



THE ANNUAL REPORT
OF THE BOARD OF THE
INTERNATIONAL BUSINESS
COUNCIL (IBC)
FOR 2012

LETTER OF SUBMISSION

BOARD OF THE INTERNATIONAL BUSINESS COUNCIL

Bishkek, April 12, 2013

Dear IBC Members,

We have the honor to submit to you the 2012 Annual Report of the Board of the International Business Council, the 11th such report.

Respectfully,

Bektur Aliev, Kyrgyz Investment and Credit Bank CJSC, Chairman of IBC Management Board

Aida Mamarazieva, Kentor Gold LLC, Deputy Chairman of IBC Management Board

Eliza Djumasheva, KPMG-Bishkek LLC, IBC Management Board Member

Ruslan Chynybayev, Reemtsma-Kyrgyzstan OJSC, IBC Management Board Member

Melis Turgunbayev, Gazprom нефт Azia LLC, IBC Management Board Member

Eduard Kubatov, Talas Gold Mining Company CJSC, IBC Management Board Member

Bakyt Omurzakov, Talas Copper Gold LLC, IBC Management Board Member

Beibut Kapyshev, UniCredit Bank OJSC, IBC Management Board Member

Sevki Sarilar, Demir Kyrgyz International Bank CJSC, IBC Management Board Member

Kuban Ashyrkulov, Andash Mining Company LLC, IBC Management Board Member

Kathrin Bauch, Embassy of Germany to the Kyrgyz Republic, IBC Management Board Observer

Larisa Manastyrli, European Bank for Reconstruction and Development, IBC Management Board Observer

1. Introduction

The Board is pleased to report that during 2012 IBC has maintained its position as the leading and most influential business association in the Kyrgyz Republic. This follows a period of a continued growth since establishment in 2000. Although 2012 was an extremely difficult year for Kyrgyzstan, we are pleased to report progress in all aspects of the IBC's work including membership, financial stability, lobbying and advocacy, and being seen as a credible and respected partner by the Kyrgyz Government, Parliament, the President's Administration and other state institutions in all matters affecting business. In 2013, IBC will continue to strive to be the voice of the business community, further strengthening its position and ability to influence the authorities to ensure a better business environment for the growth of existing business and for the attraction of new investors, thus promoting the economic development of the Kyrgyz Republic.

Political and social instability in 2012 provided extreme challenges for the Kyrgyz business community; however, IBC succeeded in establishing good and fruitful cooperation and partnership with the new government and political leaders. Being absolutely apolitical, IBC concentrated on pursuing its mission to promote an attractive investment climate and a conducive business environment.

IBC as a professional organization always focuses on its main mission and has repeatedly stated its readiness to work with the Government to promote improvements in the investment climate.

The Management Board of the IBC reports each year on its activities during the past year.

This report covers the period from January 1, 2012 through December 31, 2012, and includes following sections:

1. Introduction
2. Activities within the State Working Groups, Commissions and Councils
3. Participation in Legislative Processes
4. Participation in Donor-funded Activities
5. Corporate Development
6. IBC Events
7. IBC Sub-committee Activities
8. Annexes

2. Activities within the State Working Groups, Commissions and Councils

As the leading non-commercial organization affecting public policy in the sphere of development of the economy and entrepreneurship in the Kyrgyz Republic, International Business Council is a member of and participant in the following platforms aimed at creating favourable conditions for doing business:

- National Council for Sustainable Development of the Kyrgyz Republic (Decree of the President of the Kyrgyz Republic No. 251 dated 24.11.2012);
- Business Development and Investment Council under the Government of the Kyrgyz Republic (Ordinance of the Government of the Kyrgyz Republic No. 149 dated 05.08.2010);
- Interdepartmental Commission on Reforms of the System of State Regulation of Entrepreneurship (Ordinance of the Government No. 94 dated 03.03.2011);
- Commission on Civil Monitoring of the Activities of State Agencies in the Sphere of Property Rights Protection (Order of the Government No. 211-p dated 16.12.2012);
- Commission on Conducting Auctions for Subsoil Use Right (Order of the Prime Minister of the Kyrgyz Republic No. 511 dated 19.06.2012; became inoperative in accordance with the Order of the Prime Minister No. 835 dated 31.10.2012);
- Interdepartmental Working Group on Preparation of Recommendations for Improvement of Investments-related Legislation (Order of the Government No. 585-p dated 12.12.2012);
- Commission on Securing Evaluation of the State Property under the State Property Management Fund under the Government of the Kyrgyz Republic;
- Interdepartmental Commission on Preparation and Holding of an Auction with the Purpose of Sale of State Property under the State Property Management Fund under the Government of the Kyrgyz Republic (Ordinance of the Government of the Kyrgyz Republic No. 169 dated 26.03.2003);
- Commission on Regulation of Subsoil Use under the State Agency for Geology and Mineral Resources under the Government of the Kyrgyz Republic (Orders of the Prime Minister of the Kyrgyz Republic No. 412 dated 28.04.2012 and No. 871 dated 23.11.2012);
- More than 30 Public Supervisory Councils under Ministries and Agencies of the Kyrgyz Republic;
- EBRD BAS Programme Steering Committee;
- Council for Awarding Prizes of the Kyrgyz Republic on Quality (Order of the Government of the Kyrgyz Republic No. 67-p dated 02.03.2012);
- Interdepartmental Commission on Conducting a Competition for Jerooy Gold Mine License (Order of the Government of the Kyrgyz Republic No. 3-p dated 12.01.2013);
- Working Group for Conducting Explanatory Work on the Norms of the 1st Package of Mining Laws to the Local Communities (Order of the Ministry of Economy of the Kyrgyz Republic No. 281 dated 08.11.2012).

2.1 National Council for Sustainable Development of the Kyrgyz Republic

The first meeting of the Council with participation of the President (Chairman of the Council), Prime Minister, Speaker of Jogorku Kenesh, leaders of political parties of Jogorku Kenesh of the Kyrgyz Republic and other representatives of state structures, international and non-commercial organizations as well as private sector representatives took place on the 7th of December 2012. The first meeting considered the initiative of the President of the Kyrgyz Republic – draft National Strategy for Sustainable Economic Development of the Kyrgyz

Republic in 2013-2017. On a wide range of issues IBC presented its recommendations to the document. The second meeting of the Council that took place on the 14th of January 2013 adopted the draft National Strategy for Sustainable Development of the Kyrgyz Republic in 2013-2017. The document was further approved by the Decree of the President No. 11 dated 21.01.2013. IBC Executive Director Aktilek Tungatarov is a member of the Council.

2.2 Business Development and Investments Council under the Government of the Kyrgyz Republic

IBC is one of the most active members of the Business Development and Investment Council under the Government of the Kyrgyz Republic (BDIC). In 2012 the BDIC conducted four meetings under the chairmanship of Prime Minister and First Vice Prime Minister of the Kyrgyz Republic. The meetings discussed a range of issues including the followings initiated by IBC:

- Development of a package of laws and regulations with the purpose of reforming the subsoil use and mining sector;
- Strengthening responsibility for violating property rights;
- Development of tourism sector;
- List of assets imported to the country for production purposes that are not exempt from VAT;
- Development of mining sector;
- Appeal of the business community to the Government of the Kyrgyz Republic regarding the Employees' Health Improvement Fund;
- Open Sky project;
- Draft law of the Kyrgyz Republic No. 194 dated 29.04.2011 "On Amendments and Additions to the Tax Code of the Kyrgyz Republic";
- Improvement of the legislation in compulsory insurance;
- Unequal treatment of taxpayers regarding VAT claims in mining.

As a result of the meetings of the Council, decisions have been made. IBC is actively taking part in helping to implement and monitor the implementation of the Council's decisions. Below is the summary of the key outcomes that followed the issues raised by IBC in the meetings of the Council:

- The Ministry of Economy and Antitrust Policy of the Kyrgyz Republic has prepared draft laws and regulations in the sphere of subsoil use and mining stipulated in the 100 days Action Plan of the Program of the Government of the Kyrgyz Republic "Stability and Good Life" taking into account recommendations of IBC.
- Necessity of making amendments to the Criminal Code and the Code on Administrative Liability of the Kyrgyz Republic related to strengthening liability for violating property rights (raiding) has been discussed.
- Ministry of Culture and Tourism of the Kyrgyz Republic together with IBC has drafted Mid-term Program (Master Plan) for Tourism Development.
- Ministry of Economy and Antitrust Policy together with the State Customs Service under the Government of the Kyrgyz Republic and business community considered IBC recommendations on annulling Paragraphs 2 and 3 of the Article 259 of the Tax Code. Annulment of these Paragraphs would exempt import into the country by firms of assets for their own production purposes from VAT payment.
- Insurance Market Development Concept for 2012-2016 has been drafted and the draft Concept was discussed with all stakeholders. IBC recommendations on improving the Law of the Kyrgyz Republic "On Compulsory Insurance of Civil Liability of Employers for Causing Harm to the Lives and Health of Employees in the Discharge of their

Duties” aimed at increasing motivation of enterprises to take part in the system of compulsory insurance has been considered once again.

