



USAID REFORMA PROJECT: TOGETHER, WE CAN DO IT BETTER!

USAID SIGNS MOI TO SUPPORT CIVIL AVIATION SAFETY

On June 20, USAID signed a Memorandum of Intention (MOI) with the Ministry of Transportation and Communication of the Kyrgyz Republic, the Civil Aviation Agency (CAA) and the Association of Civil Aviation Enterprises. The MOI evidences the partnership of the participants in launching a USAID REFORMA grant for implementing a Corrective Action Plan to improve air safety prior to an International Civil Aviation Organization (ICAO) Validation Mission in August. ICAO is the global body that oversees aviation safety.

"It is a pleasure for me to join you today to convey USAID's support in strengthening the institutional infrastructure for ensuring the safety of air travel," said Michael Greene, USAID's Mission Director in the Kyrgyz Republic. "The Kyrgyz Republic now has the opportunity to build international trust in its safety maintenance system by ensuring that it can demonstrate significant achievement in implementing its Corrective Action Plan to the ICAO Air Safety Validation Mission."

The need for this project arose from a 2006 audit by the Air Safety Committee of the European Commission, which found that "The Kyrgyz Civil Aviation



MOI signatories left to right: Mr. Erkin Isakov, Chairman, Civil Aviation Agency; Mr. Kalykbek Sultanov, Minister of Transportation and Communication; Mr. Michael Greene, USAID Mission Director; Mr. Talibek Okenov, President, Association of Civil Aviation Enterprises.

Agency has an insufficient ability to implement and enforce the relevant safety standards in accordance with their obligations under the Chicago convention." As a result, all airlines, as well as the CAA, were placed on the European Union's Safety List, which banned them from flying to, from, or over the territory of the countries of the EU.

After failing the 2006 audit, preliminary discussions with the European Commission conveyed that successful passage of

an ICAO audit would be an initial step for Kyrgyz airlines to be removed from the Safety List and allowed to fly to the EU. As a member of ICAO, the Kyrgyz CAA undergoes a mandatory audit or Validation Mission every five years. The Kyrgyz Republic passed the last ICAO audit in 2009, but implementation of the compulsory Corrective Action Plan was waylaid due to the 2010 conflict.

"Building the legal framework, organization and capacity for sound safety oversight is an essential first step in efforts to release the Kyrgyz Republic from Safety List sanctions imposed by the European Union. Permission to serve European markets for both consumers and cargo will improve the competitiveness of Kyrgyz industry sectors by reducing costs and providing more options for air travel and transportation," said Greene.

The REFORMA grant will help the CAA to: (1) ensure that Kyrgyz aviation legislation and implementing institutions comply with international standards; (2) train aviation specialists in air safety oversight; (3) study the experiences of Latvia and Jordan in meeting air safety requirements; and (4) conduct discussions with the Air Safety Committee of the EU to understand the requirements for releasing the Kyrgyz Republic from the EU Safety List.



Meeting participants front to back: Mr. Shakir Djangaziev, Advisor to the CAA Chairman; CAA Chairman Isakov; Mr. Maksat Dyikanov, State Secretary of the Ministry; Minister Sultanov; Ms. Elena Nalobina, Head of the International Cooperation Department, Ministry of Transportation and Communications; Ms. Gulnara Kalikova, Senior Partner, Kalikova & Associates; Ms. Satkyn Beketaeva, Senior Lawyer, Kalikova & Associates.

REFORMA LAUNCHES GRANTS PROGRAM

In mid-February, the USAID REFORMA Project introduced its Grants Program to an audience of more than 100 representatives from business associations, research centers, NGOs and private firms.

At the event, attendees gained insight on how to fill out the grant application, which organizations are eligible to apply, which types of activities are supported by the program, and what is the timeline of the selection process. The Grants Manual and application package is now available to all interested parties.

The REFORMA Grants Program was designed to enable eligible institutions to pursue activities that will improve fiscal, trade, regulatory and sectoral policy reform objectives that are aligned with the REFORMA Agenda. Grant funds may be used to conduct seminars, conferences, round tables, and training courses, as well as undertake studies, determine the impact of normative legal acts (NLAs) on private sector development, and pursue other activities critical to improve the business environment for economic growth. REFORMA's Grants Program also awards grants to local organizations and institutions to pursue creative activities designed to advance



REFORMA Grants Manager Artyom Zozulinsky presents REFORMA grants program.



Potential grant recipients learn eligibility requirements for REFORMA grant applications.

private sector reform priorities.

By the end of June, REFORMA had issued nine grant awards. The grant recip-

ients and their projects are listed under the Grants category on Page 11 of this newsletter.

CIVIL AVIATION AGENCY HOSTS FOREIGN VISITORS

In late June, the Civil Aviation Agency (CAA) and aviation sector participants hosted two sets of meetings with foreign visitors.

