



ANNUAL REPORT

**OF THE MANAGEMENT BOARD OF
THE INTERNATIONAL BUSINESS
COUNCIL (IBC)**

FOR 2013

LETTER OF SUBMISSION

OF THE MANAGEMENT BOARD OF THE INTERNATIONAL BUSINESS COUNCIL

Bishkek, March 204, 2014

Dear IBC members!

We have the honor to submit to you the 2013 Annual Report of the Management Board of International Business Council.

Respectfully,

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

Dilyara Sharshembieva, Kazakhmys Gold Kyrgyzstan LLC, Deputy Chairman of IBC Management Board

Eliza Djumasheva, KPMG Bishkek LLC, IBC Management Board Member

Aida Mamarazieva, Andash Mining Company LLC, IBC Management Board Member

Melis Turgunbaev, Gazprom Neft Asia, LLC, IBC Management Board Member

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

Beibut Kapyshev, Optima Bank OJSC, IBC Management Board Member

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

Ulan Tilenbaev, "Kalikova & Associates" Law Firm, IBC Management Board Member

Ulan Kachkynbekov, Highland Exploration LLC, IBC Management Board Member

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

Anders Lungren, German Embassy in the Kyrgyz Republic, IBC Management Board Observer

1. Introduction

The Board is pleased to report that in 2013 the IBC maintained its position as the leading and most influential business association in the Kyrgyz Republic. This was a period of a continued growth in all aspects of the IBC's activities including membership, financial stability, lobbying and advocacy.

The IBC is a credible and respected partner of the Kyrgyz Government, Parliament, the President's Administration and other state institutions in all matters affecting business. In 2013, IBC continued 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.

2013 was a challenging year for the IBC. There were more disputes and litigation between the IBC members and government agencies on many issues, and the IBC executive body directly participated in their resolution. The disputes were related to taxation, licensing system, property rights and state regulation of businesses. The IBC also actively participated in the discussions of such important issues for the country as entry into the Customs Union, the draft agreement with Centerra Gold Inc. on Kumtor, and legislation that complicates the activities of microfinance institutions in the Kyrgyz Republic.

The main IBC mission remains the creation of an attractive investment climate and a favorable business environment in the country.

Each year, the IBC Management Board reports on its activities over the past year.

This report covers the period from January 1, 2013 through December 31, 2013, and includes the following sections:

1. Introduction
2. Activities within State Bodies
3. IBC Committees and Participation in Legislative Processes
4. Corporate Development
5. Participation in Donor-funded Activities
6. IBC Events
7. Annexes

2. Activity within public entities

In 2013 the IBC as one of the largest non-commercial organizations which influence the state policy in the field of economic development and enterprise of the Kyrgyz Republic, was a member of the following grounds for creating favorable conditions for business activity:

- 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 (Regulation 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 (Regulation 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-r dated 16.12.2012);
- Interdepartmental Working Group on Preparation of Recommendations for Improvement of Investment-related Legislation (Order of the Government No. 585-r 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 (Regulation 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 20 Public Supervisory Councils under Ministries and Agencies of the Kyrgyz Republic;
- EBRD BAS Program Steering Committee;
- Council for Awarding Prizes of the Kyrgyz Republic for Quality (Order of the Government of the Kyrgyz Republic No. 67-r 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-r dated 12.01.2013);
- Interdepartmental Commission on Studying the Application of the “Kyrgyzaltyn” OJSC regarding Exemption of the Operating Gold-Mining Enterprises from Income Tax (Order of the Government of the KR No. 253-r dated June 19, 2013).

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 the Jogorku Kenesh, leaders of political parties of the 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 December 7, 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 for 2013-2017. On a wide range of issues the IBC presented its recommendations to the document. The second meeting of the Council that took place on January 14, 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. The third meeting took place on May 14, where the following decisions were adopted: 1) improving the legislation on election; 2) construction of an alternative motorway Bishkek-Osh, and also 3) the Government Report on the Process in Implementing the National Strategy for Sustainable Economic Development of the Kyrgyz Republic in 2013-2017.

2.2. Business Development and Investment Council under the Government of the Kyrgyz Republic

The IBC is one of the most active members of the Business Development and Investment Council under the Government of the Kyrgyz Republic (BDIC). In 2013 the BDIC conducted four meetings under the chairmanship of the Prime Minister and the First Vice Prime Minister of the Kyrgyz Republic. The meetings discussed a range of issues including the followings initiated by the IBC:

- making founded rates of compulsory insurance;
- private sector issues in strategic documents of development;
- unsettled issues on paying current amounts of profit tax;
- topical issues in mining industry;
- transfer of the function of making policy on taxation issues from the Ministry of Economy to the Ministry of Finance and, according to the Government decision on terminating work of the Interdepartmental Commission on transfer of functions of collecting state security contributions from the Social Fund to the Tax Service;
- potential introduction of export duty on export of gold ore and concentrate.

As a result of the Council meetings appropriate decisions were made. IBC is rendering active assistance in implementation of the Council decisions and controls over their implementation.

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 the Decree No. 94 of the Government on March 3, 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 level of economic freedom of businesses.