- Regarding the complaints of taxpayers about lawfulness and relevance of VAT credit on purchased goods it was recommended to the State Tax Service under the Government of the Kyrgyz Republic to be governed by the Tax Code of the Kyrgyz Republic taking into account explanations of the Methodical Council for Coordinating Fiscal Policy under the Ministry of Economy of the Kyrgyz Republic during tax inspections and/or making a decision related to any taxpayer complaint.

2.3 Interdepartmental Commission on Reforms of the System of State Regulation of Entrepreneurship

The IBC Executive Director is a member of the Interdepartmental Commission on Reforms of the System of State Regulation of Entrepreneurship. The commission, chaired by the Prime Minister, was created by Decree No. 94 of the Government on the 3rd of March 2011 and is the successor to the Intergovernmental Commission on Conducting Optimization of the Legislation of Regulation of Entrepreneurship (created in 2008) with the purpose of reducing red-tape and increasing the level of economic freedom of businesses. One of the results of the Commission activities in 2012 is the draft Law of the Kyrgyz Republic “On Licenses and Permits in the Kyrgyz Republic”, which is in the approval process in the Government Office at the moment.

Additionally, a range of licenses and permits have been annulled by the Law of the Kyrgyz Republic “On Amendments to Some Laws and Regulations of the Kyrgyz Republic” No. 170 dated 10.10.2012 and the Law of the Kyrgyz Republic “On Amendments and Additions to Some Laws and Regulations of the Kyrgyz Republic” No. 171 dated 11.10.2012. These meetings summarized the results of the work of the Commission in 2009-2010. At the moment, there are 28 types of activities that are subject to compulsory licensing according to the Law of the Kyrgyz Republic “On Licensing”.

It should be noted that since the beginning of optimization of rules and regulations regulating entrepreneurship, no single new type of permit or license has been introduced, which shows that the public policy aimed at decreasing red-tape is heading in the right direction.

2.4 Interdepartmental Commission on Preparation and Holding of an Auction with the Purpose of Sale of State Property under the State Property Management Fund under the Government of the Kyrgyz Republic

The IBC Executive Director is a member of the Interdepartmental Commission on Preparation and Holding of an Auction with the Purpose of Sale of State Property under the State Property Management Fund under the Government of the Kyrgyz Republic.

The Interdepartmental Commission was created in 2011 in order to implement the norms of the Law of the Kyrgyz Republic “On Privatization of State Property in the Kyrgyz Republic”, Regulations on privatization of state property through public auctions (approved by the Ordinance of the Government of the Kyrgyz Republic No. 370 dated 13.08.2005).

The main task of the Interdepartmental Commission is to secure publicity and transparency during the sale of state property. With this purpose the Commission united representatives of business associations, non-governmental and non-commercial organizations, Accounts Chamber, State Service for Anti-Economic Crimes under the Government and members of the Parliament of the Kyrgyz Republic.

During 2012 several auctions have been prepared and held. In particular, BACO OJSC, Tunguch OJSC, BMZ OJSC, Kyrgyzmobilecompany OJSC and other state-owned assets have been set for an auction.

2.5 Commission on Regulation of Subsoil Use under the State Agency for Geology and Mineral Resources under the Government of the Kyrgyz Republic

The IBC Executive Director took part in the work of the Commission during the reported period as its member. The meetings of the Commission consider issues related to subsoil use licensing in the Kyrgyz Republic.

As a result of the work of the Commission on subsoil use licensing issues, the following decisions have been made:

- Issue 105 licenses (including 5 – for gold, 10 – for non-metallic minerals, 3 – for coal, 2 – oil and gas, 85 – for water);
- Prolong 92 licenses (including 40 – for gold, 12 – for metals, 20 – for non-metallic minerals, 16 – for coal, 2 – for oil and gas, 2 – for water);
- Conclude 106 license agreements (including 4 – for gold, 3 – for metals, 47 – for non-metallic minerals, 21 – for coal, 16 – for oil and gas, 15 – for water);
- Prolong 57 license agreements (including 6 – for gold, 7 – for metals, 21 – for non-metallic minerals, 11 – for coal, 3 – for oil and gas, 9 – for water);
- Annul 17 licenses (including 2 – for gold, 1 – for metals, 3 – for non-metallic minerals, 6 – for coal, 2 – for oil and gas, 3 – for water);
- Suspend works of 43 license-holders (including 9 – for gold, 2 – for metals, 23 – for non-metallic minerals, 4 – for coal, 5 – for water);
- Transform 7 licenses issued for geological exploration into production licenses (including 4 – for gold, 3 – for non-metallic minerals);
- Restore subsoil use rights of 18 companies (including 10 – for gold, 1 – for metals, 1 – for non-metallic minerals, 6 – for coal);
- 37 miscellaneous issues were considered such as changes to coordinates, elimination of technical errors, reduction of production volumes (including 7 – for gold, 3 – for metals, 11 – for non-metallic minerals, 9 – for coal, 4 – for oil and gas, 3 – for water).

2.6 EBRD Business Advisory Services (BAS) Programme

The IBC Executive Director is a member of the Steering Committee of the EBRD Business Advisory Services (BAS) Programme. The main role of the Steering Committee is to guide the project. BAS Programme promotes good management in the micro, small and medium-sized enterprise (MSME) sector in the EBRD region, by providing direct support to individual enterprises, helping them to grow their businesses.

BAS Programme in the Kyrgyz Republic is implemented through a functioning management structure at the local level with the main office in Bishkek and regional offices in Osh and Karakol cities. Since 2005 BAS Programme has received a total of €5 million in donor funding. Switzerland is the primary donor (€4.8m) with co-financing of €215k received from the EBRD Shareholder Special Fund.

The Business Advisory Services Programme provides consultancy services for Kyrgyz businesses at reasonable prices. The bigger part of the consultancy services' fees are covered by the BAS Programme. Size of a subsidy/grant is dependant on several criteria including region of operation, type of consulting services needed and size of enterprise. By the end of 2012, BAS has completed 586 projects (112 – in 2012) with a further 47 ongoing, engaging 52 consultants, 97% of which are local.

3. Participation in the Legislative Process

3.1 Subsoil use Legislation

Due to the ongoing reform of subsoil use legislation carried out by the Government during 2012, IBC was actively participating in this process by various means, including expressing the business community (IBC members in particular) opinion on mining issues. These activities included conducting of different workshops, providing comments to draft legislative acts, as well as contribution to initiating amendments and additions to existing laws. The main issues of relevant activity are listed below.

Providing comments to the first package of draft laws on subsoil use

IBC has actively participated in providing comments and recommendations to the first package of draft laws on subsoil use (“On Subsoil”, “On Introducing Addenda and Amendments to the Land Code of the Kyrgyz Republic”, “On Introducing Amendments and Addendum to the Tax Code of the Kyrgyz Republic”, “On Introducing Addendum and Amendment to the Law of the Kyrgyz Republic “On Non-Tax Payments”) that were subsequently adopted on June 29 and signed on August 9, 2012. A number of comments and recommendations were accepted by the relevant state bodies.

Providing comments to the second package of draft laws on subsoil use

IBC has actively participated in providing comments and recommendations to the second package of draft laws on subsoil use (“On Concessions in the Kyrgyz Republic”, “On Mining Concession”, “On Production Sharing Agreements”, “On Introduction of Amendments and Addenda to the Tax Code of the Kyrgyz Republic”). At this stage the Ministry of Economy carries out activities on further development of the draft laws in question.

