

Kyrgyz Republic's EITI Bulletin

(translated from source: <http://www.minfin.kg/publications/IPPDDO.htm>)

The Government of the Kyrgyz Republic hereby publishes its first report on the financial benefit streams received from the mining sector companies of the Kyrgyz Republic. The report is being published under the implementation requirements of the Extractive Industries Transparency Initiative (EITI).

The Extractive Industries Transparency Initiative was launched by the UK Prime-Minister Tony Blair at the World Summit on Sustainable Development in Johannesburg in September 2002, and its main goal is to improve transparency of payments made by mining companies to governments. The Initiative has also been endorsed by the World Bank, EBRD, and it is being implemented by a number of developing countries.

Given the agenda of the good governance policy in the Kyrgyz Republic, disclosure of information on the extractive industries, and improving transparency of financial benefit streams generated by those industries is of great importance, and the Kyrgyz Republic has endorsed and supported this Initiative.

EITI Implementation Committee and Advisory Council have been established, comprising heads of key government agencies, Parliament, international financial institutions and donor organizations, including the World Bank, IMF, DFID, Soros Foundation Kyrgyzstan, local representatives of civil society, scientific institutions as well as top management of Kumtor Operating Company, JSC Kyrgyzaltyn and other mining companies.

The Initiative is aimed at improving management of natural resources and their more effective utilization, creating competitive legal and tax conditions for the attraction and retention of private capital investment, increasing the value added of the sector in terms of favorable tax administration, creating jobs and related industries, all of which will contribute to sustainable economic growth and reduction of poverty.

Under the EITI implementation process, the Government along with mining companies and civil society organizations will publish regular reports on payments and revenues from the mining companies, on a 6-monthly basis.

Introduction of mandatory reporting on transparency of financial benefit streams from the mining companies will be done in two stages. At the moment, reporting indicators (standard reporting templates) have been approved, in accordance with Government Resolution #710, of September 23, 2004. Those indicators will disclose financial benefit streams from the mining companies. A preliminary list of companies required to report at the first stage and subsequent stages has been determined, and this list can be revised and updated in accordance with lessons learned during the first stage of EITI Implementation.

Currently, the mining sector is one of the priority areas in the industrial sector of the country, and is responsible for over 40% of the industrial sector output, and for over 7% of GDP.

Mining sector companies, in accordance with the legislation of the Kyrgyz Republic, make all kinds of tax payments, including the mineral resource tax, concession payments, contributions to the Social Fund, environmental rehabilitation payments, and infrastructure support payments for areas where those companies are located. From all of the tax payments, the most significant one includes the mineral resource tax (attachment 1).

During the current year, restructuring of the Kumtor project has been conducted by exchanging common shares of the Kumtor Gold Company owned by JSC Kyrgyzaltyn and Cameco Corporation for the shares of a newly created international gold mining company Centerra Gold Inc.

As a result of this restructuring and the sell-down of the Centerra Gold Inc. shares owned by the Kyrgyz side at the Toronto Stock Exchange, 106.5 million Canadian dollars were transferred to the Kyrgyz Government account on September 27, 2004 (attachment 2).

Funds received from the sale of Centerra shares will be directed to fund priority areas of the medium-term National Poverty Reduction Strategy.

According to the EITI Implementation action plan, the first report is being published at the website of the Ministry of Finance and the Revenue Committee of the Ministry of Finance, and will also be published in the Financial and Economic Bulletin of the Ministry of Finance. In the future, publication of the report will be done by the National Statistics Committee in the form of statistical bulletins, and information will also be posted at the official Government websites.

Attachment 1 to the EITI Report of the Government

Financial benefit streams from Kyrgyz Mining Sector companies for the 1st half of 2004

No	Indicator	Unit of measurement	First half of 2004 (*) (January 1 - June 30)
1	2	3	4
I.	Budget revenue according to minimum reporting requirements under implementation of the EITI		
1	Profit tax	In thousands of soms	10,871.60
2	Property tax	In thousands of soms	
3	Customs duty	In thousands of soms	1,136.40
4	Mineral resource tax	In thousands of soms	230,635.70
5	Concession	In thousands of soms	65,853.50
6	Royalties	In thousands of soms	14,761.50
7	Dividends on state shares	In thousands of soms	-
8	License/permit fees	In thousands of soms	3,862.00
9	Rent and lease	In thousands of soms	-
10	Proceeds from sale of equity shares and assets	In thousands of soms	3535907.86*
11	Repayment of budget loans and interest on budget loans	In thousands of soms	-
12	Contributions to the Social Fund	In thousands of soms	116,790.30
II.	Indicators characterizing other sources of budget revenue		
13	Income tax	In thousands of soms	81,060.30
14	Non-resident income tax	In thousands of soms	22,409.80
15	Value added tax (VAT)	In thousands of soms	11,934.10
16	Road tax	In thousands of soms	57,606.00
17	Land tax	In thousands of soms	3,859.40
18	Other local taxes	In thousands of soms	1,071.40
19	Excise tax	In thousands of soms	5,091.00
20	Emergency tax	In thousands of soms	61,786.80
III.	Other significant payments		
21	Contributions for environmental rehabilitation	In thousands of soms	7,401.00
22	Education support	In thousands of soms	-
23	Infrastructure and other support	In thousands of soms	8,299.00

(*) After the audit of the report is conducted by the Chamber of Accounts in November 2004, the amounts of benefit streams might be revised, and will be taken into account further, during preparation of the report for the 2nd half of 2004.

(**) Proceeds from the sale of shares of Centerra Gold Inc., owned by the Kyrgyz side and sold at the Toronto stock exchange on June 30, 2004, were recalculated based on the CAD/Kyrgyz Som exchange rate on the date of transfer to the account of the Kyrgyz Government, on September 27, 2004 (CAD106,552,031.78 times Som 33.1848/CAD = Som 3,535,907,864.21)

Attachment 2 to the Government EITI Report

"Financial benefit streams received by Kyrgyzaltyn and the government budget from the restructuring of the Kumtor project and the sale of Centerra shares at the stock market on June 30, 2004"

#	Indicator	Measurement Unit	1st half of 2004 (January 1 - June 30)
1	Total proceeds from the sale of Centerra Gold Inc. shares owned by the Kyrgyz side at the stock exchange on June 30, 2004 (date of listing is June 30, 2004)	CAD	116,250,000.00
2	of which: Payment made for the services of legal and financial advisors and underwriters	CAD	9,432,528.73
3	Net proceeds from the sale of shares available to Kyrgyzaltyn	CAD	106,817,471.27
4	Cost of hiring an audit firm for the one-time risk assessment and control audit of JSC Kyrgyzaltyn	CAD	773 832.92 (reserved)*
5	JSC Kyrgyzaltyn's direct costs related to Kumtor restructuring	CAD	51,120.00
6	Total net IPO sale proceeds to Kyrgyzaltyn, excluding accrued interest	CAD	105 992 518.35
7	Interest accrued as of September 27, 2004	CAD	559,513.43
8	Total amount transferred to the account of Kyrgyz Government in the National Bank of KR, from the sale of Centerra Gold Inc. shares owned by the Kyrgyz side, including accrued interest	CAD	106 552 031.78*

(*) Amounts of funds will be clarified after verification between the Ministry of Finance of the Kyrgyz Republic and JSC Kyrgyzaltyn, according to Government Resolutions #421-r of July 5, 2004 and #610-r of September 23, 2004.