As a result of the work of the Interdepartmental Commission:

- a number of types of licenses and permits was reduced from 518 to 101;
- On October 19, 2013 the Law of the Kyrgyz Republic “On licensing and authorization system in the Kyrgyz Republic” was adopted.

This law determines specific principles of licensing, comprehensive list of licensable types of activity, operations, procedures of license control, issuance, suspension and cancellation of licenses and permits.

In order to implement the Law of the KR on license-permit system in the Kyrgyz Republic the Ministry proceeded to develop the drafts of the following law regulations:

- Regulation on licensing of particular types of activity;
- Methodology of risks evaluation;
- Regulation on procedure for the conduct of license control;
- Regulation on procedure for the creation and maintenance of register of licences and permits.

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. For these purposes 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.

In 2013 several auctions on disposition of the publicly owned objects were conducted. In particular, following state-owned assets were set for an auction:

- Min-Bulak, CJSC;
- BACO, OJSC;
- Kyzyl-Kiya Tobacco Fermentation Factory, OJSC;
- State share of the A.Masaliev Mine Besh-Burkhan, LLC;
- Unexploitable building of the laboratory of the former wool primary conversion factory in Tokmok, Promzone;
- Airplane Yak-40 (on the territory of the International airport Manas);

- Buildings (48 construction objects in progress) with land 12,4 hectares in area (on the territory of the Tash-Dobon aiyl okmotu, Alamudun region);
- Elevator (construction is in progress) located in Bishkek, 2 Kulieva Str.

2.5. Commission on Regulation of Subsoil Use under the State Agency on geology and mineral resources of the KR under the Government of the KR

The IBC Executive Director took part in the work of the Commission until September 2013 as its member. Then, on account of the high work pressure, Bakyt Omurzakov, the Chairman of the IBC Mineral Resources Committee was included in the Commission. The meetings of the Commission consider issues related to subsoil use licensing in the Kyrgyz Republic.

Total number of the received applications for receiving of the subsoil use license in the period under review was 695.

During the accounting period 87 Commission meetings on the subsoil use licensing were held, 1580 issues were considered:

- 746 issues on valid licenses;
- 834 applications for receiving the license on subsoil use right.
- As a result of the work of the Commission on subsoil use licensing issues, the following decisions have been made:
 - Issue 203 licenses (including 11 – for gold, 7 – for metals, 100 – for non-metallic mineral resources, 57 – for coal, 5 – for oil and gas, 23 – for water);
 - Prolong 57 licenses (including 22 – for gold, 7 – for metals, 9 – for non-metallic mineral resources, 12 – for coal, 5 – for oil and gas, 2 – for water);
 - Annul 88 licenses (including 21 – for gold, 5 – for metals, 47 – for non-metallic mineral resources, 4 – for coal, 2 – for oil and gas, 9 – for water).

2.6. The Steering Committee of the 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.

2.7. Council for awarding prizes of the Kyrgyz Republic for Quality

The IBC Executive Director is a member of the Council for awarding prizes of the Kyrgyz Republic for Quality. The purpose of creation of prizes for quality is to encourage increase of quality of products and services, to contribute to modern technology adoption of producing competitive goods and managing quality.

In 2013 the competition for prizes for quality was held on three categories (according to the Resolution of the Council for awarding prizes of the Kyrgyz Republic for Quality No. 16-06 of January 11, 2013):

- 1) Producing food commodities and agricultural goods;
- 2) Producing consumer goods (garment manufacture and furniture production);
- 3) Services (tourism and hotel services).

Prize-winners of the competition were enterprises which achieved significant results in the field of quality, providing security and introduction of highly efficient methods of quality management (Regulation of the Government of the KR No. 57 “On awarding prizes of the Kyrgyz Republic for Quality for 2013” of January 29, 2014).

2.8. Interdepartmental Working Group on elaboration of suggestions for investment legislation improvement

Executive Director is a member of working group led by the First Vice-Prime Minister of the KR. In 2013, within the framework of the given initiative, an expert group was created the work of which had been funded by IBC under support of its members.

The Expert Group has conducted a situational analysis of investment climate in the Kyrgyz Republic and an Action Plan was worked out, which were adopted by the Interdepartmental working group. The action plan consists of three phases:

1. Stimulating investment inflow through providing opportunity to enhance investors with the right for stabilization of a determined legal mode throughout a determined time period;
2. Stimulating investment inflow through providing investors with tax and customs incentives depending upon the volume of FDI, engaged sector, operating region, operation duration, number of job places created, and through creation of common tax mode attractive to FDI contribution to the KR;
3. Decreasing the investment barriers in the issues of licensing, permitting, controlling and observing functions, business registration and closing processes, and getting work visas and work permits as well as strengthening of property rights.