Providing comments to the draft Regulations on subsoil use

From September to November 2012 IBC has actively participated in providing comments and recommendations to 5 draft Regulations on subsoil use (“On the Order of Subsoil Use Licensing”, “On Allotment of Land Plots for Subsoil Use Purposes”, “On the Terms and Conditions of Conducting a Tender on Subsoil Use Rights”, “On the Terms and Conditions of Conducting an Auction on Subsoil Use Rights”, “On the Order of Payment and Calculation of the Payment for Withholding the License on Subsoil Use Rights”). Most of recommendations of IBC were accepted by the Ministry of Economy and were fixed in the Regulations approved by the Ordinance of the Government of the Kyrgyz Republic dated December 14, 2012 N 834.

IBC’s response to the possible introduction of customs duties on the export of ores and concentrates of precious metals

On December 28, 2012, IBC addressed a letter with comments and recommendations regarding the draft Parliamentary Ordinance “On Fixing the Rates of Export Customs Duties on the Goods Exported from the Territory of the Kyrgyz Republic” that provided introducing the export customs duties on ores and concentrates of precious metals classifiable by the 2616 FEACN code. Furthermore, on December 4, 2012, representatives of IBC delivered an address on this issue at the session of the Parliamentary Committee for Fuel and Energy Complex and Subsoil Use. As a result, the Committee in question accepted IBC’s comments and recommended to report out the draft Ordinance (recommitment).

On December 25, 2012, IBC held a press-conference on this issue, explaining about the possible negative impact of adopting the Act in question.

3.2 Other comments and recommendations to draft legislative acts

Besides the aforementioned ones, IBC has been actively participating in discussions and providing comments to the following draft legislative acts of the Kyrgyz Republic:

- Draft Law “On Introducing Addendum to the Law of the Kyrgyz Republic “On Banks and Banking activity in the Kyrgyz Republic” that stipulated prohibition to conduct any types of banking operations and transactions with off-shore zones;
- Draft new version of the Law “On Free Economic Zones in the Kyrgyz Republic”, “On Introducing Amendments to the Tax Code of the Kyrgyz Republic”;
- Draft Constitutional Law “On Administrative Activity and Administrative Procedures”;
- Draft Law “On Introducing Addenda and Amendments to the Certain Legislative Acts of the Kyrgyz Republic” stipulating abolition of extrajudicial procedure with regard to subject of the pledge in case this property is a single accommodation belonging to a natural person.
- Draft Law “On Introducing Amendments and Addenda to the Certain Legislative Acts of the Kyrgyz Republic” aimed at enhancement of anticorruption efforts and bringing the Kyrgyz legislation in compliance with UN Convention against Corruption;
- Draft Law “On Anticorruption Enforcement”;
- Draft Law “On Introducing Amendments and Addendum to the Constitutional Law of the Kyrgyz Republic “On the Status of Judges of the Kyrgyz Republic”.

4. IBC Projects

In addition to the main operational and institutional activities, IBC has always been involved in the implementation of projects with the support of international development or donor organizations. Below is an overview of projects that were/are fully or partially implemented by IBC.

“Strengthening Business Intermediary Organizations (BIOs) for Sustainable Economic Development in Kyrgyzstan and Central Asia” / EU / Total budget 512,000 EUR, IBC budget 154,770 EUR

The main European project counterpart of the IBC is the European Center for Eco and Agro Tourism (ECEAT) with headquarters in Amsterdam. The local project partners are the Kyrgyz Association of Tour Operators (KATO) and the Kyrgyz Community Based Tourism Association (KCBTA). The project duration is 2011 – 2012.

Main results:

- Establishment of the Public Fund “Tourism Promotion and Development Board of Kyrgyzstan”: The organization unites nine main tourism business intermediary organizations in Kyrgyzstan from three oblasts. This body is the umbrella association that serves as a platform that supports the identification of priority issues in the respective economic sphere and thus facilitates a smoother and productive public private dialogue.
- Activities on destination marketing: IBC worked closely with the Interdepartmental Commission on Tourism, Ministry of Economy and Ministry of Culture and Tourism in order to develop the official tourism logo and slogan. To this end by the decree of the Ministry of Economy a commission consisting of representatives of respective state agencies, NGO and business associations voted on a logo and a slogan among more than 90 logos submitted in the course of two competitions. The project team facilitated and financed the given activity. Moreover, an official tourism website was created and passed on to the Ministry of Culture and Tourism. The approved logo



and slogan and the official website were further passed on to the Ministry of Culture and Tourism and the National Public Fund "Tourism Promotion and Development Board of Kyrgyzstan

- Central Asian Tourism Association (CATA) is a non-profit-making association, the main goal of which is to provide research into legal, economic or technical matters in relation to travel and tourism, and more particularly those that are likely to provide a better service to the consumer. CATA was established in March 2012, as a result of numerous meetings held in the frame of the given project.

Baseline Assessment and Qualification Needs Assessment /GIZ MRD/ 13,900 EUR /

From October to December 2012, IBC conducted a sectoral overview of the Mining Sector in Kyrgyzstan that provided the starting point for program planning, covering the thematic range of all programme components for GIZ Mineral Resources for Development (MRD) Programme, Central Asia. The objective of the programme is: the general conditions for developing a modern mining sector as driver of sustainable development are improved in Kyrgyzstan. The programme operates at the macro, meso and micro levels.

The sectoral overview conducted by IBC will serve as baseline assessment (BA), delivering information on the current situation of the MRD programme indicator that will be used for monitoring and evaluation during the course of programme implementation. There will also be a qualification needs assessment that will describe the existing capacities of sector stakeholders, and identify shortcomings and priorities for capacity development.

Mining Sector Work Plan Development / USAID REFORMA Project / 15,000 USD /

IBC served as a Work Plan Advisor, and in such role conducted the following tasks, in conjunction with REFORMA staff:

- Brainstorm with REFORMA staff to further define, expand upon, or eliminate the set of activities to be included in the work plan
- Vet the viability of proposed activities through informal interviews and discussions with the range of stakeholders represented by the mining sector, including key national Government organizations, Parliamentarians, regional authorities, business associations, private mining companies, law firms, and NGOs.
- Consider the planned activities of other international donors, business associations, and Government entities, and identify complementary activities that avoid duplicative efforts.
- Refine, expand, or eliminate proposed activities based on these interviews and discussions and develop the approach, time line and approximate cost of delivering these activities.

A broad and strategic Work Plan was formulated that reflects the key activities that the REFORMA Project will pursue during the course of the project. Following the development of REFORMA's Work Plan for Mining Sector Assistance, REFORMA issued a competitive tender to recruit a consortium of local organizations and professionals for the creation of a Medium-and Long-Term Development Strategy for the Mineral Resources Sector.

IBC Projects events:

07.03.2012: Press Conference at ITB

IBC funded the visit of Mr. Ibragim Djunosov, Minister of Culture and Tourism, to ITB and organization of a press conference during the fair. At the event Mr. Ibragim Djunosov unveiled tourism promotional materials

With more than 170,000 visitors, among these 113,000 trade visitors, and 11,000 represented companies from 180 countries ITB Berlin is the leading B2B-Platform of all tourism industry offers. In addition, the world's largest tourism convention **ITB Berlin Convention** provides unique opportunities to benefit from the leading think tank of the global tourism industry. All levels of the value added chain are present: Tour operators, booking engines, destinations, airlines, and hotels right through to car rental companies. <http://www.itb-berlin.de/>

highlighting the country's unique natural and cultural characteristics. The new destination website www.visitkyrgyzstan.kg and destination leaflet to promote Kyrgyzstan's tourism products were presented at the event. In addition, an overview was given of the tourist attractions of Kyrgyzstan as well as latest updates about visa procedures.

The destination leaflet as well as the website were published under the responsibility of the newly established public-private "Kyrgyz Tourism Promotion Board", in which the private sector works together with the Ministry of Culture and Tourism. Technical support was provided by the Kyrgyz International Business Council (IBC) and financial support was provided by the European Commission (Central Asia Invest Program).

12-14.03.2012: European Study Tour to Tourism Associations in Germany

Following the ITB the leaders of tourism business associations participated in a 3-day study tour visiting destination marketing associations such as Tourismus Marketing Uckermark-Prenzlau and the Austrian National Tourism Office. In addition, tourism educational institutions were visited, as well as the Brodowin Eco-village, Müritz National Park, the German tour operator association ASR (German Association of Independent Travel Organizations) and DRV (the German Travel Association).

