

FEASIBILITY STUDY:

SYSTEMATIC DISCLOSURES OF EITI DATA IN KYRGYZ REPUBLIC

EITI International Secretariat Oslo, March 2018

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1	Summary	1
2	Background	2
3	Main findings	5
3.1	Non-revenue data	5
	Recommendations for mainstreaming contextual data in Kyrgyz Republic.....	8
3.2	Revenue data	9
	Data quality.....	10
	Data timeliness.....	11
	Recommendations for mainstreaming revenue data in Kyrgyz Republic.....	12
	Annex A: Mainstreaming assessment table: Kyrgyz Republic	16
	Annex B: Detailed recommendations list and timeline	27
	Phase 1: Interim solution: mainstream contextual information and reduce scope of EITI Reporting (6-10 months).....	27
	Phase 2: Adapt existing revenue portals for mainstreaming.....	30
	Recommendation timelines.....	32
	Phase 1: Interim solution: mainstream contextual information and reduce scope of EITI Reporting	32
	Phase 2: Adapt existing revenue portals for mainstreaming.....	34
	Annex C: Tables of materiality thresholds	35

1 Summary

The EITI International Secretariat has undertaken an assessment of routine online disclosures in the extractive sector of the Kyrgyz Republic to examine the country's readiness to mainstream EITI implementation. In accordance with the *Terms of Reference for a mainstreaming feasibility study*¹, the assessment reviews the extent to which there is: (1) routine disclosure of the data required by the EITI Standard in requisite detail, and (2) whether the financial data is subject to credible, independent audit, applying international standards. It is important to emphasize that this study is not a comprehensive assessment of all publicly available information about the sector in Kyrgyz Republic. Rather, the goal has been to identify any potential gaps that need to be addressed in order to ensure fully mainstreamed disclosures of the data that is required to be disclosed in accordance with the EITI Standard².

The key finding is most of the information required by the 2016 EITI Standard is routinely disclosed. Most of the "contextual information" is accessible via various government portals³ – specifically those of the Chamber of Accounts, Ministry of Economy, Ministry of Finance (including the Open budget portal⁴), Ministry of Justice, National Statistics Committee, State Committee on Industry, Energy and Subsoil Use, State Property Management Fund, and the State Tax Service. Revenue transparency is swiftly increasing, with daily updated and reliable information available for all transactions to and from the Central Treasury, disaggregated per company, budget level (regional or local) and revenue stream.

In order to transition to mainstreamed EITI disclosures we propose two phases. Phase 1 will focus on short term solutions, creating shorter reconciliation reports to cover financial reporting and moving contextual information online. Phase 2, the longer-term solution, focuses on ensuring online and systematic disclosure of financial information. For a detailed list of recommendations, please refer to Annex B.

Phase 1: Interim solution – mainstreaming contextual information and reduce scope of EITI Reporting

(1) **The Supervisory Board should review and revise the scope of reconciliation**, with the aim to reduce the number of companies and revenue streams. The Supervisory Board is recommended to define the materiality of companies and revenue stream by their relative size in relation to total government revenues; with the scope to cover 85% of government revenues from the extractive sector (see annex C for details).

(2) Upon this revision, Kyrgyz EITI (KEITI) should **publish short reconciliation reports for fiscal years 2015 and 2016 by 8 September 2018**. The reports should only cover the scope as defined in Recommendation #1, and be limited to focusing on revenue reconciliation; covering all applicable financial requirements⁵ of the EITI Standard. The reports should be prepared by an Independent Administrator and follow the relevant procedures as per Requirement 4.9.

¹ <https://eiti.org/mainstreaming>.

² <https://eiti.org/document/standard>

³ Chamber of Accounts <http://esep.kg/>; Ministry of Economy <http://mineconom.gov.kg/>; Ministry of Finance <http://www.minfin.kg/>; the Open budget portal <http://budget.okmot.kg/>; Ministry of Justice <http://cbd.minjust.gov.kg/>; National Statistics Committee <http://stat.kg/>; State Committee on Industry, Energy and Subsoil Use <http://gkpen.kg/> and <http://gkpen.on.kg/>; State Property Management Fund <http://fgi.gov.kg/>; and the State tax Service <http://sti.gov.kg/>.

⁴ <http://budget.okmot.kg/>

⁵ Financial requirements of the EITI Standard are Requirements 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 5.2, 6.1, and 6.2

(3) **The Supervisory Board should ensure that contextual information (see annex B for details) of the extractive sector is accessible** on, or referenced by, the portal of the State Committee on Industry, Energy and Subsoil Use.

(4) **The Supervisory Board should ensure that remaining corrective actions from Validation are addressed**, including demonstrating the inapplicability or immateriality of EITI Requirements on infrastructure and barter arrangements (4.3); transportation revenues (4.4); transactions related to state-owned enterprises (4.5); sub-national payments (4.6); social expenditures (6.1) and quasi-fiscal expenditures (6.2).

Phase 2: Adapt existing government portals for mainstreaming

(5) **The Supervisory Board should enable electronic submission of company data to the State Committee on Energy, Industry and Subsoil Use (SCIESU)**, including attestation through e-signatures. Proposals and estimates of costs should be submitted to the Prime Minister's Office for inclusion in the OGP National Action Plan and for inclusion in wider government programmes such as 'Taza Koom'.

(6) **The Supervisory Board should ensure government and company disclosures are made publicly accessible.** Disclosures by government agencies on extractive sector revenues should be made through the Open Budget portal⁶. Company disclosures should be disclosed through the portal of the State Committee on Industry, Energy, and Subsoil Use⁷. The Supervisory Board should ensure these disclosures are comprehensive as per EITI Requirement 4.1, and disaggregated to a sufficient degree as per EITI Requirement 4.7. For material companies care should be taken to reference audited financial reports. Where no audited financial statements are available, shorter reconciliation reports will be warranted.

More detailed recommendations are provided below in this report and in Annex B.

Section 2 provides a background to EITI implementation to date. Section 3 presents the main findings with regards to data availability, comprehensiveness and reliability, including recommendations to be addressed. Annex A provides a detailed list of findings, per EITI Requirement. Annex B includes detailed recommendations including a proposed timeline for addressing these issues. Annex C includes tables justifying the revision of materiality threshold.

2 Background

The Kyrgyz Republic has substantial deposits of gold and coal. Mining has decreased since the breakup of the Soviet Union but remains a major contributor to the Kyrgyz Republic's economy. According to the National Statistics Committee, mining constituted 8.9 per cent of GDP in 2015. There are minor oil resources in southern parts of the country but gold extraction continues to be the biggest contributor to the Kyrgyz economy.

Kyrgyz Republic was one of the first countries to commit to the EITI, and started producing EITI Reports already in 2004 as part of the EITI pilot. In 2007 the Kyrgyz Republic was accepted as an EITI Candidate, and the government established the Supervisory Board and its regulation by issuing Resolution #317 in 2010. Following their first Validation, and a subsequent Secretariat Review, the EITI Board designated Kyrgyz Republic compliant with the EITI Rules in March 2011.

⁶ <http://budget.okmot.kg/>

⁷ <http://gkpen.on.kg/>

The stated objectives of the Kyrgyz Republic EITI (KEITI) are linked to three national objectives: (i) the improvement of natural resource governance; (ii) transparency and accountability of the government in managing the extractive sector, and; (iii) to attract foreign investment. Despite these overarching objectives, the focus of EITI implementation to date have been preparation of EITI Reports, dissemination of the information to relevant regions, and efforts to make EITI reporting mandatory by law through suggested amendments to the Law on Subsoil. At the time of writing, the draft law is pending approval by the Parliament after proposed revisions from the President; they are expected to do so shortly.

In the years after achieving candidate status in 2007, the government ensured strong support of EITI implementation, including attempting to extend it to the fuel and energy sector. Participation of other stakeholders was also consistent. KEITI's multi-stakeholder group, the Supervisory Board (SB), was then re-structured in 2008 tasked with overseeing EITI implementation. While the early stages of the EITI in Kyrgyz Republic were characterised by momentum and high interest by all stakeholders, stakeholder interest decreased in the period 2011-2015. In recent years KEITI is now picking up speed again.

In 2016 KEITI was validated against the 2016 EITI Standard. In March 2017 the EITI Board found KEITI to have made inadequate progress overall in implementing the EITI Standard and agreed on 20 corrective actions for the SB, which will be assessed in the next Validation commencing on 8 September 2018.

As of February 2018 KEITI has produced six EITI Reports covering eleven fiscal years (2004-2014). KEITI has been a frontrunner in several areas of EITI implementation, most notably in beneficial ownership disclosure. In 2017 Kyrgyz Republic's Parliament adopted the new Law on Subsoil Use, providing for mandatory reporting of extractive companies' beneficial owners. Subsequently in October 2017, Kyrgyz Republic received the EITI Chair's Award for Beneficial Ownership Transparency at the EITI 'Opening Up Ownership Conference' in Jakarta.

In 2013 a unified state registry was established with the aim to strengthen public access to licensing information, which is now managed by the State Committee of Industry, Energy and Subsoil use of the Kyrgyz Republic (SCIESU). In addition, Kyrgyz Republic enjoys the benefit of existing technical capacity as well as robust systems for open and public disclosure of information. For KEITI, the challenge is not the creation of new systems, but opening up or adapting existing ones. Current developments such as the "Taza Koom" project⁸, which is part of a wider government programme, provide excellent opportunities for EITI to latch on to wider e-governance reforms. In November 2017 the government also joined the Open Government Partnership (OGP), and the Government of Kyrgyz Republic (GoKR) is currently in the process of creating their first National Action Plan.

⁸ <http://tazakoom.kg/site/concept/22>

Mining companies in the Kyrgyz Republic operate under a general tax regime. In addition, they perform specific non-tax payments, such as royalty and bonuses. The fiscal system in Kyrgyzstan is highly centralised. Most revenues from extractive industries go to the state budget whilst local governments collect property tax, land tax, municipal property rent and the fee for holding a subsoil use license. The government, through the Open Budget portal of the Kyrgyz Republic⁹ publishes figures on tax and non-tax receipts from extractive sector companies real-time. Amongst other objectives, this paper seeks to assess how these disclosures compare to EITI Requirements.