According to the first phase, the following documents had been prepared, which are currently passing the intergovernmental procedures in the Government’s Office:

- Draft Law “On introduction of amendments and additions to some legislative acts (Law “On investments”, Tax and Customs Codes) of the KR”;
- Explanatory notes of the Draft Law “On introduction of amendments and additions to some legislative acts of the KR”;

- ARI to the Draft Law “On introduction of amendments and additions to some legislative acts of the KR”;
- Comparative table to the Draft Law “On introduction of amendments and additions to some legislative acts of the KR”.
- According to the second phase, suggestions had been prepared and submitted to the Ministry of Economy with respect to the following directions:
- Elaboration of the scale of tax and customs incentives based upon the economic analysis and calculations, showing the economic feasibility of introducing tax and customs incentives;
- Creating of investment promotion institute.

Researches 1) on optimization of indirect taxes: VAT and sales tax and 2) on inclusion of non-tax payments which possess a tax character to the Tax Code, which were a part of the Second phase have been conducted by the USAID REFORMA project. Conduction of a research on decreasing of insurance fees to the Social Fund was postponed by the request of the Social Fund until 2015 when the issue of transferring of the functions on social insurance fees collection to the State Tax Agency will be settled.

According to the third phase, IBC jointly with the Kalikova and Associates Law Company is planning to prepare suggestions on 1) legislation on registration and liquidation of juridical entities 2) legislation on work visas and permits in 2014.

2.9. Interdepartmental Commission on Conducting a Competition for Jerooi Gold Mine License

Executive Director has been a member of the given Commission in 2013. The Commission members include representatives of Parliament, Government, Talas Local Self-governance and others. 8 meetings have been held, where the tender terms and order were adopted.

Executive director of IBC and some other members of the Commission, including Director of the State Geology Agency, head of profile department of the Government’s Office, head of the profile department of the Ministry of Economy and others visited Talas. Meetings were held with leadership of the Talas oblast, district akims, local self-governances and dwellers of the villages adjacent to the mining field.

By the decision of the Commission, the announcement about the tender was posted not only in local mass media but also in international ones, including the Mining Journal. According to the Regulations on order and conditions of conducting the Competition for License, adopted by the Government Resolution dated December 14th 2012, the competition was declared void.

2.10. Interdepartmental Commission on studying the petition of Kyrgyzaltyn for exemption from income tax

IBC lawyer was a member of the given Commission which also included representatives of profile ministries and agencies and Kyrgyzaltyn.

From July 10 through 13, the Commission had visited the Open JSC “Kyrgyzaltyn” branches - «Terek-Sai», «Makmal» and “Solton-Sary”. During the working trip, the

Commission members have inspected the mining fields, gold processing plants, tailing dumps as well as meetings with the branches' employees.

As a result of the conducted work, the Commission provided positive recommendations towards exemption the functioning gold mining enterprises of Kyrgyzaltyn Open JSC.

3. IBC Committees and participation in the legislative processes

3.1. IBC Committee on mineral resources

In the reporting period, the IBC Committee on mineral resources was actively involved in the process of development and discussion of a number of legislative initiatives in the sphere of mining.

Within the framework of the Committee, a number of amendments to the Law on Subsoils, Tax and Land Codes were discussed throughout the reporting period with respect to providing land plots for mining operations, social package, volumes of deductions for recultivation and other issues.

The committee took active part in elaboration of a number of bylaws and elaboration of the Regulations "On the order of payment and calculation of payments for detention of mining licenses", Regulations "On the order of allotting land plots for subsoil use", Regulations "On recultivation (reclamation) of lands and the order of their acceptance for exploitation".

The committee was actively involved in discussion of issues related to the draft resolution of the Jogorku Kenesh (Parliament) "On introduction of customs duties for goods, exported from the Kyrgyz Republic, which envisages to set an export customs duties for ores and concentrates of precious metals, classified by the Foreign Trade Nomenclature of Goods code #2616, in particular, conduction of analysis of feasibility of the fees and construction of processing plant for gold mining field in the KR.

Within the framework of the Committee, the following activities have been held:

In February-March 2013, letters were sent to the State Tax Inspectorate with submission of necessary documents and information regarding enterprises engaged in geological exploration, the issue regarding accepting VAT as offset for the purchased material items.

On March 25th, a letter was sent to the Ministry of Internal Affairs with request to reconsider the acting pricelist of services for escorting transportation of hazardous cargo of mining companies.

On April 30th a letter was sent to the Ministry of Economy with request to provide clarification about the order of application of legislative norms with respect to the payment and calculation of payments for detention of mining licenses and social package.

On May 21st, letters were sent to the Prime Minister and Minister of Economy of the KR with request to postpone the passing of intergovernmental procedures of the Laws of

the KR “On concessions and concessional contracts”, “On mining concessions”, “Production sharing contracts” and “On introduction of additions to the Tax Code”.

October 8th, a letter was sent to Chairman of the State Tax Inspectorate with request to facilitate with the issue of acceptance by mining companies Vat as offset for the purchased material items used for creation of imposable supplies.

On October 25th, a letter was sent to the Ministry of Economy with requesting to include some members of the Committee to serve on the panel of the “Interdepartmental working group on issues related to the possible introduction of export duties on ores and concentrates consisting of precious metals.

