in Naryn	8	9	17
	T	June 16, 2015 - Training for tax inspectors on VAT procedures in Cholpon-Ata	10	10	20
	T	June 12, 2015 - Training for tax inspectors on VAT procedures in Talas	2	14	16
	T	June 8, 2015 - Training for tax inspectors on VAT procedures in Osh	2	29	31
	T	June 9, 2015 - Training for tax inspectors on VAT procedures in Djalal-Abad	2	15	17
	E	August 19-21, 2015 – a 3 day off-site Meeting of Methodological Council's Working Group.	5	4	9
	Universal Declaration	T	February 10, 2015 – One day Training for regional STS officials on UTD. Bishkek.	7	15
T		February 13, 2015 - One day Training for regional STS officials on UTD. Bishkek.	14	10	24
T		February 16-20, 2015 – Five day Training for STS officials on UTD (Headquarter). Bishkek.	13	9	22
T		February 12, 2015 – One day Training for regional STS officials on UTD. Naryn.	8	9	17
T		March 2, 2015 – One day Training for regional STS officials on UTD. Cholpon-Ata.	6	16	22
T		March 5, 2015 – One day Training for regional STS officials on UTD. Osh.	20	5	25
T		March 6, 2015 – One day Training for regional STS officials on UTD. Djalal-Abad.	15	1	16
T		March 11, 2015 – One day Training for regional STS officials on UTD. Talas.	9	7	16
T		February 20, 2015 –Round Table Discussion UTD Forms. Business and Government agencies	9	11	20
T		February 27, 2015 – Master Class for Mass media Representatives on using UTD calculator.	3	4	7
E		February 20, 2015 –Round Table Discussion on UTD Forms. Business and Government agencies	9	21	30
T		March 4, 2015 –Press-cafe on UTD. Mass media Representative and Government agencies	4	7	11
T		April 13-17, 2015 – Training for Trainers on UTD, Bishkek	17	11	28

Component		BGI Event	Men	Women	Total
Access to Finance	E	December 13, 2011 – Union of Entrepreneurs	35	12	47
	E	December 14, 2011 – American Chamber of Commerce (AmCham), International Business Council (IBC)	12	6	18
	E	July 22, 2015 0 POF Program Launch Event, Bishkek	17	14	31
	F	July 30, 2015 - Focus Group with Potential Lessees, Bishkek	4	2	6
	F	July 30, 2015 - Focus Group with Real Lessees, Bishkek	8	0	8
	F	August 2, 2015 - Focus Group with Real Lessees, Osh	6	0	6
	F	August 6, 2015 - Focus Group with Real Lessees, Karakol	5	1	6
	F	August 4, 2015 - Focus Group with Potential Lessors, Bishkek	8	4	12
	F	August 5, 2015 Focus Group with Real Lessors, Bishkek	8	4	12
	Business Inspections	E	Presentation of the Results of Work on Optimization of Inspection Procedures at the MoE with the participation of Deputy Minister of Economy Danil Ibraev	11	4
E		Presentation of the Work on Optimization of Inspections to the MoE Staff and Deputy Minister Ibraev	5	4	9
E		Presentation of the new Methodology for Sampling Water, Air and Soil to Measure the Level of Environmental Pollution at the round table at the State Technical and Ecological Safety Inspectorate	33	15	48
E		July 14, 2015 - Discussion of issues on inspections' optimization with the staff of the State Inspectorate for Ecological and Technical Safety and Director Nurbashev	3	2	5
		September 09, 2015 - Training Workshop on Inspection procedures for business entities in the field of technical and ecological safety in Ala-Buka rayon, Jalal-Abad oblast	25	8	33
Licensing	E	Presentation of the work on licensing regulations at the MoE with the participation of State Secretary Aidai Kurmanova	9	3	12