Figure 1: Example of revenue data available from Kyrgyz Republic's Open Budget portal

Name	Republican budget	Local Budget		
		Raion	City	Rural municipality
Налоговая служба:	59 954 842,77	3 263 197,80	5 922 966,22	4 320 831,30
Таможенная служба:	34 179 747,51	0,00	0,00	0,00
Налоговые доходы	91 462 764,67	3 254 815,86	5 228 884,82	3 421 513,92
Подоходный налог, уплачиваемый налоговым агентом	4 566 387,90	1 471 672,64	1 765 887,00	1 328 828,64
Подоходный налог по единой налоговой декларации	20 733,14	0,00	16 677,11	4 056,03
Налог на доходы лиц-нерезидентов Кыргызской Республики	1 935 692,33	0,00	0,00	0,00
Налог на прибыль	4 053 315,23	0,00	0,00	0,00
Налог на проценты	137 551,08	0,00	0,00	0,00
Налог на доходы золотодобывающих компаний	110 422,40	0,00	0,00	0,00
Единый налог для субъектов малого предпринимательства	0,00	62 931,60	118 311,31	21 179,01
Налог на основе обязательного патента	0,00	67 139,28	172 307,37	25 775,66

Overall, discrepancies of revenues have largely been resolved in KEITI reports. From 2011 to 2014 the following percentages of discrepancies were left, after reconciliation:

Year	Unresolved discrepancies (thousand KGS)	Unresolved discrepancies (% of total government receipts)
2011	6 539	0.00%
2012	1 502	0.00%
2013	316 295	3.58%
2014	434 855	4.47%

The majority of the unresolved discrepancies of the 2013-2014 report were due to the inclusion of a new revenue stream, "Support for social Infrastructure", which was not correctly reported by government entities. Correcting for these revenue stream payments, the unresolved discrepancies represented \approx 1% of total government receipts. Although some discrepancies remain, the Initial assessment of Kyrgyz Republic's progress towards EITI Requirements provided a strong recommendation for mainstreaming:

A key opportunity for making the EITI more relevant and useful would be to move towards more timely and mainstreamed transparency. Government entities in Kyrgyz Republic already publish much of the information required to be disclosed under the EITI Standard on government websites and portals on monthly and yearly basis, in particular licensing and financial data. On many aspects, this information is considerably more up to date and comprehensive than the information provided in the EITI reports. Rather to continue with "regular" EITI reporting, stakeholders should be encouraged to assess any transparency gaps in government systems and means of addressing these.

Source: EITI (2016), Validation of Kyrgyz Republic: Report on initial data collection and stakeholder consultation, page 5

⁹ https://budget.okmot.kg/kg/inc_inn/index.html

As Kyrgyz Republic maintains a centralised tax reporting system the government therefore asked for support to assess the possibility of mainstreaming EITI reporting requirements in late 2016. The Eurasia Foundation of Central Asia (EFCA) were contracted and produced a feasibility study in November 2017. However, due to extensive recommendations of the study and the amount of corrective actions from Validation, the EITI International Secretariat was tasked with collating findings from both studies to finalise the study with a more concise overview for KEITI and the SB to follow up. This feasibility study seeks to provide evidence of how EITI disclosures required under Requirements 2-6 of the EITI Standard are already publicly available, and that the disclosures are timely, comprehensive and reliable.

3 Main findings

3.1 Non-revenue data

Legal and regulatory framework

The Kyrgyz Republic's mining and petroleum sectors are governed by a variety of laws, the most prominent being the Law on Subsoil¹⁰. Through this law, subsoil rights are governed by licenses. In addition, subsoil rights may be granted through concessions, governed by the Law on Concessions and Foreign Concessionary Entities¹¹. The use of concessions is limited to one agreement in Kyrgyz Republic; the agreement between GoKR and Centerra Gold, regarding the Kumtor gold deposit¹². The Law on Subsoil awards the State Committee on Industry, Energy and Subsoil Use (SCIESU) with regulatory rights on behalf of the Government Kyrgyz Republic (GoKR). The license registry, maintained by SCIESU, is in the process of being updated with comprehensive information on all active licenses within the Kyrgyz Republic. The portal also includes a comprehensive reference to the license allocation process, however some information is missing for historical awards through auctions, bids and direct negotiations, for awards prior to December 2017. In fact, the portal does not describe the procedure nor results of licenses awarded through direct negotiations.

So far Kyrgyz Republic has not published license agreements or other contractual arrangements with extractive companies, apart from one agreement: the concession agreement of the Kumtor project (through a legal act). However, the current draft Law on Subsoil¹³ (Art. 41.6) states that "All licenses and licensing agreements for the right to use subsoil provided through a tender or auction shall be placed on the website of the authorized state body on subsoil use within 6 months from the date of official publication of this Law". This law therefore clearly highlights the policy of GoKR on contract transparency; it is anticipated for Presidential signing in the immediate coming months.

Taxes in Kyrgyz Republic are governed by the Tax Code¹⁴ and include some extractive sector specific liabilities of companies; royalties and bonuses. There are several non-tax payments which are governed by the Law on Nontax Payments¹⁵. A comprehensive list of these payments is contained in

¹⁰ <http://cbd.minjust.gov.kg/act/view/ky-kg/203760>

¹¹ <http://cbd.minjust.gov.kg/act/view/ru-ru/800>

¹² <http://cbd.minjust.gov.kg/act/view/ru-ru/202520?cl=ru-ru>

¹³ The law is expected to be enacted in the coming months and has already been approved by the Parliament in Kyrgyz Republic.

¹⁴ <http://cbd.minjust.gov.kg/act/view/ru-ru/202445>

¹⁵ <http://cbd.minjust.gov.kg/act/view/ru-ru/741>

table C.1 in annex C. All legislative and regulatory documents, including orders and decrees of the GoKR are covered in the database of the Ministry of Justice¹⁶.

State-participation

As described above, the GoKR participates in extractive sector activities and projects such as the Kumtor Gold Company. There are two forms of enterprises in which GoKR participates in Kyrgyz Republic; joint stock companies (JSCs) in which the GoKR holds a majority share and which are listed on the Kyrgyz Stock Exchange (KSE); and Government Enterprises (GEs) which are not listed but are managed directly by respective line-ministries.

There are in total four companies that are majority-owned by the GoKR: these are Kyrgyzaltyn, Kyrgyzkomur, Kyrgyzneftegaz, and Khaidarkan Mercury. Only two of them - Kyrgyzaltyn and Kyrgyzneftegaz (traded under KNEF2) are listed on the KSE, whereas Kyrgyzneftegaz, and Khaidarkan Mercury are registered as joint-stock companies (JSC). These JSCs are owned and managed by the State Property Management Fund (SPMF). For JSCs, companies report and relate to the government in the same way as any private company does to its shareholders. The companies are obligated to produce annual accounts and are subject to annual audits which must be submitted to the KSE.

GEs are also owned by the SPMF, but reports and responds to their respective line-ministries; in the instance of Kyrgyzkomur, the SCIESU is the line-ministry which approves annual accounts and performances. In Kyrgyz Republic, these companies are audited as part of the consolidated accounts of the government agency, by the Chamber of Accounts. Audits of government agencies occur on an annual basis.

Although limited information is currently available on state participation outside of the EITI process, the SPMF is in the process of creating a new portal for disclosing information on SOEs. Based on the information contained in the pilot portal¹⁷, the necessary information as required by the EITI Standard seems to be available. However, it will be important that the KEITI SB monitors the development of the portal with the aim of ensuring the information is commensurate with EITI Requirement 2.6 on state participation.

Production and exports

The mining sector in the Kyrgyz Republic is mainly associated with significant gold extraction and exports. The Kumtor Mine, the largest gold mining project in the country, accounted for almost one third of government revenues in 2014, and total gold exports in KR accounted for 45% of total exports in 2016.

The SCIESU provides an overview of the main commodities but the overview does not comment on on-going exploration activities in the mining sector. SCIESU does provide an interactive map showing the location of mineral resources¹⁸ (English version still in test phase), however, the precise information refers to 2006 data (see the link in footnote 18 on this issue). It is therefore unclear how regularly the information is updated.

¹⁶ <http://cbd.minjust.gov.kg/>

¹⁷ <http://finance.page.kg/>

¹⁸ http://gkpen.on.kg/minresources/f1_en.aspx

On production, the National Statistics Committee (NSC) publishes data on production volumes and values¹⁹, but the information is not disaggregated sufficiently: Information is available per natural gas, oil and coal, but are not available per commodity for ‘ferrous ores’, i.e. iron. Information for other non-ferrous ores are also not disclosed. It is our understanding that the NSC is limited by confidentiality laws which renders production data on gold and other non-ferrous minerals a state secret, while the SCIESU are not bound by the same legal barriers for disclosing production data. As the SCIESU also already collects this information regularly through quarterly company filings, it is possible for SCIESU to publish this information.

The NSC also discloses export data²⁰ but disclosures are not made in sufficient detail to comply with EITI Requirement 3.3. However, through their reporting to UN’s COMTRADE database, the NSC does report data in a sufficiently disaggregated form²¹.

The NSC also discloses a majority of the data required on the extractive sectors’ contribution to the economy. Contribution to GDP, including an estimate of informal activities, exports, employment, and regional location of activities are all covered by the NSC’s database.

However, the NSC does not seem to disclose the industry’s contribution to government revenues. This information has, as explained by stakeholders, been one of the main roles and contributions of the EITI process in Kyrgyz Republic. Based on consultation with the stakeholders, SCIESU regularly collects information on government revenues from both the State Tax Service, State Customs Service, and other government agencies; as well as regular company filings. On this basis, it may be more realistic for SCIESU to estimate the extractive sector’s contribution to government revenues in Kyrgyz Republic.

Beneficial ownership

The Kyrgyz Republic made significant progress in implementing its Beneficial Ownership Roadmap²². The Subsoil Law, that requires companies to disclose their beneficial owners when they apply for a license was passed by the Kyrgyz Parliament in October 2017. The law includes a clear definition of ownership, as well as sanctions for failure or false reporting and will ensure beneficial ownership data is publicly available. However, in December 2017 the Law was returned from the President’s office with comments related to alignment of the mining licensing procedures with a Law on Licensing, engagement of independent experts for the reserves expertise and terms for extension of mining licenses. The Parliament formed a conciliation group to resolve the issues raised by the President. It is expected that the Parliament will vote on the revised Law before the end of the spring session. When the Law is adopted and signed by the President, the Government (mostly SCIESU) will have 6 months to align its bylaws with the newly adopted Law.

SCIESU is interested in reforming the existing license register to include beneficial ownership information. Open Ownership is keen to provide technical support to SCIESU in order to assess technical needs for building a beneficial ownership register/amending current license register. As its EITI commitment, the government should have in place a publicly accessible register of beneficial owners by 2020.

¹⁹ Tables 1.12.01.04 Distribution of basic kinds updated annually, a year after, 1.12.01.01 Fuel and energy resources: <http://www.stat.kg/ru/statistics/promyshlennost/> and; Table 1.05.01.01 Production of Major Manufactured Commodities: <http://www.stat.kg/ru/bazy-dannyh/>

²⁰ Tables 4.03.00.10 and 4.03.00.21: <http://www.stat.kg/ru/statistics/vneshneekonomicheskaya-deyatelnost/>

²¹ UN COMTRADE: <https://comtrade.un.org/data>

²² <https://eiti.org/document/kyrgyz-republic-beneficial-ownership-roadmap>

Recommendations for mainstreaming contextual data in Kyrgyz Republic

Based on the findings above, we propose that Kyrgyz EITI and the Supervisory Board commits to address the recommendations below.