From June 16-18, Mr. Karsten Theil, former Regional Director for Air Safety of ICAO's Europe and North Atlantic Bureau in Paris, outlined recommended provisions for an updated Air Code to meet international standards for air safety and modernization of Kyrgyzstan's institutional infrastructure.

At a briefing attended by Mr. Jusubali Isaev, Head of the Parliamentary Committee for Transport, Communication, Architecture and Construction, and government agencies, he also laid out recommendations for establishing a self-financing mechanism for the CAA. Mr. Theil and his colleague, Ms. Mojca Melaranta, have been engaged under the USAID REFORMA grant to provide technical advice to the CAA, with the assistance of Kalikova & As-

sociates, which is drafting legislation and regulations to meet ICAO requirements.

Another component of the grant recently supported participation of a Kyrgyz delegation in undertaking two study tours to Jordan and Latvia. From April 28-30, the delegation learned how Jordan was able to convince the EU to release its airlines from the Safety List in the absence of published criteria. From June 8-10, a separate delegation visited Latvia to study the provisions of its Safety Management System (SMS) and State Safety Program (SSP), deemed

to be an appropriate model given Latvia's legacy as a former Soviet Republic and its current EU membership.

In addition, Mr. Elie Nasr, a United States Federal Aviation Administration (FAA) representative based in the US Embassy in Moscow, visited Kyrgyz civil aviation institutions on June 24-25 to become familiar with the challenges the Kyrgyz Republic faces in adopting international air safety standards.



USAID Acting Deputy Mission Director Kevin Dean and FAA Representative Elie Nasr meet with civil aviation representatives of the Kyrgyz Government.



CAA Consultants Ms. Mojca Melaranta and Mr. Karsten Theil present recommended structure of new Air Code for the Kyrgyz Republic.



INVESTMENT COUNCIL EXPANDS REGIONAL PPD TO OSH AND NARYN

The Business Development and Investment Council introduced its first official public-private dialogue (PPD) meetings in Osh and Naryn to enable regional enterprises to voice their constraints in doing business to oblast administration officials.

Under a grant from the USAID REFORMA Project, the Council's Secretariat organized the first Regional Investment Council in Osh on June 3, at which representatives from the private sector expressed concerns related to land taxes in Osh City, producer sales taxes, pension insurance for farmers and individual entrepreneurs, and access to finance for regional SMEs. The Council, presided by Osh Deputy Governor Ahmadjan Mahammadov, with the participation of 14 business representatives, six members from the donor community and seven governmental officials, passed a resolution outlining these concerns. This resolution was presented at the Business Development and Investment Council meeting held in Bishkek on June 27.

In his opening statement, Mr. Mahammadov said, "The main goal of the Council is to achieve high-quality, direct dialogue between Osh local self-governments, representatives of the national government, the business community and investors to quickly solve existing problems impeding business development."

Similarly, the Regional Investment Council meeting in Naryn took place on June 17, at which 15 representatives of the business community collectively presented issues relating to the free economic zone (FEZ) in Naryn, plans to develop a logistics center supporting the FEZ, and tourism development issues, to Naryn Oblast Governor Amanbai Kaiypov and seven representatives from local and national government.

The REFORMA grant was designed to expand the reach of the Investment Council to regional centers, where the business environment may be less favorable than in the capital and where businesses face problems unique to their regions. Regional Councils are intended to meet quarterly

to discuss and attempt to resolve the key obstacles that limit business growth and investment identified by local business communities. If constraints cannot be overcome locally, issues will be brought to the national Government for action. The initiative was supported by Prime Minister Otorbaev at a meeting of the Business Development and Investment Council held in March in Bishkek.

The Secretariat of the Business Development and Investment Council will also employ the REFORMA grant to develop its analytical capacity and provide training to business and industry associations on advocacy, regulatory impact assessments, tax reporting, business inspections and Customs Union issues.



Participants of the first Regional Investment Council in Osh discuss barriers in the business environment.

BBC RESEARCHES LEGAL AND OPERATING FRAMEWORK OF FREE ECONOMIC ZONES

The Kyrgyz Republic introduced its free economic zone (FEZ) regime in 1996 to stimulate foreign direct investment and export growth. Since then, however, the Law on FEZs has changed more than 10 times in an effort to strengthen its impact and ensure that FEZs operate in the way in which the law had intended.

In December 2013, Parliament again tweaked the FEZ Law, following limited public discussion of its provisions. Consequently, REFORMA awarded a grant to the Bishkek Business Club (BBC) to undertake an assessment of the current legal and operating framework of FEZs and how implementation of the law and supporting regulations work in practice.

On June 4, in cooperation with the Min-



Bishkek Business Club representatives tour the Free Economic Zone in Naryn.

istry of Economy, BBC conducted its first round-table meeting to engage executives from all FEZs, customs and tax authorities, entrepreneurs, and Parliament and Government officials in discussion of the operational, managerial, economic and legal issues surrounding the FEZs.

