

# **Validation of the Kyrgyz Republic:**

**Final assessment of progress in  
implementing the EITI Standard**

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## Acronyms

BO	Beneficial ownership
BODS	Beneficial ownership data standard
CJSC	Closed joint stock company
CSO	Civil society organisation
GDP	Gross domestic product
IA	Independent Administrator
IMF	International Monetary Fund
KGS	Kyrgyz Som
KR	Kyrgyz Republic
MNRETS	Ministry of Natural Resources, Ecology and Technical Supervision
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MSG	Multi-stakeholder group
OGP	Open Government Partnership
OJSC	Open joint stock company
OO	OpenOwnership
PEFA	Public expenditure and financial accountability
PEP	Politically exposed person
SAGSU	State Agency for Geology and Subsoil Use
SB	Supervisory Board (local MSG)
SCIESU	State Committee for Energy and Subsoil Use
SE	State enterprise
SOE	State-owned enterprise
ToRs	Terms of reference
USD	United States dollar

## Executive summary

This Validation report presents the findings of the International Secretariat's Validation of the Kyrgyz Republic, which commenced on 1 April 2023. The draft report was finalised for review by the Supervisory Board (SB – local MSG) on 20 October 2023. Following comments from the SB on 17 November 2023, the Validation report was finalised for consideration by the EITI Board. The assessment suggests that the Kyrgyz Republic has fully met three EITI Requirements, mostly met 19 and partly met seven requirements, with three requirements assessed as not applicable.

### Key achievements

- Despite a number of challenges, including the COVID-19 pandemic and frequent institutional changes, the Kyrgyz Republic remained committed to EITI implementation throughout the period since the [previous Validation](#) concluded in 2020. Consulted stakeholders from all constituencies expressed their support to the EITI process and noted the importance of the initiative for strengthening transparency and accountability of the extractive sector in the Kyrgyz Republic.
- The Kyrgyz Republic maintained a considerable level of systematic disclosures of extractive sector data. A review of available disclosures and stakeholder consultations identified some backsliding due to the recent restructuring of government agencies and the need to transfer information to the new portals. At the same time, some improvements, such as development of a portal disclosing planned and executed payments to regional development funds, were noted.
- In recent years, the Kyrgyz Republic conducted activities related to areas of public interest. This, for example, included preparation of a gender study and civil society's advocacy activities related to reviewing existing gender policies and practices.

### Areas for development

- Available documentation and stakeholder consultations indicated opportunities for further work on discussing and identifying core areas for EITI implementation linked to the national priorities and based on available resources. Considering the slowdown of EITI implementation since the previous Validation and the ongoing reinvigoration of the EITI process in the Kyrgyz Republic, there are opportunities for reviewing the work plan objectives and ensuring that mechanisms for following-up on recommendations are established and implemented in practice.
- While a number of challenges related to, for instance, the impact of the COVID-19 pandemic, adversely affected the EITI implementation in the Kyrgyz Republic, there appears to be a broader weakening of engagement in all constituencies in the EITI process that affects the operational functioning of the Kyrgyz Republic EITI. There are opportunities for the SB to strengthen the financial and operational resilience of the EITI process in the country, including through building on the existing systematic disclosures, diversifying funding sources and prioritising work on the core areas of public interest. In

addition, the SB should consider actions aimed at ensuring that civil society is fully, actively and effectively engaged in the EITI process.

- The Kyrgyz Republic has made limited progress in enhancing data use based on existing systematic disclosures and EITI reporting. Consulted stakeholders also noted the need for further capacity-building efforts on data analysis that could inform and catalyse extractive sector reforms in the country.

## Progress in implementation

EITI Validation assesses countries against three components – “Stakeholder engagement”, “Transparency” and “Outcomes and impact”.

### *Stakeholder engagement*

There has been a weakening of stakeholder engagement since the previous Validation. Though the COVID-19 pandemic had slowed down the ability of stakeholders to meet in person and affected implementation of the work plan, there appear to be broader challenges related to the EITI implementation that pre-dated the pandemic.

The previous Validation of the Kyrgyz Republic highlighted the need to ensure the provision of funding for the EITI process as part of its full, active and effective engagement in the EITI process. Consulted stakeholders flagged the challenges related to safeguarding sufficient funding that consequently affected implementation progress in 2020-2022. At the same time, it was noted that funding was expected to be secured for the upcoming years which would support implementation of postponed activities, in particular on the license register, beneficial ownership transparency and systematic disclosures.

Stakeholder consultations also indicated that the Kyrgyz Republic experienced a lot of structural changes, including reforming of government agencies and establishment of the national secretariat as part of the Ministry of Natural Resources, Ecology and Technical Supervision (MNRETS). It was noted that these transitions affected the operational functionality of the SB and the national secretariat, including capacity building of new stakeholders and the need to prioritise efforts to rejuvenate the EITI process, which limited broader progress on thematic areas.

The industry constituency remained committed to the EITI implementation, however, the engagement appeared to be primarily focused on EITI reporting, with limited evidence of company engagement in implementation of the work plan objectives.

Civil society in the Kyrgyz Republic is primarily represented by the EITI Consortium and is meaningfully engaged in EITI. However, the Validation identified the obstacles related to civil society’s freedom to express views, operate and associate on issues related to the EITI due to the impact of ongoing political and legislative developments in the country.

### *Transparency*

The Kyrgyz Republic has maintained the majority of EITI disclosures and transitioned to flexible reporting. While a lot of information remains to be systematically disclosed through government and company portals, comprehensiveness and data retention have slightly declined. For

example, license data is available, but has not been routinely updated since Q3 2019. Some portals are still undergoing updating due to the restructuring of government agencies and as a consequence, some data points are not publicly accessible. Moreover, capacity challenges related to addressing, in particular, beneficial ownership and contract transparency disclosure plans have been identified. At the same time, some progress has been made in several policy areas, including development of a portal that provides information on subnational transfers.

Consulted stakeholders noted that the COVID-19 pandemic, reorganisation of the relevant government agencies and recent legal amendments applicable to the extractive sector, combined with limited funding opportunities, have affected the efficiency of EITI implementation, including with regard to strengthening systematic disclosures.

#### *Outcomes and impact*

Weakening of stakeholder engagement has adversely affected outreach and dissemination activities, follow-up on EITI recommendations and the SB's annual review of EITI outcomes and impact. While there has been a limited number of outreach activities, there are opportunities for strengthening evidence-based public debate on extractive industry governance through active communication of relevant data to key stakeholders in ways that are accessible and reflect stakeholders' needs. There has been limited progress on the objectives set in the 2020-2021 work plan which reflects the overall slowdown in EITI implementation. A work plan for 2022 has not been prepared, and consulted stakeholders noted that the recent activities focused on the re-establishment of the operational process and EITI reporting. The work plan for 2023-2024 has been developed but is expected to be reviewed when the SB is re-elected. There appears to be an opportunity to strengthen broader discussions on linking the EITI process to the emerging national priorities and review of the priority objectives for implementation. Additionally, the SB should develop a clear mechanism for following-up on EITI recommendations and monitoring their implementation regularly.

## Validation scorecard

Component & module	EITI Requirement	Progress	Score	
<b>Outcomes and impact</b>		<b>Low</b>	<b>49/100</b>	
Extra points	Effectiveness and sustainability indicators		1	
Outcomes and impact	Work plan (#1.5)	Mostly met	60	↓
	Public debate (#7.1)	Partly met	30	↓
	Data accessibility and open data (#7.2)	Mostly met	60	-
	Recommendations from EITI (#7.3)	Partly met	30	↓
	Outcomes & impact (#7.4)	Mostly met	60	↓
<b>Stakeholder engagement</b>		<b>Fairly low</b>	<b>67.5/100</b>	
Multi-stakeholder oversight	Government engagement (#1.1)	Mostly met	60	=
	Industry engagement (#1.2)	Fully met	90	=
	Civil society engagement (#1.3)	Mostly met	60	↓
	MSG governance (#1.4)	Mostly met	60	↓
<b>Transparency</b>		<b>Fairly low</b>	<b>55.5/100</b>	
Overview of the extractive industries	Exploration data (#3.1)	Mostly met	60	↓
	Economic contribution (#6.3)	Mostly met	60	↓
Legal and fiscal framework	Legal framework (#2.1)	Fully met	90	=
	Contracts (#2.4)	Partly met	30	-
	Environmental impact (#6.4)	Not assessed	-	-
Licenses	Contract and license allocations (#2.2)	Mostly met	60	=
	License register (#2.3)	Mostly met	60	=
Ownership	Beneficial ownership (#2.5)	Partly met	30	-
State participation	State participation (#2.6)	Partly met	30	↓
	In-kind revenues (#4.2)	Not applicable	-	-
	SOE transactions (#4.5)	Partly met	30	↓
	SOE quasi-fiscal expenditures (#6.2)	Partly met	30	↓
Production and exports	Production data (#3.2)	Mostly met	60	=
	Export data (#3.3)	Mostly met	60	↓
Revenue collection	Comprehensiveness (#4.1)	Mostly met	60	=
	Barter agreements (#4.3)	Not applicable	-	-
	Transportation revenues (#4.4)	Not applicable	-	-
	Disaggregation (#4.7)	Mostly met	60	-
	Data timeliness (#4.8)	Mostly met	60	↓
	Data quality (#4.9)	Mostly met	60	↓
Revenue management	Distribution of revenues (#5.1)	Fully met	90	=
	Revenue management & expenditures (#5.3)	Not assessed	-	-
Subnational contributions	Direct subnational payments (#4.6)	Mostly met	60	=
	Subnational transfers (#5.2)	Mostly met	60	=
	Social and environmental expenditures (#6.1)	Mostly met	60	↓
<b>Overall score</b>		<b>Fairly low</b>	<b>57.5/100</b>	

## How EITI Validation scores work

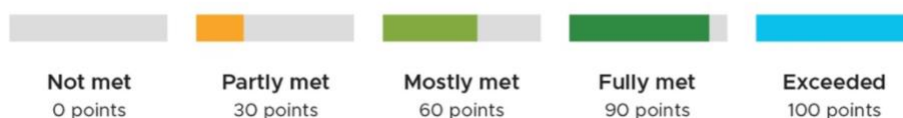
### Component and overall score

The three components of EITI Validation – “Transparency”, “Stakeholder engagement” and “Outcomes and impact” – each receive a score out of 100. The overall score represents an average of the component scores.



### Assessment of EITI Requirements

Validation assesses the extent to which each EITI Requirement is met, using five categories. The component score is an average of the points awarded for each requirement that falls within the component.



- **Exceeded** (100 points): All aspects of the requirement, including “expected”, “encouraged” and “recommended” aspects, have been implemented and the broader objective of the requirement has been fulfilled through systematic disclosures in government and company systems.
- **Fully met** (90 points): The broader objective of the requirement has been fulfilled, and all required aspects of the requirement have been addressed.
- **Mostly met** (60 points): Significant aspects of the requirement have been implemented, and the broader objective of the requirement is mostly fulfilled.
- **Partly met** (30 points): Significant aspects of the requirement have not been implemented, and the broader objective of the requirement is not fulfilled.
- **Not met** (0 points): All or nearly all aspects of the requirement remain outstanding, and the broader objective of the requirement is far from fulfilled.
- **Not assessed**: Disclosures are encouraged, but not required and thus not considered in the score.
- **Not applicable**: The MSG has demonstrated that the requirement doesn’t apply.

Where the evidence does not clearly suggest a certain assessment, stakeholder views on the issue diverge, or the multi-stakeholder group disagrees with the Secretariat’s assessment, the situation is described in the assessment.



## 1. Effectiveness and sustainability indicators

The country is awarded 0, 0.5 or 1 point for each of the five indicators. The points are added to the component score on Outcomes and impact.

### 1.1 National relevance of EITI implementation

This indicator considers the extent to which EITI implementation in the Kyrgyz Republic addresses nationally relevant extractive sector challenges and risks.

The Outcomes and impact template notes that the EITI serves as a tool for requesting relevant extractive sector data and supports advocacy efforts, for example, related to changing legislation or enacting a new law in the extractive. The template, other available documentation and stakeholder consultations did not provide any specific evidence or examples of efforts related to this effectiveness and sustainability indicator. The work plans appear to reflect some relevant topics, like beneficial ownership and mainstreaming, however, limited progress has been achieved in these areas, with some activities being postponed. Considering the number of emerging issues in the extractive sector that are of national relevance in recent years, including the nationalisation of Kumtor Gold Mine and changes to the license award process for precious metals, there could be further scope for EITI implementation to contribute to reflecting and addressing these issues.

The Secretariat proposes that zero additional points be added to the score on Outcomes and impact for this indicator.

### 1.2 Systematic disclosures of extractive industry data

This indicator considers the extent to which data on applicable requirements of the EITI Standard are routinely disclosed by relevant government agencies and companies.