	E	Presentation of the proposed amendments to the Licensing Law to Minister Sariev and MoE management staff	13	2	15
	E	Meetings of the Expert Committee to discuss comments and proposals of the licensing agencies to the proposed law on licensing and permitting system (Expert Committee was created through the Order of Minister of Economy Sariev as of 26.03.2015 №62)	9	5	14
	E	Presentation for Minister of Economy Sariev and MoE management on the licensing of the radio frequency sector by the State Communication Agency	17	9	26
	E	Presentation for Minister of Economy Sariev and MoE staff of the draft law on licensing and permitting system of the KR by the Expert Committee	11	6	17
	E	Presentation of the proposed law on licensing and permitting system of the KR to VPM Valeri Dil, members of the government, deputy ministers and heads of licensing agencies	39	16	55
	E	Presentation of the work on drafting of the law on licensing and permitting system of the KR to newly appointed Minister of Economy Oleg Pankratov	7	4	11
	E	Final Presentation of the draft Law on Making Amendments and Additions to Certain Legislative Acts of the Kyrgyz Republic at the government meeting chaired by newly appointed Prime Minister Temir Sariev	31	6	37
	E	A series of meetings and discussions with the representatives of the licensing agencies to discuss and agree on the provisions of the proposed amendments to the Law on Licensing and Permitting System of the KR	118	27	145
	E	September 04, 2015 - Debriefing on Draft Law 'On Making Amendments and Additions to Certain Legal Acts of the Kyrgyz Republic' together with experts from MoE	4	2	6
	E	01 July – 30 September 2015 - A series of meetings to discuss and reconcile Draft Law 'On Making Amendments and Additions to Certain Legal Acts of the Kyrgyz Republic' with ministries and agencies	25	12	37
	E	July 24, 2015 - Discussion of disagreements on Licensing Project with MoJ, Ministry of Transportation, Ministry of Labor with the participation of Prime-Minister Temir Sariev and Minister of Economy Oleg Pankratov	21	8	29
	E	July 31, 2015 - Discussion of the proposed amendments at the meeting in the government with deputy ministers, chaired by Vice Prime-Minister V.Dil	12	3	15
Civil Aviation	E	December 4, 2014 – Presentation of the draft new Air Code	36	12	48
Mining	E	April 2, 2015: "Open Door Event at Geology Agency for Students from the Mining Institute and Mining Technologies", Bishkek	2	20	22
	T	April 9, 2015: "Training on License Case Description for students of the Institute of Mining and Mining Technologies", Bishkek	11	1	12
	T	June 4, 2015: "Effective Instruments of Project Management", Bishkek	11	5	16
	T	July 21, 2015 - Seminar on Mining issues in Panfilov rayon,	25	8	33
	T	July 22, 2015 - Seminar on Mining issues in Talas oblast	26	6	32
	T	July 23, 2015 - Seminar on Mining issues in Naryn oblast	16	6	22

Component		BGI Event	Men	Women	Total
	T	July 24, 2015 - Seminar on Mining issues in Issyk Kul oblast	19	2	21
	T	July 27, 2015 - Seminar on Mining issues in Batken oblast	33	6	39
	T	July 28, 2015 - Seminar on Mining issues in Kadamjai rayon, Batken oblast	23	2	25
	T	July 29, 2015 - Seminar on Mining issues in Osh oblast	40	1	41
	T	July 30, 2015 Seminar on Mining issues in Jalalabad oblast	28	3	31
Total			1,993	1,724	3,717

Annex B: Table of Deliverables

Component	Document	ENG	RUS	PUB?