The following **contextual data and/or links** should be added to the website/portal of the State Committee on Industry, Energy and Subsoil Use. A detailed list of these recommendations and the proposed schedule for addressing them are included in Annex B:

- SCIESU should include historical data²³ on auctions completed prior to December 2017 on their website²⁴.
- SCIESU should include decisions and decrees that cover the results of direct negotiation of licenses²⁵.
- SCIESU should complete uploading all details of licenses to the license registry²⁶. Several licenses are missing date of issue and date of expiry.
- SCIESU should document the government's policy on disclosure of license agreements, with reference to the (draft) Law on Subsoil Use, including references to publicly available license agreements (such as the Kumtor agreement²⁷) on the SCIESU's website²⁸.
- The Supervisory Board should monitor the development of the State Property Management Fund's new portal²⁹; ensure it conforms with EITI Requirement 2.6 on state participation, by ensuring that the portal includes:
 - An explanation and documentation of the prevailing rules and practices regarding the financial relationship between the Government of Kyrgyz Republic (GoKR) and state-owned enterprises (SOEs): the rules and practices governing transfers of funds, percentage of retained earnings (profits less dividends) and reinvestments, and information on any non-governmental loans and loan guarantees provided by the government.
 - Data on state ownership (percent) and documents any changes in. This should also include the ownership percentages of SOEs in other companies.
- SCIESU should include a reference to the portal of the State Property Management Fund on their website.
- SCIESU should clarify how regular information is updated on extractive sector activities on SCIESU's interactive map, and update the information if found to be untimely.
- SCIESU should disclose missing production volumes and values on SCIESU's website, for the commodities: Antimony, gold, silver, copper, ferrum, mercury, fluorite, tin, tungsten, bismuth, plumbum, zinc, sibiium, arsenic, molybdenum and rare earths³⁰.
- The Supervisory Board should ensure the National Statistics Committee (NSC) discloses export volumes and values on their website³¹ as per their reporting to UN's COMSTATS³². The Supervisory Board and State Committee on Industry, Energy and Subsoil Use are therefore recommended to reach out to the NSC to address the following:

²³ Information covering period prior to December 2017

²⁴ <http://www.gkpen.kg/index.php/info>

²⁵ Ibid.

²⁶ <http://www.gkpen.on.kg/Licenses/Licenses/LicensesList?isLicense=True>

²⁷ <http://cbd.minjust.gov.kg/act/view/ru-ru/202520?cl=ru-ru>

²⁸ <http://gkpen.kg/>

²⁹ Pilot site: <http://finance.page.kg/>, to be launched on 1 July 2018

³⁰ The commodities as defined by the reserves detailed in Kyrgyz Republic's 2013-2014 EITI Report.

³¹ <http://www.stat.kg/ru/statistics/vneshneekonomicheskaya-devatelnost/>

³² <https://comtrade.un.org/data/>

- Send a request to the National Statistics Committee for this information to be published on the NSC's website
- Include reference to export data of the NCS on SCIESU's website. In the interim, the SCIESU should refer to the UN COMSTAT disclosures.
- SCIESU should disclose total government revenues received by extractive sector on their website, based on submissions of revenue data to SCIESU by companies and other government agencies.
- The Supervisory Board should monitor the government's progress in establishing a publicly accessible beneficial ownership register in line with its Beneficial Ownership roadmap³³.

3.2 Revenue data

All revenues, including subnational payments and transfers, are part of the centralised tax system. Implicitly, local and republican budgets are consolidated in the state budget. This form of consolidated accounting does not distinguish between different levels of government so all revenue-data is available on the Open budget portal³⁴. The Ministry of Finance also provides quarterly or semi-annual reports of allocations to local governments. The approved budget also provides an explanation for statutory shares of funds, as well as the execution of subnational transfers³⁵ and deductions in its annexes. In terms of revenue management and expenditures, the Open budget portal provides data of all expenditures for both national and local budgets in real time, including those of Local and Regional Development Funds.

The Open Budget portal discloses data on all transactions of the Central Treasury. Payments are reported by government and is disaggregated by company, by date and by revenue streams. However, which government agency receives the various revenues are not identified, nor does the transactions use the standard nomenclature, as defined by the National Budget Classification³⁶. Therefore, it is not possible to disaggregate the information in a consistent and accountable manner. In addition, the data is not available for open data downloads.

Companies do not report tax nor non-tax payments per revenue stream in their annual financial reports. The data is presented in a more aggregate form than what is required under the EITI Standard. An example of this is Centerra Gold³⁷ (reporting on behalf of Kumtor Gold), which reports Gross income tax, income taxes, "Cost of sales" (covering royalties, levies and production taxes), "Other operating expenses" (social development contributions), as well as other transactions with related parties, Kyrgyzaltyn.

Therefore, it is important that Kyrgyz Republic develops a mechanism for including company disclosures of tax and non-tax payments. According to Kyrgyz legislation, SCIESU collects reporting templates from companies, which is used for EITI reporting. SCIESU should therefore take care that the method of collecting this information is made as simple as possible. SCIESU can then disclose the submissions of material companies in open data formats. This can be supported by ESTMA filings of e.g. Centerra Gold³⁸.

³³ <https://eiti.org/document/kyrgyz-republic-beneficial-ownership-roadmap>

³⁴ <http://budget.okmot.kg/>

³⁵ <http://www.minfin.kg/ru/novosti/byudzheth/zakony/zakon-kr-o-respublikanskom-byudzhete-kyrgyzskoy-re3710.html>

³⁶ <http://www.minfin.kg/novosti/byudzheth/byudzhethnaya-klassifikatsiya/byudzhethnaya-klassifikatsiya-kyrgyzskoy-respubliki4591.html>

³⁷ <https://www.centerragold.com/investor/financials>

³⁸ https://s3.amazonaws.com/cg-raw/cg/2017_05_30_centerra_estma_report.pdf

According to the Budget Code³⁹ of the Kyrgyz Republic, subnational transfers are decided each year through the budget system such as the 2017 budget⁴⁰. There are certain extractive specific revenues which should be shared with regional and local government tiers (see Article 10 of the approved budget law). The approved budget also clarifies that for 2017, royalties and bonuses were to be transferred to local government budgets by a share of 50% and 100% respectively. The Ministry of Finance also reports on the execution of these transfers regularly, although this also covers non-extractive revenues⁴¹. These are not distinguished from one another. The actual execution of these transfers is also included in the approved budget's appendix 10. The shares of actual transactions from the state budget going to local levels of government are also accessible through the Open Budget portal⁴².

A separate set of subnational transfers were also identified. The Ministry of Finance, as per the Budget Code, should also disclose information on the transactions of the Regional and Local Development Funds (DFs, budget codes 24140 and 24150). The incoming and outgoing revenues of DFs are therefore not treated as extrabudgetary units nor as SOEs, but as integrated bodies of the GoKR. The transactions are stipulated based on other revenue streams than those highlighted above, such as contributions to maintenance of local infrastructure made by gold deposit operators and license fees.

The DFs are regulated by the Model regulation on the procedure for the formation of Regional Development Funds⁴³. The allocation of finances to these funds are, according to Ministry of Finance staff, monitored through their internal systems. The actual disbursement of finance to the funds are made upon the approval of budgets, which also approves the relevant projects of the DFs. These expenditures of DFs are accessible through the Open Budget portal⁴⁴. According to the portal, total expenditures of all local and regional reserves and funds from 2013 to present, amount to KGS 2.3 billion. This is roughly equivalent to 25% of total government revenues from the extractive sector in 2014 alone. Still, the Supervisory Board should seek clarification from the Ministry of Finance on ways to monitor **transfers** to DFs.

Data quality

According to Kyrgyz law all JSC companies are required to disclose annual financial reports that are subject to independent audits⁴⁵. However, for most of the companies in our sample⁴⁶, we did not locate audited financial statements. Audits are not required for private companies. For SOEs incorporated as GEs, these are audited through their principal line-ministries, which in the Khaidarkan's case means the SCIESU. Still, according to Kyrgyz Republic's Law on Subsoil, companies are required to submit reporting templates to the SCIESU for EITI reporting. For material companies, disclosures should reference audited financial statements. For non-material companies, attestation using e-signatures may be used, if submissions are made electronically. In the event that a material

³⁹ <http://cbd.minjust.gov.kg/act/view/ru-ru/111338?cl=ru-ru>

⁴⁰ <http://www.minfin.kg/novosti/byudzhet/zakony/zakon-kr-o-respublikanskom-byudzhet-kirgizskoy-re3710.html>

⁴¹ <http://www.minfin.kg/novosti/byudzhet/byudzhet-aralyk-mamileler.html>

⁴² <http://budget.okmot.kg/>

⁴³ <http://cbd.minjust.gov.kg/act/view/ru-ru/97125>

⁴⁴ Regional Development Funds: https://budget.okmot.kg/en/exp_vedsmea/invoice.html?code=24150; Local Development Funds: https://budget.okmot.kg/en/exp_vedsmea/invoice.html?code=24140

⁴⁵ Law on Joint-Stock Companies, <http://cbd.minjust.gov.kg/act/view/ky-kg/1188>, and Law on Auditing Activities, <http://cbd.minjust.gov.kg/act/view/ky-kg/1091>.

⁴⁶ The sample includes Altynken LLC, Khaidarkan Mercury, Kumtor Gold Company, Kyrgyzaltyn, Kyrgyzkomur and Kyrgyzneftegaz.

company does not have audited financial statements, the filings of the company in question should be reconciled according to traditional EITI procedures.

For government agencies the Audit Chamber (AC) performs audits annually for all and published these audit reports on their website. The AC performs an annual audit of all government agencies (confirmed by website publications). They follow the “annual audit plan” will be made publicly available for 2018 onwards. All audits are subject to the scrutiny and approval of the Audit Council, in which one third of participants represent the different stakeholders of the audit, one third are voted in through parliamentary elections, and one third are assigned by the President. The audits themselves cover each principal agency of the GoKR, and any subordinate department or SOE affiliated with the respective agencies.

These findings are consistent with the PEFA Assessment Report on Kyrgyz Republic from 2015⁴⁷. The assessment highlights that the AC adheres to international standards for external audits (ISSAI) and are in the process of fully conforming with standard accounting systems (IPSAS). The audits were found to be timely and there is extensive evidence for follow-up on recommendations. However, the PEFA report also comments that there is a reduced scope of public audits (75%), due to some lack of coverage of local budgets.

From 2018 onwards, a new selection process is put into place. Based on the guidelines of INTOSAI, the AC are shifting from comprehensive audits to risk-based auditing practices. The selection of agencies is dependent on budget size, recommendations of prior audits and other criteria. The selection of fiscal years is solely based on size of budget and revenues. The criteria is publicly available as part of the newly produced guidelines, which complies with recommendations of INTOSAI and ASOSAI.

In terms of certifying government agencies and SOEs, Audit reports are viewed as the authoritative statements and are accompanied by a *Resolution of the Audit Council*. Any corrections or recommendations should be addressed within one month of the audit results, otherwise reprimands and/or criminal litigation may be used. When consulted, the AC agreed that references to audit reports are sufficient ‘attestation’ of reliability of government information, and in fact encouraged EITI to make such references. In consultation with both AC and the managing agencies for SOEs, ‘certification’ of private companies is recommended to reference reports by the State Service for Regulation and Supervision of Financial Market⁴⁸, or the filings of companies to the KSE.

Data timeliness

Mainstreamed data on revenues and contextual information generally conforms with EITI requirements. Financial and contextual data are all published regularly, with more timely information than EITI Reports. The timeliness of revenue data is the most impressive, which covers information in real-time. Still, some areas require further clarification. State participation in extractive sector companies is not up to date on the State Property Management Fund’s website (as of March 2018), however this is set to change once the new portal is finalised. Also, there are some concerns related to the data on various commodities on SCIESU’s newly published portal, as the deposits map refers to data from 2006. Once these issues and other recommendations listed below

⁴⁷ Public Expenditure and Financial Accountability (PEFA) assessment report for Kyrgyz Republic 2015, <https://pefa.org/assessment/kg-mar15-pfmpr-public-en>

⁴⁸ <http://www.fsa.kg/>

are addressed, all information as required by the EITI Standard conforms with the timeliness requirement (requirement 4.8).