Systematic disclosure of extractive sector data has been one of the priority areas for the KR EITI which is reflected in its [work plans](#). The Transparency template and the Gap Analysis Report<sup>1</sup> show that the Kyrgyz Republic maintains a number of government portals that routinely disclose extractive sector information. For example, one of the main sources of financial data is the [Open budget portal](#) hosted by the Ministry of Finance (MoF) which appears to be regularly maintained and updated with additional sections, such as [data on transfers related to regional development funds](#). At the same time, the portal does not fully meet the EITI disaggregation requirements. Based on stakeholder consultations, this example reflects broader systematic disclosure efforts by the country where some data are routinely published but might require further sanitisation, disaggregation and strengthening of data retention. Consulted stakeholders noted their commitment to the digitisation agenda, however, stressed the need for further progress in this

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<sup>1</sup> The Gap Analysis Report was prepared in 2022 and provides an assessment of the Kyrgyz Republic's readiness to mainstream EITI implementation through analysis of gaps and barriers to the routine online disclosure of extractive sector data and information.

area to meet the demand for comprehensive public information. This is also reflected in the Outcomes and impact template.

The Secretariat proposes that 0.5 additional points be added to the score on Outcomes and impact for this indicator.

### 1.3 Environment for citizen participation in extractive industry governance

This indicator considers the extent to which there is an enabling environment for citizen participation in extractive sector governance, including participation by affected communities.

Available documentation provides examples of civil society work, in particular on gender, that included trainings and capacity-building activities for a broader group of stakeholders. Activities related to gender are covered under the “1.5 EITI-related changes to extractive industry policy and practice” sub-section.

Stakeholder consultations and the [CSO study](#)<sup>2</sup> refer to [local reception centres](#) (local consultation centres) which serve as consultation hubs for representatives of local communities and civil society. However, such hubs, cater mainly to general comments rather than resolving specific issues. These centres have helped to strengthen communication between local authorities and civil society.

The Secretariat proposes that zero additional points be added to the score on Outcomes and impact for this indicator.

### 1.4 Accessibility and use of extractive industry data

This indicator considers the extent to which extractive sector data is accessible and used for analysis, research and advocacy.

Available documentation and stakeholder consultations provide limited evidence of this effectiveness and sustainability indicator. The Outcomes and impact template notes some challenges related to this indicator, in particular, related to accessibility and timeliness of extractive sector data. In the template, some planned reforms, including expected updates to license allocations and license register, are mentioned. However, stakeholder consultations indicated that these reforms have not been implemented to date.

The Secretariat proposes that zero additional points be added to the score on Outcomes and impact for this indicator.

### 1.5 EITI-related changes to extractive industry policy and practice

This indicator considers the extent to which EITI has informed changes in extractive sector policies and practices.

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<sup>2</sup> The CSO study was prepared in 2023 and explores the current state of civil society participation in natural resource management and the EITI in the Kyrgyz Republic. The study is available on the [PWYP website](#).

The Outcomes and impact template provides an example of how a [recent study](#) on gender in the Kyrgyz extractive sector raised an issue of women not being allowed to hold particular positions in the extractive sector (see [here](#), for example). The template notes that trainings were conducted in person (Issyk-Kul region) and online to strengthen stakeholder capacity on gender issues. In addition, a thematic conference was organised in cooperation with the national secretariat in 2022. Through active advocacy work, supported by PWYP Eurasia, this issue has been communicated with relevant government agencies. According to the Outcomes and impact template and stakeholder consultations, the new Labour Code was expected to be adjusted to ensure no barriers for women in holding particular positions related to the extractive sector, except for limitations for pregnant women or women with new-born kids.

The Secretariat proposes that 0.5 additional points be added to the score on Outcomes and impact for this indicator.

## 2. Outcomes and impact

This component assesses EITI Requirements 7 and 1.5, which relate to progress in addressing national priorities and public debate.

### Progress by requirement and corrective actions

EITI Requirement / past corrective action and assessment	Summary of progress in addressing the EITI Requirement
<p><b>Work plan (Requirement #1.5)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat’s assessment is that Requirement 1.5 is mostly met, which represents backsliding from the previous Validation.</p> <p>The objective of this requirement is to ensure that the annual planning for EITI implementation supports implementation of national priorities for the extractive industries while laying out realistic activities that are the outcome of consultations with the broader government, industry and civil society constituencies. The Secretariat’s assessment, based on available documentation and stakeholder consultations, suggests that this objective has been mostly met given the need for further review of the work plan to ensure that it is up to date, reflects views of broader constituencies, and includes realistic activities based on national priorities and available resources.</p> <p>The <a href="#">KR EITI website</a> provides the 2020-2021 and 2023-2024 work plans. Stakeholders consulted noted that the SB restarted its work on EITI implementation in 2022, therefore the main activities in 2022 were related to the preparation of the 2018-2020 KR EITI Report, institutionalisation and forming plans for the upcoming year. The 2020-2021 and 2023-2024 work plans appear to include similar activities which, based on stakeholder consultations, could be due to limited implementation progress over past</p>

	<p>years. Consulted stakeholders also noted that there were plans to renew the SB and update the 2023-2024 work plan based on consultations with the broader constituencies.</p> <p>Objectives for implementation appear to be linked to the EITI principles and reflect national priorities for the extractive industries in the Kyrgyz Republic. In particular, both the 2020-2021 and 2023-2024 work plans highlight license disclosure, beneficial ownership, disclosure of data relevant for local communities and mainstreaming as key priorities for EITI implementation. Based on available documentation and stakeholder consultations, it remains unclear whether the 2023-2024 work plan was developed as an outcome of consultations with broader constituencies. At the same time, stakeholder consultations indicated that there were other emerging topics of interest, such as state participation, energy transition and environmental management, and that further discussion of priorities and realistic scope of activities could be beneficial. In addition, an analysis of the country's strategic documents such as the "<a href="#">Strategy of sustainable development of industries of the Kyrgyz Republic for 2019-2023</a>" shows that national priorities include such strategic areas as, for example, strengthened focus on the petroleum sector in addition to the gold sector, the need for further work on the ecological aspects of mining, strengthening and diversification of exploration activities, increase of the role of local government agencies in the license allocation process.</p> <p>Activities in the 2020-2021 and 2023-2024 work plans are measurable and time-bound, however, the progress on their implementation is not clearly tracked. The Outcomes and impact template reflects on implementation progress, however, does not seem to comment on further actions, such as review of the scope, strengthening stakeholder capacity or identifying new donors, to ensure implementation of the work plan.</p> <p>The 2020-2021 and 2023-2024 work plans include capacity-building activities for different stakeholder groups and cover plans for strengthening systematic disclosures, in particular, related to disclosure of beneficial owners and PEPs. However, stakeholder consultations indicated that limited progress has been achieved due to the COVID-19 pandemic, funding challenges and restructuring of government agencies. Consulted stakeholders noted the importance of ensuring capacity building of the national secretariat as well as ways to address knowledge sharing in cases of frequent changes of government officials.</p> <p>The work plans do not seem to include any specific activities aimed at addressing any legal or regulatory obstacles and plans for implementing the recommendations from Validation and EITI implementation. At the same time, Validation templates include a brief description of the progress on the corrective actions from the previous Validation.</p> <p>Costings and funding sources, including domestic and external sources of funding and technical assistance, are included in the work plan. Consulted stakeholders flagged challenges related to securing funding since the previous Validation, however, expressed hope for stabilisation of the situation in 2023-2024 due to the ongoing negotiations with the World Bank.</p>
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<p><b>Public debate (Requirement #7.1)</b></p> <p><i>Partly met</i></p>	<p>The International Secretariat’s assessment is that Requirement 7.1 is partly met, which represents backsliding from the previous Validation.</p> <p>The objective of this requirement is to enable evidence-based public debate on extractive industry governance through active communication of relevant data to key stakeholders in ways that are accessible and reflect stakeholders’ needs. Given the limited scope of communication, dissemination and outreach activities since the previous Validations, the Secretariat considers that the objective has not been fulfilled.</p> <p>The Outcomes and impact template provides limited evidence on public debate activities. The template notes comprehensive work related to analytical and awareness-raising activities on gender issues but does not specify if any other communication and dissemination activities were conducted since the previous Validation. Stakeholder consultations indicated funding constraints as one of the most crucial barriers to more active work related to public debate. It appears that the limited scope of public debate is also linked to the factor that local stakeholders have not yet fully appreciated the role of EITI in informing and addressing national issues. Consulted stakeholders also noted that incorporation of the national secretariat into the government agency leading EITI implementation was a complex process and flagged challenges related to the restructuring of relevant agencies and frequent changes of high-level officials which had a negative impact on the continuity of operational activities. For instance, it appears that the focus of EITI activities in 2022 was on re-establishing the EITI implementation in the Kyrgyz Republic and ensuring implementation of the core activities, such as EITI reporting.</p> <p>The draft 2018-2020 KR EITI Report is currently available on the <a href="#">KR EITI website</a>. Consulted stakeholders noted that some of the comments raised during the discussion period have not been addressed yet. The report was published in Russian, with some information available through government and company websites in Kyrgyz and Russian. Stakeholder consultations indicated that further efforts were needed to strengthen dissemination of extractive sector information and rejuvenate public debate on natural resource management. The SB’s comments on the draft Validation report highlight the series of outreach and capacity-building events that covered EITI supported by the World Bank in 2020-2021, which reached five communities for data collection and nine communities for capacity building. The comments also highlight the work by Transparency International to develop a <a href="#">website</a> page that draws on data collected from communities to disclose basic information on the extractive industries, simplifying data from EITI reporting. The SB’s comments argue that the objective has been fulfilled.</p> <p>The Secretariat welcomes these comments highlighting these additional outreach and capacity building events. However, while the assessment notes these additional activities in 2020-2021, it continues to note a slowdown in communications activities in 2022 onwards as the focus was on core EITI implementation activities other than dissemination. The Secretariat’s assessment is that the objective of enabling evidence-based public debate on extractive industry governance through active EITI communication is still far</p>
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	<p>from being achieved. Indeed, there is little evidence that other constituencies like government and industry have matched the communications efforts by CSOs like Transparency International.</p>
<p><b>Data accessibility and open data (Requirement #7.2)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat’s assessment is that Requirement 7.2 is mostly met.</p> <p>The objective of this requirement is to enable the broader use and analysis of information on the extractive industries, through the publication of information in open data and interoperable formats. Available documentations and stakeholder consultations indicate that this objective has been mostly fulfilled due to the publication of summary data in open format in accordance with the KR EITI Open Data Policy, despite limited progress in disclosing extractive sector information in open data format and consequently limited data analysis.</p> <p>The Outcomes and impact template and documentation available on the <a href="#">KR EITI website</a> do not include an open data policy or link to it. However, the SB’s comments on the draft Validation report provide a link to the Open Data Policy published on the KR EITI <a href="#">website</a>, explaining that it was approved in December 2016. The policy defines the terms for release, use and reuse of KR EITI data.</p> <p>The Outcomes and impact template notes that limited to no efforts have been made to improve data accessibility in open data format. At the same time, several consulted stakeholders mentioned overall support to digitisation reforms and some relevant planned activities, including disclosure of license data. In addition, the government has developed an <a href="#">Open Data Concept</a> for 2022-2024 that reemphasized the country’s efforts aimed at strengthening transparency and accountability efforts across different sectors of the Kyrgyz Republic’s economy. The concept is based on the <a href="#">Law “On Electronic Governance”</a> and the <a href="#">National Development Program until 2026</a>.</p> <p>While the Outcomes and impact template does not comment on systematic disclosures (“no information”), some information is routinely disclosed through government websites and appears to be used by various stakeholder groups. Data from the 2018-2020 KR EITI Report has not been published in an open format, except for information included in the Transparency template. Yet Kyrgyz Republic EITI has prepared summary data files for each EITI Report up to and including 2020, which are published on its <a href="#">website</a>. Analysis of accessible information showed that only limited data are currently available in open and machine-readable format. For example, the KR <a href="#">open data portal</a> includes information on licenses until Q3 2019 and production volumes until 2018 and the Statistics Committee <a href="#">discloses</a> production volumes in open data format. According to the <a href="#">OGP’s KR Transitional Results Report 2018-2020</a>, some progress in open data commitment has been achieved, “<i>though the resulting data tools need improvement</i>”.</p> <p>While some relevant financial and contextual information has been disclosed through the Transparency template, summary data files for 2018-2020 were published after the commencement of the Validation. The SB’s comments on the draft Validation report also note the efforts of Transparency International</p>