The BBC has also conducted field meetings to better understand the operations of regional FEZs. These, and other meetings, will provide content and context for BBC's ultimate recommendations for strengthening the legal and operational framework for FEZs, expected in August.



UNION OF KYRGYZ BANKS HOSTS BISHKEK INTERNATIONAL FINANCIAL FORUM 2014

Under the USAID REFORMA grants program, the Union of Kyrgyz Banks organized the Bishkek International Finance Forum (BIFF 2014) on May 15.

More than 250 participants attended the event, representing different industries in the Kyrgyz Republic. Financial institutions, software developers, manufacturers and suppliers of machinery and equipment, and other commercial organizations attended the one-day conference that highlighted development opportunities for the Kyrgyz Republic for leasing, mobile banking and promoting financial literacy. In all, representatives from 11 countries participated, including those from the Central Asian Republics, China, Russia, Poland, Hungary, Saudi Arabia, the Netherlands and Turkey.

The forum featured many speakers from the Kyrgyz Government, donor organizations, private sector-sponsors, and international guests, including members of the International Banking Council, an association of bank associations in Central and Eastern Europe and the CIS.

Kevin Dean, Acting Deputy Mission Director of USAID in the Kyrgyz Republic, also spoke on the benefits financial institutions receive when they promote financial literacy.

The second half of the forum featured presentations in the three areas of focus. Participants gained insight on the latest developments in these financial initiatives both in



Vice Prime Minister Taiyrbek Sarpashev welcomes participants to BIFF 2014.



Visitors from 11 countries attend the Union of Kyrgyz Banks' 2014 event.

Kyrgyzstan and abroad. The Islamic Corporation for Private Sector Development also signed an agreement with several foreign and local companies to establish the first full-fledged leasing company in the Kyrgyz Republic, with initial capital of \$20 million.

The meeting was a successful expansion of the Union of Kyrgyz Banks' popular Leasing Forum, which has taken place in tandem

with the Agricultural Equipment Exhibition, AiylAgro, organized annually by the Kyrgyz Government.

"In the future, we are planning to expand the forum to 2-3 days in order to cover these and other topics more deeply, including mortgages and public-private partnership (PPP) financing," said Anvar Abdraev, President of the Union of Kyrgyz Banks.

PROMOTANK PROMOTES PUBLIC AWARENESS OF ECONOMIC ISSUES

REFORMA recently awarded a grant to Promotank to conduct a series of economic news programs on the ELTR TV Channel. From April 16 to June 17, following the news block at 7:20 pm in Russian and 8:20 pm in Kyrgyz each Tuesday and Friday, Promotank delivered a short news program called *The Economy*, which examined important issues of the Kyrgyz economy.

Programs covered issues such as the fluctuating Kyrgyz som exchange rate, the implications of joining the Customs Union, issues in energy sector development, initiatives in tax decentralization, the problems and potential of mining sector development, and many others. Key government representatives, as well as prominent private sector experts,

provided their perspectives on these issues. In total, Promotank broadcast 18 episodes, in both Russian and Kyrgyz.

The USAID REFORMA grant helped jump-

start the program, which has become so popular that Promotank is continuing to produce the program even after grant funding expired.



Mr. Azamat Akelev, Director of Promotank, analyzes key issues in Kyrgyz economics.



**KALIKOVA & ASSOCIATES
STREAMLINES
LIQUIDATION OF LEGAL
ENTITIES**

Both the State Tax Service (STS) and the private sector have long identified that liquidating legal entities is a time-consuming and problematic process. Business owners must prove to the State that these enterprises have no outstanding tax obligations,

a process that can take 6 months to several years and require documentation from 5-7 government authorities. Therefore, many legal entities are merely abandoned, which remain recorded as taxpayers in STS data bases indefinitely. This then causes headaches for STS officials, who must identify dormant accounts and send repeated notices to registered owners.

Consequently, the USAID REFORMA Project has provided a grant to Kalikova & Associates to draft required legislation and regulations

to simplify the process of liquidating business entities. Kalikova & Associates will conduct consultative round tables with key stakeholders to seek input into streamlining liquidation processes, bringing regulations in line with the Registration Law and the Civil Code, introducing regulatory mechanisms to ensure compliance by the tax and other government authorities, and providing a comprehensive and unified list of documents required for liquidation. The project is expected to be completed by the end of July.

**CHAMBER OF
COMMERCE AND
INDUSTRY CONTINUES
INTERNAL REFORMS
TO BETTER SERVE ITS
MEMBERS**

Upon CCI's request, REFORMA subcontracted Smart Business Solutions in February to conduct a comprehensive capacity assessment of the CCI's performance, which focused on its internal operations and the level of service it provides to its members. The assessment results showed that, while the CCI has undertaken significant changes during the last four years, it can further improve its overall performance by strengthening its governance structure, improving management processes, further engaging members in decision-making processes, and providing more efficient and better quality member services.