Recommendations for mainstreaming revenue data in Kyrgyz Republic

The findings of this paper are that Kyrgyz Republic will not be able to fully mainstream EITI reporting until some issues are addressed. For revenue data, one key challenge is the submission and inclusion of per-company data on SCIESU's website, as envisioned by Kyrgyz law. It is therefore recommended that the Supervisory Board encourages to reform the filing system, to enable electronic submission of data. In order to also ensure the disclosure of government-reported data, the open budget portal should be revised. However, these reforms will take time to complete, which requires an interim solution for fiscal years 2015 and 2016, and possibly 2017.

As indicated in the summary we therefore propose two phases to transition to mainstreaming. The first should focus on revising the scope of reconciliation and publishing short reconciliation reports, while making contextual information available online. The Supervisory Board should also ensure that remaining corrective actions from Validation are addressed as part of this work. The second phase should focus on adapting existing government portals to accommodate for systematic disclosure of financial data.

Phase 1: interim solution for revenue data

In the short term, the Supervisory Board is therefore recommended to redefine materiality of companies and revenue streams. Based on research undertaken for this study, data from 2014 show that five companies covered 85% of companies' payments to governments⁴⁹. Similarly, based on data from 2011-2014, ten revenue streams cover 85% of total revenues from extractives⁵⁰, if focusing on extractive-specific revenue streams. Therefore, by lowering the materiality threshold to 85% of total extractive revenues and payments the size and cost of EITI Reports can be greatly reduced. This study therefore recommends that:

- **The Supervisory Board is recommended to define the materiality of companies by the relative size of contribution to government revenues:** scope of reconciliation to cover 85% of total government revenues from extractive sector.
- **The Supervisory Board is recommended to define the materiality of revenue streams to be defined by the relative size in relation to government revenues:** scope of reconciliation to cover 85% of government revenues from extractive sector. In addition, it is recommended to prioritise revenue streams that are specific to the extractive sector, over indirect taxes such as individual income tax and value-added taxes.

The Supervisory Board must still ensure unilateral disclosure per revenue stream by the government. When doing so, the Supervisory Board should take care to ensure that disclosures make use of the National Budget Classification, so revenues from extractives are available per revenue stream and government agency as per EITI Requirement 4.1.d.

- Once the new definitions have been agreed, **the Supervisory Board is recommended to publish short reconciliation reports for fiscal years 2015 and 2016 by 8 September 2018,**

⁴⁹ See Annex C: Table C.2

⁵⁰ See Annex C: Table C.1

possibly also a report for 2017 by the end of 2018. The reports should only cover the scope as defined above, and be limited to focusing on revenue reconciliation; covering all applicable financial requirements of the EITI Standard⁵¹. The reports should be prepared by an Independent Administrator and follow the relevant procedures as per Requirement 4.9.

While these recommendations are implemented, the Supervisory Board should ensure that contextual information is published online. They should also ensure that disclosures of subnational transfers of extractive companies are as comprehensive as possible:

- **The Supervisory Board is recommended to assess the nature and materiality of the following subnational transfers:**
 - the state budget's transfers of extractive-specific revenues to regional and local budgets, and;
 - mandatory transfers to local and regional development funds.

If any of these are found to be material, i.e. equivalent to or higher than lowest revenue stream value within the scope of reconciliation reports, the EITI Report should reconcile these transfers.

Lastly, to ensure that disclosures are as comprehensive as possible, the Supervisory Board must take care to follow up on corrective actions from Validation:

- **The Supervisory Board should demonstrate the non-applicability or immateriality of the following requirements:**
 - Infrastructure and barter arrangements (4.3)
 - Transportation revenues (4.4)
 - Transactions related to state-owned enterprises (4.5)
 - Sub-national payments (4.6)
 - Social expenditures (6.1)
 - Quasi-fiscal expenditures (6.2)

This assessment could not make final conclusions on the feasibility of mainstreaming the above requirements, and recommends that the second Validation of the Kyrgyz Republic assesses the feasibility of mainstreaming these EITI Requirements.

Once contextual information is mainstreamed and reconciliation reports are produced for 2015 and 2016, a system for collecting per-company information should be established for the full EITI mainstreaming.

Phase 2: Adapt existing government portals for mainstreaming

Based on the findings of this paper we propose **the Supervisory Board to ensure government and company disclosures are made publicly accessible**. Disclosures by government agencies on extractive sector revenues should be made through the Open Budget portal⁵². Company disclosures should be disclosed through the portal of the State Committee on Industry, Energy, and Subsoil Use⁵³. The Supervisory Board should ensure these disclosures are comprehensive as per EITI

⁵¹ Financial requirements of the EITI Standard are Requirements 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 5.2, 6.1, and 6.2

⁵² <http://budget.okmot.kg/>

⁵³ <http://gkpen.on.kg/>

Requirement 4.1, and disaggregated to a sufficient degree as per EITI Requirement 4.7. Please refer to the recommendations listed in Annex B for more details.

To enable the systematic disclosures of EITI Requirements in full, we provide the following recommendations, that could be subject to the Supervisory Board's revision:

- **Enable electronic submission of financial data from companies to SCIESU**, including attestation of validity by using e-signatures. A proposal could be made with a focus on enabling electronic submission of EITI data and other filings to SCIESU with an explicit reference to attestation by use of e-signatures. Such a proposal could, for ensuring wider government buy-in towards mainstreaming, be shared with i) **the Prime Minister's Office for inclusion in the Open Government Partnership (OGP) National Action Plan (NAP)**. The proposal could include specific references to extractive industry transparency, one of the pillars of the NAP; and ii) **the Prime Minister's Office for inclusion in wider government programmes such as 'Taza Koom'**, with the explicit reference to better coordination of government agencies and government efficiency.

Once government buy-in for systematic disclosures is secured and the method for collecting information is agreed, the Supervisory Board needs to review the KEITI reporting templates and ensure they contain comprehensive information for company disclosures.

- **Revise the SCIESU portal; <http://gkpen.on.kg/>, ensuring SCIESU discloses company payments to the Kyrgyz Republic, commensurate with EITI Requirements.** The Supervisory Board and SCIESU should propose changes of the SCIESU portal, with the aim to ensure systematic disclosure of company payments of revenues, based on corporate filings to SCIESU. The proposal should be shared with the Prime Minister's Office for inclusion in the wider government programme 'Taza Koom' and in the OGP National Action Plan. The proposal for inclusion in the NAP should make reference to its relevance for both extractive sector transparency and open data – two of the four pillars of the NAP. The information which should be included on the SCIESU portal is:
 - Company-reported taxes and non-tax payments, for companies and revenue streams that are found to be material.
 - Summary table of total revenues of the Kyrgyz Republic from extractive sector revenues, broken down by revenue streams (see Appendix C for example).
 - Summary tables of total revenues of the Kyrgyz Republic from extractive sector revenues, broken down by companies (see Appendix C for example).
 - Company filings for material companies should include references to audited financial reports⁵⁴ for the fiscal year in question. In the event that a material company does not have audited financial statements, the filings of the company in question should be reconciled according to traditional EITI procedures.
 - Government reported revenues must refer to approved audit reports of the Accounting Chamber⁵⁵.

Once the above proposal is endorsed, the Supervisory Board and SCIESU should work to ensure the proposed changes are made to the portal. The Supervisory Board should ensure the disclosures are comprehensive and conform with EITI Requirements.

⁵⁴ NOTE: Audited financial statements are only required for material companies, as defined by the materiality thresholds set by the Supervisory Board.

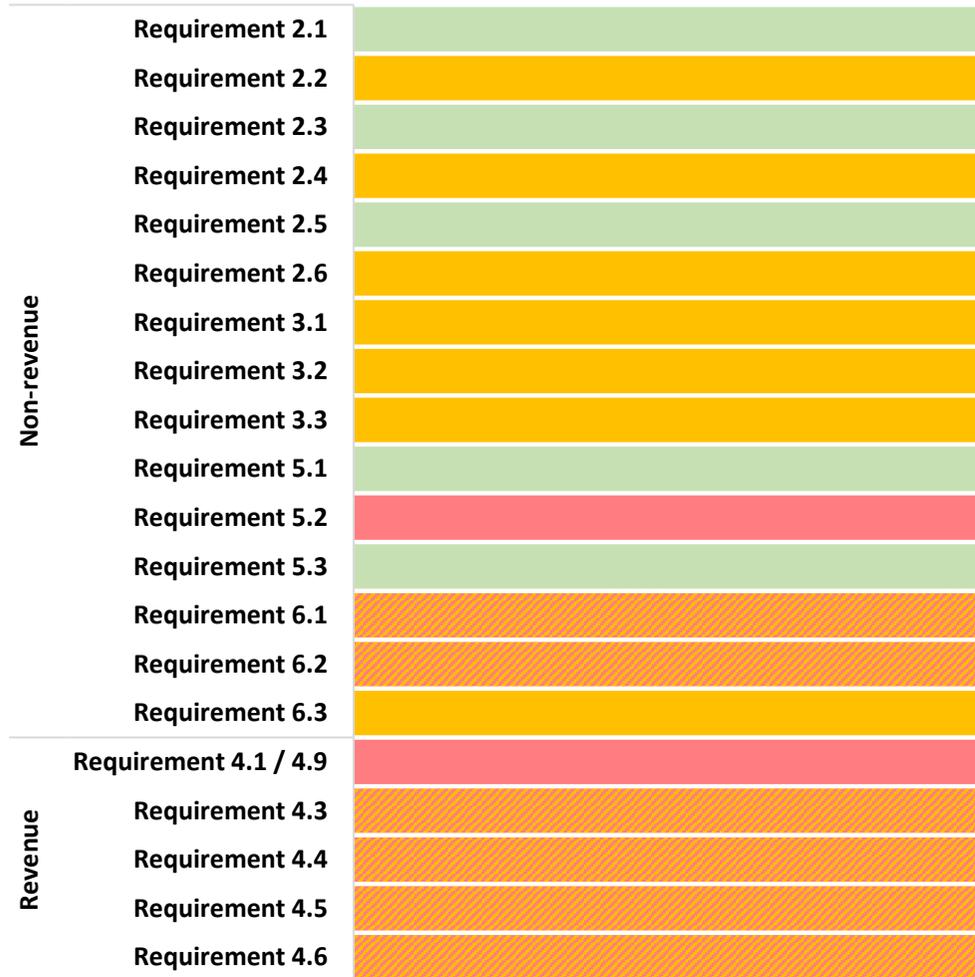
⁵⁵ Audits of the Accounting Chamber of the Kyrgyz Republic are available at <http://esep.kg/>

- **Revise Open Budget portal, to ensure comprehensive government disclosures of revenues, adhering to EITI Requirements.** The Supervisory Board could propose to revise the Open Budget portal. To ensure wider political buy-in for mainstreaming, a proposal should be shared with the Prime Minister’s Office, for inclusion in the government-wide programmes ‘Taza Koom’/‘Clean society’ and for inclusion in the OGP National Action Plan (NAP), which is currently being developed. The proposal for inclusion in the National Action Plan should make references to this projects’ relevance for both extractive sector transparency and open data – two of four pillars of the NAP. The specific changes that should be requested are:
 - Including the national budget classification for revenues *entering* the treasury accounts, especially for transactions presented per company.
 - Include a filter to separate government revenues from the extractive sector from general government revenues.
 - Enabling downloads in an open data format (e.g. excel).
 - Ensuring revenue data is available per receiving government agency, as per EITI Requirement 4.7 on level of disaggregation.
 - Including references to audit reports of the government disclosures, which may be sourced from the Accounting Chamber⁵⁶.