	<p>to facilitate access to EITI data for communities as well as guidance on how to access EITI data.</p> <p>The Secretariat welcomes these comments, but notes that efforts to promote the use of EITI data continue to be constrained by the lack of publication of all EITI data in open format. Nonetheless, the Secretariat considers that the objective of data accessibility is in the process of being fulfilled.</p>
<p><b>Recommendations from EITI implementation (Requirement #7.3)</b></p> <p><i>Partly met</i></p>	<p>The International Secretariat’s assessment is that Requirement 7.3 is partly met, which represents backsliding from the previous Validation.</p> <p>The objective of this requirement is to ensure that EITI implementation is a continuous learning process that contributes to policymaking, based on the SB regularly considering findings and recommendations from the EITI process and acting on those recommendations it deems are priorities. Available documentation and stakeholder consultations indicated that this objective has not been fulfilled given that while there appear to be some tools and mechanisms for tracking the recommendations, there is no systematic approach to addressing recommendations and there is limited progress on acting on them.</p> <p>The Outcomes and impact template includes a list of corrective actions from the previous Validation and comments on progress in following up on them. For some corrective actions, the template notes “no information”, without further elaboration on the issue or barriers to addressing recommendations. Available documentation, including the 2018-2020 KR EITI Report, does not seem to include progress on recommendations from previous EITI reporting. While there is sporadic evidence of the Supervisory Board’s (SB) review of recommendations from Validations, stakeholder consultations provided no evidence of systematic mechanisms established by the SB for following up on recommendations and discrepancies resulting from EITI implementation. Consulted stakeholders noted that the SB discussed some of the recommendations from the previous Validation and EITI reporting during the SB meetings, for example, related to license allocations and register. However, the COVID-19 pandemic, funding challenges and restructuring of government agencies posed challenges to more efficient progress in following up on recommendations.</p> <p>The SB’s comments on the draft Validation report argue for an upgrade in the assessment of Requirement 7.3 based on the detailed review of gaps in EITI implementation identified in the previous Validation, which was conducted with support from the World Bank. In addition to the four meetings in which the SB representatives participated to discuss gaps in EITI implementation in 2021, the SB comments also argue that it continuously monitored transparency in the Kyrgyz Republic in the period under review in its annual discussions of progress in EITI implementation. However, while the Secretariat acknowledges the importance of the World Bank supported diagnostic of EITI implementation in 2021, it considers that this was a punctual review of issues identified in Validation, rather than a robust mechanism for following up on recommendations from EITI reporting. In addition, while the SB’s discussions of the outcomes and impact of the EITI process in preparing annual progress</p>

	<p>reports are noted, the Secretariat does not consider that this represents a mechanism for consistent follow-up on EITI recommendations that the SB deems priorities. Thus, the Secretariat maintains its view that the objective of EITI implementation being a continuous learning process is not yet fulfilled.</p>
<p><b>Review the outcomes and impact of EITI implementation (Requirement #7.4)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat’s assessment is that Requirement 7.4 is mostly met, which represents backsliding from the previous Validation.</p> <p>The objective of this requirement is to ensure regular public monitoring and evaluation of implementation, including evaluation of whether the EITI is delivering on its objectives, with a view to ensuring the EITI’s own public accountability. Available documentation and stakeholder consultations indicated that this objective has been mostly met considering the sporadic nature of public monitoring and evaluation of EITI implementation, which is partly offset by the publication of three studies that document the MSG’s efforts to strengthen the EITI’s impact on transparency in the extractive industries.</p> <p>Except for the Outcomes and impact template, there is no specific evidence of SB’s annual efforts to review outcomes and impact of EITI implementation on natural resource governance. For example, the KEITI website includes <a href="#">annual progress reports</a> up to 2018 but does not include information on an annual review of the outcomes and impact of EITI implementation for 2019-2022. Consulted stakeholders noted that some aspects of this Requirement had been discussed during the SB meetings, however, the primary focus of EITI implementation since the previous Validation was on rejuvenating and institutionalisation of the EITI process. The SB’s comments on the draft Validation report document three civil society studies that it considers demonstrate its documentation of outcomes and impact in specific aspects of extractive industry transparency.</p> <p>The Outcomes and Impact template includes such aspects as a brief summary of EITI activities and an assessment of progress in meeting corrective actions and work plan objectives. At the same time, it does not include an assessment of progress in meeting EITI Requirements outside the corrective actions and a narrative account of efforts to strengthen the EITI’s impact. While it appears that all SB members had an opportunity to provide input to the Outcomes and impact template, no consultations with a broader group of stakeholders on the EITI process and the impact of the EITI have been conducted.</p> <p>The SB’s comments on the draft Validation report note three studies conducted by Transparency International in the context of the World Bank project, to which SB members are said to have provided input. These three studies covered subsoil use licensing, subnational payments, and state-owned enterprises. The SB’s comments argue that that the topics of these studies demonstrates actions to follow up on corrective actions from the previous Validation and reflect the SB’s reviews of the outcomes of EITI implementation and opportunities to improve transparency. The SB’s description of the way in which these studies demonstrate the SB’s review of EITI outcomes and impacts is welcome. However, it remains unclear whether</p>



	<p>members of the broader government, industry and civil society constituencies were provided the opportunity of having their views reflected in the SB's public documentation of EITI outcomes and impact. Likewise, while the SB's view that the three studies demonstrate the SB's work in reviewing the impact of implementation by progressing on opportunities for transparency, the studies themselves do not appear to include commentary on the EITI's outcomes and impact as such, nor recommendations to strengthen the EITI's impact or strengthening KR-EITI's work planning on the basis of monitoring and evaluation efforts.</p>
<b>New corrective actions and recommendations</b>	
<ul style="list-style-type: none"> <li>• In accordance with Requirement 1.5, the Kyrgyz Republic should maintain a work plan which is fully costed and aligned with the reporting and Validation deadlines as well as national priorities, helping to achieve relevant outcomes and impacts.</li> <li>• In accordance with Requirement 7.1, the Kyrgyz Republic should ensure that EITI disclosures are comprehensible, actively promoted, publicly accessible and contribute to public debate. The SB could consider development of an outreach and dissemination strategy focused on national priorities and stakeholder demand.</li> <li>• In accordance with Requirement 7.2, the Kyrgyz Republic should ensure that EITI disclosures are made publicly accessible, including making the data available in an open data format online.</li> <li>• In accordance with Requirement 7.3, the Kyrgyz Republic is required to take steps to act upon lessons learnt; to identify, investigate and address the causes of any information gaps and discrepancies; and to consider the recommendations resulting from EITI implementation. The SB should establish clear mechanisms for following up on recommendations from EITI reporting and Validation processes, and systematically monitor implementation of such mechanisms.</li> <li>• In accordance with Requirement 7.4, the Kyrgyz Republic is required to review the outcomes and impact of EITI implementation on natural resource governance, including a narrative account of efforts to strengthen the impact of EITI implementation on natural resource governance.</li> </ul>	

### 3. Stakeholder engagement

This component assesses EITI Requirements 1.1 to 1.4, which relate to the participation of constituencies and multi-stakeholder oversight throughout the EITI process.

#### Progress by requirement and corrective actions

EITI Requirement / past corrective action and assessment	Summary of progress in addressing the EITI Requirement
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<p><b>Government engagement (Requirement #1.1)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat’s assessment is that Requirement 1.1 is mostly met, as in the previous Validation.</p> <p>The objective of this requirement is to ensure a full, active and effective government lead for EITI implementation, both in terms of high-level political leadership and operational engagement, as a means of facilitating all aspects of EITI implementation. Available documentation and stakeholder consultations suggest this objective has been mostly met considering political commitment to the EITI process, albeit with remaining challenges at the operational level.</p> <p>Before March 2021, the State Committee for Energy and Subsoil Use (SCIESU) was responsible for EITI implementation in the Kyrgyz Republic, however, it was reorganized into the State Agency for Geology and Subsoil Use (SAGSU) under the Ministry of Energy and Industry. Afterwards, in November 2021, the SAGSU was reorganized for the second time as a Department of Geology and Subsoil Use under the Ministry of Natural Resources, Ecology and Technical Supervision (MNRETS), currently responsible for EITI. The Ministry hosts the EITI national secretariat that currently consists of one staff member, only partially engaged in EITI implementation activities. The Vice Minister of MNRETS is the Supervisory Board (SB – local MSG) Chair and EITI National Coordinator.</p> <p>A broad range of government representatives expressed their commitment to EITI during stakeholder consultations, despite high personnel turnover in the government constituency. Analysis of relevant documentation and stakeholder consultations indicate that the government composition in the SB is outdated due to numerous reshufflings in the government. Consulted stakeholders noted that focal points from relevant government agencies usually attend SB meetings, however, highlighted that frequent changes of senior government officials have negatively affected the continuity of EITI implementation and follow-up on agreed activities.</p> <p>Consulted stakeholders confirmed that the selection of government institutions represented in the SB was comprehensive and addressed different thematic areas relevant for EITI implementation. Stakeholders across all constituencies noted that the government constituency provided sufficient input to key documents, nevertheless, called for more proactive follow-up on EITI recommendations and actions to strengthen the EITI outcomes. Consulted government representatives indicated that EITI data had been used to inform certain decisions and referenced in public presentations.</p> <p>The government funds the national secretariat, including staff salaries and operating expenses, but does not financially support publication of the EITI Reports and other implementation activities. The government’s efforts to secure funding for the EITI were unsuccessful in 2020-2022. The SCIESU (former leading agency) submitted several requests to the Ministry of Finance (MoF) to include EITI reporting in the state budget. However, the requests were rejected due to the budget deficit. Consulted stakeholders noted challenges related to mobilising funding from other sources, including limited presence of development partners in the country.</p>
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	<p>As of June 2023, the national secretariat and the SB were at the stage of finalising negotiations with the World Bank regarding a potential grant, devoted mainly to systematic disclosure activities and publication of the 2021 KR EITI Report. Consulted stakeholders welcomed this funding opportunity and noted that such support would be crucial for rejuvenating EITI activities, including on strengthening systematic disclosures. At the same time, some stakeholders indicated a need for further efforts aimed at ensuring sustainable funding for the EITI process.</p> <p>According to the <a href="#">CSO report</a> on “Civil society participation in natural resource management in the Kyrgyz Republic and EITI” (hereinafter – CSO report) and stakeholder consultations, a decrease in the efficiency of government engagement in EITI implementation in the Kyrgyz Republic was mainly linked to numerous structural changes in the government since the previous Validation as well as high personnel turnover in senior governmental positions. During stakeholder consultations, it was mentioned that newly appointed high-level officials remained consistently supportive of EITI, but lacked institutional memory and specific knowledge about EITI to ensure continuous implementation.</p>
<p><b>Industry engagement (Requirement #1.2)</b></p> <p><i>Fully met</i></p>	<p>The International Secretariat’s assessment is that Requirement 1.2 is fully met, as in the previous Validation.</p> <p>The objective of this requirement is to ensure that extractive companies are fully, actively and effectively engaged in the EITI, both in terms of disclosures and participation in the work of the SB, and that the government ensures an enabling environment for this. Available documentation and stakeholder consultations suggest that this objective has been fully met considering the industry’s commitment to the EITI process and sufficient participation in the core EITI activities. While the industry’s contribution to EITI reporting could be further expanded, it appears that limited company reporting was due to capacity constraints related to consolidation of information rather than company reluctance to provide data.</p> <p>Consulted stakeholders noted that company representatives participated in the SB meetings in 2020-2023. While company reporting is mandated by Article 20(13) of the <a href="#">Law “On Subsoil”</a>, the SB agreed to prepare the 2018-2020 KR EITI Report in a flexible format, with a focus on unilateral government reporting. Consulted stakeholders noted that companies were overall responsive to providing clarifications on EITI data when such information was requested.</p> <p>The industry constituency on the SB is represented by the Mining Association and three companies, namely, CJSC Kumtor Gold Company, SE Kyrgyzkomyr and OJSC Kyrgyzaltyn. Consulted stakeholders confirmed that company representation in the SB covers the main players in the Kyrgyz Republic’s extractive sector; however, some representatives were expected to be re-elected due to personnel changes in respective companies.</p> <p>A company representative noted overall industry commitment to the EITI process and support of the objective to increase transparency of the extractive sector. It was mentioned that the Mining Association supported the</p>

	<p>development and adoption of legislation aimed at strengthening beneficial ownership (BO) transparency. It was also confirmed that the Mining Association did regular outreach to the companies outside the SB and discussed various developments in the extractive sector. The communication within the broader industry constituency was maintained through meetings in the Mining Association as well as via emails. However, it appears that discussions were mostly focused on recent legislative changes in the Kyrgyz Republic, rather than discussion of relevant EITI documents and broader EITI implementation priorities. In 2020-2023, there were only a few EITI-related public events and discussions (see <i>Requirement 7</i>), which also affected participation of different constituencies, including companies, in outreach and dissemination work.</p>
<p><b>Civil society engagement (Requirement #1.3)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat’s assessment is that Requirement 1.3 is mostly met, which represents backsliding from the previous Validation.</p> <p>The objective of this requirement is to ensure that civil society is fully, actively and effectively engaged in the EITI process, and that there is an enabling environment for this. Available documentation and stakeholder consultations suggest that this objective has been mostly met. Validation identified potential negative impact of adopted and planned amendments to the legislation on enabling the civil society environment.</p> <p>There has been a deterioration in international rankings of civic space in the Kyrgyz Republic compared to the period reviewed in the previous Validation. The country’s ranking in indexes compiled by Freedom House, CIVICUS, Reporters without Borders and Human Rights Watch have declined in recent years, due to legal reforms that have constrained civil society and reports of harassment of journalists.</p> <p>Validation consultations did not indicate any cases where a civil society representative or a media organisation had suffered reprisals following coverage of a topic related to the EITI Standard. However, the Secretariat recognises that the recent and planned legislative reforms related to civic freedoms, reports about closure of media outlets, and intimidation and arrest of activists critical of government authority appear to have a deterring effect on civil society, leading members to consider self-censorship and restraint. In the context of legal reforms that have impacted the broader environment for freedom of expression and evidence of government retribution related to critical expression on certain non-extractive issues, the Secretariat considers that there are credible concerns about self-censorship of CSOs substantially engaged in the EITI process in relation to certain topics covered by the EITI process. Thus, the Secretariat considers that there is a breach of the EITI protocol: Participation of civil society related to freedom of expression.</p> <p>There are concerns from civil society about the possible impact of new legislative and regulatory requirements related to CSO registration and reporting on civil society’s ability to operate freely in relation to all aspects of the EITI process in future. However, there is no tangible evidence that these reforms have yet constrained CSOs’ ability to operate in relation to the EITI</p>