Consequently, the Chamber has already begun to implement some 'quick



Managers and staff of the Chamber of Commerce and Industry obtain performance feedback from assessment study.

win' solutions and to develop a plan for implementing more strategic activities to improve performance. Initiated by the CCI and supported by REFORMA, staff received training on membership recruitment and retention, effective com-

munication with members, and client orientation. The training was based on the CCI client satisfaction survey results, and it gave CCI staff ideas and practical tools for further improving its work with members and clients.

**CCI SPONSORS MEMBER
RESEARCH TRAINING
TO BUSINESS
ASSOCIATIONS**

Client satisfaction surveys have shown that business associations need to provide better service and greater support to their members. To build their capacity to do so, the CCI and REFORMA sponsored a two-day training course on market research techniques for representatives of 10 business associations. A combination of theory and practice, the training conveyed ways to respond efficiently to members' needs using modern tools and instruments for conducting surveys and analyzing survey results. To practice the application of these techniques, the associations collectively selected an actual issue for which each surveyed its own member



Business associations sharpen member research skills in capacity building seminar.

base. The results of the survey on administration and rates of payment to the Social Fund were presented collectively

to participants at the Business Development and Investment Council meeting on June 27.

MINISTRY OF ECONOMY SAYS GOVERNMENT TO ADOPT MINING STRATEGY

The Ministry of Economy is circulating the draft Medium- and Long-Term Development Strategy for the Mineral Resources Sector for comment by relevant ministries and agencies, prior to presenting the draft for approval by the Government. The Ministry states that the Government intends to adopt the Strategy in the near future.

The Strategy, created by the Ministry with the assistance of a consortium of Kyrgyz firms and experts under the direction of the Kyrgyz Mining Association, was produced over a year-long period, culminating in its presentation by Minister of Economy Temir Sariev to the public in December. Through-

out 2013, the consortium, sponsored by REFORMA, conducted a series of roundtables and workshops with the participation of the business community, government agencies, international donors and NGOs. The final draft of the Strategy and the comprehensive Action Plan outlining its implementation, was presented to the Ministry in March, and reflected the numerous comments and suggestions voiced during the public hearings.

During the past few months, the consortium has worked with the Ministry to explain the technical recommendations of the Strategy to key stakeholders within the Government and Parliament, particularly those who will be responsible for implementation.

Ulan Ryskulov, Deputy Director of the State Agency for Geology and Mineral Resources, noted, "The strategy has crisp, clear rules ..." and identifies all the solutions to the obstacles that have plagued mining sector devel-

opment for years.

"The Strategy has tried to balance the interests of all parties – investors, the national government, and local residents. The mining industry is one of the drivers of our economy, so the Strategy should be a vision of where we ultimately want to go," Ryskulov said.

Adilet Akmataliyev, Head of the Mineral Resources Policy Department at the Ministry of Economy, said, "This Strategy is a management plan for the industry. It includes activities aimed at achieving specific goals, the primary one being the achievement of sustainable development of the industry through 2052."

The final version of the Strategy will strive to reflect the policy consensus of all stakeholders, including local governments, private investors, and civil society in the long-term development of the mining industry of the Kyrgyz Republic.

TOURISM DEPARTMENT PRESENTS 2013 ANNUAL REPORT

Deputy Minister of Culture, Information and Tourism Maksat Chakiev presented the 2013 Annual Report on Tourism Development to members of the private sector and the Government on May 27. The presentation was sponsored by the USAID REFORMA Project as one of its activities to improve the capacity of the Tourism Department.

In addition to statistical results, the presentation outlined the achievements as well as the challenges and opportunities in tourism sector development.

"While there are infrastructure, service quality and sector funding issues, we are making efforts to ensure the best use of our tourism potential – the authentic beauty of our landscape, healing waters, ideal ski slopes, Silk Road destinations, and diverse culture," said Deputy Minister Chakiev.

"The Kyrgyz tourism brand developed last

year is another step in promoting the country," Chakiev said. He presented the first promotional video for tourism and demonstrated his vision for the tourism portal that the Department is trying to create in conjunction with other Ministries. Among the audience were representatives of Parliament, Ministries, hotel and restaurant businesses, tourism training centers, tour operators, and regional government officials.

USAID, represented by Acting Deputy Mission Director Kevin Dean, said "Tourism is an amazing little sector that drives development of all other sectors of the economy. The primary goal of USAID is to reduce extreme poverty in countries we work, and we are honored to be helping the Kyrgyz tourism sector further develop to address rural poverty. Anyone who comes to Kyrgyzstan for the first time falls in love with its nature and hospitality. There are many ways to develop tourism even more."