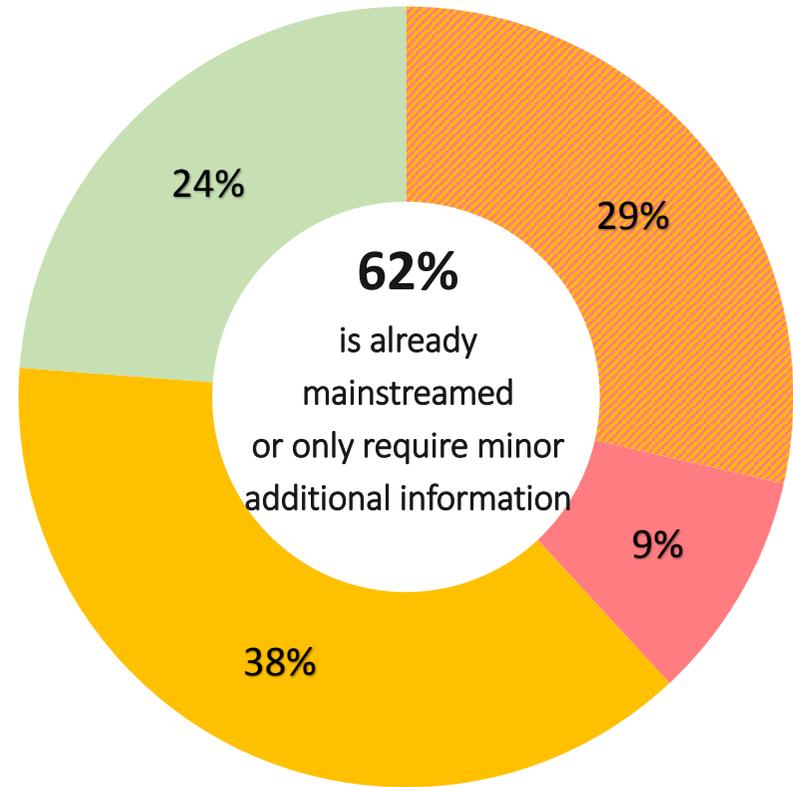
Once the proposal is endorsed, the Supervisory Board and SCIESU could work with Infosistema, the Ministry of Finance, and the State Committee on Information Technology and Communications, to ensure the proposed changes are made to the portal. The Supervisory Board should ensure the disclosures are comprehensive and according to EITI Requirements.

⁵⁶ Audits of the Accounting Chamber of the Kyrgyz Republic are available at <http://esep.kg/>

Annex A: Mainstreaming assessment table: Kyrgyz Republic



■ Applicability to be confirmed
 ■ Major limitations
■ Minor limitations
 ■ Already mainstreamed



■ Applicability to be confirmed
 ■ Major limitations
■ Minor limitations
 ■ Already mainstreamed

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
Requirements already mainstreamed		
2.1 Legal framework and fiscal regime	Satisfactory progress	<p>Online disclosures are compliant with EITI Standard</p> <p>All legal and regulatory documents are included on the Ministry of Justice’s portal⁵⁷. These are available in both html, pdf and word formats. In addition, all government entities publish the relevant legal and regulatory documents on their respective websites.</p>
2.3 Register of licenses	<p>Meaningful progress</p> <p>Kyrgyz Republic is required to maintain a publicly available register or cadastre system(s) that among other requirements include the coordinates of the license area and the date of the application (requirement 2.3.b.ii-iii).</p>	<p>Online disclosures are compliant with EITI Standard</p> <p>The State Committee of Industry, Energy and Subsoil Use includes all the necessary information on their SCIESU portal⁵⁸ in both the form of a cadastre and register. The register is not fully completed, but a project is already underway to ensure its completion.</p>
2.5 Beneficial ownership	<p>N/A</p> <p>Companies must disclose their beneficial owners when applying for a license and notify the government in case of changes in beneficial ownership. Failure to do so constitute grounds for revoking the license in accordance with the Subsurface Law.</p> <p>The information therefore exists, and should be made publicly available.</p>	<p>Online disclosures are compliant with EITI Standard</p> <p>The draft Law on Subsoil use requires beneficial ownership disclosures to accompany both conditions of license agreements and information on beneficial owners. While the current disclosures are compliant, it is important that the Supervisory Board follows up on implementation of the registry and the inclusion of references in the license registry.</p>

⁵⁷ <http://cbd.minjust.gov.kg/>

⁵⁸ <http://gkpen.on.kg>

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
5.1 Distribution of extractive industry revenues	Satisfactory progress	<p>Online disclosures are compliant with EITI Standard</p> <p>Kyrgyz Republic has a centralised revenue system, with almost revenues allocated to the national budget.</p> <p>Some payments are wholly or partially made to local tax authorities, but they are recorded by the Open Budget portal⁵⁹. The portal discloses all these revenues, although the specific recipient party is not described, other than which tier of government. GoKR also publishes their budget classification; but the Open Budget portal does not make use of it for incoming revenues.</p> <p>The Ministry of Finance provides quarterly or semi-annual reports of allocations from the republican budget to local governments. The approved budget also provides an explanation for statutory shares of funds, and the execution of subnational transfers⁶⁰ and deductions is detailed in its annexes.</p> <p>Some share of payments are disbursed to Local and Regional Development Funds. The precise share of certain revenues to be disbursed to these funds are indicated in the Law on the Procedure for the Formation of Regional Development Funds⁶¹, however we were unable to locate the actual transfers of the Ministry of Finance to these funds.</p> <p>So far, there are no indications of companies performing direct payments to development funds.</p>
5.3 Revenue management and expenditures	N/A	<p>Online disclosures are compliant with EITI Standard</p> <p>The Open Budget portal provides data of all expenditures for both national and local budgets in real time, including those of Local and Regional Development Funds.</p>

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
Requirements with minor limitations		
2.2 License allocations	Meaningful progress	Online disclosures are partially compliant with EITI Standard

⁵⁹ <https://budget.okmot.kg/en/inc Terr/index.html>

⁶⁰ <http://www.minfin.kg/ru/novosti/byudzhet/zakony/zakon-kr-o-respublikanskom-byudzhete-kyrgyzskoy-re3710.html>

⁶¹ <http://cbd.minjust.gov.kg/act/view/ru-ru/97125>

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
	Kyrgyz Republic is required to disclose any non-trivial deviations from the applicable legal and regulatory framework governing license transfers and awards.	<p>The online portal of the SCIESU contains almost all of the relevant information. However, the relevant information is only available for auctions taking place after December 2017. For completed auctions prior to 2017, data on auctions are missing and no information on the auctions could be found.</p> <p>The description of license procedures also does not describe the applicability or use of direct negotiations. When reviewing the website of SCIESU we could not locate any documents or decisions which pertain to the results of direct negotiations for subsoil use rights.</p>
2.4 Contract disclosure	<p>Meaningful progress</p> <p>Kyrgyz Republic should document the government’s policy on disclosure of license agreements that govern the exploration and exploitation of minerals. This should include actual disclosure practices and any reforms that are planned or underway.</p>	<p>Online disclosures are partially compliant with EITI Standard</p> <p>Currently, GoKR does not disclose their policy on contract transparency. However, Art. 41.6. of the new Law on Subsoil states that “All licenses and licensing agreements for the right to use subsoil provided through a tender or auction shall be placed on the website of the authorized state body on subsoil use within 6 months from the date of official publication of this Law”. Also, no online disclosures of any agreements have been located thus far, apart from one agreement: the concession agreement of the Kumtor project (legal act). Both policy and practice should be included on government websites to conform with EITI Requirements.</p>
2.6 State participation	<p>Inadequate progress</p> <p>Kyrgyz Republic must disclose an explanation of the prevailing rules and practices regarding the financial relationship between the government and state-owned enterprises (SOEs), e.g., the rules and practices governing transfers of funds between the SOE(s) and the state, retained earnings, reinvestment and third-party financing. It should also disclose their level of ownership in mining companies operating within the countries mining sector, including those held by SOE subsidiaries and joint ventures, and any changes in the level of ownership during the reporting period. Any loans or loan guarantees provided by the government or SOE(s) to oil, gas and mining companies operating within the country should be disclosed.</p>	<p>Online disclosures are partially compliant with EITI Standard</p> <p>The <u>State Property Management Fund (SPMF)</u> discloses the governing laws regarding SOEs and is currently building a register on SOEs and state participation⁶². The register is only a pilot and therefore does not contain comprehensive nor reliable information. However, based on discussions with the stakeholder, and a review of the website showed that information will largely comply with EITI Requirements. This would still need to be closely monitored by the Supervisory Board and the KEITI Secretariat.</p> <p>Statutorily, all relevant laws and regulations pertaining to companies partially or wholly owned by the state is covered by the pilot portal. Upon completion, the register will cover registers of which companies GoKR has a share in (JSCs), and which companies are State Enterprises (GEs). For each of these companies the register will present data on financial performance, such as asset-value, revenues, expenses, net income, and payment of dividends. Accrued liabilities toward the state will also be included and upon inquiry there were indications that annual accounts will also be included.</p> <p>Information on GEs will be contained within the portal, but the information on activities will not be as comprehensive as for JSCs. GEs are not subject to an overarching law, only through piecemeal regulations. GEs are not subject to regular reporting and auditing requirements, but are audited as subordinate units of</p>

⁶² <http://finance.page.kg/index.php>

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
		<p>their line ministries. Therefore, the Accounting Chamber audits GEs when auditing their respective line ministries.</p> <p>GEs are not allowed to retain any profits and must transfer all their profits to the Government of Kyrgyz Republic (GoKR) while JSCs must pay 25% of their profits to GoKR at minimum. Large transactions (above 50% of total assets) must be approved by shareholders of JSCs, and third-party loans are allowed on a discretionary basis. Enforcement of these rules are the responsibility of SPMF for JSCs while the line-ministries enforce requirements for GEs.</p> <p>On the <u>company-side</u>, the only information regarding the financial relationship between the central state and an SOE is a minority-share joint-venture of Kumtor Gold, which is reported via the 2016 Annual report of Centerra Gold. Kyrgyzaltyn holds 40% ownership in Centerra Gold. However, according to a quarterly report published in September 2017 (not audited), Kyrgyzaltyn claims they merely own 26.6% of Centerra Gold. When assessing the comprehensiveness of auditing and financial reporting practices of Kyrgyzaltyn on the Kyrgyz Stock Exchange (KSE), we could only locate the Auditor’s Statement, while the full financial reports and audit report itself remain missing.</p>
3.1 Exploration	Satisfactory progress	<p>Online disclosures are partially compliant with EITI Standard</p> <p>Online disclosures provides an overview of the main commodities but the overview does not comment on on-going exploration activities in the mining sector⁶³. In addition, an interactive map shows the location of mineral resources⁶⁴ (English version still in test phase). The data on commodities and activities seems to stem from 2006.</p>
3.2 Production	<p>Meaningful progress</p> <p>Kyrgyz Republic must disclose production data for the fiscal year covered by the EITI Report, including the value of production by commodity.</p>	<p>Online disclosures are partially compliant with EITI Standard</p> <p>The National Statistics Committee (NSC) publishes data on production volumes and values⁶⁵, but the information is not disaggregated sufficiently: Information is available per natural gas, oil and coal, but are not available per commodity for ‘ferrous ores’, i.e. iron, and information for other non-ferrous ores are not</p>