	<p>process in the period under review, despite CSO concerns over the potential impact in future.</p> <p>There is no evidence of government constraints on civil society’s ability to associate in relation to the EITI process, and to fully and actively engage in all aspects of EITI implementation. Despite technical and financial capacity constraints, the broader constituency appears to be fully and effectively engaged in the EITI process, from the perspective of association and engagement. There also appear to be adequate mechanisms for civil society to use the EITI process to influence public decision-making on extractive industry governance, noting opportunities for further strengthening of follow-up mechanisms on expressed recommendations or suggestions.</p> <p>According to stakeholder consultations, civil society engagement appears to be also affected by SB operational challenges and limited funding opportunities (see <i>Requirements 1.4, 7.1</i>) which appeared to have an impact on the scope of CSO engagement in different thematic areas and outreach activities.</p> <p>Additional details are provided in Annex A.</p>
<p><b>Multi-stakeholder group (Requirement #1.4)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat’s assessment is that Requirement 1.4 is mostly met, which represents backsliding from the previous Validation.</p> <p>The objective of this requirement is to ensure that there is an independent MSG that can exercise active and meaningful oversight of all aspects of EITI implementation that balances the three main constituencies’ (government, industry and civil society) interests in a consensual manner. Available documentation and stakeholder consultations suggest this objective has been mostly met considering presence of an independent SB, however noting limited mechanisms and engagement to ensure impactful implementation.</p> <p>During the consultations, stakeholders noted that civil society and companies have appointed their representatives without interference. Consulted members of the EITI Consortium confirmed that the invitation to participate in the nomination process was open, transparent and widely advertised. The nomination procedures were not limited to members of the CSO Consortium. The industry constituency is represented by the Mining Association and three companies. The nomination guidelines for <a href="#">civil society organisations</a> and <a href="#">industry representatives</a> are publicly accessible on the websites of Kyrgyz EITI and were followed in practice.</p> <p>The Kyrgyz Republic EITI SB is governed by <a href="#">Regulation 631</a> on Improving the EITI Process issued on 8 December 2010 and the <a href="#">SB’s Memorandum of Understanding (MoU) from 2016</a>. The SB appears to comprise relevant and appropriate actors from each constituency. Currently, the Supervisory Board comprises 16 members, including five from government, five from civil society, four from companies and two from Parliament. At the same time, stakeholder consultations identified that the government constituency in the SB required re-election due to personnel changes in relevant government</p>

	<p>agencies. In addition, the company constituency was expected to be renewed for two companies due to personnel changes.</p> <p>The <a href="#">MoU</a> outlines the roles, responsibilities and rights of the SB and includes requirements for the SB to oversee the EITI reporting process, namely agreeing the Terms of Reference (ToRs) for the Independent Administrator (IA), overseeing the appointment of the IA and approving EITI Reports; as well as approving annual work plans and annual progress reports. Consulted stakeholders noted that the SB does not practice a per diem policy and that the MoU appears to be mostly followed in practice, except regular publishing of annual progress reports (APR) and the need to renew SB representation with regard to government constituency.</p> <p>While no significant concerns related to deviations from the <a href="#">SB's MoU</a> in practice were raised, consulted stakeholders highlighted a significant decrease in the efficiency of the SB since 2020 compared to previous years. For example, it was noted that the SB's composition would be updated in the upcoming months as the current public SB list is outdated due to numerous reshufflings in the government. The EITI National Coordinator left the position of Vice Minister and consequently SB Chair in June 2023.</p> <p>Stakeholders noted that, usually, someone from the designated governmental agency attended SB meetings, although the designated person was sometimes a different person than indicated in the SB list. Due to this reason, it is hard to conclude on the gender balance in SB members, except for the civil society constituency that has a balanced gender representation in the SB. The SB regulations in the Kyrgyz Republic do not contain any provisions on required gender representation.</p> <p>The <a href="#">Kyrgyz Republic EITI website</a> contains two SB meeting minutes since 2020, although another two SB meeting minutes that relate to 2020 were submitted to the Validation team by email. Stakeholders mentioned that recent discussions during SB meetings were primarily focused on EITI reporting. They lamented the lack of regular SB meetings and the lack of time to raise broader issues related to the extractives sector.</p> <p>According to the CSO report and stakeholders consulted, the SB that was re-elected in 2020 significantly decreased in efficiency compared to previous years. The report underlined the main reasons for the decrease in SB activity as COVID-19, political developments and significant changes in the legislative framework for the extractive industries, as well as government restructuring in recent years. Consulted stakeholders noted that the SB had become a rather passive structure, but that it was gradually strengthening its functioning since June 2022.</p>
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#### New corrective actions and recommendations

- In accordance with Requirement 1.1, the government should rejuvenate its full, active and effective engagement in the EITI process, including strengthening its input to the design of the EITI process to align with national priorities and ensuring continuous follow-up on recommendations. The government is required to review its resourcing of EITI to ensure that there is sustainable funding for all aspects of implementation, including for activities,

disclosures and dissemination of EITI-related data, as well as, securing funds for systematic disclosure of the extractive sector data.

- To strengthen implementation of Requirement 1.2, the industry constituency could consider activities aimed at strengthening its engagement in the EITI process, including development of EITI activities linked to the constituency's priorities.
- In accordance with Requirement 1.3, the Government of the Kyrgyz Republic is required to ensure that there are no obstacles to civil society participation in the EITI process. The government must refrain from actions which result in narrowing or restricting expression and debate in relation to EITI implementation. Should civil society actors engaged in the EITI experience threats or intimidation for expressing views about the extractive industries or engaging in other EITI-related activities, the government is expected to undertake measures to protect these actors and their freedom of expression. The government is encouraged to ensure that there are no obstacles to civil society's ability to organise EITI-related activities and to participate effectively in the development of public discussions on policies and regulations pertaining to natural resources governance. The government, in collaboration with the SB, is encouraged to consider practical steps for ensuring that civil society can engage in the EITI freely in all regions of the country. This could involve raising awareness about EITI among representatives of government authorities at national and subnational levels. In regions where civil society is refraining from organising events due to security concerns, the SB should consider stepping up its EITI outreach. The SB is encouraged to monitor developments regarding civil society's ability to sustainably engage in the EITI. The government, in collaboration with the SB, is encouraged to document the measures it undertakes to remove any obstacles to civil society participation in the EITI. The SB should ensure that CSOs are able to table any item for discussion, without fear of reprisal, including those that are deemed to be sensitive topics. In accordance with the EITI protocol: Participation of civil society, civil society members of the SB are encouraged to bring any ad hoc restrictions that could constitute a breach of the protocol to the attention of the SB. The SB is expected to document how it addresses these concerns.
- In accordance with Requirement 1.4, the Kyrgyz Republic should ensure that the SB exercises oversight of all aspects of EITI implementation beyond EITI reporting, including active engagement in the design of the EITI process, outreach and dissemination of EITI findings and follow-up on EITI recommendations to strengthen the governance of the extractive industries. The SB is encouraged to review its Memorandum of Understanding and other governance documents to ensure their alignment with provisions of the EITI Standard, including with regard to gender considerations in the process for nominating SB members. To strengthen implementation, all constituencies are encouraged to formalise their coordination procedures to strengthen the SB's public accountability and to broaden the agenda for SB discussions. The SB should regularly review its composition following the nomination procedures.

## 4. Transparency

This component assesses EITI Requirements 2 to 6, which are the requirements of the EITI Standard related to disclosure.

### Overview of the extractive sector (Requirements 3.1, 6.3)

#### Overview of progress in the module

The Kyrgyz Republic discloses an overview of the country's extractive sector through various government portals, although the data appear to be not fully updated since the restructuring of the leading agencies. The KR 2018-2020 EITI Report and the Transparency template provide information on the contribution of the extractive sector to the economy, but further efforts could be directed to clarifying the methodology and any barriers to full comprehensive disclosures. The stakeholders' efforts to shed light on gender-disaggregated employment data are commendable and provide recommendations for further improvements in this area.

#### Progress by requirement and corrective actions

EITI Requirement / past corrective action and assessment	Summary of progress in addressing the EITI Requirement
<p><b>Exploration (Requirement #3.1)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat's assessment is that Requirement 3.1 is mostly met, which represents backsliding from the previous Validation.</p> <p>The objective of this requirement is to ensure public access to an overview of the extractive sector in the country and its potential, including recent, ongoing and planned significant exploration activities. Available documentation and stakeholder consultations indicated that this objective has been mostly met considering the availability of exploration data, but noting the need for further updates of information.</p> <p>The 2018-2020 KR EITI Report includes a reference to the KR open data portal that provides information on exploration licenses (see <a href="#">here</a> and <a href="#">here</a>) and references the interactive map of extractive commodities (see <a href="#">here</a>). The open data portal covers data up to Q3 2019 and appears to not include more recent information. The interactive map is hosted on the website of the agency that has been reformed (SCIESU) and, according to the Transparency template and stakeholder consultations, is not up to date. The Transparency template includes links to some relevant exploration information available online (for example, <a href="#">here</a> on major gold reserves); however, does not seem to provide a comprehensive overview of extractive industries and all significant exploration activities.</p>
<p><b>Contribution of the extractive sector to the</b></p>	<p>The International Secretariat's assessment is that Requirement 6.3 is mostly met, which represents backsliding from the previous Validation.</p>



<p><b>economy (Requirement #6.3)</b></p> <p><i>Mostly met</i></p>	<p>The objective of this requirement is to ensure a public understanding of the extractive industries' contribution to the national economy and the level of natural resource dependency in the economy. Available documentation and stakeholder consultations indicated that this objective has been mostly met.</p> <p>According to the 2018-2020 KR EITI Report and the Transparency template, the GDP was equal to USD 852m in 2020 which accounted for 11% of the country's GDP. Additionally, information on volumes and values of artisanal gold production is provided. Total exports of the extractive sector were equal to USD 1.2bn in 2020, which contributed to 61% of total exports. According to the EITI Report, government revenues from the extractive sector were equal to approximately USD 340m in 2020, which accounted for 13.2% of total government revenues. At the same time, the Transparency template provides different value estimates for this data point (under 4.1 and 6.3 tabs). Consulted stakeholders noted that the value of the extractive sector revenues was estimated based on the data reported by government agencies and companies. Opinions regarding the comprehensiveness of the extractive sector revenue estimate were split, with some stakeholders noting that this value is not systematically calculated and disclosed for the extractive sector.</p> <p>The 2018-2020 KR EITI Report provides a number of employed persons in the extractive sector, however, data are not disaggregated by gender or occupation. A government representative noted that the data in the report were not fully accurate and that relevant comments were submitted during the discussion period. A recently prepared <a href="#">gender study</a> provides an overview of gender disaggregation in the biggest extractive companies in the Kyrgyz Republic, an analysis of legal and regulatory framework, and strategic recommendations.</p> <p>Key regions/areas where production is concentrated are specified in the KR 2018-2020 EITI Report. In addition, information on investments in the extractive sector is included.</p>
New corrective actions and recommendations	
<ul style="list-style-type: none"> <li>• In accordance with Requirement 3.1, the Kyrgyz Republic should disclose an overview of the extractive industries, including any significant exploration activities. The SB could consider whether the existing portals that provide a historic overview of the exploration activities could be updated with more recent data.</li> <li>• In accordance with Requirement 6.3, the Kyrgyz Republic should disclose, when available, information about the contribution of the extractive industries to the economy for the fiscal year covered by EITI implementation, including total government revenues generated by the extractive industries and employment in the extractive industries. The SB is encouraged to clarify the methodology for calculating relevant values and note any barriers to comprehensive disclosures, if applicable.</li> </ul>	

## Legal environment and fiscal regime (Requirements 2.1, 2.4, 6.4)

### Overview of progress in the module

The Kyrgyz Republic discloses comprehensive information about the legal and fiscal framework but has not published the full texts of licenses yet. While the legal framework remained broadly the same as before, the government’s policy on contract transparency requires further clarification. Consulted stakeholders noted their commitment to publication of extractive licenses, however indicated financial and resource challenges that affected implementation to date. With regard to environmental management and monitoring, consulted stakeholders indicated broad interest in the topic and welcomed further work on this policy area.