Improving the content and analysis of the annual tourism report was identified in REFORMA's comprehensive performance assessment

as one of the ways in which the Department could strengthen its role in providing information for better tourism planning. Since the conduct of this assessment last year, REFORMA's implementing partner, Signum.kg, has assisted the Department in optimizing its core business process to improve efficiency, preparing an Action Plan based on the various tourism development strategies currently in existence, and providing training and coaching on management, public administration and strategic planning.



Deputy Minister Maksat Chakiev presents 2013 tourism results.



Mr. Kevin Dean, USAID Acting Deputy Mission Director, represents USAID at the presentation.



GEOLOGY AGENCY STUDIES INSTITUTIONAL DEVELOPMENT IN TURKEY

Ten geology professionals participated in a study tour from May 4-11 to observe how Turkey's institutional and regulatory structure has promoted the rapid development of the Turkish mining sector. As part of the program to improve human and institutional capacity development (HICD) at the State Agency for Geology and Mineral Resources, REFORMA organized this tailored study tour to Ankara to meet with counterparts at the General Directorate of Mining Affairs, the General Directorate of Mineral Research and Exploration, and the Ministry of Energy and Natural Resources.

The study tour exposed participants to Turkish mining legislation, the state system for granting rights for exploring and extracting mineral resources, the system for calculating reserves, the geological and mining reports required for submission, the criteria for expert evaluation of design concepts, channels for communication with local communities, and methods of interaction with investors. The study tour also provided practical observation of the work of the departments within key Turkish institutions.

In addition to government meetings, participants visited the Kyshtadag gold deposit, an open pit excavation of marble, and several gypsum and marble production plants. They also learned about how the Turkish government recruits and trains

graduates from the Middle East Technical University for careers in government regulation and oversight of the mining industry. As both the Kyrgyz and the Turkish sides noted, the study tour provided an excellent opportunity to promote future cooperation, exchange of knowledge and mutual support between Turkish and Kyrgyz mining regulators.

Back at home, participants delivered a presentation on their impressions of the study tour to senior and middle management of the Geology Agency. All participants positively evaluated what they learned from the study tour, prompting one staff member to conclude, "This is the first time that a delegation of the Geology Agency attended such a structured training that was tailored to the Agency's needs."



Study tour participants from the State Geology Agency visit mining sites, view geology maps, gather with their Turkish hosts.

MINISTRY OF ECONOMY INSTITUTIONALIZES STRATEGIC PLANNING

In March, REFORMA launched a strategic planning improvement program under its HICD project at the Ministry of Economy. The contract was awarded to the Humanitarian Development Institute through a competitive tender.

Through a series of training courses on strategic planning, program-based budgeting and monitoring and evaluation, the REFORMA team helped Ministry staff to develop the Strategic Plan for the current year, which was approved by the board and will be put into action as the guiding strategic document for all department activities. Based on this plan, the Ministry is now developing its Mid-Term Strategy for 2014-2017, aligned with the President's National Strategy for Sustainable Development.

One of the important aspects of the strategy is the creation of a strategic vision for human resources (HR) manage-

ment in the Ministry. The REFORMA team is providing assistance to the HR Unit in building a strong management system after conducting an assessment of current HR processes. The Ministry is also planning to automate its HR management system, for which REFORMA completed an assessment of current IT infrastructure and developed a statement of work for

further development of a system that will help to monitor implementation of the Ministry's HR Strategy.

Upon completion of the project, REFORMA expects the Ministry of Economy to have a clear vision of where it wants to go and how to develop a strong team of specialists united around a common strategic goal.



Department heads at the Ministry of Economy discuss monitoring and evaluation in strategic planning.



UNION OF ENTREPRENEURS SUBMITS DRAFTS OF LICENSING REGULATIONS

In May, the Union of Entrepreneurs of the Kyrgyz Republic submitted four draft regulations to the Ministry of Economy supporting implementation of the Law 'On the Licensing and Permitting System of the Kyrgyz Republic.' This project is a continuation of REFORMA's assistance in drafting the law that passed in October.

To draft the four regulations, the Union of Entrepreneurs conducted 104 focus groups with more than 700 members of the business community to solicit their opinions on the way in which the law should be implemented through these four regulations. Likewise, the Union held interviews with 111 officials from the 23 Government organizations responsible for issuing licenses and permits that are subject to the new law.

The regulations specifically convey the provisions for licensing the 101 business activities named in the law. They define the terms and the sequence of actions

and procedures in the implementation of regulatory control functions by licensing bodies. They delineate the rules that regulators must follow in creating and maintaining registrations of license-holders. Finally, they describe the risk assessment methodology that determines why these business activities must be licensed to protect the health and welfare of citizens, the environment, and competitive markets.

The need to have these regulations put in place leads the Ministry of Economy to expect that the Government will soon approve the drafts for implementation.