3.2. The IBC Tax, Customs and Social Fund Committee

In 2013 the IBC Tax, Customs and Social Fund Committee held discussions on the following issues:

- Stabilization of taxation for subsoil users (Art. 298 of the Tax Code of the KR: “In case of amendments and/or additions to this Code that provide for rate increase of taxes for subsoil use and/or change of their tax base, payers of taxes for subsoil use have the right to keep the order of collection of aforesaid taxes that was effective as of the day of issue of a license for development of deposits of mineral resources, during the term of validity of the license, but no more than 20 years from the date of the issue”);
- The Draft Regulation of the Jogorku Kenesh of the Kyrgyz Republic “On establishment of export customs duties rates for goods exported from the territory of the Kyrgyz Republic” which stipulates establishment of export customs duties rates for ore and concentrate of precious metals classified according to the Customs Commodity Code 2616;
- Tax inspection procedure (in particular, patrol tax control which generally regards small and medium-sized businesses);
- Complicated procedure of tax reporting (in particular, practicability of use of VAT invoices);
- Preliminary sum of profit tax payment (Art. 217 of the Tax Code of the KR).

Furthermore, in 2013 the IBC actively opposed the Draft Law “On marking of goods with control (latent) marks”. The IBC in cooperation with other business associations sent a letter to the deputies of the Jogorku Kenesh of the Kyrgyz Republic justifying that the Draft Law contravenes to the declared policy of business environment improvement, does not resolve the main problem – illegal production of counterfeit goods and creates additional obstacles for investment and small and medium-sized business development. With due consideration to the opinion of the business community further advancement of the Draft Law was suspended.

As a result of the IBC work an amendment to the Article 217 of the Tax Code of the Kyrgyz Republic was altered. In accordance with the amendment which entered into force on January 1, 2013 enterprises and other business entities were obliged to pay preliminary sum of the profit tax in the amount of 1% of proceeds. The IBC didn't agree with the amendments because advance payments are prepayment of the profit tax, consequently their calculation must be made according to the tax base of the profit tax.

The Draft Law (the amendment to the Article 217 of the Tax Code of the KR bringing all the parties in the original position) was adopted in three readings and signed by the President on April 18, 2013.

3.3. Committee on Sustainable Development and Corporate Social Responsibility

The Committee was created in 2011 for setting up of an equitable dialog and cooperation of business community with big community segments and stakeholders groups with the purpose of business social, economic and ecological problems settlement and strengthening of recognition of the role of business companies of Kyrgyzstan in development of the country. The main purpose of the Committee is to improve and strengthen the commercial sector image as an active participant of the sustainable development processes in the country.

Since June 2013 the Committee discusses possibility of creation of water museum on the basis of melioration laboratory of the Skryabin Kyrgyz National Agrarian University. The goal of the initiative is to create demonstration platform for studying of unique water properties, problems that are connected with wasteful use of water resources and opportunities of using new “green” effective technologies at houses and at production. Today the funds for creating the water museum and reconstruction of premises are found (GEF Small Grants Programme), the work is in progress.

In November 2013 International Business Council held the training seminar “Modern technologies of disinfection of drinking water and energy efficiency increase on critical infrastructure objects” together with UN Development Programme in the KR and Grundfos Kazakhstan with the support of the Department of development of agricultural water supply and disposal, the State agency of architecture, construction and housing and communal services under the Government of the KR. The goal of the event is to promote the modern technologies for providing with drinking water and introduction of energy efficient technologies in the sector of water supply and disposal for increasing the quality of life of people.

The Committee was an active participant in discussion and development of comments and amendments to the National sustainable development strategy for the Kyrgyz Republic for the period of 2013-2017

3.4. Human Resources Committee

IBC Human Resources Committee’s 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.

The master class on Salary and Compensation Survey was held as a part of the Committee. The results of the survey allow to evaluate the level of salaries and compensations, develop competitive scheme of labor payment, create effective schemes of material and non-material incentives and optimize expenses on staff. Salary Surveys are carried out annually by the IBC member, EI Group Consulting Company, the head of the Committee.

Committee members raised the issue of social expenditures to the Social Fund together with IBC Committee on Taxes, Customs and Social Fund.

The final Committee meeting was held in December 2013; when the members assessed the results of the work, set the tasks for the next year and discussed the perspectives of the human potential development of the country.

During two years of its existence the Committee laid the groundwork for professional communication in the sphere of human resources management of the country. Owing to the active Committee members, their high professional level and active citizenship the Committee initiated the work with educational sector, introduced changes to the acting labor legislation and actualized the issues of professional certification of HR specialists of the country.

3.5. The IBC Committee on Intellectual Property

In 2013 the IBC Committee on Intellectual Property was established. It was initiated by the IBC member “ARTE” Law Firm whose Director Saodat Shakirova was elected as the Chairman of the Committee. The goal of the Committee is to form and develop intellectual potential of domestic business and increase competitiveness of the Kyrgyz economy.

The tasks of the Committee are as follows: determining importance and role of intellectual property for business; preparation and expert study of drafts of enactments, additions, amendments to the legislation of the Kyrgyz Republic on intellectual property; interaction with authorized state bodies, other interested organizations on intellectual property rights protection; increase of level of social awareness on importance and value of intellectual property.