### Progress by requirement and corrective actions

EITI Requirement / past corrective action and assessment	Summary of progress in addressing the EITI Requirement
<p><b>Legal framework and fiscal regime (Requirement #2.1)</b></p> <p><i>Fully met</i></p>	<p>The International Secretariat’s assessment is that Requirement 2.1 is fully met, as in the previous Validation.</p> <p>The objective of this requirement is to ensure public understanding of all aspects of the regulatory framework for the extractive industries, including the legal framework, fiscal regime, roles of government entities and reforms. Available documentation and stakeholder consultations indicated that this objective has been fully met.</p> <p>The 2018-2020 KR EITI Report provides a list of applicable laws and regulations pertaining to the following: Land Code, Tax Code, Code “On non-tax revenues”, Law “On Subsoil”, Law on “Concessions and concession enterprises”, Law “On subsoil production sharing agreements”, Regulation “On the State Commission for Mineral Reserves” and other. The EITI Report also refers to the <a href="#">website of the Ministry of Justice</a> that publishes relevant laws and regulations.</p> <p>On the encouraged aspect of this requirement, EITI reporting includes information about reforms that are underway by referring to a 2021 Presidential decree on issues of reforming the country’s mining industry. It is not clear whether information about any significant fiscal incentives is disclosed. The Kyrgyz Republic’s <a href="#">national development strategy</a> for 2018-2040 articulates the need to push for increased efficiency of mining through modern mining technologies with minimal impact on the environment. Development of mineral resources is seen to provide financial resources for development, with the aim of using revenues from the subsoil to address the country’s strategic objectives and environmental development. The Kyrgyz Republic vows to continue mining until the economic and social development needs of the country are fully financed from other sources.</p> <p>Consultations with stakeholders from the government and companies show that there is a plan to develop a Mining Code to replace the law on subsoil,</p>

	<p>which is expected to be approved in 2023 and remain provisions related to engagement in international organisations.</p>
<p><b>Contracts (Requirement #2.4)</b></p> <p><i>Partly met</i></p>	<p>The International Secretariat's assessment is that Requirement 2.4 is partly met.</p> <p>The objective of this requirement is to ensure the public accessibility of all licenses and contracts underpinning extractive activities (at least from 2021 onwards) as a basis for the public's understanding of the contractual rights and obligations of companies operating in the country's extractive industries. Available documentation and stakeholder consultations indicated that this objective has not been met given limited progress on license and contract disclosure in the public domain.</p> <p>The previous EITI Report explained the government's policy on contract transparency but did not provide a clear update in the KR 2018-2020 EITI Report. It is also not clear from the report and from stakeholder consultations whether this policy has now been amended or is in the process of being amended. The Kyrgyz Republic has to date disclosed only one contract, which was with Kumtor Gold Company.</p> <p>The latest EITI Report disclosed the total number of licenses issued from 2018 to 2020, by type of commodity. A list of valid coal, gold, oil and gas, metals and non-metallic licenses as per Q3 2019 is also available on the KR <a href="#">open data portal</a>. The list does not include full terms of license, annexes, amendments and riders or specific links to access each published document. In addition, the EITI Report disclosed the number of active licenses (broken down by type of commodity and nature of activity) for the same period, a list of which appears to be available on the <a href="#">SCIESU website</a>. However, it is not clear whether the list of active licenses is comprehensive and regularly updated, considering the SCIESU has been restructured.</p> <p>Following a recommendation from the previous Validation, the KR 2018-2020 EITI Report states that the SB has approved a plan to disclose contracts entered into on or after 1 January 2021, although these contracts are not publicly disclosed at this time. The report did not provide details about the plan and did not explain the reason for the non-disclosure of contracts to the public, which could be a basis for the public's understanding of the contractual rights and obligations of extractive companies.</p> <p>Consulted stakeholders from the government and industry expressed openness to contract transparency. They expressed awareness of the SB's plan to disclose contracts but could neither provide a copy nor pinpoint the location of the documentation of such plan. They identified financial and technical capacity as a key constraint in achieving progress on the plan. They explained that with a significant number of licenses issued, it has been a challenge for staff and existing systems to be able to scan and upload the files.</p> <p>Consulted stakeholders from civil society mentioned that they had raised the issue of publishing contracts during SB meetings in December 2022, an issue which was supported by other members. They have apparently requested that at least ten (10) large companies publish license contracts. It is not clear</p>

	<p>whether this request was part of the approved plan to disclose contracts. However, they noted that this matter has not been followed up and the discussion on disclosure of licenses and contracts has not been reflected in the minutes of these meetings.</p> <p>Kumtor Gold’s website refers to the 2022 Global Arrangement Agreement that was signed by Kyrgyz Republic, Kyrgyzaltyn JSC, and Centerra Gold and the subsequent termination of its external management by order of the Cabinet Ministers, which effectively nationalised Kumtor Gold. The website also refers to a list of licenses and permits held for the operation of Kumtor Gold. Copies of the referenced documents are however not available through the <a href="#">website</a>. The SB’s comments on the draft Validation report reiterate the public accessibility of agreements, regulations and laws related to Kumtor Gold Company CJSC published on the KR EITI <a href="#">website</a>. The Secretariat welcomes this confirmation, but notes that progress in the public disclosure of the full text of all extractive licenses and contracts awarded or amended since January 2021 remains very limited. Thus, the Secretariat continues to consider that the objective of contract transparency has not been fulfilled in the period under review.</p>
<p><b>Environmental impact (Requirement #6.4)</b></p> <p><i>Not assessed</i></p>	<p>The International Secretariat’s assessment is that Requirement 6.4 remains not assessed, given that several encouraged aspects of this requirement remain to be addressed by the Kyrgyz Republic.</p> <p>The objective of this requirement is to provide a basis for stakeholders to assess the adequacy of the regulatory framework and monitoring efforts to manage the environmental impact of extractive industries, and to assess extractive companies’ adherence to environmental obligations. Available documentation and stakeholder consultations indicated that this objective has not been met.</p> <p>The Kyrgyz Republic’s EITI Report describes the various legislative acts and regulations that aim to address the impact of mining companies on the environment, including procedures for monitoring the state of the environment. The report further describes the reorganisation of relevant state bodies as now included within the Ministry of Natural Resources, namely the State Agency for Environmental Protection and Forestry; State Inspectorate for Environmental and Technical Safety; and State Committee for Industry, Energy and Subsoil. This information provides the basis for stakeholders to access information about the existing regulatory framework and monitoring efforts to manage the environmental impact of extractive industries, but not in terms of assessing the extractive companies’ adherence to environmental obligations.</p> <p>During the period covered by this Validation, company disclosures of contributions to environmental funds, including payments for environmental pollution and compensation for environmental damage, seem to have been made only by JSC Kumtor Gold Company. The EITI Report also covered payments made by the JSC Kumtor Gold based on agreements concluded with the government, which includes the Nature Development Fund for 2019-2020 which was created to improve the state of the environment. Consultations with stakeholders did not provide evidence of whether EITI has played any role in</p>

	shedding light on issues related to the <a href="#">allegations</a> of environmental violations raised against JSC Kumtor Gold.
<b>New corrective actions and recommendations</b>	
<ul style="list-style-type: none"> <li>In accordance with Requirement 2.4, the Kyrgyz Republic should disclose all contracts and licenses that were granted, entered into or amended from 1 January 2021. The SB is encouraged to consider contract transparency activities in combination with plans to strengthen systematic disclosure of license information.</li> <li>To strengthen implementation of Requirement 6.4, the Kyrgyz Republic is encouraged to disclose information on the management and monitoring of the environmental impact of the extractive industries. The SB could consider including specific action points on environmental management and monitoring that are linked to national priorities.</li> </ul>	

## Licenses and property rights (Requirements 2.2, 2.3)

### Overview of progress in the module

The Kyrgyz Republic maintains a number of publicly accessible license registers, however, the available information on active oil, gas and mining licenses does not appear to be comprehensive. The EITI reporting and the Subsoil law provide a summary of applicable rules and procedures for awarding and transferring mining, oil and gas rights, although the SB does not appear to have discussed any potential deviations from rules and procedures in practice. Available documentation and stakeholder consultations highlighted technical and financial constraints to comprehensive disclosures and noted the ongoing efforts to provide more transparency to license allocation and register data.

### Progress by requirement and corrective actions

EITI Requirement / past corrective action and assessment	Summary of progress in addressing the EITI Requirement
<b>Contract and license allocations (Requirement #2.2)</b>  <i>Mostly met</i>	<p>The International Secretariat’s assessment is that Requirement 2.2 is mostly met, as in the previous Validation.</p> <p>The objective of this requirement is to provide a public overview of awards and transfers of oil, gas and mining licenses, the statutory procedures for license awards and transfers and whether these procedures are followed in practice. Available documentation and stakeholder consultations indicated that this objective has been mostly met considering concerns related to comprehensiveness and level of disaggregation of information.</p> <p>The 2018-2020 KR EITI Report notes that there are three options for license application – competitive tender, auction and “first come” – and clarifies how</p>

	<p>and when they are applied. The report also includes an explanation of the rules that determine which procedure should be used and why as well as relevant criteria for license application and allocation. Regulations for different types of license allocation processes are also available online through the <a href="#">old SCIESU portal</a> which has been restructured.</p> <p>The 2018-2020 KR EITI Report provides information on how many licenses were awarded in 2018-2020. Stakeholders consulted noted that the list of awarded licenses included both newly awarded licenses and license extensions. The list of all awarded licenses is available on the government's <a href="#">open data portal</a>, although it appears to include data only until Q3 2019. In addition, the <a href="#">old SCIESU portal</a> includes a list of awarded licenses, although the column on the duration (start and end date) of each license is not filled in. A list of licenses awarded through bidding is provided in the EITI Report but does not include the bid criteria and the full list of bidders for each license.</p> <p>The 2018-2020 KR EITI Report does not seem to provide information on rules for transfers, nor whether any licenses were transferred in 2018-2020. The <a href="#">Subsoil Law</a> governs rules for license transfers, although stakeholder consultations did not clarify whether any transfers took place in 2018-2020.</p> <p>Available documentation does not seem to comment on any assessment of deviations from statutory procedures in license allocation practices in 2018-2020. Yet during stakeholder consultations, several government officials noted that there were no deviations from the applicable legal and regulatory framework governing license allocation and awards.</p> <p>Consulted stakeholders noted that a moratorium on gold, silver and copper exploration license awards was imposed in 2020 (as indicated in a press release on the government's website <a href="#">here</a>) and that the relevant agencies were working on updating the license allocation rules due to new regulations related to state ownership in mining projects. In addition, stakeholders noted the ongoing efforts on systematising and disclosing information on license allocations, while mentioning the funding and technical capacity constraints to ensure comprehensiveness of disclosures.</p>
<p><b>Register of licenses (Requirement #2.3)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat's assessment is that Requirement 2.3 is mostly met, as in the previous Validation.</p> <p>The objective of this requirement is to ensure the public accessibility of comprehensive information on property rights related to extractive deposits and projects. Available documentation and stakeholder consultations indicated that this objective has been mostly met considering the ongoing efforts to disclose relevant data, but limited information available for Q4 2019 and 2020.</p> <p>The mining license register is available on the government's <a href="#">open data website</a> but covers disclosures only until Q3 2019. The register includes the following information: license number, name of the license, location (region), data of award and date of expiration, commodity explored/produced, and size of area. The information on dates of application and coordinates are not available through this website. Stakeholder consultations confirmed the overall comprehensiveness of this register but noted that it required further updates to</p>

	<p>provide more recent data. In addition, the <a href="#">old SCIESU portal</a> includes a list of awarded licenses, but the column on the duration (start and end date) of each license is not filled in. Moreover, there appears to be also an <a href="#">interactive map</a> hosted by the Department of Geology and Subsoil Use providing some relevant data, although it has not been updated since the restructuring of the relevant government agencies.</p> <p>Consulted stakeholders noted capacity challenges related to maintaining the online register and highlighted the ongoing efforts to systematise and disclose license register information. The SB's comments on the draft Validation report note the existence of a register of licenses on the Ministry of Natural Resources <a href="#">website</a>, which provides some of the information required on subsoil use licenses, but not data such as dates of application. The SB comments note that the license register is not as easy to use as the previous one, pending planned upgrades. The SB comments do not specify if the register is comprehensive and includes all relevant data for the fiscal years under review. The Secretariat welcomes these comments, but notes that the weaknesses in the subsoil license register related to its irregular public updates remain outstanding, and thus that the objective remains mostly met.</p>
<b>New corrective actions and recommendations</b>	
<ul style="list-style-type: none"> <li>• In accordance with Requirement 2.2, the Kyrgyz Republic should comprehensively disclose the list of licenses awarded and transferred during the period covered by EITI disclosures, in particular, license awards through direct negotiations and “first come first served” approaches. To strengthen implementation, the Kyrgyz Republic is encouraged to ensure systematic disclosure of the requisite information set out in Requirement 2.2 through existing public portals.</li> <li>• In accordance with Requirement 2.3, the Kyrgyz Republic should ensure that a publicly available register or cadastre system is maintained, including comprehensive disclosure of information regarding each of the licenses according to the EITI Standard.</li> </ul>	

## Beneficial ownership (Requirement 2.5)

### Overview of progress in the module

Adherence to Requirement 2.5 on beneficial ownership is assessed in Validation as of 1 January 2020 as per the framework agreed by the Board in June 2019. The assessment consists of a technical assessment focusing on initial criteria and an assessment of effectiveness.