The exchange visits in Europe were conducted in the framework of the Central Asia Invest Program II to give the tourism business association representatives insight into the roles and responsibilities (including lobbying and marketing) and functioning of a tour operator association in Europe. The exchange visit provided the participants with information on the needs of European Tour Operators, as an important objective of the study tour was to establish long term and formal relations with European business intermediary organizations.

07.12.2012 The First Central Asian Tourism Conference (CATC 2012) titled "Towards a Collaborative Development of the Tourism Sector in Central Asia"

CATC 2012 is organized within the framework of a 2011-2012 project funded under the Central Asia program of the European Union to improve cooperation among Central Asian Tourism Business Intermediary Organizations and to implement a coordinated approach between national governments and the private sector to market Central Asia on the international tourism market.

CATC 2012 was held on December 6th-7th 2012. The event was hosted by the Kyrgyz Ministry of Culture and Tourism, the Central Asian Tourism Association (CATA) and the International Business Council (IBC). CATC 2012 was held in collaboration with the World Tourism Organization (UNWTO), a specialized Agency of the United Nations. A large part of CATC 2012 was devoted to examining the tourism sector of the Kyrgyz Republic as a case study. The issues addressed included aspects of destination marketing, the role of the government and the issues related to the human resources in tourism.

5. Corporate Development

5.1 IBC Members

Despite some increase in the inflation rate, membership fees had not been raised since 2006. In this regard, the current situation has forced the IBC Board to raise fees. However, given the difficult situation with the state of the business environment in the country, the members of the Board decided to increase the membership fees by only 10 % (Board Meeting Minutes № 117 from January 18, 2012). In accordance with Item 5 of Paragraph 12.2 of the Charter of the Association of Legal Entities "International Business Council", the IBC Board is required to define an annual membership rate.

By the end of 2012, IBC united 134 members, including 77 are Corporate, 44 –Associate, and 13 – Honorary Members. You can find the list of IBC members in Annex 3.

In 2012 19 new members joined IBC:

1. Kazakhmys Gold Kyrgyzstan LLC – Category A
2. East Star Capital LL – Category C
3. Vertex Gold Company LL– Category C
4. Olympic Star LL – Category D
5. Colibri Law Firm LLC – Category D
6. Creative Team Event Agency LLC – Category D
7. Joldoshev and Partners LLC – Category D
8. KAB Group International LLC – Category D
9. ARTE Law Firm LLC – Category D
10. Community International Consulting LLC – Category D
11. OSCE Centre in Bishkek – Associate Member
12. USAID “REFORMA” Project – Associate Member
13. Gold Federation – Associate Member
14. Kelechek Education Endowment Fund - Associate Member
15. Plato University of Management and Design – Associate Member
16. Red Crescent Society in Kyrgyzstan – Associate Member
17. NTS LLC – Associate Member
18. Association of Young Entrepreneurs – Associate Member
19. Kyrgyz-Russian Economic Council – Associate Member

5.2 “Investment Now” IBC Magazine

Last year the IBC magazine “Investment Now” was issued once. The issue was dedicated to entrepreneurship recovery and development in the South of Kyrgyzstan. It was prepared with the financial support of OSCE Centre in Bishkek.

The issue contains interviews with entrepreneurs in the South. Articles cover small and medium business recovery, searching for effective methods to increase production to the level which existed prior to the crisis.

IBC hoped that issue of 2012 would draw the attention of local and foreign investors to opportunities in the South of Kyrgyzstan, and government officials to the problems of entrepreneurship there.

The first issue of “Investment Now” magazine was released in 2004 in Russian and English languages.

5.3 IBC Investment Survey

The format of the traditional investment survey has not changed since June 2004. It is an important tool for analysis of the business environment in Kyrgyzstan. The IBC Board thanks everyone who participated in the surveys and calls for more active involvement in the following events of that kind. The results of surveys are published in “Investment Now” magazine and on IBC website.

5.4 Website

The website ww.ibc.kg contains information about Kyrgyzstan legislation (including draft laws), analytical articles, and experts’ opinions. IBC products published on the website include quarterly investment surveys, newsletter such as “Law and Reality”, “IBC Events”, and weekly news digests. Moreover, there are recent updates on the latest events in the business sector and information about IBC members and partners. The website provides necessary information about some business-conferences and events in Kyrgyzstan and neighboring countries. IBC Members actively participate in the “Analytics” and “Expert Opinion” sections. All publications are in Russian and English, updated on a regular basis and available for the general public. Next year we plan to renew and improve the website.

5.5 IBC Weekly News Digest

In October 2008 IBC started issuing a weekly news digest about past IBC events and activity and announcement of future events. The digest is distributed via email to all IBC members. It is a brief report and review of IBC activities with description of the most important events of the upcoming week. IBC Members can request more detailed information on what has been published in the digest. IBC considers the weekly digest as a good tool to cover IBC initiatives, achievements, and upcoming events.

5.6 “Law and Reality” Bulletin

“Law and Reality” e-bulletin has been released by IBC since 2000 in order to inform entrepreneurs about latest legislative initiatives in the Kyrgyz Republic.

2012 was a year marked by high activity of legislators to initiate draft laws that affect the business environment. IBC makes all efforts to provide its members with information about forthcoming changes in laws in advance.

In 2012 IBC issued 12 “Law and Reality” e-bulletins. IBC Members were notified of forthcoming changes to the Laws “On Subsoils”; “On concessions and concession enterprises”; “On licensing and permits system”; “On rates of the export custom duties on goods taken out of the territory of the Kyrgyz Republic”; “On non-tax payments”; “On regulating obligatory insurance of civil liability”; “On Free Economic Zones”; “On Usurious Activity”; “On Foreign Gratuitous Assistance to the Kyrgyz Republic”; and many others.

Moreover, IBC members were notified in advance about initiated amendments and additions to the Labour Code and Land Code.

Moreover, IBC members were informed about legislators’ plans on approving “Dordoy” and “Kara-Suu” Markets Development Programme; on allocation of additional 900 thousand KGS for further audit of the Kumtor Operating Company CJSC; on approval of the Agreements between the Kyrgyz Republic and the Russian Federation on construction and operation of the Naryn cascade of hydroelectric power plants (HPPs) and Kambar-Ata 1 HPP.

In September 2012 the format of e-bulletin was changed. Two supplementary sections were added – “Interesting facts” and “Law enforcement, International and national precedents.” Draft laws and law initiatives are regularly published on the website www.ibc.kg.

5.7 Office

IBC is located in offices 113-114 in “Hyatt Regency Bishkek” hotel (191 Abdyrakhmanova Street, Bishkek).

6. IBC Events

6.1 Open Meetings:

“Should responsibility for property rights violation be strengthened in Kyrgyzstan?”

On February 17, 2012, IBC with the support of GIZ held an open meeting titled “Should responsibility for property rights violation be strengthened in Kyrgyzstan?” to discuss property rights protection issues, including the possibility of introducing additional sanctions for its violation. Vice Prime Minister Joomart Otorbayev, Members of Parliament, Government officials, representatives of the business sector and international organizations participated in the open meeting.

“Legal aspects that constrain the development of the mining industry in Kyrgyzstan”

On June 12, 2012, IBC held an open meeting to discuss Paragraph 132 of the Regulation on the Procedure for Licensing and Subsoil Use Rights in Kyrgyzstan. It obliged mining companies to gratuitously transfer a 20 % share in ore deposits they developed, estimated at

more than \$50 million. The Government agreed on suggestions of mining investors and on June 18, 2012, this paragraph was revoked.

Prime Minister Omurbek Babanov, Members of Parliament, Government officials, representatives of the Ministry of Economy, Geology and Mineral Resources State Agency, international organizations, and the business sector participated in the open meeting.

“Ways of achieving stability in credit market of Kyrgyzstan”

On November 9, 2012, IBC held an open meeting to discuss draft laws initiated by members of parliament in response to protests of borrowers of microfinance organizations, and other issues of the finance and credit sector of Kyrgyzstan.

Representatives of commercial banks, microcredit companies, government bodies, international organizations, civil society, Members of the Parliament and independent experts participated in the open meeting.

6.2 Other IBC Events

Golf Tournament

On May 12 IBC held its fourth golf tournament in the Maple Leaf golf course. The event brought together IBC members and partners, representatives of state agencies and international organizations.