In April, 2013 the IBC in cooperation with the State Intellectual Property Service organized the roundtable titled “Counterfeit Food and Toys – Threat to the Lives and Health of Population of Kyrgyzstan”. The event was held within the framework of the National Strategy on Intellectual Property and Innovations Development for 2012-2016.

3.6. Amendments to the Article 217 of the Tax Code of the Kyrgyz Republic

As a result of the IBC work an amendment to the Article 217 of the Tax Code of the Kyrgyz Republic was altered. In accordance with the amendment which entered into force on January 1, 2013 enterprises and other business entities were obliged to pay preliminary sum of the profit tax in the amount of 1% of proceeds. The IBC didn't agree with the amendments because advance payments are prepayment of the profit tax, consequently their calculation must be made according to the tax base of the profit tax.

The IBC sent a letter and held a meeting with the Deputy Speaker of the Jogorku Kenesh of the Kyrgyz Republic Bakyt Torobaev. He supported the business community. The IBC also held a meeting with the Jogorku Kenesh deputy Dastan Bekeshev. The issue was discussed with the participation of other associations – Chamber of Commerce and Industry and Association of Young Entrepreneurs. There were series of meetings with the Ministry of Economy and Presidential Administration. The IBC Tax, Customs and Social Fund Committee members made efforts during discussion of the issue and preparation of suggestions and amendments to the Article 217 of the Tax Code of the KR.

The Draft Law (the amendment to the Article 217 of the Tax Code of the KR bringing all the parties in the original position) was adopted in three readings and signed by the President on April 18, 2013.

3.7. The IBC opposition to the Draft Law of the KR “On marking of goods with control (latent) marks”

The IBC actively opposed the Draft Law “On marking of goods with control (latent) marks”. The IBC in cooperation with other business associations sent a letter to the deputies of the Jogorku Kenesh of the Kyrgyz Republic justifying that the Draft Law contravenes to the declared policy of business environment improvement, does not resolve the main problem – illegal production of counterfeit goods and creates additional obstacles for investment and small and medium-sized business development. With due consideration to the opinion of the business community further advancement of the Draft Law was suspended.

3.8. Other comments and suggestions to the enactments

Apart from the above mentioned, in 2013 the IBC took an active part in discussing, commenting and giving suggestions to the following enactments:

- The Draft Law of the KR “On guarantee funds in the Kyrgyz Republic”;
- The Draft Law of the KR “On amendments and additions to the Law of the KR “On compulsory insurance of employer’s civil liability for causing of harm to employee’s life and health while fulfilling employment (official) duties by him/her”;
- The Law of the KR “On compulsory insurance of civil liability of organizations operating hazardous industrial facilities”;
- The Draft Law “On restrictions of usurious activity in the Kyrgyz Republic”;
- The Draft Law “On anti-money laundering and counter-terrorism and counter-extremism financing”.

4. Corporate Development

4.1. IBC members

By the end of 2013, IBC united 131 members, including 78 are Corporate, 40 – Associate, and 13 – Honorary Members. You can find the list of IBC members in Annex 3.

In 2013 12 new members joined IBC:

1. Gazpromneft-Aero Kyrgyzstan LLC - Category A
2. Sky Mobile LLC - Category A
3. Full Gold Mining LLC - Category B
4. Celcius Coal Limited LLC - Category C
5. Expert English Editing LLC - Category D
6. DevLink Consulting LLC – Category D
7. Ayu Garant Insurance Company OJSC – Category D

8. Eurasia Group KGZ LLC – Category D
9. Central Asia Machinery LLC – Category D
10. Elsys LLC – Category D
11. Mortimer Blake LLC – Category D
12. Ulu-Too Travel LLC – Category D

Two IBC members changed their categories:

1. Manas Holdings LLC – from Category D to C
2. Demir Kyrgyz International Bank CJSC – from Category C to B

4.2. The IBC "Investment Now" Magazine

In 2013, the IBC published two "Investment Now" (IN) issues.

The first issue (80 pages) was titled: "Sustainable development and corporate social responsibility" and published with the financial support from the IBC members.

The IN contributors discussed important topics such as human rights through sustainable green development, problems of mountain ecosystems and the threat of loss of ecosystems, the need for rational use of energy resources, and energy efficiency. The IN authors also discussed the factors affecting the conservation of biodiversity, as well as the potential of organic production in the country. They told about three interrelated components of sustainable development - environmental, social and economic ones, with a central role caring for people. First Vice Prime Minister of the Kyrgyz Republic

Joomart Otorbaev, United Nations Resident Coordinator, UNDP Resident Representative in the Kyrgyz Republic Alexander Avanesov, Economy Minister Temir Sariev, renowned experts in ecology, environment and poverty alleviation, and members of the IBC Committee on Sustainable Development and Corporate Social Responsibility are the IN contributors.

The second *Investment Now* issue (56 pages) on strategic planning in the Kyrgyz Republic was published with the financial support from the USAID Local Development Program (LDP). The magazine was published as a part of the funded by the USAID LDP project "Towards development of the roadmap for a 20-year national economic development strategy".