INTEREST IN SELF-REGULATION GAINS MOMENTUM

The Ministry of Economy's new Law 'On the Licensing and Permitting System of the Kyrgyz Republic' set forth concepts of self-regulation in response to the growing interest of the business community in introducing self-regulation into Kyrgyzstan's regulatory framework. But the law itself did not elaborate on what powers and authorities self-regulation would represent.

Members of the private sector have divergent views on the type and extent of regulatory authority they are seeking and on the legal mechanisms through which they want the Government to grant these authorities. Some believe it is necessary to adopt a law on self-regulation; others argue that existing legislation is sufficient to allow business associations to determine self-regulatory rules themselves.

To build consensus, the USAID REFORMA Project worked with the Ministry and the business community to conduct a study of international experiences in self-regulation.

The study found that only nine of 30 countries had laws specifically governing self-regulatory organizations (SROs) and that these primarily addressed the securities industry. Globally, self-regulation is perceived as an independent initiative of business entities, whose scope is to establish industry standards of qualification and market conduct, as well as to monitor industry compliance with these rules.

REFORMA concluded that both the Government and the business community need to better understand the underlying purpose of self-regulation before creating

laws that may have unintended consequences.

After diverse public discussion over the past six months, the Ministry decided to introduce pilot projects in self-regulation with professional associations. While these projects have not yet gotten off the ground, REFORMA is cooperating with the Ministry, the Secretariat of the Business Development and Investment Council, the Japan International Cooperation Agency, and representatives of businesses to further discuss how to introduce self-regulation in the Kyrgyz Republic.



Business associations deliberate merits of self-regulation.

ECOPARTNER ALIGNS INSPECTION CHECKLISTS WITH LEGAL REQUIREMENTS

In undertaking REFORMA's study to optimize the legal framework for ecological and technical safety inspections, implementing subcontractor EcoPartner discovered that checklists used in the conduct of inspections deviated significantly from what was mandated by law. The firm also found that there was no established methodology for conducting ecological and technical safety inspections nor for taking samples for laboratory testing of possible environmental violations.

As a result, the Ministry of Economy asked REFORMA to provide further assistance in aligning inspections processes with the law. EcoPartner is now drafting a set of six revised checklists for inspections covering environmental impact, land use, fire, labor safety and others and developing an established methodology for the conduct of inspections. The firm is also drafting legal amendments and regulations to delineate the separate functions of control and supervision in the regulatory process.

EcoPartner will present the draft checklists and the proposed methodologies to government agencies and the business community in September.



EcoPartner President Svetlana Bortsova presents inspections findings to REFORMA team, led by Chief of Party Karen Westergaard.



MF CONSULTING OUTLINES REFORMS IN VAT ADMINISTRATION

MF Consulting has been working with the STS to simplify the VAT administration system to provide incentives for VAT registration by legitimate taxpayers while significantly reducing opportunities for fraud.

Based on surveys of both VAT-payers and STS officials, as well as a thorough review of VAT administrative processes, MF Consulting has rede-

signed and drafted Tax Code amendments to simplify invoicing procedures and improve the VAT credit and refund system. Proposed amendments eliminate the use of high-security invoice forms and replace them with a system for generating unique electronic invoice numbers, which REFORMA is supporting through software development for the STS. This significantly relieves burdensome paperwork for taxpayers. Simplification of VAT crediting and refunding procedures will accelerate working capital turnover and improve export compet-

itiveness for firms.

To combat VAT fraud, the proposed administrative changes strengthen voluntary VAT registration procedures and promote the adoption of a comprehensive system of pre-registration surveillance that has proven effective in combatting fraud in other countries. MF Consulting also drafted amendments to the Administrative Offences Code and the Criminal Code, to strengthen criminal liability for phantom businesses that carry out VAT fraud.

In the first phase of this project, MF Consulting also identified significant deviations among tax officials in the conduct of VAT administrative procedures, which resulted from the absence of a uniform methodology. Consequently, MF Consulting drafted an Administration Procedures Manual for tax authorities to standardize procedures across all VAT administration functions. The Manual, along with the proposed changes in tax legislation, is designed to significantly reduce costs for both taxpayers and tax authorities in VAT administration.

In early July, REFORMA will sponsor public discussions of amendments with the business community and government agencies. Amendments are expected to be presented to Parliament in September.



MF Consulting, with government fiscal policy and tax officials, work out options to improve VAT invoicing, crediting and refunding.

REFORMA SUPPORTS TAX STUDY TOUR TO PREPARE FOR CUSTOMS UNION MEMBERSHIP

To supplement work in reforming VAT administration, REFORMA supported a study tour in February for nine tax officials to Belarus and Kazakhstan to study the experience and requirements of Customs Union (CU) members in administering indirect taxes (VAT and excise tax) in trade transactions.