The tournament is more than a pleasing encounter, it serves as a linking bridge reinforcing good friendship among colleagues and participants from the private and public sectors. Such informal events give participants a chance to get to know each other better and enlarge their business connections.

Gala Event

On December 14, 2012, IBC held a thematic “go green” event for IBC members and partners to raise their awareness about corporate social responsibility (CSR) in environmental protection. 12 companies were awarded with Certificates of Appreciation and prizes for their achievements in CSR in environmental protection.

The Gala Event was informal, giving to guests an opportunity to have a good time and network.

6.3 Events with participation of IBC

IBC representatives participated in various events organized by state bodies, international, commercial, non-profit and other organizations. The information was forwarded to all IBC members on a regular basis via weekly digests and calendar on the website. Below are some of them:

- **Kyrgyz-Turkish Investment Forum**

On March 19, 2012, IBC representatives participated in Kyrgyz-Turkish Investment Forum with Prime Minister Omurbek Babanov and Rizanur Meral, President of Confederation of Businessmen and Industrialists of Turkey (TUSKON). As a result of the forum bilateral memorandums of cooperation were signed between two countries.

- **Bishkek Leasing Forum**

On June 29, 2012, IBC Executive Director Aktilek Tungatarov participated in first Bishkek Leasing Forum initiated by Union of Banks of Kyrgyzstan and Ministry of Economy. The goal of the forum was to introduce opportunities of Kyrgyz leasing market to entrepreneurs, foreign investors, and international financial institutions, and draw more financial resources for market development.

Among participants of the forum were Head of President's Office, Vice Prime Minister, Head of the National Bank, Head of European Union Delegation, Head of Development Department of **Islamic Corporation** for the **Development** of the **Private Sector**, heads of financial organizations, businessmen of Kyrgyzstan, Central Asia and CIS.

- **Berlin forum on legal system in transition economies**

On April 3-4, 2012, IBC Senior Lawyer Gulnara Akhmatova participated in the forum titled "Law matters: improving the legal system in transition economies", which took place on April 3-4, 2012 in Berlin (Germany). Within the framework of the forum section dedicated to the guarantee of property rights Ms. Akhmatova made a presentation on Property Rights and Their Significance for the Private Sector in Kyrgyzstan.

- **Kyrgyz – Kazakh Business Forum**

On April 4, 2012, IBC attended the Kyrgyz-Kazakh Business Forum organized by the Kyrgyz Chamber of Commerce and Industry and the KAZNEX INVEST National Export and Investment Agency under the Ministry of Industry and New Technologies of the Republic of Kazakhstan at the initiative of Kazakh export-oriented businesses. Kyrgyz and Kazakh businessmen were given an opportunity to establish direct contacts with potential partners and present their products. Kazakh businessmen discussed with Kyrgyz state structures' representatives the issues related to the import of products to Kyrgyzstan, export contracts and opening up of representative offices.

- **Symposium and Consultations on Export Development Strategy**

On September 25-26, 2012, IBC Government Relations Officer Askar Sydykov participated in the Second Symposium and Second Consultations meeting on Mid-term Export Development Strategy of the Kyrgyz Republic. Representatives of private and government sectors, trade support institutions and international organizations agreed upon priority sectors with export potential such as tourism, fruit and vegetable industry, textile and garment sector, and food industry.

- **International intellectual student game**

On January 21, 2012, IBC was the member of the judging panel at the international intellectual student game organized by the student scientific community of the Institute of Integration of International Educational Programs. The purpose of the game was to expand and find practical application for knowledge in the sphere Economics and Business. Participants included students of the Kyrgyz-Russian Slavic University, American University in Central Asia, Institute of Integration of International Educational Programs and Plato University of Management and Design.

- **Study tour to Germany**

On October 23-27, 2012, IBC Executive Director Aktilek Tungatarov participated in the study tour to Germany in the framework of GIZ Mineral Resources for Development Programme. The study tour aimed at establishing and strengthening the regional network and exchange of experience between Kazakhstan, Kyrgyzstan and Tajikistan, as well as with German mining industries.

- **Round table to discuss charity activities**

On December 7, 2012, Red Crescent Society of Kyrgyzstan (RCSK) in collaboration with the Ministry of Social Development organized a round table to discuss charity activities. The

event formed a discussion platform on improvement of charity activities rendered by the business sector in the country.

- **Chamber of Commerce and Trade of the Kyrgyz Republic Committee on support and development of small and medium-size enterprises**

In 2012 the Chamber of Commerce and Trade of the Kyrgyz Republic established a Committee on support and development of small and medium-size business. IBC has participated in its work from the beginning. 15 business associations of Kyrgyzstan are the members of the Committee.

During the year the Committee examined existing legislation on state support for small and medium business. Committee members collaborated in preparing RIA on the draft laws aimed at regulation of small and medium business.

In 2012 they held dozens of round table and meetings to improve entrepreneurial environment in Kyrgyzstan. The Committee gained new partners such as Ministry of Economy, USAID REFORMA Project, and AmCham's Portal of Kyrgyzstan Enterprises.

7. IBC Committees

7.1 Mineral Resources Committee

In 2012 the IBC Mineral Resources Committee (MRC) was actively involved in the process of developing the draft Laws of the Kyrgyz Republic "On Subsoil", "On Introducing Amendments to the Law of the Kyrgyz Republic "On Investments in the Kyrgyz Republic", draft amendments and addenda to the Law of the Kyrgyz Republic "On Pledge" and to the Land Code of the Kyrgyz Republic regarding the possibility of pledging the agricultural lands and other laws regulating mining activity in the country. Furthermore, along with monthly meetings, MRC has initiated and conducted a number of meetings with representatives of the President's Office, the Government, and Parliament and has actively participated in the activity of the Business Development and Investments Council under the Government of the Kyrgyz Republic.

The following activities have been carried out within the framework of MRC:

- On June 12, 2012, IBC held an Open Meeting titled "Legal Aspects Constraining the Mining Sector Development in Kyrgyzstan" with the support of MRC members. One of the main issues for the Agenda was paragraph 132 of the Regulations "On the Order of Licensing and Regulation of Subsoil Use" dated April 4, 2012. This norm obliged companies intending to develop mines with mineral resources evaluated over 50 M USD to "establish a new company with a non-reciprocal transfer of 20% of its shares and more to the state".
- On October 11, 2012, IBC conducted a press café titled "Mining Sector Impact to the Environment: Myths and Reality". Participants discussed the most topical issues related with the perception by Kyrgyz society of mining threats to ecology.

Irina Orlova and Alexander Solovyanov, famous scientists and Russian Environmental Authority experts, presented the results of their research on evaluation of the impact of anthropogenic factors on society and environment, in the case of one of the Kyrgyz mines. Representatives of the business community, NGOs and state bodies attended the discussions.

- On December 25, 2012, IBC conducted a press-conference regarding the possible introduction of export customs duties on ores and concentrates of precious metals.

IBC representatives expressed their concern with regard to possible adoption of the relevant legislative act and drew the society's attention to a number of violations of the law, as well as to negative consequences that may arise if the Act is adopted.

- *IBC open letter*

Due to failure of the auction on granting subsoil use rights for 12 mines on August 28, 2012, and taking into account numerous unlawful acts taken towards mining companies during 2011-2012, IBC addressed an open letter to the Government of the Kyrgyz Republic on September 17, 2012, asking for the immediate taking of appropriate steps. A number of other relevant associations signed the letter as well. As a result, the State Agency for Geology and Mineral Resources under the Government has suggested certain steps to be taken for resolving the issues raised.

- *Development of the Ministry of Interior's initiative to render assistance to mining companies*

On September 25, 2012, IBC participated in the extended session of the Ministry of Economy on mining issues chaired by Kyrgyz Prime Minister Jantoro Satybaldiev.

In compliance with recommendations provided at the session, the Ministry of Economy conducted several meetings with IBC, the Ministry of Interior and other interested parties' representatives in order to resolve issues arising between mining companies and local communities. The Ministry of Interior suggested taking certain measures aimed at resolving these issues by means of sending task forces to problematic districts in order to prevent, detect, and control unlawful actions precluding the activity of mining companies if the appropriate financial support is provided by these companies.

IBC organized discussions of the above-mentioned initiative through conducting a number of meetings with the mining companies of Chatkal and Ala-Buka districts of Jalal-Abad Oblast. However, at this stage the issue of legality of financing the activity of Ministry of Interior officers by commercial enterprises arose. In order to clear it up, IBC resorted to the Ministry of Economy which explained the impossibility of providing paid services by the Ministry of Interior not stipulated by the law. Therefore, IBC's activity in this regard was suspended.