A Consortium of the International Business Council (IBC) and the Public Association "Public-Private Partnership Support" (PPPS) conducted an analysis of previously developed national economic development programs and evaluated effectiveness of foreign aid rendered to our country, as well as studied best international practices.

In their research, the experts tried to answer the following questions: Why did the previous national strategies such as Comprehensive Development Framework, National Strategy for Poverty Reduction, Mid-term Development Programs and many others not achieve their goals? How do the activities of donor organizations affect the development of our economy? Is there any positive result from their activity?

The magazine presented not only the opinion of leading experts, but also business representatives from different regions of the country.

4.3. The IBC Investment Survey

In 2013, the IBC improved its traditional investment survey (design of charts and graphs, and questions) which is an important tool for the 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 the "Investment Now" magazine and on the IBC website.

4.4. Website

The website www.ibc.kg contains information on legislation of the Kyrgyz Republic including draft laws, analytical articles and expert opinions. The IBC products posted on the site, included quarterly investment survey, newsletters, such as "Law and Reality," IBC Events" and IBC weekly news. In addition, the site provided news on the latest developments in the business sector, as well as news about IBC members and partners. The website provides information about business conferences and events in Kyrgyzstan and neighboring countries. The IBC members actively participated 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. In 2014, the IBC plans to improve the website's design.

4.5. IBC Weekly News (digest)

In October 2008, the IBC started issuing a Weekly News digest about IBC events and activity and announcement of the most important events of the upcoming week. The digest is distributed via email to all IBC members. IBC members can request more detailed information on what was published in the digest. The IBC considers the weekly digest as a good tool to cover IBC initiatives, achievements, and upcoming events.

4.6. "Law and Reality" Bulletin

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

The IBC makes all efforts to provide its members with information about forthcoming changes in laws in advance.

In 2013 the IBC issued e-bulletins by which the IBC members were notified of forthcoming amendments and additions to the Tax Code of the KR, Draft Laws of the KR "On guarantee funds in the Kyrgyz Republic", "On restrictions of usurious activity in the Kyrgyz Republic", "On marking of goods with control (latent) marks", introduction of the Regulation of the Management of the National Bank of the KR No. 45/8 "On requirements for microfinance organizations".

Moreover, the IBC members were notified in advance of the Draft Law of the KR "On anti-money laundering and counter-terrorism and counter-extremism financing", amendments and additions to the Law of the KR "On customs tariff of the KR", to the Law of the KR "On electric and postal communications".

Draft laws and law initiatives are regularly published on the IBC website www.ibc.kg.

4.7. Executive Body

In 2013 the IBC staff members were as follows:

1. IBC Executive Director – Aktilek Tungatarov;
2. Deputy Executive Director – Meerim Matkulova;
3. Chief Editor of the "Investment Now" magazine, Media Relations Manager – Lidia Savina;
4. Corporate Affairs Manager – Kenjegul Albanova;
5. Public Relations Manager – Bermet Mambetshaeva;
6. Chief Accountant – Larisa Kravchenko;
7. Lawyer – Askar Sydykov;
8. Lawyer – Chyngyz Djumagaziev;
9. Information Technologies Manager – Ruslan Aliev.

4.8. Office

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

5. IBC Participation in 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.

5.1. The analysis of the actual conditions that the mining companies encounter that are involved in production or that plan to start production activities in Kyrgyzstan (“Mineral Recourses for Development”, financed by the German Society for international cooperation)

This analysis and the survey report were prepared by the International Business Council in the frame of the regional project of “Mineral Recourses for Development”, financed by the German Society for international cooperation. The given report presents an analysis conducted by polling amongst the representatives of the mining companies in the Kyrgyz Republic. By the result of the polls, brief recommendations are given on the improvement of the mining sector development in general and also the recommendations to involve the MRD project in solving the problems of the sector. The purpose of the analysis is to determine the concrete obstacles and gaps which have a negative impact on capability and the preparedness of the mining companies to conduct or to start the production of mineral recourses in the country.

Within the frames of this research interviews were held with 16 representatives of mining companies operating in subsoil use sector in Kyrgyz Republic. The respondents represented the CEOs and the deputy CEOs of the companies and also highly qualified

experts. A single form of the questionnaire for the interview which included 26 different questions was presented to respondents.

5.2. Towards designing a roadmap for a 20-year national economic development strategy in Kyrgyzstan (USAID Local Development Program)

The main counterpart of the IBC in the frame of the project was The Public Association “Support of the government and business partnership”. The project was implemented in the period starting from January 25, 2013 to July 31, 2013. The objective of the project was to trigger a wide stakeholder inclusive dialogue, conducting research that would enable design of a roadmap for a long-term national economic development strategy and identify key milestones of economic development.

Project activities included a desk review to fuel gaining a better understanding of previous national economic development strategies, institutional review, international best practices review, and analysis of the past and current activities of international donor organizations on economic development.

Events conducted in the frame of the project included:

- **Kick-Off Meeting**

On March 19, 2013, the first project event was held with the participation of the First Vice-Prime Minister of the Kyrgyz Republic, representatives of the state agencies, international donor organizations and civil society. The meeting highlighted the results of the analysis of previous national economic development strategies and prior donor-funded efforts in economic development.