	Accepted First Year Work Plan	√		No
	Activity Monitoring and Evaluation Plan	√		No
	Project Fund Manual	√		No
	BGI Launch Event Agenda	√	√	No
	Accepted Second Year Work Plan	√		No
	Accepted Activity Monitoring and Evaluation Plan	√		No
	Annual Program Statement	√	√	Yes
	Trip Report for Apparel Study Tour to Belarus	√		No
	John Haycock training of BGI Value Chain and Skills Demand/Supply subcontractors on key structure of the apparel sector	√	√	No
	Stakeholder Meeting in Apparel Industry Event Presentations	√	√	No
	Apparel VC -Buyer – Seller Moscow Event Presentations	√	√	No
	Apparel VC -Buyer – Seller Moscow Event Attendance List		√	No
	Apparel VC Chain Focus Group Discussions' Protocols (6)	√	√	No
	Apparel -Buyer Seller Moscow Event Database		√	No
	Workshop materials for May 13, 15, 20, 27, and June 4 events for front runners, leaders, innovation centers. (5)		√	No
	Attendance sheets for April 29 event, May 13, May 15, May 20, May 27, and June 4 events (6)		√	No
	Presentation materials for April 29 Apparel Value Chain events		√	Yes
	Apparel Value Chain Study	√	√	Yes
	Workshop materials for August 12 and August 20		√	No
	Reports by Paul Collyer on onsite work with front runner companies	√		No
	Presentation of the Destination Management Program	√	√	No
	Trip Report for Tourism Statistics Conference in Ankara, Turkey	√		No
	Tourism Destination Management Launch Presentations	√	√	No
	Tourism -Attendance Sheets for destination management events in Bishkek, Osh, Batken, Talas, Naryn,Karakol (6)	√	√	No
	KATO Roundtable		√	No
	Winning Four Destination Proposals	√	√	No
	Diagnostic on the Collection of Tourism Statistics in the Kyrgyz Republic	√	√	Yes
	Destination Management Strategies for Burana, Jyrgalan, Karakol, and Osh	√	√	No
	Construction Materials VC Launch event Presentations	√	√	Yes
	Construction Materials VC Launch Event Attendance sheets	√	√	No
	Stakeholder Database	√		No
	Construction Materials VC Interim Study	√		No
	Construction Materials Attendance sheets for focus group discussions and workshops		√	No
	Construction Materials VC Study	√		Yes
	Brief Report on IMC Forum prepared by IMC staff		√	No
	Desk Research on Survey to Assess the Supply and Demand for Skills in Textile Value Chain		√	No
	Desk Research on Survey to Assess the Supply and Demand for Skills in Tourism Value Chain		√	No
	IMC Directory of Consultants and Consulting Companies	√	√	No
	M-Vector Tourism Sector Skill Gap Assessment Report	√	√	Yes
	M-Vector Presentation of the Skill Gap Assessment Results in Tourism	√	√	Yes
	M-Vector Apparel Sector Skill Gap Assessment Report	√	√	Yes
	M-Vector Presentation of the Skill Gap Assessment Results in Apparel	√	√	Yes
	Investor's Booklet, Bootcamp	√	√	No
	Questionnaire for VAT Taxpayers.	√	√	No
	Questionnaire Statistics		√	No
	Presentation "Changes on VAT administration at 2015"		√	No
	Report on basic indicators in VAT administration	√	√	No
	Problems of the CU tax legislation		√	No
	Analysis of taxation procedures for imports from CU countries		√	No
	Analysis of taxation procedures for exports to CU countries		√	No

Component	Document	ENG	RUS	PUB?
	Analysis of taxation procedures for goods produced on commission processing in KR		√	No
	Taxation procedures for the goods made on commission processing outside KR in CU		√	No
	Analysis of taxation procedures for works and services in CU		√	No
	List of NLAs to be amended in light of CU accession		√	No
	List of the documents used in CU		√	No
	Analytical Notes on Legal Collisions and Controversies revealed in light of CU accession		√	No
	Draft Guidelines on VAT Administration including procedures in CU		√	No
	STS IT Needs Assessment Report	√	√	No
	Presentation on new VAT administration procedures		√	Yes
	List of participants May-June 2015 Trainings		√	No
	MF Consulting's Trainings Schedule		√	No
	Final report on VAT administration improvement activities	√	√	No
	EAEU Taxation Brochure		√	Yes
	Book of Questions & Answers about VAT in EAEU		√	Yes
	VAT Administration video for tax inspectors and businesses		√	Yes
	Leaflet on EAEU and KR National Legislation		√	Yes
	Leaflet on Changes in the KR Tax Code following KR accession to the EAEU		√	Yes
	Leaflet on Indirect Tax Reporting		√	Yes
	Leaflet on EAEU Agreement Provisions regulating Tax Issues		√	Yes
	List of Documents to be Filed under Export and Import Transactions with the EAEU member-countries		√	Yes