Participants from the STS and the Ministry of Economy reviewed counterpart legislation, regulations and administrative systems for VAT processing and collection, policy options for applying CU taxation agreements, and monitoring mechanisms for payment of such taxes on exports and imports among CU members. They also



Kyrgyz Government tax officials review Customs Union procedures for offsetting indirect taxes.

reviewed problems that can arise in mutual trade and how such problems are resolved within the CU framework.

Kyrgyz officials also observed the implementation of an electronic information exchange system on VAT pay-

ments between the tax authorities of the CU member countries. They reviewed data management format and structure to understand requirements for enabling the STS to connect to CU systems.



STS UNVEILS ELECTRONIC TAX DECLARATION FORMS

On May 16, the STS presented the features of its internet-based tax declaration forms available on its new web page, declaracia.kg, to public officials and the business community.

Developed under REFORMA's tax declaration public education campaign implemented by the Chamber of Tax Consultants (CTC), website developer Devvx.Pro (formerly iCap Systems) demonstrated how to fill out electronic tax declaration forms for both individuals and individual entrepreneurs. Devvx.Pro showed how to utilize the electronic calculator to automatically populate line items from annexes to the declaration form. The calculator also provides tips on how to fill out required cells.

The STS website is available in both Kyrgyz and Russian and is accessible through mobile phones. It features a section for questions and answers, procedures for filing declarations, and links to videos that demonstrate how to fill out the forms.

The deadline for filing tax declarations

for 2013 had been extended for individuals until June 30 because the forms themselves have been revised to obtain more thorough financial information than they have in the past. The web-based declaration forms significantly simplify filing pro-

cedures, particularly for citizens who have not previously submitted tax returns. The system is still undergoing modification and development of electronic forms for legal entities, which is expected to be completed in July.



State Tax Service Deputy Chairmen present electronic declaration forms to business community.

CHAMBER OF TAX CONSULTANTS TRAINS TAX INSPECTORS ON NEW FORMS

During June, more than 75 STS officials attended training seminars in Bishkek on how to complete the new tax declaration forms so they can provide the appropriate assistance to taxpayers. By the end of the training program in July, the CTC will have trained more than 200 tax inspectors throughout all regions of the country.

The CTC provided hands-on training that presented tax inspectors with various tax cases for all categories of taxpayers and demonstrated how to complete the forms based on these cases. Under the REFORMA tax declaration campaign, the CTC, with approval from tax authorities, published a 'Question and Answer' booklet that was distributed at the seminars. The project also printed numerous completed sample forms to provide both tax officials and taxpayers with guidance on form completion.

Tax inspectors will be expected to provide substantial assistance to taxpayers when completing and filing tax declaration forms. This will be particularly true in 2016, when all citizens will be required to submit tax declarations.



Chamber of Tax Consultants train groups of tax officials on new uniform tax declaration forms.



Uluk Kyyrbaev, CEO of the Chamber of Tax Consultants, presents certificates to tax officials at training course.



REFORMA TO PRESENT MINING STRATEGY TO REGIONAL STAKEHOLDERS

REFORMA has recently hired Kalikova & Associates to conduct a series of public awareness seminars on recommendations for mining policy reforms reflected in the draft Mining Development Strategy. The law firm will engage members of the Strategy development consortium to participate in the seminars that will take place in July in each of the Kyrgyz Republic oblasts.

“Worldwide the role of local communities is a critical component for the successful development of the mining industry,” said Gulnara Kalikova, who formulated recommendations for legal and regulatory policy reflected in the Strategy. “Often, lack of awareness is the reason for the emergence of

rumors and false information that creates a breeding ground for conflicts with exploration and mining companies, inhibits the development of the mining industry, and reduces the image and attractiveness of Kyrgyzstan as an investment destination.”

When creating the Strategy, the consortium did sponsor public discussions of local community issues

as part of the development process, but most of the community outreach events that have taken place in the past two years have not discussed components of the draft Strategy. Now, however, it is time to provide more specific information to citizens, which will be presented jointly by government officials and members of the Strategy development team.



Osh stakeholders participate in Mining Strategy presentation.

REFORMA GRANT AWARDS

No.	Grant Name	Grant Awardee
1	Regional Public Private Dialogue and Capacity Building	Secretariat of the Business Development and Investment Council
2	Bishkek International Financial Forum (BIFF) 2014	Union of Kyrgyz Banks
3	Improving Air Safety in Preparation for an ICAO Validation Mission	Association of Civil Aviation Enterprises
4	Tax Inspector Training on Financial Accounting, Tax Code and Tax Law	Training Center, Chamber of Tax Consultants
5	Research on Free Economic Zones (FEZ)	Bishkek Business Club
6	Economic News on ELTR TV Channel	Promotank
7	Capacity Assessment and Training for Business Associations on Corporate Social Responsibility (CSR)	CSR Central Asia
8	Simplifying the Liquidation Procedures for Legal Entities and Individual Entrepreneurs	Kalikova & Associates
9	Building Capacity in Economic Awareness for Kyrgyz-Speaking Citizens	International Business Council