#### Technical assessment

The [Law “On Subsoil Use”](#) dated 19 May 2018 defines beneficial ownership and mandates the disclosure of beneficial ownership for applicants and holders of extractive licenses. The threshold of 10% is used to determine beneficial ownership to be reported. Disclosure of PEPs is defined in the Government [Regulation](#) dated 15 September 2020 and should be provided together with BO reporting to the Licensing Department of the Ministry of Natural Resources, Ecology and Technical Supervision. However, the information on BO and PEPs is submitted in paper format and is not publicly available. The Ministry of Justice of the Kyrgyz Republic maintains an [automatic data collection tool](#) for the registration and re-

registration of legal entities. The system contains the history of changes in the company structure and provides a legal ownership structure of the entity.

Although EITI reporting only requested information related to material companies, all extractive companies registered in the Kyrgyz Republic are mandated to submit data on beneficial ownership to the Ministry of Natural Resources, Ecology and Technical Supervision. There is no overview related to which companies reported and which companies did not report beneficial ownership data to the Ministry, however, consulted stakeholders noted that usually all companies are requested and submit the BO-related information required by the legislation. The Kyrgyz Republic SB has not assessed any existing mechanism for assuring the accuracy of beneficial ownership information as well as has not published an assessment of the comprehensiveness and reliability of recent BO data.

### *Assessment of effectiveness*

Stakeholders consulted in Validation implied there were limited BO disclosures in the Kyrgyz Republic, despite a solid legislative base. Consulted stakeholders noted that BO data were collected manually, and the public had no access to it. The representatives from the government constituency noted that they were keen to disclose BO data to the public and build an electronic BO register, however, noted a lack of human and financial resources. Since BO data were not publicly available at the time of this Validation, it is hard to conclude on the data quality and comprehensiveness. Available documentation and stakeholder consultations indicated that publicly listed companies did not report BO data to the Kyrgyz Republic stock exchanges in which they were listed.

The 2018-2020 KR EITI Report provides information about 13 material companies. For two companies (among 13) BO is identified as a physical person, four companies are mentioned as SOEs, and for the rest of the entities – no BO information is provided. However, legal ownership data are disclosed for all material companies, including what percentage and type of control.

### Progress by requirement and corrective actions

EITI Requirement / past corrective action and assessment	Summary of progress in addressing the EITI Requirement
<p><b>Beneficial ownership (Requirement #2.5)</b></p> <p><i>Partly met</i></p>	<p>The International Secretariat’s assessment is that Requirement 2.5 is partly met.</p> <p>The objective of this requirement is to enable the public to know who ultimately owns and controls the companies operating in the country’s extractive industries, particularly those identified by the SB as high-risk, to help deter improper practices in the management of extractive resources. Available documentation and stakeholder consultations suggest that this objective has been partly met considering a solid legislative base for BO data collection and publication in contrast to the lack of public disclosures.</p> <p>The Kyrgyz Republic adopted the new version of the <a href="#">Law “On Subsoil Use”</a> dated 19 May 2018, which mandates the disclosure of beneficial ownership for applicants and holders of all extractive licenses. The term beneficial owner is defined under Article 4 of the Law “On Subsoil Use”, and covers three categories of ownership or control – shares, votes, and power to appoint board</p>



	<p>members. The threshold of 10% is used in the Law “On Subsoil Use” to determine beneficial ownership and for beneficial ownership disclosures.</p> <p>According to the <a href="#">Beneficial Ownership in Asia and the Pacific report</a>, in August 2018, the Kyrgyz Republic signed a memorandum of understanding with Open Ownership (OO) to establish a publicly accessible register of beneficial owners. However, limited progress in establishing an electronic beneficial ownership register has been achieved since 2018. Beneficial ownership data were not available in BODS format as per time of this Validation.</p> <p>The Kyrgyz Government adopted a separate Government <a href="#">Regulation</a> dated 15 September 2020 which mandates license holders and applicants to submit beneficial ownership data, including information on PEPs, to the Ministry of Natural Resources and Technical Supervision in paper format. The Regulation contains a definition of a PEP. The mining department of the Ministry of Natural Resources, Ecology and Technical Supervision collects information on beneficial ownership in hard copy. Relevant state agencies started collecting beneficial ownership data after the legislation was amended in 2020. According to available documentation, extractive companies are required to provide updated data to the MNRETS during re-registration and to submit beneficial ownership data for all bidders.</p> <p>Consulted government officials confirmed that BO data were collected in paper format and that there was no possibility to publish data online due to technical and budget constraints. Consulted stakeholders mentioned that BO data could be provided upon request, however, there were no specific examples of such requests. While there is a legislative basis for beneficial ownership data collection and publication, the information appeared to be primarily maintained in the archive of the MNRETS due to the postponement of the BO register establishment.</p> <p>The Ministry of Justice of the Kyrgyz Republic maintains an <a href="#">automatic data collection tool</a> for the registration and re-registration of legal entities. The automated system does not fully address Requirement 2.5 and does not contain a separate field on beneficial owners. The system contains the history of changes in company structure and provides information on legal ownership structure.</p> <p>According to the Government <a href="#">Resolution</a>, the Financial Monitoring Unit under the Ministry of Finance has the right to request information from legal entities about their beneficial owners in the format defined in this regulation. Consulted stakeholders noted that this information was not public and was primarily used for investigative purposes by the Financial Monitoring Unit. During stakeholder consultations, it appeared that there were no cooperation mechanisms between the Ministry of Natural Resources, the Ministry of Justice, and the Financial Monitoring Unit on beneficial ownership disclosure and verification.</p> <p>Consulted stakeholders from the industry constituency mentioned that the Kyrgyz Republic stock exchange rules did not contain a requirement to provide information about beneficial owners of listed companies.</p>
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	<p>Lastly, stakeholder consultations clearly indicated that there were no verification methods, except for penalties for failure to disclose information or for providing incorrect data.</p> <p>According to the <a href="#">Beneficial Ownership in Asia and the Pacific report</a>, the Kyrgyz Republic still faces challenges in ensuring the completeness, accuracy, and availability of up-to-date beneficial ownership information on legal entities, and in establishing effective mechanisms to make information available to the public. There are limited technical resources and digital infrastructure for electronic data collection and processing.</p>
<b>New corrective actions and recommendations</b>	
<ul style="list-style-type: none"> <li>• In accordance with Requirement 2.5, the Kyrgyz Republic is required to ensure that the beneficial ownership of all companies holding or applying for mining, oil and gas licenses is comprehensively and reliably disclosed. In accordance with Requirement 2.5.c, the Kyrgyz Republic is required to ensure that the SB publishes an assessment of the comprehensiveness and reliability of beneficial ownership disclosures of each company holding or applying for a mining or oil and gas license. The SB is encouraged to discuss the main barriers to beneficial ownership disclosures and develop an action plan for overcoming these barriers.</li> </ul>	

## State participation (Requirements 2.6, 4.2, 4.5, 6.2)

### Overview of progress in the module

Three material state-owned enterprises (SOEs) are active in the extractive sector in the Kyrgyz Republic – OJSC [Kyrgyzaltyn](#), state enterprise (SE) [Kyrgyzkomur](#) and OJSC [Kyrgyzneftegaz](#). State ownership levels are not publicly disclosed for the material companies and the joint ventures, as well as majority-owned subsidiaries of SOEs. SOEs in the Kyrgyz Republic are profitable and pay regular dividends to the state, governed by the [Regulation #468 “On State Enterprises”](#). SOEs are mandated to conduct annual financial audits in accordance with the Kyrgyz Republic’s reporting rules, however, SOEs have only published audit opinions on their websites in practice. SOEs’ audited financial statements as well as financial plans are not publicly available.

Since the 2021 Presidential elections, management of state participation has become one of the main political priorities. The Presidential Decree “[On reformation of the Mining Industry](#)” dated 29 January 2021 outlines the key planned reforms for the mining sector, including increasing state participation, review of the list of strategically important objects [mines, deposits] and development of a new Mining Code [instead of the Law on Subsoil] that will unify all extractive industry legislation. As per the time of consultations, the Mining Code was under development and was expected to be finalised soon. In June 2022, the [Law on Subsoil](#) was amended to require that legal entities and individuals recognised as a winner of an auction or tender for granting the right to develop large and medium-sized deposits of gold and silver are obliged to create a legal entity in the Kyrgyz Republic with an obligatory state participation of at least 30% of the company’s equity (Article 19).

According to international outlooks, economic growth is expected to decelerate in the Kyrgyz Republic due to a gradual decline in gold production as the Kumtor Gold mine (ADB), the country’s major source of government revenues, approaches capacity limits. Allegations related to the financial management of the gold mine are the subject of a pending corruption case, according to a report recently released by the State

Auditor of Kyrgyz Republic (see here, for example). Since 2012, Sadyr Japarov (current President) has advocated for the nationalization of the Kumtor Gold mine in the Issyk-Kul Region and accused the management of the company of environmental violations and corruption. On 14 May 2021, he signed a bill allowing temporary government control over the mine, eight days after it was approved by the Parliament. In response, Centerra Gold launched arbitration against the state over the mine. In August 2022, it was agreed that the Kyrgyz Republic would take full control of the Kumtor Gold mine under an out-of-court settlement with Centerra Gold after a series of legal disputes over the past year (see, for example, here).

During stakeholder consultations, an industry representative mentioned that around two hundred extractive projects with foreign investments were closed in the Kyrgyz Republic in 2022 because of the nationalization agenda.

Since late 2021, the Kyrgyz Republic tried to establish a holding company “Heritage of the great nomads” which aimed to incorporate companies from various industries, including the extractive sector. However, the holding was closed in late 2022 (read more here). The financial consequences of the establishing “Heritage of the great nomads” and its subsequent liquidation are not clear.

EITI has a potential to contribute to SOE transparency and accountability issues discussions, however, this topic was not raised at SB meetings during 2020 – April 2023.

### Progress by requirement and corrective actions

EITI Requirement / past corrective action and assessment	Summary of progress in addressing the EITI Requirement
<p><b>State participation (Requirement #2.6)</b></p> <p>Partly met</p>	<p>The International Secretariat’s assessment is that Requirement 2.6 is partly met, which represents backsliding from the previous Validation.</p> <p>The objective of this requirement is to ensure an effective mechanism for transparency and accountability for well-governed SOEs and state participation more broadly through a public understanding of whether SOEs’ management is undertaken in accordance with the relevant regulatory framework. Available documentation and stakeholder consultations suggest that this objective has been partly met, considering the lack of public access to SOE-related information, absence of discussions at SB meetings and limited contribution to debates on national issues in the Kyrgyz Republic on the governance of SOEs.</p> <p><u>SOE definition</u></p> <p>The legislative acts, namely the <a href="#">Regulation #468 “On State Enterprises”</a> and the <a href="#">Law “On joint-stock companies”</a>, do not contain a definition of state-owned enterprise (SOE) or extractive SOE. During stakeholder consultations, the IA team mentioned that the SB considered that an SOE was an extractive company where the government owned more than 50% of the shares. It was noted that the SB seemed to discuss this definition in previous EITI Reports and adopted the same approach for the 2018-2020 KR EITI Report.</p> <p>In the Kyrgyz Republic, state-owned enterprises are separated into three main types:</p>