Furthermore, the following legislative activity has been carried out within the framework of MRC:

- Providing comments and recommendations to the first and second packages of draft laws on subsoil use ("On Subsoil", "On Introducing Addenda and Amendments to the Land Code of the Kyrgyz Republic", "On Introducing Amendments and Addendum to the Tax Code of the Kyrgyz Republic", "On Introducing Addendum and Amendment to the Law of the Kyrgyz Republic "On Non-Tax Payments", "On Concessions in the Kyrgyz Republic", "On Mining Concession", "On Production Sharing Agreements", "On Introduction of Amendments and Addenda to the Tax Code of the Kyrgyz Republic");
- Providing comments to the draft Regulations on subsoil use ("On the Order of Subsoil Use Licensing", "On Allotment of Land Plots for Subsoil Use Purposes", "On the Terms and Conditions of Conducting a Tender on Subsoil Use Rights", "On the Terms and Conditions of Conducting an Auction on Subsoil Use Rights", "On the Order of Payment and Calculation of the Payment for Withholding the License on Subsoil Use Rights");
- Requesting an explanation of the order of Rehabilitation Fund generation in compliance with the new version of the Law "On Subsoil";
- Addressing to the state bodies on the issue of prolongation of exploration and development licenses at the Business Development and Investments Council meetings;
- Development of the draft Law "On Introducing Amendments and Addenda to the Land Code of the Kyrgyz Republic" stipulating simplification of the order of land plots allotment for mining infrastructure purposes;

- Working out recommendations for improvement of the investments legislation and further submission thereof to the Working Group established by the Ordinance of the Government of the Kyrgyz Republic N 585-p dated December 12, 2012.

At the initiative of the MRC members, the following letters have been addressed to the Parliament and the Ministry of Economy, on:

- Explanation of the order of Rehabilitation Fund generation in compliance with the new version of the Law “On Subsoil”;
- Explanation of the order of calculation and payment of the Revenue Tax on gold mining companies;
- Issue of imposition of insurance payments to the district coefficient and rated increase paid to employees living and working in high-altitude conditions and hard-to-reach areas on a rotational basis;
- Right to VAT credit paid for goods by the companies carrying out activities on gold and other metals exploration based on the subsoil use license.

7.2 Committee on Sustainable Development and Corporate Social Responsibility

In 2012 the Corporate Social Responsibility (CSR) Committee was reorganized as the Committee on Sustainable Development and CSR. Its main purpose is to improve and strengthen the commercial sector image as an active participant of the sustainable development processes in the country. A noteworthy fact is that the Committee was the only Kyrgyz business community representative in preparation for the Rio+20 UN Conference on Sustainable Development and was included into the working group representing our country at the national and international levels.

Within the framework of the Committee, its members participated in several meetings outside the country and conducted a number of other workshops including:

- Participation of the Committee representative in Astana, Kazakhstan at the session of the Interstate Commission for Sustainable Development (ICSD) of Central Asian Republics (CARs). The issues of implementation of the Central Asian Countries Initiative for Land Management and proposals on its status, ICSD Public Council and the CARs Youth Ecological Network Activity Reports and the issues of preparation to the UN Conference on Sustainable Development, have been reviewed at the session;
- Participation of the Committee Deputy Chairperson at the UN Conference on Sustainable Development in Rio de Janeiro with the presentation titled “Public-Private Partnership for the Promotion of Green Economy and Sustainable Development”.
- Conducting the ecological press café on discussion of the results of the participation by representatives of the Kyrgyz Republic at the UN Conference on Sustainable Development and presentation of the Central Asian Youth Scientific Water Centre Project (July 2012);
- Conducting the Partnership-2012 National Competition for the best media coverage of sustainable development issues in Kyrgyzstan;
- Conducting the KG Street Fest;
- Conducting the Urban Advert Fest competition among project teams on the promotion of environment protection;
- Conducting the charity New Year Concert titled “Because I can!” with the participation of Dj Igor Project (Ministry of Sound, United Kingdom) and Kyrgyz talents.

Moreover, the Committee has certain plans for further activities, including establishing technical resource centers in Bishkek and Osh for development of capacity of youth in the technical sphere and promotion of green technologies and innovations in Kyrgyzstan.

7.3 Human Resources Committee

In January 2012 IBC at the initiative of its members established the Human Resources Committee (HRC). The first meeting of the Committee was held on January 31, 2012, where its basic activity areas were emphasized as follows:

- 1) Co-operation with educational sector;
- 2) Affecting the process of reforming the labour legislation;
- 3) Assisting the standardization and certification of HR-specialists;
- 4) Establishing a platform for discussion of the main HR-issues.

Within the frame of co-operation with the educational sector, the Committee conducted a number of meetings on professional internships for students, educational loans, career centers in higher educational institutions and educational programmes for the preparation of HR-specialists. The second Committee meeting was held with the participation of Asian Development Bank representatives, where participants discussed the co-operation opportunities between companies and technical educational institutions.

From the moment of its creation, the Committee has actively participated in development of recommendations to the draft new version of the Labour Code of the Kyrgyz Republic. The activity on labour legislation has gone beyond the framework of Committee and was transformed into co-operation with a number of business associations. Later on, a working group on development of relevant recommendations was formed in April 2012 with the participation of several HRC members. As a result, working group members collected suggestions on introducing amendments and addenda to 37 articles of the Labour Code.

The Committee has also raised concern over professional standardization and certification of HR-specialists. HRC members have conducted negotiations with international companies involved in this process and relevant results were later discussed with HR-specialists.

Within the framework of HRC, the following workshops have been conducted:

- Workshop on staff management and effectiveness of Kyrgyz companies' HR-departments;
- HR business breakfast titled "Is your HR-service effective?";
- Roundtable titled "Topical Issues of HR-management in the Financial Sector of the Kyrgyz Republic";
- Salaries market research (conducted by EI Group Consulting Company);
- Discussion of the draft Law "On Introduction of Amendment to the Labour Code of the Kyrgyz Republic.

7.4 Microfinance Committee

In 2012 IBC established the Microfinance Committee where its members have the opportunity to discuss the problems of this sector and needs for introducing amendments to the microfinance legislation.

The following activities have been conducted within the framework of the Committee:

- On November 9, 2012, IBC conducted an Open Meeting with the support of the Committee members titled "How to Achieve Stability in the Credit Market of Kyrgyzstan". Representatives of commercial banks, microfinance organizations, state bodies, international organizations, civil society and independent experts discussed issues related to interaction of creditors and borrowers, as well as the legislative initiatives aimed at regulation of the microfinance institutions activity;
- Discussion of the Microfinance Development Strategy for 2011-2015 implementation issues;
- Discussion of the draft Law "On Introducing Amendments and Addenda to the Law of the Kyrgyz Republic "On Microfinance Organizations in the Kyrgyz Republic";

- Discussion of the draft Law “On Limitation of the Usurious Activity in the Kyrgyz Republic”.

7.5 Committee on Taxes, Customs and Social Fund

In 2012 IBC resumed the activity of its Committee on Taxes, Customs and Social Fund. The President of the Kyrgyz Republic has formed a working group on elaboration of the draft new version of the Tax Code, including the Committee representatives thereto.

The Committee members were actively involved in discussion of the draft Law “On Introducing Amendments and Addenda to Certain Legislative Acts of the Kyrgyz Republic” that was later signed on October 6, 2012 N 169. It further created the issue of the order of application of Article 223 (paragraphs 1 and 2) of the Tax Code. Therefore, the Committee members have prepared and sent relevant letters to the Parliament and the Methodological Council for Co-ordination of Fiscal Policy under the Ministry of Economy of the Kyrgyz Republic.

Furthermore, the Committee members have been actively participating in the discussions of the draft legislative acts on subsoil use.