The presentations by the respective experts included the key factors of success and challenges of development and implementation of such economic development strategies, possible platforms for engagement in the process and call for active participation.

- **Seminars in the regions**

In March and April 2013 5 seminars were held in the rural areas of the country (Karakol, Osh, Jalalabad and Naryn) with the participation of local entrepreneurs. Objectives of the seminars were to have an inclusive discussion on the effectiveness of the national development strategies developed and implemented in the past and to identify challenges and priority objectives

- **Press cafes**

Starting from April 2013 5 press cafes were conducted on the following subjects:

- On export policy – April 24, 2013
- On agricultural policy – May 21, 2013
- On transportation – June 12,, 2013
- On tourism – May 29, 2013
- On finance – July 12, 2013

Project experts, representatives of business associations and state agencies informed media about current developments on national economic development

strategic outlook and actions, the different opinions and perspectives on the issue, carried out a comparative analysis and answered the mass media representatives' questions.

- **Study tour**

From August 20 to August 31, a study tour to Malaysia and Mongolia was held for Kyrgyz MPs, officials and business association leaders.

The study tour team included Jogorku Kenesh deputies, representatives of the President's Administration, Prime Minister's Administration, Ministry of Economy of the Kyrgyz Republic, and public and business associations. The tour participants travelled to the two countries to observe, discuss, and study the experience, lessons and best practices applied in the implementation of the national economic development strategies within the two countries.

In Malaysia, the Kyrgyz delegation visited the Ministry of International Trade and Industry, the Malaysian Anti-Corruption Commission (MACC), the Malaysian Administrative Modernization and Management Planning Unit (MAMPU), Malaysian Institute of Economic Research (MIER), Bursa Malaysia, the Malaysian Investment Development Authority (MIDA), and other agencies and organizations involved in development of economic development strategies.

In Mongolia, the study tour participants met with members of the Mongolian Parliament, [Ministry of Economic Development](#), Ministry of Finance, Mongolian National Mining Association, Business Council of Mongolia, EBI Think-Tank Institute, and Bank of Mongolia.

- **Final event**

On the 8th of October, the project team held the final event on the development and implementation of national development strategies and on the involvement of the business sector in the given processes. Representatives of Jogorku Kenesh and public and private sectors and prominent experts shared their views about economic development and design of effective and realistic strategies.

6. IBC events

6.1. Open Meetings:

"Developing a road map for the 20-year strategy of economic development of the Kyrgyz Republic"

In 2013, a project "Towards development of a roadmap for the 20-year strategy of economic development of the Kyrgyz Republic" was implemented with support from the USAID Local Development Program. The project consortium of the IBC and the Business Development and Investment Council under the Government of the Kyrgyz Republic was actively involved in strengthening public-private dialogue between stakeholders in the development of concepts and economic strategies.

The project experts conducted a study that included an analysis of the previous economic development strategies and evaluated the effectiveness of international aid and the experience of other countries.

On March 19, 2013, the IBC held a kick-off open meeting to discuss the results of the analysis of a roadmap for a 20-year strategy for economic development of the Kyrgyz Republic with the participation of representatives of the President's Office, Deputy Prime Minister's Office and Parliament members. On October 8, 2013, the IBC held a second open meeting on the project "Support for public-private dialogue" jointly with the USAID LDP. Results on the development of a roadmap for the 20-year strategy were discussed with stakeholders including the business community.

6.2. Golf Tournament

On May 11, 2013, the Fifth IBC Annual Golf Tournament was held at the Maple Leaf Golf Club. About 180 representatives of companies – the IBC members and partners, representatives of government agencies and international organizations took part in the event. The IBC Golf tournament is not just a sporting event but also a meeting of friends and partners. These meetings provide an opportunity for participants to better get to know each other and expand business relationships.

6.3. IBC bilateral meetings

Holding of bilateral is one of important instruments for improving mutual relations with interested parties, solving problems and establishment of partnership relations for achievement of goals. In 2013 the IBC took measures to hold more than 60 bilateral meetings with high-ranking officials and parliamentarians, donor organizations, IBC members and representatives of foreign diplomatic missions.

Current issues of the IBC members were discussed with high-ranking representatives of the Government, such as the First Vice Prime minister of the KR, Minister of Economy, Director of the State agency for geology and mineral resources, etc. The IBC actively discussed legislative initiatives which could have negative effect for business community.

As the donor community cooperates with the Government of the KR in implementation of investment reforms it often applies to the IBC in order to discuss development of investment climate, determine essential business needs, study point of view of the business community on problems of entrepreneurship and draft enactments. In 2013 the IBC held 25 bilateral meetings with the main donors – partners on development of the Kyrgyz Republic.

The IBC met with ambassadors and representatives of embassies of far-abroad countries who were interested in the IBC opinion about the investment climate and economic situation in the country.

6.4. Events with the participation of the IBC

The IBC as one of the leading business associations in the Republic takes part in different events relating to economic development of the country – roundtables, study groups, conferences and fora.