⁶³ <http://gkpen.kg/index.php/2018-01-09-06-31-10/26-2018-01-09-09-48-27/162-2017-2>

⁶⁴ http://gkpen.on.kg/minresources/f1_en.aspx; <http://www.gkpen.on.kg/Licenses/Licenses/LicensesList?isForest=False&searching=True&isLicense=True&page=1>

⁶⁵ Tables 1.12.01.04 Distribution of basic kinds updated annually, a year after, 1.12.01.01 Fuel and energy resources: <http://www.stat.kg/ru/statistics/promyshlennost/> and; Table 1.05.01.01 Production of Major Manufactured Commodities: <http://www.stat.kg/ru/bazy-dannyh/>

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
		<p>disclosed. The missing commodities therefore include: Antimony, gold, silver, copper, ferrum, mercury, fluorite, tin, tungsten, bismuth, plumbum, zinc, sitibium, arsenic, molybdenum and rare earths⁶⁶.</p> <p>In addition, it is our understanding that gold and non-ferrous production data is considered a state secret, but that these laws do not apply for the SCIESU. Since SCIESU regularly collects information on production from extractive companies, they could represent a more realistic venue for regular disclosure.</p>
3.3 Exports	<p>Meaningful progress</p> <p>Kyrgyz Republic must disclose export data for the fiscal year covered by the EITI Report, including total export volumes and the value of exports by commodity.</p>	<p>Online disclosures are partially compliant with EITI Standard</p> <p>The National Statistics Committee (NSC) publishes data on export volumes and values, but the information is not disaggregated sufficiently⁶⁷: Information is available per gold, crude oil and coal only.</p> <p>It should be noted that information on exports for all commodities are reported to UN COMTRADE's database annually by the Kyrgyz Republic, and the NSC has this information available (examples for 2015 and 2016 were reviewed).</p>
<p>4.1.b Comprehensive disclosure of taxes and revenues <i>(Unilateral disclosures by government)</i></p>	<p>Satisfactory progress</p>	<p>Online disclosures are partially compliant with EITI Standard</p> <p>The following revenue streams are proposed to be defined as immaterial based on disclosures from 2011-2014 (see table C.1 in annex C for details): Individual income tax; VAT on internal products; VAT on imported products; Customs fees; Withholding tax; Other taxes and charges; Customs duties; Reclamation fund charges; Payment for environmental pollution and damages; Land tax; Charge for development and maintenance of local infrastructure; Property tax; Payment for retention of mining license; Excise tax on internal products; Lease of land owned by the government; Reimbursement of agricultural production losses; Opportunity cost of provided land plots; Support for education; Fee for the issuance of certificates and other permits; Reimbursement of forest production losses; Excise tax on imported products; Fee for the issuance of license; Payments for state-shares, purchased by the company from the state; and Payment for concessions.</p> <p>The disclosures of these revenue streams through the Open Budget portal do not present information in an easily accessible manner, as revenue stream data is not available in open formats. The Open Budget portal does not provide revenue information in a standardised manner according to the National Budget Classification.</p>

⁶⁶ The same commodities as defined by the reserves detailed in Kyrgyz Republic's 2013-2014 EITI Report.

⁶⁷ Tables 4.03.00.10 and 4.03.00.21: <http://www.stat.kg/ru/statistics/vneshneekonomicheskaya-deyatelnost/>

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
6.3 Contribution to the economy	<p>Meaningful progress</p> <p>The Supervisory Board must disclose information about the contribution of the extractive industries to the economy for the fiscal year covered by the EITI Report, including the size of the extractive industries in absolute terms and an estimate of informal sector activity (requirement 6.3.a). Total government revenues generated by the extractive industries (including taxes, royalties, bonuses, fees, and other payments) in absolute terms should also be disclosed in the next EITI Report (requirement 6.3.b).</p>	<p>Online disclosures are partially compliant with EITI Standard</p> <p>The National Statistics Committee (NSC) discloses the extractive industry's contribution to the economy in absolute and relative numbers for ...</p> <p>Gross domestic product – including an estimate of informal sector: Table 8 “Types of activities in unobservable economy”⁶⁸; Exports; Employment; and Location.</p> <p>The NSC does not disclose the industry's contribution to government revenues, and has previously relied on the EITI process for such data. Based on stakeholder consultation, the SCIESU regularly receives filings from other government agencies such as the State Tax Service and State Customs Service, which enables the disclosure of total government revenues from the extractive industries in Kyrgyz Republic.</p>

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
Requirements with substantial gaps		
4.1 Comprehensive disclosure of taxes and revenues / 4.9 Data quality and assurance	<p>Requirement 4.1: Satisfactory progress / Requirement 4.9: Inadequate progress</p> <p>The Supervisory Board and the Independent Administrator are required to agree a Terms of Reference for the EITI Report based on the standard Terms of Reference and the ‘agreed upon procedure for EITI Reports’ endorsed by the EITI Board. Where the multi-stakeholder group concludes that there is routine disclosure of data required by the EITI Standard (e.g. Open Budget Portal) and is subject to credible audit, the MSG may seek approval from the EITI Board to mainstream EITI implementation in accordance with the</p>	<p>Online disclosures are not compliant with EITI Standard</p> <p>The Open Budget portal does disclose payments as reported by government⁶⁹, disaggregated by company, date and revenue stream. However, government recipients are not included and revenue streams do not use the National Budget Classification. Therefore, it is not possible to aggregate the information in a consistent and accountable manner. The data is not available for open data downloads.</p> <p>Companies, do not report tax nor non-tax payments per revenue stream in their financial reports. The data is presented in an aggregate form. An example of this is Centerra Gold (reporting on behalf of Kumtor Gold), which reports Gross income tax, income taxes, “Cost of sales” (royalties, levies and production taxes), “Other operating expenses” (social development contributions), as well as other transactions with related parties, Kyrgyzaltyn.</p>

⁶⁸ National accounts for Kyrgyz Republic, 2011-2015: <http://stat.kg/ru/publications/sbornik-nacionalnye-scheta-kyrgyzskoj-respubliki-2008-2012gg/>

⁶⁹ <http://budget.okmot.kg/>

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
	'Agreed upon procedure for mainstreamed disclosures' (Requirement 4.9.c).	<p>For most of the companies in our sample, we did not locate audited financial statements. Audits are not required for private companies except for those registered on the Kyrgyz Securities Exchange (KSE). However, we could not locate financial reports or full audit reports for companies registered (including SOEs) other than an Auditor's statement for one of the companies.</p> <p>For government agencies the Audit Chamber performs audits annually and published these audit reports on their website. SOEs are audited as part of consolidated accounts of government agencies.</p>
5.2 Sub-national transfers	<p>Inadequate progress</p> <p>The Kyrgyz Republic should disclose the revenue sharing formula, if any, as well as any discrepancies between the transfer amount calculated in accordance with the relevant revenue sharing formula and the actual amount that was transferred between the central government and each relevant subnational entity.</p>	<p>Online disclosures are not compliant with EITI Standard</p> <p>According to the Kyrgyz Republic's Budget Code⁷⁰, subnational transfers are decided each year through the budget system (e.g. the 2017 budget⁷¹). It clarifies that certain taxes should be shared between central and local government units (see Article 10), where the extractive-specific revenues of royalties and bonuses are subject for distribution to local levels (50% and 100%). The Ministry of Finance are responsible for transferring these funds. The revenue-sharing formula are included in the budget while appendix 10⁷², outlines the actual disbursements.</p> <p>A separate set of subnational transfers were also identified. The Ministry of Finance, as per the Budget Code, should also disclose information on the transactions of the Regional and Local Development Funds (DFs, budget codes 24140 and 24150). The incoming and outgoing revenues of DFs are therefore not treated as extrabudgetary units nor as SOEs, but as integrated bodies of the GoKR. The transactions are stipulated based on other revenue streams than those highlighted above, such as contributions to maintenance of local infrastructure made by gold deposit operators and license fees.</p> <p>The DFs are regulated by the Model regulation on the procedure for the formation of Regional Development Funds⁷³. The allocation of finances to these funds are, according to Ministry of Finance staff, monitored through their internal systems. The transactions are stipulated based on other revenue streams than those highlighted above, such as contributions to maintenance of local infrastructure made by gold deposit operators and license fees. The actual disbursement of finance to the funds are made upon the approval of budgets, which also approves the relevant projects of the DFs. These expenditures</p>

⁷⁰ <http://cbd.minjust.gov.kg/act/view/ru-ru/111338?cl=ru-ru>

⁷¹ <http://www.minfin.kg/novosti/byudzheth/zakony/zakon-kr-o-respublikanskom-byudzhete-kyrgyzskoy-re3710.html>

⁷² http://www.minfin.kg/userfiles/ufiles/budget/kyrgyzskiy_2017_godbe9f.rar

⁷³ <http://cbd.minjust.gov.kg/act/view/ru-ru/97125>

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
		of DFs are accessible through the Open Budget portal ⁷⁴ . However, the Supervisory Board should seek clarification from the Ministry of Finance on ways to monitor actual transfers to DFs.

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
Potentially non-applicable requirements		
4.3 Infrastructure and barter arrangements	<p>No progress</p> <p>The Supervisory Board are required to consider whether there are any agreements, or sets of agreements involving the provision of goods and services (including loans, grants and infrastructure works), in full or partial exchange for oil, gas or mining exploration or production concessions or physical delivery of such commodities.</p> <p>Where the Supervisory Board concludes that these agreements are material, the Supervisory Board and the Independent Administrator are required to ensure that the EITI Report addresses these agreements, providing a level of detail and transparency commensurate with the disclosure and reconciliation of other payments and revenues streams.</p> <p>Where reconciliation of key transactions is not feasible, Supervisory Board should agree an approach for unilateral disclosure by the parties to the agreement(s) to be included in the EITI Report.</p>	<p>Applicability to be confirmed by second Validation</p> <p>If the requirement is found to be applicable, then online disclosures are not compliant with EITI Standard.</p> <p>We found no indications that there exist any agreements of such nature. However, until the Supervisory Board agrees and documents the inapplicability of such arrangements, the online disclosures cannot be seen as commensurate to EITI Requirements.</p>

⁷⁴ Regional Development Funds: https://budget.okmot.kg/en/exp_vedsmea/invoice.html?code=24150; Local Development Funds: https://budget.okmot.kg/en/exp_vedsmea/invoice.html?code=24140