	<ul style="list-style-type: none"><li>• State enterprises (SEs) with 100% state ownership</li><li>• Joint-stock companies (OJSCs or CJSCs)</li><li>• Limited-liability companies (LLCs)</li></ul> <p>Based on consultations, it appeared that there was no clear definition of a majority state-owned joint-stock company, but there appeared to be a broader agreement that such companies should have 50%+ state ownership.</p> <p>Neither the 2018-2020 KR EITI Report nor available SB meeting minutes provide any information on the materiality decisions for SOE selection for EITI reporting. Consulted stakeholders noted that the same materiality threshold (over USD 1m in payments to government) as in previous EITI Reports was used.</p> <p><u><i>SOE list and corporate structure</i></u></p> <p>The EITI Report mentions three material SOEs in the Kyrgyz Republic, namely, OJSC <a href="#">Kyrgyzaltyn</a> (open joint-stock company), SE <a href="#">Kyrgyzkomur</a> (100% state-owned enterprise) and OJSC <a href="#">Kyrgyzneftegaz</a> (open joint-stock company). OJSC Kyrgyzaltyn is currently listed on the <a href="#">Kyrgyz Stock Exchange</a> (KSE). A <a href="#">report on securities</a> is available for OJSC Kyrgyzaltyn for 2021. The report includes the list of companies, other than material SOEs, where Kyrgyzaltyn owns more than 5% of shares, and brief financial information.</p> <p>According to the 2018-2020 KR EITI, most companies with state ownership were managed by the State Property Management Fund (SPMF) until 2021-2022. However, in 2021-2022, several companies were transferred to relevant ministries, in particular, Kyrgyzkomur was transferred to the Ministry of Energy. The <a href="#">SPMF website</a> seems to provide a separate section on state participation, although the website cannot be accessed from abroad.</p> <p>A brief overview of state ownership is provided in the 2018-2020 KR EITI Report, although it does not include a comprehensive overview of the level of state ownership in the three material SOEs as well as subsidiaries and joint ventures of material SOEs. The report focuses on a general description of Kyrgyzneftegaz, Kyrgyzaltyn, and Kyrgyzkomur. Kyrgyzaltyn's participation in other companies is available in its <a href="#">report on securities</a>.</p> <p>According to the 2018-2020 EITI reporting, <a href="#">Kumtor Gold</a> mine was considered a subsidiary of Kyrgyzaltyn. However, the company ownership has changed since then.</p> <p>The following data are not disclosed either in the 2018-2020 KR EITI Report or on the websites of the companies:</p> <ul style="list-style-type: none"><li>- the state's direct equity interests in extractive companies, including minority interests in extractive companies</li><li>- SOEs' equity interests in subsidiaries, joint ventures and other extractive companies</li><li>- SOEs' participating interests in PSCs and other extractive projects</li></ul>
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	<ul style="list-style-type: none"><li>- the terms associated with each of the equity interests held by the state or SOE</li></ul> <p><i>Changes in SOE structure</i></p> <p>EITI Report specifies that SOE “Issykulskoe parohodstvo” was merged with SOE “Kyrgyzkomur” in 2018. No details of this transaction are provided in the report.</p> <p>On 4 April 2022, Centerra Gold announced on completion of the <a href="#">Global Arrangement Agreement</a> with JSC Kyrgyzaltyn and the Government of the Kyrgyz Republic on the nationalisation of Kumtor Gold Mine. Numerous <a href="#">court cases</a> preceded the final agreement.</p> <p><i>Statutory financial relationships between SOEs and the government [rules]</i></p> <p>The relationship between SOEs and the government is regulated by the <a href="#">Regulation #468 “On State Enterprises”</a> and the <a href="#">Law “On joint-stock companies”</a>. The Law “On joint-stock companies” does not contain any provisions on the financial relationship between JSCs and the government. The Regulation “On State Enterprises” contains provisions for:</p> <ul style="list-style-type: none"><li>- the possibility of providing subsidies and loans from the government to SOE;</li><li>- rules applied to the transfer of SOE retained earnings transfer to the government.</li></ul> <p>The legislative acts do not contain any regulations related to reinvestment and third-party financing.</p> <p><i>Financial relationships between SOEs and the government [practice]</i></p> <p><i>Distribution of profits</i></p> <p>The 2018-2020 KR EITI Report contains information on dividends paid by Kyrgyzaltyn, Kyrgyzkomur and Kyrgyzneftegaz to the government during 2018-2021. The data, disaggregated by companies and by years, is not reconciled.</p> <p>The information on the value of dividends paid to the state by each of the three material SOEs is not available in the public domain for the period under review.</p> <p><i>Retained earnings</i></p> <p>The 2018-2020 KR EITI Report contains information on dividends paid by Kyrgyzaltyn, Kyrgyzkomur and Kyrgyzneftegaz to the government during 2018-2021. The data, disaggregated by companies and by years, is not reconciled.</p> <p>The information on the value of retained earnings by each of the material SOEs is not available for the period under review.</p> <p><i>Reinvestments</i></p> <p>SOE representatives consulted mentioned that they were usually using net profit after dividends for reinvestment purposes. The amount and the nature of</p>
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	<p>reinvestments were described in the annual financial plans of SOEs and had to be approved by the respective Board of Directors in advance. While the financial plans of SOEs are not required for EITI disclosure and are not publicly available in the Kyrgyz Republic, the information about the reinvestments is required by EITI Standard. The 2018-2020 KR EITI report does not provide any information on reinvestments by the material SOEs.</p> <p><i>Debt and equity financing from third parties</i></p> <p>The 2018-2020 KR EITI Report does not provide information on debt and equity financing of SOEs from third parties. During the consultations, stakeholders confirmed that since the above-mentioned extractive companies were profitable, they did not use debt or equity financing to support their operations. However, the audited financial statements of the selected companies are not publicly available to confirm this statement.</p> <p><i>Loans and guarantees from the state and material SOEs to extractive companies or projects</i></p> <p>The 2018-2020 KR EITI Report specifies that Kyrgyzkomur had an interest-free loan amounting to approximately KGS 25m from the Ministry of Finance of the KR. SE “Issukylskoe parohodstvo” was joined to Kyrgyzkomur together with its loan amounting to approximately KGS 4m to the Ministry of Finance in 2018. EITI reporting specifies that all loans were repaid by SOE during 2018-2020 and no new loans were issued.</p> <p>The terms of such loans are not publicly disclosed, therefore it’s hard to conclude on the value of the loan, payment modalities and interest rate.</p> <p>Consulted stakeholders mentioned that no subsidies from the state to SOEs were provided since all material SOEs were profitable and paid dividends to the state annually.</p> <p><u>Publication of FS:</u></p> <p>In accordance with Article 31(4) of the 2019 Regulation “On State Enterprises”, quarterly and annual reports are submitted to the supervising Ministries within two months of the period end. The main state enterprises are subject to annual voluntary audits by commercial auditors and may also be audited every second year by the Accounts Chamber. The 2021 <a href="#">PEFA report</a> mentioned that supervising responsibility is divided between the MNRETS and the Ministry of Economy and Finance (MoEF).</p> <p>Financial statements are not available online. During the consultations, an industry stakeholder mentioned that they did not have a practice of disclosing audited financial statements on their website, only the audit opinion. They published yearly basic financial data about the company in the official gazette that was not available online.</p>
<p><b>Sale of the state's in-kind revenues (Requirement #4.2)</b></p>	<p>The International Secretariat's assessment is that Requirement 4.2 is not applicable, as in the previous Validation.</p>

<p><i>Not applicable</i></p>	<p>The objective of this requirement is to ensure transparency in the sale of in-kind revenues of minerals, oil and gas to allow the public to assess whether the sales values correspond to market values and ensure the traceability of the proceeds from the sale of those commodities to the national Treasury.</p> <p>The 2018-2020 KR EITI Report does not provide information on whether the government collects revenues in-kind. Government officials confirmed that the government did not collect any in-kind revenues in the extractive industries in practice.</p>
<p><b>Transactions related to state-owned enterprises (Requirement #4.5)</b></p> <p><i>Partly met</i></p>	<p>The International Secretariat's assessment is that Requirement 4.5 is partly met, which represents backsliding from the previous Validation.</p> <p>The objective of this requirement is to ensure the traceability of payments and transfers involving SOEs and strengthen public understanding of whether revenues accruable to the state are effectively transferred to the state and of the level of state financial support for SOEs. Available documentation and stakeholder consultations suggest this objective has been partly met considering partial disclosure of transactions related to state-own enterprises.</p> <p><i>Company payments to SOEs</i></p> <p>The Gap Analysis report specifies that JSC Kyrgyzaltyn receives payments from other material SOEs. The amounts for 2018-2020 are disclosed in the report. However, the amounts are not reconciled and appear to differ compared to the 2018-2020 KR EITI Report.</p> <p><i>SOE transfers to government</i></p> <p>The 2018-2020 KR EITI Report provides information on dividends paid by SOEs to government. However, the amounts are not reconciled. <a href="#">The Budget execution report</a> does not contain the level of details related to SOE transfers to government. Available documentation and stakeholder consultations did not provide an opinion on the quality of these data.</p> <p><i>Government transfers to SOEs</i></p> <p>The EITI Report does not provide any information on government transfers to SOEs. <a href="#">The Budget execution report</a> does not contain information on government transfers to SOEs. Consulted stakeholders noted that since main SOEs were profitable and paid dividends regularly to the state, there were no government transfers to SOEs.</p>
<p><b>Quasi-fiscal expenditures (Requirement #6.2)</b></p> <p><i>Partly met</i></p>	<p>The International Secretariat's assessment is that Requirement 6.2 is partly met, which represents backsliding from the previous Validation.</p> <p>The objective of this requirement is that in cases where state-owned enterprises undertake extractive-funded expenditures on behalf of the government that are not reflected in the national budget, these are required to be disclosed to ensure accountability in their management. Available documentation and stakeholder consultations suggest this objective has been partly met, considering the existing</p>

	<p>reporting forms for quasi-fiscal expenditures but lack of comprehensive disclosures.</p> <p>According to the KR2018-2020 KR EITI Report, there were no quasi-fiscal expenditures in 2018-2020 by OJSC Kyrgyzaltyn and OJSC Kyrgyzneftegaz. However, consulted SOE stakeholders noted that the companies paid for utilities for the local population in the areas where they operated. These payments were considered as quasi-fiscal expenditures in the previous EITI Report.</p> <p>Consulted stakeholders mentioned that no materiality threshold was discussed for quasi-fiscal expenditures for the 2018-2020 KR EITI Report. Moreover, the Gap Analysis report notes that the nature of expenditures by the above-mentioned SOEs has not changed since the previous fiscal years. Therefore, it appears that the information in the 2018-2020 KR EITI Report might be incomplete due to the lack of coverage of the aforementioned types of quasi-fiscal expenditures. Information on quasi-fiscal expenditures is not publicly available on any governmental portals or company websites.</p> <p>The SB's comments on the draft Validation report highlight the disclosure of OJSC Kyrgyzneftegaz's quasi-fiscal expenditures for each year in the 2018-2022 period on the KR EITI <a href="#">website</a>. The types of expenditures disclosed relate to social services to kindergartens and recreational facilities, the sale of fuel oil to power plants, and the sale of water to households at below market prices. These disclosures provide additional detail on these quasi-fiscal expenditures, including data on "income" and "costs", albeit without defining these terms. The Secretariat welcomes these additional disclosures, but notes that information on OJSC Kyrgyzaltyn's quasi-fiscal expenditures has not yet been disclosed as well. It remains unclear whether other SOEs such as OJSC Kyrgyzaltyn and SE Kyrgyzkomur undertook any quasi-fiscal expenditures in the period under review. Moreover, KR EITI has not yet published a narrative overview of these quasi-fiscal expenditures to strengthen accountability around these types of SOE expenditures. Thus, the Secretariat continues to consider that the objective of accountability in quasi-fiscal expenditures is not yet fulfilled.</p>
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**New corrective actions and recommendations**

- In accordance with Requirement 2.6, the Kyrgyz Republic is required to disclose the prevailing rules and practices regarding the financial relationship between the government and SOEs, for example, practices governing transfers of funds between SOEs and the state, retained earnings, reinvestment and third-party financing related to SOE, including SOE joint ventures and subsidiaries. There should be disclosure from the government and SOEs of their level of ownership, including those held by SOEs subsidiaries and joint ventures, and any changes in the level of ownership during the reporting period. The SB might consider agreeing a separate materiality threshold for disclosures of state participation in the extractive sector. SOEs are expected to publish their audited financial statements, or the main financial items (balance sheet, profit and loss statement, cash flows) where financial statements are not available. The Kyrgyz Republic may wish to use EITI reporting as means of monitoring SOEs' compliance with their statutory obligations to publish this information, working with the State Property Management Fund to ensure that their planned portal includes annual information on SOEs' dividends, retained earnings, reinvestment, third-party financing and loans and loan guarantees. The Kyrgyz Republic might consider disclosing rules and practices related to SOEs' operating



and capital expenditures, procurement, subcontracting and corporate governance, for example, composition and appointment of the Board of Directors, Board’s mandate and code of conduct. To strengthen implementation of Requirement 2.6, the SB is encouraged to consider issues on state participation that the EITI process could shed light on, and reflect related objectives and activities in the work plan to align EITI implementation with national issues on state participation.

- In accordance with Requirement 4.5, the Kyrgyz Republic is required to make comprehensive and reliable disclosure of material company payments to SOEs, SOE transfers to government agencies and government transfers to SOEs. The SB should discuss the materiality of these transfers and decide whether they are material. The Kyrgyz Republic may additionally wish to work with relevant government agencies to ensure systematic disclosure of SOE transactions.
- In accordance with Requirement 6.2, the Kyrgyz Republic is required to ensure disclosure from material SOEs on their quasi-fiscal expenditures. The SB is required to develop a reporting process in cooperation with SOEs with a view to achieving a level of transparency commensurate with other payments and revenue streams, and should include relevant subsidiaries and joint ventures. The Kyrgyz Republic may wish to consider ways of embedding regular disclosure of SOEs’ quasi-fiscal expenditures through government and company systems.