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

In 2013 the IBC took active part in 106 different events, among them: more than 60 working groups meetings, committees and boards organized by state bodies, multilateral meetings with donor community, opening ceremonies, 17 roundtables, 7 fora, 5 international and national conferences, 5 study groups. Besides, the IBC participated in the events of other associations, universities and diplomatic missions: 5 events with the participation of the IBC staff were held in South Korea, Mongolia and Malaysia, and two – in Kazakhstan.

Information about the main events:

- February 1. International Conference “Consulting without boundaries”, Bishkek;
- February 21-22. Regional Conference “Analysis of the subsoil use legislation” with the IBC presentation, Astana, Kazakhstan;
- March 15. Kyrgyz-Austrian Business Forum, Bishkek;
- April 10. Kyrgyz-Turkish Business Forum, Bishkek;
- April 23. Business Forum and Exhibition “Successful entrepreneur – powerful country” where the IBC Executive Director acted as moderator, Bishkek;
- May 23. PPP Forum “From the policy to the projects”, Bishkek;
- June 6. The day of finance and economy workers of the KR. The IBC Executive Director Aktilek Tungatarov was awarded a rank “High achiever of financial market” for elaboration of the Conception of the KR insurance market in 2013-2017;
- June 6. National Conference “Construction of cooperation between mining companies and local community”;
- August 19-31. Educational tour to Malaysia and Mongolia with active arrangement and participation of the IBC;
- September 20. Industrialist’s Day. The IBC Executive Director was given a letter of gratitude on behalf of the Minister of Economy for contribution to the KR industry;
- October 9-10. “Central Asian Trade Forum”, Almaty, Kazakhstan;
- October 24. Forum of the Chamber of Commerce and Industry on Small and Medium-sized entrepreneurship;
- November 18-30. Educational tour and participation in the Kyrgyz-Korean Business Forum, South Korea;
- December 4. Guest lecture of the IBC Executive Director Aktilek Tungatarov in the AUCA.

6.5. Issues discussed at the IBC meeting and events

The IBC held 160 meetings and events with its partners, including the Government, Jogorku Kenesh, donor organizations, expert community, diplomatic missions, academic institutions, etc.

The issues of the investment climate in the Kyrgyz Republic were discussed at 40 meetings. Those issues were raised by donors, were discussed with government institutions and diplomatic missions.

The mining sector issues were brought up at 29 meetings and were discussed generally at ministries and the IBC committees as well as with donors and mass media.

The taxation and customs issues were raised at 23 meetings, and more than half of them were discussed at the Government and Jogorku kenesh and with donor community.

The analysis of previous and elaboration of new development strategies were discussed with the participation of the IBC, and half of the meetings were held with donor organizations and more seldom at state bodies.

The issues of the public-private dialogue development, increase of business sector potential and its competitiveness, mutual relations with the press were discussed at 21 meetings.

6.6. IBC Media and PR-activity

In 2013, the IBC activities were closely connected with the media. To discuss issues related to the investment climate and problems faced by the companies – IBC members, in addition to meetings with representatives of the government and parliament, the IBC actively published articles and interviews in the media including television, radio, print media and online media. This helped raise awareness not only of stakeholders but also the general public.

In 2013, IBC held 5 press conferences, 5 press-cafes, and participated in TV talk shows - three talk shows were held by national TV channels and one – by a foreign TV channel. A series of interviews with IBC Executive Director were aired by local radio and published by foreign media.

In 2013, the IBC published more than 60 articles in the print media (in Russian, Kyrgyz and English) including such leading media as Vecherny Bishkek, Slovo Kyrgyzstana, Kyrgyz Tuusu, Rossiyskaya Gazeta, Chuiskie novosti (the Chui province's news), Finansist (Financier), The Times of Central Asia, Barometer, and many others. More than 200 articles on the IBC activities were posted by the online media.

TV. The issues discussed on TV concerned investment climate and problems of the private sector (for example, the situation with the licensing of the Kutessay II field), as

well as relations between companies and local communities (such as around the Jerooy field), etc.

Radio . The radio interviews were devoted to the development of the Medium-Term Development Strategy of the Kyrgyz Republic, the situation around the Kumtor project , etc.

Press conferences. Press conferences were aimed at the protection of private property of the companies – IBC members, in particular, the situation around the ZIL ski base, issues related to the improvement of the subsoil legislation, and the situation around Kumtor.

Press-cafes. To raise awareness of a range of economic issues by local journalists, the IBC used such an important media tool as a press-café. Journalists were given a unique opportunity to meet leading experts, corporate executives, and representatives of the government and business associations at once and at one place. In a relaxed atmosphere over a cup of coffee or tea, the experts shared their opinion on previously developed and existing economic development strategies, as well as the development of important sectors of economy such as exports, agriculture, tourism, transportation, and the microfinance sector. The press-cafes received high praise from journalists. Following the press cafes, the local and foreign media published a lot of news and analytical articles.

7. Attachments

1. IBC Revision Commission Report
2. 2013 Balance Sheet and Cash flow
3. Membership list as of end 2013