	Leaflet on VAT and Excise Tax Reporting and Payment Procedures		√	Yes
	Initial Report Vzglyad.KG	√	√	No
	Monitoring Report Vzglyad.KG. February 2015	√	√	No
	Interim Report Vzglyad.KG.	√	√	No
	Monitoring Report Vzglyad.KG. March 1-8. 2015		√	No
	Monitoring Report Vzglyad.KG. March 9-15.2015		√	No
	Monitoring Report Vzglyad.KG. March 16-23. 2015		√	No
	Monitoring Report Vzglyad.KG. March 24-31. 2015		√	No
	Vzglyad.KG_Final Report	√	√	No
	Vzglyad.KG_Monitoring Report -Final	√	√	Yes
	Unified Tax Declaration Manual		√	Yes
	Question-and -Answer Digest		√	Yes
	List of participants 2015 - Training courses		√	No
	List of participants 2015. - Public events		√	No
	Training Report	√	√	No
	Interim report on desk research, including analysis of legal framework and benchmarking		√	No
	Proposed macroeconomic modelling tool		√	No
	Sampling method for the survey	√	√	No
	Questionnaire for individual entrepreneurs	√	√	No
	Questionnaire for farmers	√	√	No
	Questionnaire for legal entities	√	√	No
	Technical report on the pilot study (entrepreneurs)	√	√	No
	Technical report on the pilot study (legal entities)	√	√	No
	Update on POF financing, DCA guarantees and leasing	√	√	No
	Access to Finance First Year Work Plan	√		No
	Rick Currie Exit Report for the work performed under Launch of Access to Finance Component of USAID BGI Project	√		No
	Access to Finance Revised First Year Implementation Plan	√		No
	Richard P. Currie Exit Report for May 2015	√		No
	Agenda for Bishkek International Finance Forum (BIFF) in Bishkek on May 22, 2015	√	√	No
	Richard Currie Presentation on Purchase Order Finance (POF) at BIFF Forum	√	√	Yes
	Credit Analysis of the Counterparty in a POF transaction	√	√	Yes
	NBKR Approved Changes to the POF regulations	√	√	Yes

Component	Document	ENG	RUS	PUB?
	Leasing Market Study Desk Research	√	√	No*
	Presentation of Desk Research Study for the Club of Private Investors on June 25, 2015		√	No
	Methodology for Requesting Leasing Portfolio Information from Lessors	√	√	No
	Questionnaire for Requesting Leasing Portfolio Information from Lessors	√	√	No
	Agenda for BGI POF Program Launch on July 22, 2015	√	√	No
	Registration form for BGI POF Program Launch on July 22, 2015	√	√	No
	Richard Currie Presentation on BGI POF Program on July 22, 2015	√	√	No
	List of Participants for BGI POF Program Launch on July 22, 2015	√	√	No
	Report on results of mystery shopper survey in banks and leasing companies	√	√	No
	Report on leasing portfolio information collected from lessors (banks and leasing companies)	√	√	No
	Methodology of Focus Group discussions with Lessees	√	√	No
	Methodology of Focus Group discussions with Lessors	√	√	No
	Report on results of Focus Group discussions with Lessees		√	No
	Report on results of Focus Group discussions with Lessors		√	No
	Methodology of in-depth interviews with select government agencies and donor community for the leasing market study		√	No
	Report on results of in-depth interviews with select government agencies and donor community for the leasing market study		√	No
	Richard P. Currie Exit Report for July 2015	√		No
	Approved checklists to be used by the State Ecological and Technical Security in conducting inspections: 1. Checklist applicable to ecological security 2. Checklist applicable to radiological security 3. Checklist applicable to industrial security and mines inspectorate 4. Checklist applicable to architecture and construction on construction objects 5. Checklist applicable to fire security 6. Checklist applicable to protection of labor 7. Checklist applicable to land conservation 8. Checklist applicable to electrical safety		√	Yes
	Draft Law on Radiation Safety along with the required legal package including Draft Government Resolution, Justification Letter, RIA and a Comparative table and the Kyrgyz version of the whole package		√	Yes
	Draft Law on Ecological Safety along with the required legal package including Draft Government Resolution, Justification Letter, RIA and a Comparative table, 5 special assessment conclusions, and the Kyrgyz version of the whole package		√	Yes
	Revised Checklists for Industrial Safety and Mining Oversight; Ecological Safety, Fire Safety and Labor Protection.		√	Yes
	Finalized Draft Methodology for Conducting Inspections of Businesses (Government Resolution # 533)		√	Yes