Requirement	Validation results / Corrective actions	Mainstreaming feasibility												
4.4 Transportation revenues	<p>No progress</p> <p>Where revenues from the transportation of oil, gas and minerals are material, the government and state-owned enterprises (SOEs) are expected to disclose the revenues received. The Supervisory Board should evaluate the materiality of any transportation revenues collected by the government, and if applicable, endure an adequate disclosure process.</p>	<p>Applicability to be confirmed by second Validation</p> <p>If the requirement is found to be applicable, then online disclosures are not compliant with EITI Standard.</p> <p>This assessment has been unable to document that transportation revenues exist in Kyrgyz Republic. There are publicly owned companies which could provide such services for raw materials, as both Kyrgyzneftegaz and Kyrgyzaltyn both own assets capable of providing such services (pipelines and a motor transportation enterprise). However, these payments are in all probability not material.</p> <p>However, until the Supervisory Board agrees and documents that such revenues do not occur, the online disclosures cannot be seen as commensurate to EITI Requirements.</p>												
4.5 Transactions relate to SOEs	<p>Inadequate progress</p> <p>The Supervisory Board must ensure that the reporting process comprehensively addresses the role of SOEs, including material payments to SOEs from oil, gas and mining companies, and transfers between SOEs and other government agencies.</p>	<p>Applicability to be confirmed by second Validation</p> <p>If the requirement is found to be applicable, then online disclosures are not compliant with EITI Standard.</p> <p>Seemingly, all transactions between SOEs and central government agencies are included in the Open Budget portal.</p> <p>We could not identify any disclosures by SOEs of transactions between SOEs and other receipts from oil, gas or mining companies, other than as included in the Open Budget portal.</p> <p>However, from the 2016 Annual accounts of Centerra Gold (page 39-40), it is clear that transactions do occur:</p> <table border="1" data-bbox="936 991 1657 1182"> <thead> <tr> <th><i>Thousands USD</i></th> <th><i>2015</i></th> <th><i>2016</i></th> </tr> </thead> <tbody> <tr> <td>Net sales revenue received from Kyrgyzaltyn</td> <td>604 522</td> <td>687 805</td> </tr> <tr> <td>Expenses paid to Kyrgyzaltyn</td> <td>1 1917</td> <td>2 089</td> </tr> <tr> <td>Net dividends declared to Kyrgyzaltyn</td> <td>9 135</td> <td>6 742</td> </tr> </tbody> </table> <p>The “Expenses paid to Kyrgyzaltyn” amounted to roughly USD 2 million or more than KGS 105 000 000. This transaction alone, is above the current materiality threshold set by the Supervisory Board.</p>	<i>Thousands USD</i>	<i>2015</i>	<i>2016</i>	Net sales revenue received from Kyrgyzaltyn	604 522	687 805	Expenses paid to Kyrgyzaltyn	1 1917	2 089	Net dividends declared to Kyrgyzaltyn	9 135	6 742
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4.6 Sub-national payments	<p>Inadequate progress</p> <p>The Supervisory Board should establish whether direct payments, within the scope of the agreed benefit</p>	<p>Applicability to be confirmed by second Validation</p> <p>If the requirement is found to be applicable, then online disclosures are not compliant with EITI Standard.</p>												

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
	streams, from companies to subnational government entities are material. Where material, the multi-stakeholder group is required to ensure that direct company payments to subnational government entities and the receipt of these payments are disclosed and reconciled in the EITI Report.	According to the disclosures of the Open Budget portal, and as stated in the Budget Code Art. 48 ⁷⁵ , the following payments are made to sub-national government entities: land tax; the property tax; income from the rental of the property, which is municipal property; and the fee for holding the license for subsoil use. However, we have been unable to clarify whether these payments are made directly to sub-national government entities or allocated through the budget system. Also, per-company disclosures are not standardised to the point where subnational payments are distinguishable to national payments.
6.1 Social expenditures	<p>Inadequate progress</p> <p>Where material social expenditures by companies are mandated by law or the contract with the government that governs the extractive investment, Kyrgyz Republic must disclose and, where possible, reconcile these transactions. The Supervisory Board should establish the existence and materiality of mandatory and discretionary social expenditures and ensure that any material expenditures are disclosed in accordance with requirement 6.1.</p>	<p>Applicability to be confirmed by second Validation</p> <p>If the requirement is found to be applicable, then online disclosures are not compliant with EITI Standard.</p> <p>Social expenditures are required by the draft Law on Subsoil Use in the case of deposits of national importance. The list of deposits were approved by the Government of KR in 2013⁷⁶.</p> <p>Social packages, determine social contributions from companies to local government agencies. The law requires publication of reports on these alongside annual accounts, including stages and deadlines for implementation, results and costs during the previous year. The reports should be published on the website of the respective government agency within 10 days of receipt. However, local government units publish through non-online media and we have therefore have not been able to determine the size nor nature of these contributions.</p>
6.2 Quasi fiscal expenditures	<p>No progress</p> <p>Kyrgyz Republic must include disclosures from SOE(s) on their quasi-fiscal expenditures. The Supervisory Board is required to establish the materiality of any quasi-fiscal expenditures and develop a reporting process with a view to achieving a level of transparency commensurate with other payments and revenue streams, and should include SOE subsidiaries and joint ventures.</p>	<p>Applicability to be confirmed by second Validation</p> <p>If the requirement is found to be applicable, then online disclosures are not compliant with EITI Standard.</p> <p>We could not identify any disclosures of quasi fiscal expenditures performed by SOEs or Development Funds in the Kyrgyz Republic. Development Funds do perform expenditures, but these seem to be recorded on local government budgets as reported through the Open Budget portal⁷⁷.</p> <p>However, from the 2016 Annual accounts of Centerra Gold (see #2.6 above), Kyrgyzaltyn seems to have performed some extra-budgetary transactions with Centerra Gold. It is also clear that most companies, including SOEs, have ‘social package’ agreements with local authorities, which may be of a quasi-fiscal nature when performed by SOEs.</p>

⁷⁵ <http://cbd.minjust.gov.kg/act/view/ru-ru/111338?cl=ru-ru>

⁷⁶ Law on the state of affairs in the mining industry and prospects for development: <http://cbd.minjust.gov.kg/act/view/ru-ru/94491>

⁷⁷ https://budget.okmot.kg/en/exp_vedsmea/podved.html?code=24

Annex B: Detailed recommendations list and timeline

Phase 1: Interim solution: mainstream contextual information and reduce scope of EITI Reporting (6-10 months)

1. **Review and revise the scope of reconciliation** to reduce the number of companies and revenue streams⁷⁸

- 1.1. The Supervisory Board is recommended to define the materiality of companies by the relative size of contribution to government revenues: scope of reconciliation to cover 85% of total government revenues from extractive sector.
- 1.2. The Supervisory Board is recommended to define the materiality of revenue streams to be defined by the relative size in relation to government revenues: scope of reconciliation to cover 85% of government revenues from extractive sector. In addition, it is recommended to prioritise revenue streams that are specific to the extractive sector, over indirect taxes such as individual income tax and value-added taxes.

Timeline: 2-3 weeks

Responsible agency: Supervisory Board

2. **Publish short reconciliation reports** for 2015, 2016 and 2017

- 2.1. The Supervisory Board is recommended to agree to the publication of short reconciliation reports for fiscal years 2015 and 2016 by 8 September 2018. It is also recommended to produce a report for fiscal year 2017 by the end of 2018. The reports should only cover the scope as defined in Recommendation #1, and be limited to focusing on revenue reconciliation; covering all applicable financial requirements of the EITI Standard⁷⁹. The reports should be prepared by an Independent Administrator and follow the relevant procedures as per Requirement 4.9.

Timeline: 6 to 10 months

Responsible agency: Supervisory Board

3. **Make contextual data available online.** Include the following data and/or links to the website/portal of the State Committee on Industry, Energy and Subsoil Use:

License allocations (2.2)

- 3.1. Include historical data⁸⁰ on auctions completed prior to December 2017 on website⁸¹:
- 3.2. Include decisions and decrees that cover the results of direct negotiation of licenses.

Timeline: 1 month

Responsible agency: State Committee on Industry, Energy and Subsoil Use

⁷⁸ For details highlighting the suggested materiality thresholds and revenue streams to cover, please refer to the tables included in Annex C.

⁷⁹ Financial requirements of the EITI Standard are Requirements 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 5.2, 6.1, and 6.2

⁸⁰ Data covering period prior to December 2017

⁸¹ <http://www.gkopen.kg/index.php/info>

License registry (2.3)

- 3.3.** Complete uploading all details of licenses to the license registry⁸². Several licenses are missing date of issue and date of expiry.

Timeline: 3 months

Responsible agency: State Committee on Industry, Energy and Subsoil Use

Contract disclosure (2.4)

- 3.4.** Document the government's policy on disclosure of license agreements, with reference to the (draft) Law on Subsoil Use, on <http://gkpen.kg/>, and include references to publicly available license agreements (such as the Kumtor agreement⁸³).

Timeline: 3 months

Responsible agency: State Committee on Industry, Energy and Subsoil Use

State participation (2.6)

- 3.5.** Monitor the development of the State Property Management Fund's new portal⁸⁴; ensure it conforms with EITI Requirement 2.6 on State Participation, by ensuring that the portal includes:

3.5.1. An explanation and documentation of the prevailing rules and practices regarding the financial relationship between the Government of Kyrgyz Republic (GoKR) and state-owned enterprises (SOEs): the rules and practices governing transfers of funds, percentage of retained earnings (profits less dividends) and reinvestments, and information on any non-governmental loans and loan guarantees.

3.5.2. Data on state ownership (percent) and documents any changes in ownership for all SOEs in the extractive sector. This should also include the ownership percentages of SOEs in other companies.

Timeline: 5.5 months

Responsible agency: Supervisory Board

- 3.6.** Include a reference to the portal of the State Property Management Fund on <http://gkpen.kg/>.

Timeline: 5.5 months

Responsible agency: State Committee on Industry, Energy and Subsoil Use

Exploration (3.1)

- 3.7.** Clarify how regular information is updated on extractive sector activities on SCIESU's interactive map, and update the information if found to be untimely.

Timeline: 2 months

Responsible agency: State Committee on Industry, Energy and Subsoil Use

⁸² <http://www.gkpen.on.kg/Licenses/Licenses/LicensesList?isLicense=True>

⁸³ <http://cbd.minjust.gov.kg/act/view/ru-ru/202520?cl=ru-ru>

⁸⁴ Pilot site: <http://finance.page.kg/>, to be launched on 1 July 2018

Production (3.2)

- 3.8.** Disclose missing production volumes and values on <http://gkpen.kg/>, for the commodities: Antimony, gold, silver, copper, ferrum, mercury, fluorite, tin, tungsten, bismuth, plumbum, zinc, sitibium, arsenic, molybdenum and rare earths⁸⁵.

Timeline: 3 months

Responsible agency: State Committee on Industry, Energy and Subsoil Use

Exports (3.3)

- 3.9.** Ensure the National Statistics Committee (NSC) discloses export volumes and values on their website⁸⁶ as per their annual reporting to UN's COMSTATS⁸⁷. The Supervisory Board and State Committee on Industry, Energy and Subsoil Use are therefore recommended to reach out to the NSC to address the following:

3.9.1. Send a request to the National Statistics Committee for this information to be published on the NSC's website

3.9.2. Include reference to export data of the NCS on <http://gkpen.kg/>. In the interim, the SCEISU should include references to UN's COMSTATS webpages.

Timeline: 2 months

Responsible agency: Supervisory Board, National Statistics Committee and State Committee on Industry, Energy and Subsoil Use

Subnational transfers (5.2)

- 3.10.** Assess the nature and materiality of the following transfers:

3.10.1. the state budget's allocations of extractive-specific revenues to regional and local budgets, and;

3.10.2. mandatory transfers to local and regional development funds.