Moreover, the following committees are carrying out their activities within IBC:

- The Investments Committee
- The Industry, Export and Deregulation Committee
- The Committee on Finances
- The Information and Communication Technologies Committee

8. Annexes

1. The IBC Revision Commission Report for 2012
2. The IBC Accounting Balance Sheet and Cash Flow Report for 2012
3. List of IBC members as of the end of 2012



**Международный
Деловой Совет**

**Эл Аралык
Ишкерлер Кеңеши**

**International
Business Council**

Date: April 1, 2013

Dear members of the International Business Council,

Revision Commission consisting of the Bishkek Branch of the National Bank of Pakistan, Insurance Company Kyrgyzstan OJSC, Baker Tilly Bishkek LLC, having studied the structure and organization of financial accounting of the International Business Council and 2012 reports (balance sheet, income statement, cash flow report and capital flow report), hereby certifies that no violations were found in financial operations. Moreover, we note considerable improvement of the International Business Council's financial sustainability in comparison with the previous years.

Taking into consideration all above information, the Revision commission approves the financial documents for 2012 with recommendations for further improvement.

2012 financial reports were certified and accepted by the State Tax Service.

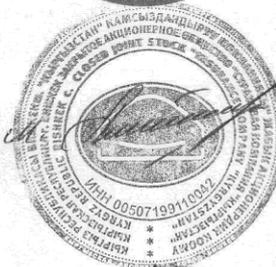
Signatures:

Chairperson
of the Revision Commission



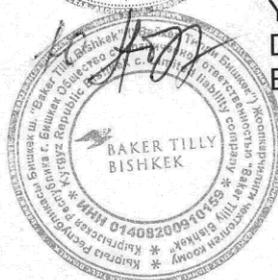
Allah Ditta,
General Manager (Acting)
National Bank of Pakistan
Bishkek Branch

Member
of the Revision Commission



Maria Adenova,
General Director
Kyrgyzstan Insurance Company
OJSC

Member
of the Revision Commission



Yulia Abdumanapova,
Director
Baker Tilly Bishkek LLC

Annex 2

INTERNATIONAL BUSINESS COUNCIL

| BALANCE SHEET in KGS | | 31-Dec-11 | 31-Dec-12 |
|---|--|------------------|------------------|
| ASSETS | | | |
| 1. Current Assets | | | |
| Cash (1100) | | 316 927 | 62 588 |
| Cash in bank accounts (1200) | | 1 931 514 | 1 294 306 |
| Savings account (1300) | | 0 | 1 458 011 |
| Other current assets (1500) | | 35 691 | 8 081 |
| Pre-paid expenses (1800) | | 99 439 | 4 873 |
| Total 1. "Current Assets" | | 2 383 570 | 2 827 859 |
| 2. Fixed Assets | | | |
| Equipment (2100) | | 108 347 | 69 466 |
| Total 2. "Fixed Assets" | | 108 347 | 69 466 |
| TOTAL ASSETS (1 + 2) | | 2 491 917 | 2 897 325 |
| LIABILITIES | | | |
| 3. Current Liabilities | | | |
| Accounts payable (3100) | | 19 603 | 41 326 |
| Prepayments, Debentures (3300) | | 2 470 737 | 2 856 025 |
| Liabilities for current tax (3400) | | 0 | -27 |
| Total 3. "Current Liabilities" | | 2 490 340 | 2 897 325 |
| 4. Long-term Liabilities | | | |
| Deferred revenues (4200) | | 1 577 | 0 |
| Total 4. "Long-term Liabilities" | | 1 577 | 0 |
| TOTAL LIABILITIES (3 + 4) | | 2 491 917 | 2 897 325 |
| 5. Owner's equity | | | |
| Retained earnings (5300) | | 0 | 0 |
| Total 5. "Owner's equity" | | 0 | 0 |
| TOTAL LIABILITIES AND OWNER'S EQUITY (3 + 4 + 5) | | 2 491 917 | 2 897 325 |

Note:

2 897 325 som is the amount of petty cash and cash in bank accounts at the end of 2012. This amount will be used by IBC in 2013 to fulfill its obligations to its members and partners.

| CASH FLOW in KGS | | 2012 |
|-------------------------------------|--|-------------------|
| Membership Fees | | |
| inflow | | 6 007 479 |
| Grants | | |
| inflow | | 8 510 660 |
| Total inflow | | 14 518 139 |
| Total outflow (expenditures) | | 15 780 089 |
| Change in foreign currency effect | | 365 169 |
| Net Cash Flow | | -896 781 |
| Bank and Cash at the beginning | | 2 253 674 |
| Bank and Cash at the end | | 1 356 894 |

Note:

In 2012 IBC received 6,0m som as membership fees and 8,5m som as grants from its members and donor organizations to implement projects.

Annex 2

PROFIT AND LOSS STATEMENT in KGS

2012

Membership Fees and Grants

| | |
|--|-------------------|
| Revenue | 12 512 161 |
| Total Revenue | 12 512 161 |
| Total expenditures | 12 877 330 |
| Profit (loss) due to the change in foreign currency rates | 365 169 |
| Profit (loss) | 0 |

Annex 3

Corporate Members

Corporate A

- 1 Alpha Telecom CJSC (Megacom)
- 2 Andash Mining Company LLC
- 3 Gazprom Neft Asia LLC
- 4 Interglass – Steinert Industries LLC
- 5 Italkyr CJSC JV (Hyatt Regency Bishkek)
- 6 Kumtor Operating Company CJSC
- 7 UniCredit Bank OJSC
- 8 Reemtsma – Kyrgyzstan OJSC
- 9 Zalkar Bank OJSC
- 10 Kyrgyzstan Insurance Company CJSC
- 11 Kyrgyz Investment and Credit Bank CJSC
- 12 Kazakhmys Gold Kyrgyzstan LLC

Corporate B

- 13 Bishkek Sut OJSC
- 14 Chaarat Zaav CJSC
- 15 Coca-Cola Bishkek Bottlers CJSC
- 16 Kentor Gold LTD
- 17 Kompanion Financial Group CJSC
- 18 Muza LLC (DHL)
- 19 Talas Gold Mining Company CJSC
- 20 Talas Copper Gold LLC

Corporate C

- 21 Asiamotors LLC
- 22 Bank of Asia CJSC
- 23 Bishkek branch of National Bank of Pakistan
- 24 Bristol LLC
- 25 BTA bank CJSC
- 26 Celestial Mountains LLC
- 27 Commercial Bank Kyrgyzstan OJSC
- 28 Demir Kyrgyz International Bank CJSC
- 29 FINCA Micro-crediting Company CJSC
- 30 Frontiers LLC
- 31 Highland Exploration LLC
- 32 Kazkommertsbank OJSC
- 33 Kyrgyz Investment Group
- 34 Manas Management Company CJSC
- 35 Mol Bulak Finance Microcrediting Company LLC
- 36 Sunel Tobacco CJSC
- 37 Stans Energy Kg LLC
- 38 East Star Capital LLC
- 39 Vertex Gold Company LLC

Corporate D

- 40 24.kg LLC
- 41 Aiten Group LLC
- 42 AKI Kyrgyzstan LLC (Akipress)
- 43 Bai Tushum & Partners Microfinance Bank
- 44 BNC Finance Company LLC
- 45 CAIConsulting CJSC
- 46 Celestial Mountains Guesthouse Naryn LLC
- 47 Connectpro LTD
- 48 Adver Group
- 49 Deloitte & Touche LLC
- 50 El Group Consulting
- 51 Eurasian Minerals LLC
- 52 FNT Consultants LLC
- 53 Globalink Logistics Group LLC
- 54 GRATA Law Firm
- 55 Jacobs-Audit CJSC
- 56 Kalikova & Associates LLC
- 57 KPMG – Bishkek LLC
- 58 Lex Law Firm LLC
- 59 Lorenz LLC
- 60 Manas Holdings (Kyrgyzstan) LLC

Website

www.megacom.kg
www.andashmining.kg
www.gazprom-neft.kg
www.interglass.kg
www.bishkek.regency.hyatt.com
www.kumtor.kg
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www.aitengroup.com
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www.deloitte.kg
www.el-group.com
www.eurasianminerals.com
www.fntconsultants.org
www.globalinkllc.com
www.gratanet.com
www.jacobs-audit.kg
www.k-a.kg
www.kpmg.ru
www.lex.kg
www.lorenz-law.com
www.manasresources.com

Representatives

Azat Bazarkulov, General Director
Kuban Ashyrkulov, General Director
Bolot Abildaev, General Director
Jenishbek Janybekov, General Director
Eren Gozde, General Manager
Michael Fischer, President
Beibut Kapyshev, Board Chairman
Sasha Berger, General Manager
Erkebai Murzabekov, Chairman of the Executive Board
Maria Adenova, General Director
Kwang Young Choi, Chief Executive Officer
Ilyas Tulekeev, General Director