REFORMA’S COMMODITY PROCUREMENTS AWARDED TO LOCAL PARTNERS

No.	Procurement Name	Implementing Partner Procurement Winner
1	Procurement of computer hardware and software for the Ministry of Economy and the State Agency for Geology and Mineral Resources	Logic
2	Printing of posters on tax amnesty procedures as part of the Tax Amnesty Awareness Campaign	PRINTHOUSE LTD
3	Printing of bumper (Car) stickers with tax amnesty messages as part of the Tax Amnesty Awareness Campaign	Rublevka.kg Ltd – Giraff Polygraphy
4	Printing of the Ministry of Economy’s Newsletter	ST ART Ltd.
5	Procurement of computer hardware for the Ministry of Economy, the State Agency for Geology and Mineral Resources and the Tourism Department	Nine Seven
6	Procurement of software for the Ministry of Economy, the State Agency for Geology and Mineral Resources and the Tourism Department	Nine Seven
7	Procurement of communication equipment for the Ministry of Economy	Logic



REFORMA'S TECHNICAL ASSISTANCE PROJECTS UNDERTAKEN WITH IMPLEMENTING PARTNERS

No.	Project Name	Implementing Partner Tender Winner
1	Review and Recommendations for Optimizing and Streamlining Business Licenses and Permits	Foresight Foundation
2	Development of a Draft Law "On Licenses and Permits in the Kyrgyz Republic	Foresight Foundation
3	Development of an Action Plan for REFORMA's Assistance to Improve the Investment Climate for Mining	International Business Council
4	Human and Institutional Capacity Development (HICD) Diagnostic Assessment of the Ministry of Economy	Promotion and Development Center
5	Streamlining Functional Regulations and Implementation of a Strategic Planning Process in the Ministry of Economy	Promotion and Development Center
6	Creation of a Medium- and Long-Term Development Strategy for the Mineral Resources Sector	Consortium led by the Kyrgyz Mining Association, Kalikova & Associates, Ken-Too Scientific and Research Center
7	Creation and Implementation of a Communications Strategy and Action Plan for the Ministry of Economy	Door Media
8	Human and Institutional Capacity Development (HICD) Diagnostic Assessment of the State Agency of Geology and Mineral Resources	Central Asia International (CAI) Consulting
9	Public Education and Training for the Introduction of the Universal Tax Declaration Regime	Chamber of Tax Consultants
10	Review of the Legal and Regulatory Framework and its Implementation in Conducting Ecological and Technical Safety Inspections	Eco-Partner
11	Design and Development of the Website for the State Agency of Geology and Mineral Resources	Yaros
12	Creation of a Data Base Management System for the State Agency of Geology and Mineral Resources	TimelySoft
13	Human and Institutional Capacity Development (HICD) Diagnostic Assessment of the Tourism Department at the Ministry of Culture, Information and Tourism	Central Asia International (CAI) Consulting / Signum.kg
14	Tax Declaration Awareness Baseline Survey	TAT Consulting / Promotank
15	Tax Declaration Video Production	PyatPaltsev
16	VAT Business Survey and Administrative Process Study	MF Consulting
17	Designing Universal Tax Declaration Web Page for the State Tax Service	ICAP Systems
18	Optimizing Core Processes, Creating Action Plan, and Training/Coaching at the Department of Tourism	Signum.kg
19	Drafting of Supporting Regulations for the Licensing Law	Union of Entrepreneurs of Kyrgyzstan
20	Human and Institutional Capacity Development (HICD) Diagnostic Assessment of the Chamber of Commerce and Industry	SMART Business Solutions / Signum.kg
21	Implementation of VAT Administration Reform	MF Consulting
22	Institutionalization of Strategic Planning, HR Management, and Program Budgeting at the Ministry of Economy	Institute for Humanitarian Development
23	Improving the State Geology Agency's Technical Reporting System for Mining Investors	Experts of Central Asia (ECA)/ Ken-Too Scientific and Research Center
24	Reforming Checklists and Methodologies for the Conduct of Ecological and Technical Safety Inspections	Eco-Partner
25	Designing Electronic Tax Declaration Forms	Devvx.Pro
26	Training of Tax Inspectors to Complete New Declaration Forms	Chamber of Tax Consultants
27	Results Survey for Tax Declaration Campaign	Rich Research
28	Data Entry and Document Scanning for Geology Data Base	Education and Career Development Fund
29	Public Education for Mining Strategy Adoption	Kalikova & Associates
30	Training of Kyrgyz Business Associations and Chamber of Commerce and Industry	Signum.kg

USAID REFORMA Project

33/1 Razzakova Street, Office 2, Bishkek, Kyrgyz Republic, 720040

Tel/Office: +996 312 666044 | Fax: +996 312 661634

Email: reforma.project@gmail.com

Facebook page: [USAID REFORMA Project](#)