If any of these are found to be material, i.e. equivalent to or higher than lowest revenue stream value within the scope of reconciliation reports, the EITI Report should reconcile these transfers.

Timeline: 3 months

Responsible agency: Supervisory Board and Ministry of Finance

Contribution to the economy (6.3)

- 3.11.** Disclose total government revenues received by extractive sector on <http://gkpen.kg/>, based on submissions of revenue data to SCIESU by other government agencies.

Timeline: 1 month

Responsible: State Committee on Industry, Energy and Subsoil Use

4. Address corrective actions from Validation: demonstrate non-applicability or immateriality of

4.1. Infrastructure and barter arrangements (4.3)

4.2. Transportation revenues (4.4)

⁸⁵ The same commodities as defined by the reserves detailed in Kyrgyz Republic's 2013-2014 EITI Report.

⁸⁶ <http://www.stat.kg/ru/statistics/vneshneekonomicheskaya-devatelnost/>

⁸⁷ <https://comtrade.un.org/data/>

4.3. Transactions related to state-owned enterprises (4.5)**4.4. Sub-national payments (4.6)****4.5. Social expenditures (6.1)****4.6. Quasi-fiscal expenditures (6.2)***Timeline: 3 months**Responsible agency: State Committee on Industry, Energy and Subsoil Use***Phase 2: Adapt existing revenue portals for mainstreaming****5. Enable electronic submission of data to SCIESU, including attestation through e-signatures**

5.1. Enable electronic submission of EITI data and other filings to the State Committee on Industry, Energy and Subsoil Use website. This should include specific reference to attestation by using e-signatures. A proposal for such a project should be shared with:

5.1.1. The Prime Minister's Office for inclusion in the OGP NAP, with specific references to Extractive industry transparency, one of the pillars of the NAP.

Timeline: before mid-April

5.1.2. The Prime Minister's Office for inclusion in the wider government programme 'Taza Koom' with the explicit reference to better coordination of government agencies and government efficiency.

Timeline: 6 months

If 5.1.1 or 5.1.2 are granted, the Supervisory Board needs to review the KEITI Reporting templates and to ensure they contain comprehensive information for company disclosures.

*Timeline: 6 months from project approval**Responsible agency: Supervisory Board and State Committee on Industry, Energy and Subsoil Use*

6. Mainstreaming revenue disclosures: The Supervisory Board should review the following two options, A and B, and make a decision on which option is most suitable for mainstreaming revenue disclosures in the Kyrgyz Republic.

6.1. Revise the SCIESU portal; <http://gkpen.on.kg/>, ensuring SCIESU discloses company payments to the Kyrgyz Republic, commensurate with EITI

Requirements. The Supervisory Board and State Committee on Industry, Energy and Subsoil Use should ensure wider political buy-in of the Government of the Kyrgyz Republic, by proposing changes of the SCIESU portal, <http://gkpen.on.kg/>. These proposed changes should be shared with the Prime Minister's Office for inclusion in the wider government programmes 'Taza Koom'/'Clean society' and for inclusion in the OGP National Action Plan (NAP), which is being developed now. The proposal for inclusion in the National Action Plan should make references to this projects' relevance for both extractive sector transparency and open data – two of four pillars of the NAP. The information which should be included on the SCIESU portal is:

6.1.1. Company-reported taxes and non-tax payments, for companies and revenue streams that are found to be material. The information can be published in excel files or other open data formats, or reference other publicly accessible sources.

6.1.2. Summary table of total revenues of the Kyrgyz Republic from extractive sector revenues, broken down by revenue streams.

6.1.3. Summary tables of total revenues of the Kyrgyz Republic from extractive sector revenues, broken down by companies.

6.1.4. Company filings for material companies should include references to audited financial reports⁸⁸ for the fiscal year in question.

6.1.5. Government reported revenues must refer to approved audit reports of the Accounting Chamber⁸⁹.

Timeline: before mid-April

Responsible agency: Supervisory Board and SCIESU

6.2. If the proposal under recommendation 6.2 is granted, the Supervisory Board and State Committee on Industry, Energy and Subsoil Use should work to ensure the proposed changes are made to the portal. The Supervisory Board should ensure the disclosures are comprehensive and according to EITI Requirements.

Timeline: 18 months from project approval

Responsible agency: Supervisory Board and SCIESU

6.3. Revise Open Budget portal, to ensure comprehensive government disclosures of revenues, adhering to EITI Requirements.

The Supervisory Board and CSO constituency should ensure wider political buy-in by proposing a revision of the Open Budget portal. A proposal for changes should be shared with the Prime Minister's Office, for inclusion in the government-wide programmes 'Taza Koom'/'Clean society' and for inclusion in the OGP National Action Plan (NAP), which is being developed now. The proposal for inclusion in the National Action Plan should make references to this projects' relevance for both extractive sector transparency and open data – two of four pillars of the NAP. The specific changes that should be requested are:

6.3.1. Including of the national budget classification for revenues entering the treasury accounts, especially for transactions presented per company.

6.3.2. Include a filter to separate government revenues from the extractive sector from general government revenues.

6.3.3. Enabling downloads in an open data format (e.g. excel).

6.3.4. Ensuring revenue data is available per receiving government agency, as per EITI Requirement 4.7 on level of disaggregation.

6.3.5. Government reported revenues must refer to approved audit reports of the Accounting Chamber⁹⁰.

Timeline: before mid-April

Responsible agency: Supervisory Board and CSO constituency of the Supervisory Board

6.4. If the proposal under recommendation 6.1. is granted, the Supervisory Board and State Committee on Industry, Energy and Subsoil Use should work with Infosistema, the Ministry of Finance, and the State Committee on Information Technology and Communications, to ensure the proposed changes are made to the portal. The Supervisory Board should ensure the disclosures are comprehensive and according to EITI Requirements.

Timeline: 18 months from project approval

Responsible agency: Infosistema, Ministry of Finance, State Committee on Industry, Energy and Subsoil Use, State Committee on Information Technology and Communications, and the Supervisory Board

⁸⁸ NOTE: Audited financial statements are only required for material companies, as defined by the materiality thresholds set by the Supervisory Board.

⁸⁹ Audits of the Accounting Chamber of the Kyrgyz Republic are available at <http://esep.kg/>

⁹⁰ Audits of the Accounting Chamber of the Kyrgyz Republic are available at <http://esep.kg/>

Annex C: Tables of materiality thresholds

Table C.1: Change in materiality thresholds: Material revenue streams based on 85% coverage, data from 2011-2014

Revenue stream	Total government revenues (2011-2014)			
	KGS	%	Running total %*	
Continue reconciliation	Gross income tax	18 831 650 800.00	47 %	47 %
	State social insurance contributions	6 788 920 000.00	17 %	64 %
	Dividends accrued on state- owned shares	1 719 159 500.00	4 %	68 %
	Payments established by agreements with the government	1 533 765 737.09	4 %	72 %
	Support for social infrastructure	1 388 766 370.00	3 %	75 %
	Bonus	1 253 076 000.00	3 %	78 %
	Sales tax	938 497 060.00	2 %	81 %
	Income tax, revenue tax for gold mining companies	864 055 276.00	2 %	83 %
	Royalty	735 468 320.00	2 %	85 %
	Tax on income of foreign companies	415 612 600.00	1 %	86 %
Only to report unilaterally by government	<i>Individual income tax</i>	<i>1 797 580 296.00</i>	<i>4 %</i>	<i>90 %</i>
	<i>VAT on internal products</i>	<i>1 585 090 720.00</i>	<i>4 %</i>	<i>94 %</i>
	<i>VAT on imported products</i>	<i>895 782 073.85</i>	<i>2 %</i>	<i>96 %</i>
	<i>Customs fees</i>	<i>259 099 100.00</i>	<i>1 %</i>	<i>97 %</i>
	<i>Withholding tax</i>	<i>197 712 000.00</i>	<i>0 %</i>	<i>98 %</i>
	<i>Other taxes and charges</i>	<i>170 276 400.00</i>	<i>0 %</i>	<i>98 %</i>
	<i>Customs duties</i>	<i>154 401 720.46</i>	<i>0 %</i>	<i>98 %</i>
	<i>Reclamation fund charges</i>	<i>118 401 000.00</i>	<i>0 %</i>	<i>99 %</i>
	<i>Payment for environmental pollution and damages</i>	<i>99 605 215.34</i>	<i>0 %</i>	<i>99 %</i>
	<i>Land tax</i>	<i>90 854 060.00</i>	<i>0 %</i>	<i>99 %</i>
	<i>Charge for development and maintenance of local infrastructure</i>	<i>76 960 440.00</i>	<i>0 %</i>	<i>99 %</i>
	<i>Property tax</i>	<i>61 364 610.00</i>	<i>0 %</i>	<i>100 %</i>
	<i>Payment for retention of mining license</i>	<i>59 999 457.36</i>	<i>0 %</i>	<i>100 %</i>
	<i>Excise tax on internal products</i>	<i>47 702 000.00</i>	<i>0 %</i>	<i>100 %</i>
	<i>Lease of land owned by the government</i>	<i>42 007 051.00</i>	<i>0 %</i>	<i>100 %</i>
	<i>Reimbursement of agricultural production losses</i>	<i>24 584 530.73</i>	<i>0 %</i>	<i>100 %</i>
	<i>Opportunity cost of provided land plots</i>	<i>8 050 940.00</i>	<i>0 %</i>	<i>100 %</i>
	<i>Support for education</i>	<i>7 458 000.00</i>	<i>0 %</i>	<i>100 %</i>
	<i>Fee for the issuance of certificates and other permits</i>	<i>4 375 000.00</i>	<i>0 %</i>	<i>100 %</i>
	<i>Reimbursement of forest production losses</i>	<i>3 761 374.00</i>	<i>0 %</i>	<i>100 %</i>
<i>Excise tax on imported products</i>	<i>729 500.00</i>	<i>0 %</i>	<i>100 %</i>	
<i>Fee for the issuance of license</i>	<i>166 100.00</i>	<i>0 %</i>	<i>100 %</i>	
<i>Payments for state-shares, purchased by the company from the state</i>	-	<i>0 %</i>	<i>100 %</i>	
<i>Payment for concession</i>	-	<i>0 %</i>	<i>100 %</i>	
TOTAL	40 174 933 251.83	100 %		

* Totals may not summarise precisely due to rounding of numbers

Table C.2: Change in materiality thresholds: Material companies based on 85% coverage, data from 2014

Companies	2014		
	KGS	%	Running total %*
Altynken LLC (00504200610034)	330 529 744.00	3 %	3 %
Kumtor Gold Company CJSC (01602199310040)	6 439 981 300.00	66 %	70 %
Kyrgyzaltyn OJSC (02403199310039)	337 611 300.00	3 %	73 %
Kyrgyzneftegaz OJSC (00101199610251)	559 671 838.06	6 %	79 %
South Kyrgyz Cement CJSC (02306200510026)	521 457 500.00	5 %	85 %
<i>All other companies</i>	<i>1 549 738 976.77</i>	<i>16 %</i>	<i>100 %</i>
TOTAL	9 738 990 658.83	100 %	

* Totals may not summarise precisely due to rounding of numbers