	Finalized new Methodology for Sampling Water, Air and Soil to Measure the Level of Environmental Pollution		√	Yes
	Manual for Entrepreneurs on the Conduct of Inspections		√	Yes
	Methodology for Conducting Inspections in Kyrgyz		√	Yes
	Program of the Training Workshop in Ala-Buka region		√	No
	Report on the Training Workshop in Ala-Buka region		√	No
	Questionnaire for the training workshop participants		√	No
	Tables of Disagreements with 32 government agencies to the following Licensing Regulations: 1. Regulation on Licensing Certain Types of Business Activity 2. Regulation on Licensing Control 3. Regulation on Creation and Keeping the Register of Licenses and Permits and 4. Risk Assessment Methodology		√	Yes
	Draft Law to Make Amendments and Additions to the KR Law On Licensing and Permitting System		√	Yes
	Matrix of Disagreements (comparative table) to the Draft Law on Amendments and Additions to the KR Law On Licensing and Permitting System		√	Yes
	Justification Memo to the Draft Law on Amendments and Additions to the KR Law On Licensing and Permitting System,		√	Yes

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	Draft Law on making Amendments and Additions to the Law on Licensing and Permitting System along with the required legal package including Draft Government Resolution, Justification Letter, RIA and a Comparative table		√	Yes
	Draft Law on making Amendments and Additions to the Certain Legislative Acts of the KR (including the Law on Licensing and Permitting System) along with the required legal package including Draft Government Resolution, Justification Letter, RIA and a Comparative table		√	Yes
	Draft Law on making Amendments and Additions to the Certain Legislative Acts of the KR (including the Law on Licensing and Permitting System) along with the required legal package including Draft Government Resolution, Justification Letter, RIA and a Comparative table		√	Yes
	Presentation on the proposed Law		√	No
	Presentation of the draft new Air Code	√	√	No
	Working Group revised draft Air Code including comments and feedback from participants of public discussions developed the Table of comments and disagreements		√	No
	Air Code Passed by Parliament	√	√	Yes
	Civil Aviation Agency IT Assessment	√	√	No
	Civil Aviation Agency Business Process Analysis	√	√	No
	Law to enact the Air Code signed by the KR President	√	√	Yes
	Final Mining Strategy and Action Plan (also in Kyrgyz)	√	√	Yes
	Final Mining Strategy Presentation		√	Yes
	Matrix of Disagreements		√	Yes
	Leaflet on mining state policy	√	√	Yes
	Poster on mining state policy	√	√	Yes
	Brochure on mining state policy	√	√	Yes
	Presentation on mining benefit sharing	√	√	Yes
	Presentation on ecological and social impact of mining	√	√	Yes
	Presentation on state policy and execution of mining strategy	√	√	Yes
	Attendance sheets for July 21-30, total 8 events (mining seminars)		√	No
	Press-release on Public Awareness Campaign on mining		√	No
	Questionnaire on Seminars Evaluation	√	√	No
	National conference on mining conflicts mitigation agenda	√	√	No
	Questionnaire on National conference on mining conflicts mitigation evaluation	√	√	No
	Interim report on Public Awareness Campaign on KR Mining Sector Development Strategy	√	√	No
	Presentation of the mineral resource potential of the Kyrgyz Republic		√	No
	Guidelines for scanning process and working with the data base for Geology Agency		√	No
	Progress Report on Continued Capacity Development at the Geology Agency by Feliks Shapiro		√	No
	Order for the Integration of the website and the data management system signed by the Geology Agency management #177		√	No
	Geology Agency Decree on Internship		√	No
	Data base on students		√	No
	Regulation on Management of Licensing Case Files with signed Decree		√	No
	List of scanned licenses by June 25		√	No
	MOU between the Geology Agency and Institute for Mining and Mining Technologies		√	No
	Regulation on Internship with signed Decree		√	No
	List of Geology staff who attended training		√	No
	Presentation delivered during a training on Project Management to Geology staff		√	Yes
	Geology Agency Decree on Internship		√	No
	Interim report on consultative work		√	No
	Recommendations to the KR Government on WTO negotiation process		√	No

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