Margarita Rumyantseva, General Director
Alexander Novak, Director
Ezel Agaoglu, General Manager
Hugh McKinnon, Director
Ulanbek Termechikov, Chief Executive Officer
Mirtalib Mukhamedzиеv, Director
Eduard Kubatov, General Director
David Grant, Chairman of Board

Yuri Lim, General Director
Taalaibek Djoumataev, Chairman
Davar Khan, General Manager
Yassin Lakhsassi Hassan, General Director
Murat Kunakunov, Chairman
Ian Claytor, Director
Muras Kachkeev, Chairman
Sevki Sarilar, General Manager
Mahmud Saidahmatov, General Manager
Ulugbek Khusanov, General Director
Ulan Kachkynbekov, General Director
Kanat Mamakeev, Chairman
Taalaibek Aidaraliev, Chairman
Asan Toktosunov, President
Babur Tolbaev, General Director
B. Jay Elkin Jr., General Director
Gennadiy Savchenko, General Director
Paul Devine, General Director
Denis Ermoshkin, General Director

Asel Otorbaeva, Director
Ruslan Karabukaev, Managing Director
Tagay Tazabekov, Advisor
Gulnara Shamshieva, General Manager
Arslanbek Kenenbaev, Managing Director
Talantbek Sakishev, Managing Director
Ian Claytor, Director
David Grant, Director
Malika Karakeeva, Commercial Director
Kanyshai Sadyrbekova, Managing Director
Jamilya Imankulova, Executive Director
Aleksandr Goncharenko, Director
Gulnara Arymkulova, Managing Director
Anastasiya Shloeva, Director
Kanat Seidaliev, General Director
Elena Morozova, Director
Ulan Tilenbaev, Director
Eliza Djumasheva, Executive Director
Yen Vitaliy, General Director
Niyazbek Aldashev, General Director
Stephen Ross, Managing Director

| | | |
|---|--|---------------------------------------|
| 61 Maple Leaf Golf Club LLC | | |
| 62 MarFed Consulting LTD | www.marfedconsulting.com | Edward Miles, Director |
| 63 RAM Engineering Associates LLC | www.ramengas.com | Marina Ignatova, General Director |
| 64 Representation of BPN – Central Asia | www.bpnca.kg | Iskender Ishenaliev, General Director |
| 65 SHG Golden and Silver LTD | | Yana Kemibaeva, Executive Director |
| 66 Shoro CJSC | www.shoro.kg | Esenjan Musurmankulov, Director |
| 67 Siut Bulak JSC | www.dairyspring.kg | Jumadil Egemberdiev, General Director |
| 68 TOKTOM Information Center LLC | www.toktom.kg | Elena Isaeva, Director |
| 69 Svetofor Trade LLC | www.svetofor.kg | Kubat Kartanbaev, Director |
| 70 Baker Tilly Bishkek LLC | www.bakertilly.kg | Nurjigit Eraliev, General Director |
| 71 Olympic Star LLC | | Kubat Alymkulov, Director |
| 72 Colibri Law Firm LLC | www.colibrilaw.com | Rustan Tashiev, President |
| 73 Law firm Joldoshev & Partners | www.j-p.kg | Azim Usmanov, General Director |
| 74 Creative Team Event Agency | www.creat.kg | Jomart Joldoshev, President |
| 75 KAB Group International LTD | www.kabgr.com | Olga Churakova, General Director |
| 76 ARTE Law Firm LLC | www.arte-ip.kg | Ruslan Tagaev, General Director |
| 77 Community International Consulting LLC | www.energysave.kg | Saodat Shakirova, Director |
| | | Asel Shatemirova, General Director |

Associate members

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| 78 Aga Khan Development Network | www.akdn.org | Nurjehan Mawani, Resident Representative |
| 79 American Chamber of Commerce | www.amcham.kg | Almaz Dushembiev, Executive Director |
| 80 American University – Central Asia | www.auca.kg | Andrew Wachtel, President, PhD |
| 81 Asian Development Bank | www.adb.org | Ms. Rie Hiraoka, Country Director |
| 82 Association of Managers | www.top-manager.kg | Bolot Diushaliev, Executive Director |
| 83 Chamber of Tax Consultants | www.nalogi.kg | Tatiana Kim, Chairman |
| 84 Communication Operators Association | www.connect.kg | Aibek Bakanov, Executive Director |
| 85 CSR Business Network | www.csr.kg | Asel Arstanbekova, Director |
| 86 EBRD – Kyrgyzstan | www.ebrd.com | Larisa Manastirli, Head of Bishkek Office |
| 87 Embassy of Canada | www.tradecommissioner.gc.ca/kz | Stephen Millar, Ambassador |
| 88 Eurasia Foundation of Central Asia | www.ef-ca.org | Dinara Musabekova, Executive Director |
| 89 Representation of Grundfos Kazakhstan in Kyrgyzstan | www.grundfos.com | Adilet Abdybekov, Head of Representation |
| 90 GIZ | www.giz.de | Elizabeth Baehr, Regional Director in Central Asia |
| 91 Guild of Directors | www.gdk.kg | Asel Alapaeva, Executive Director |
| 92 Helvetas – Kyrgyzstan | www.helvetas.kg | Christian Steiner, Program Officer |
| 93 International Finance Corporation | www.ifc.org | Irina Kokaia, Acting IFC Country Officer |
| 94 Jer Azygy Association | www.aakkg.com | Aziza Yuldasheva, Executive Director |
| 95 KfW Development Bank | www.kfw.de | Stefan Lutz, Director of KfW Office Central Asia |
| 96 Kyrgyz Association of Tour Operators | www.kat.kg | Anvar Usupov, Executive Director |
| 97 Kyrgyz-Turk Association of Entrepreneurs | www.kitiad.org | Husein Muslu, Chairman of Board |
| 98 Legal and Business Development Foundation | www.lbd.kg | Almaz Musabaev, Director |
| 99 OSCE Center | www.osce.org | Sergey Kapinos, Head of Center |
| 100 Swiss Cooperation Office | www.swisscoop.kg | Laurent Guye, Head of Office |
| 101 UNDP | www.undp.kg | Aleksandr Avanesov, Resident Representative |
| 102 Union of Banks | www.ub.kg | Anvar Abdraev, President |
| 103 University of Central Asia | www.ucentralasia.org | Bohdan Krawchenko, Director General |
| 104 Humans Resources | www.resource.kg | Eliza Nishenbaeva, Managing Director |
| 105 Association of Custom brokers | | Azizbek Manytbekov, President |
| 106 Soros Foundation - Kyrgyzstan | www.soros.kg | Shamil Ibragimov, Executive director |
| 107 Interchurch Organization for Development Cooperation | www.icco.nl | Pepijn Trapmen, Regional Manager |
| 108 USAID Local Development Program | www.ldp.kg | Mark Grubb, Chief of Party |
| 109 USAID REFORMA Project | www.deloitte.com | Karen Westergaard, Chief of Party |
| 110 Golf Federation | www.golf.kg | Konstantin Surikov, Vice President |
| 111 Association of Young Entrepreneurs | www.jia.kg | Semety Omurgazy uulu, Chairman |
| 112 Guild Association of Compatriots | www.ags.kg | Oleg Juravlev, Executive Director |
| 113 Association of Suppliers | www.supply.kg | Gulnara Uskenbaeva, President |
| 114 Soyuztextile Association | www.souztexil.kg | Mariya Kapustina, Executive Director |
| 115 Chamber of Commerce and Industry of the KR | www.cci.kg | Marat Sharshakeev, President |
| 116 Entrepreneurs' Union of Kyrgyzstan | www.spk.kg | Zamir Shaikov, Executive Director |
| 117 Kelechek Education Endowment Fund | www.kelechek.org | Aisulu Sulaimanova, Chairperson |
| 118 Plato University of Management and Design | www.umd.kg | Camilla Sharshekeeva, President |
| 119 Red Crescent Society of Kyrgyzstan | www.redcrescent.kg | Rustam Aleev, General Director |
| 120 NTS LLC | www.nts.kg | Bakytjan Amanov, General Director |
| 121 Kyrgyz-Russian Economic Council | www.krec.kg | Bolot Diushaliev, Executive Director |

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