## Production and exports (Requirements 3.2, 3.3)

### Overview of progress in the module

The Kyrgyz Republic discloses aggregated information on production and export of extractive commodities. Consulted stakeholders indicated regulatory challenges related to providing more detailed data and noted examples of efforts to address these barriers. There appear to be opportunities for further work on developing mechanisms for ensuring more disaggregated disclosures in line with the EITI Standard.

### Progress by requirement and corrective actions

EITI Requirement / past corrective action and assessment	Summary of progress in addressing the EITI Requirement
<p><b>Production (Requirement #3.2)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat’s assessment is that Requirement 3.2 is mostly met, as in the previous Validation.</p> <p>The objective of this requirement is to ensure public understanding of extractive commodities production levels and the valuation of extractive commodity output, as a basis for addressing production-related issues in the extractive industries. Available documentation and stakeholder consultations suggest this objective has been mostly met considering the remaining issues with data disaggregation.</p> <p>The 2018-2020 KR EITI Report provides production volumes by commodity for gold, silver, copper, mercury, antimony, oil, gas, and coal, based on data provided</p>

	<p>by the Statistics Committee and the Department of Subsoil Use. Production values are only provided in aggregate for metals for metals, oil and gas, coal and an additional category called 'other'. The report also includes a breakdown of the total production values by major regions of the country based on data provided by the National Statistical Committee and the Department of Subsoil Use.</p> <p>The 2018-2020 KR EITI Report provides some explanation of the sources of production data and refers to the use of the <a href="#">data</a> from the Statistics Committee in calculating the cost of production by region, although the report does not include information on methods for calculating data.</p> <p>During stakeholder consultations, a government representative confirmed the correctness of the list of commodities provided in the EITI reporting but mentioned that the Statistics Committee was not allowed to disaggregate production data on metals, according to applicable legislation and regulations. It is not clear whether this equally applies to the oil and gas sector. Consulted stakeholders noted that in order to disclose more disaggregated data, a high-level decree needs to be issued.</p> <p>Some production data are systematically disclosed through company websites. For example, <a href="#">Kumtor Gold Company's website</a> provides gold production volumes for 1997-2001. However, it appears that not all companies routinely publish production information.</p> <p>On the encouraged aspects, the KR 2018-2020 EITI Report discloses information on production volumes from artisanal gold mining, carried out based on patents for "alluvial gold mining by individual miners" issued by the Tax Service.</p> <p>Available documentation and stakeholder consultations did not confirm whether the production figures conform with international data standards and methodologies for calculating extractive commodity production data. Consulted stakeholders noted that production data were collected according to the national classification system and local regulations for disclosure of data.</p>
<p><b>Exports (Requirement #3.3)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat's assessment is that Requirement 3.3 is mostly met, which represents backsliding from the previous Validation.</p> <p>The objective of this requirement is to ensure public understanding of extractive commodities export levels and valuation of extractive commodity exports, as a basis for addressing export-related issues. Available documentation and stakeholder consultations suggest this objective has been mostly met considering the ad-hoc publication of extractive export data.</p> <p>The KR 2018-2020 EITI Report provides aggregated data on export values of coal, natural gas and oil, metal ores, other extractive commodities and main metals for 2018 to 2020, based on <a href="#">data</a> from the Statistics Committee. Available data is not further disaggregated by each exported commodity. However, the disclosures from the EITI reporting do not include information on export values for precious metals and export volumes for any type of commodity. Some consulted stakeholders indicated a possibility of no exports of gold in recent years, however, no specific data or sources were provided to confirm it. In its comments on the draft Validation report, the SB provided a link to extractive</p>

	<p>commodity export data for 2020 published on the KR EITI <a href="#">website</a>. These data provide export volumes and values for all extractive commodities exported, disaggregated by product code and region, including precious metals such as silver and gold. The file includes export data for the category “precious metals” as well as gold and silver separately. It is not which commodities are included under the category of “precious metals”. While this lumps together export data for ores and concentrates together, this appears to be in line with international commodity classifications. However, the Secretariat considers that the lack of publication of detailed export data for previous and subsequent years aside from 2018, 2019 and 2020, together with the lack of disaggregation of export data for all precious metals, implies that the objective of extractive export transparency remains only mostly fulfilled.</p> <p>On the encouraged aspects, the EITI Report did not include any further disaggregation of export data (e.g., by region of origin, company or project) or any estimates of export data from artisanal and small-scale mining.</p>
<b>New corrective actions and recommendations</b>	
<ul style="list-style-type: none"> <li>• In accordance with Requirement 3.2, the Kyrgyz Republic must disclose timely production data, including production volumes and values by commodity.</li> <li>• In accordance with Requirement 3.3, the Kyrgyz Republic must disclose timely export data, including export volumes and values by commodity.</li> </ul>	

## Revenue collection (Requirements 4.1, 4.3, 4.4, 4.7, 4.8, 4.9)

### Overview of progress in the module

The Kyrgyz Republic has broadly maintained the same level of disclosures of government revenues from the extractive industries, however, limited progress has been achieved in addressing the corrective actions from the previous Validation and from EITI reporting. The Supervisory Board agreed to apply flexible reporting for 2018-2020, but it appears that limited consultations and discussions were held to agree on the practicalities of this approach. While consulted stakeholders did not express strong concerns related to the comprehensiveness of data and data quality, some noted challenges related to ensuring the timeliness and routine disclosure of extractive sector data. EITI implementation could be strengthened through a review of existing systematic disclosures and previous materiality decisions as well as discussions on approaches to EITI reporting.

### Progress by requirement and corrective actions

EITI Requirement / past corrective action and assessment	Summary of progress in addressing the EITI Requirement
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<p><b>Comprehensive disclosure of taxes and revenues (Requirement #4.1)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat's assessment is that Requirement 4.1 is mostly met, as in the previous Validation.</p> <p>The objective of this requirement is to ensure comprehensive disclosures of company payments and government revenues from oil, gas and mining as the basis for detailed public understanding of the contribution of the extractive industries to government revenues. Available documentation and stakeholder consultations indicated that this objective has been mostly met.</p> <p>According to the KR 2018-2020 EITI Report, the SB agreed to proceed with a flexible reporting approach. It appears that this decision is not documented elsewhere. Stakeholder consultations indicated that the report was prepared by the consultant who worked on the mainstreaming feasibility study, in cooperation with the MNRETS, and based on the standard ToRs for the IA approved by the EITI Board.</p> <p>The 2018-2020 KR EITI Report does not clarify if any specific threshold for selecting material companies was agreed for 2018-2020. However, the report notes that selected companies represent over 85% of total government extractives revenues. Based on this approach, 13 companies were selected for unilateral disclosures by government. Consulted stakeholders clarified that the threshold for selection of companies remained the same as in previous years and as defined in the <a href="#">Government Decree “On improving the implementation process of the Extractive Industries Transparency Initiative in the Kyrgyz Republic”</a> (i.e., KGS 1m).</p> <p>The 2018-2020 KR EITI Report does not clarify if any specific threshold for selecting material revenue streams was agreed for 2018-2020. Overall, the report includes 33 revenue streams while the Government Decree notes 40 revenue streams as relevant for EITI disclosures. Consulted stakeholders clarified that the decree was approved in 2010 and since then some revenue streams had become not applicable (having been merged or removed).</p> <p>The revenue streams considered material are clearly listed, but not described in detail in the 2018-2020 KR EITI Report. This information can be found online and in previous reporting. The 2018-2020 KR EITI Report identifies the companies making material payments, with only unilateral disclosures by government provided given the flexible reporting approach.</p> <p>The 2018-2020 KR EITI Report specifies the government entities receiving material revenues but does not comment on whether these government entities fully reported all receipts in accordance with the materiality definition, except for noting that some revenue streams were collected from company reporting to the Subsoil Use department. Consulted stakeholders did not express any concerns about potential omissions in government reporting.</p> <p>Based on EITI reporting, it is unclear if the government fully reported all revenues, including any revenues below the materiality thresholds. The summary data files for 2018-2020 have not been submitted to confirm it. Consulted stakeholders expressed some concerns related to collecting data on total revenues from the</p>
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	<p>extractive sector, noting that such information appeared to not be systematically collected or disclosed.</p> <p>The report does not provide an assessment of the comprehensiveness of disclosed financial data. Consulted stakeholders did not express any concerns related to the comprehensiveness of disclosures.</p> <p>Some revenue data is systematically disclosed through relevant government agencies and portals (for example, the open data portal). However, available documentation and stakeholder consultations indicate that the level of disaggregation and comprehensiveness could be improved, in particular, related to timeliness and retention of data. Consulted stakeholders noted the ongoing digitisation reforms and overall interest in transitioning to systematic disclosure of the extractive sector, yet indicated that the progress had slowed down due to frequent restructuring of government agencies and shift of the government's priorities due to the COVID-19 pandemic.</p> <p>It appears that most of the companies subject to reconciliation undergo an audit of their financial statements, but the audited financial statements are not publicly available.</p>
<p><b>Infrastructure provisions and barter arrangements (Requirement #4.3)</b></p> <p><i>Not applicable</i></p>	<p>The International Secretariat's assessment is that Requirement 4.3 is not applicable.</p> <p>The 2018-2020 KR EITI Report confirms that this Requirement is not applicable. Consulted stakeholders did not express any concerns related to not applicability of this Requirement.</p>
<p><b>Transportation revenues (Requirement #4.4)</b></p> <p><i>Not applicable</i></p>	<p>The International Secretariat's assessment is that Requirement 4.4 is not applicable.</p> <p>According to the SB minutes from 20 March 2018 and the previous Validation assessment, Requirement 4.4 was considered not applicable. However, according to the mainstreaming feasibility study, the national railway Kyrgyz Temir Joly increased its capacity since 2018. The 2018-2020 KR EITI Report does not comment on the materiality of transportation revenues, but provides the following information:</p> <ul style="list-style-type: none"> <li>• Commodity (coal and ores)</li> <li>• Tariffs (for coal and ores)</li> <li>• Volumes of transportation (for coal and ores)</li> <li>• Values of transportation (for coal and ores)</li> <li>• Key routes</li> </ul> <p>Kyrgyz Temir Joly does not systematically disclose its financial statements and does not disclose information on mining-related transportation <a href="#">on the company's website</a>.</p>

	<p>Consulted stakeholders did not express any specific opinions on the recent capacity increase in transportation revenues. However, noted that this Requirement was considered to be not applicable as in previous EITI reporting. The Secretariat's understanding is that Kyrgyz Temir Joly does not primarily operate in the extractive industries and therefore revenues collected by the company are not considered transportation revenues according to Requirement 4.4.</p>
<p><b>Level of disaggregation (Requirement #4.7)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat's assessment is that Requirement 4.7 is mostly met.</p> <p>The objective of this requirement is to ensure disaggregation in public disclosures of company payments and government revenues from oil, gas and mining that enables the public to assess the extent to which the government can monitor its revenue receipts as defined by its legal and fiscal framework, and that the government receives what it ought to from each individual extractive project. Available documentation and stakeholder consultations indicated that this objective has been mostly met due to limited progress on project-level reporting.</p> <p>The financial data disclosed through EITI reporting is disaggregated by individual company, government entity and revenue stream.</p> <p>The financial data does not seem to be disaggregated by individual project. Consulted stakeholders noted that some data were collected per license. However, the consulted stakeholders noted that further efforts were required to define and implement legal amendments to ensure public disclosure of such data.</p> <p>The EITI reporting does not comment on the definition of the project, which revenue streams were levied and collected on a project level and whether there were any substantially interconnected agreements that constituted single projects. The Transparency template notes that such discussions had not been undertaken by the SB.</p>
<p><b>Data timeliness (Requirement #4.8)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat's assessment is that Requirement 4.8 is mostly met, which represents backsliding from the previous Validation.</p> <p>The objective of this requirement is to ensure that public disclosures of company payments and government revenues from oil, gas and mining are sufficiently timely to be relevant to inform public debate and policymaking. Available documentation and stakeholder consultations indicated that this objective has been mostly met.</p> <p>The Kyrgyz Republic has extended its reporting deadlines several times, following formal requests (see <a href="#">here</a>) approved by the EITI Board. The 2018-2019 data have been disclosed before the extended deadline of 30 June 2022 (see <a href="#">relevant Board decision</a>). While consulted stakeholders noted that many issues affected the timeline of EITI reporting, including the COVID-19 pandemic and frequent reshufflings of government officials in the key government agencies, some noted that the broader objective of timely public disclosures to be relevant to inform public debate and policymaking had not been met.</p>

	The summary data files for 2018-2020 have not been submitted (see Requirement 7.2).
<p><b>Data quality and assurance (Requirement #4.9)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat's assessment is that Requirement 4.9 is mostly met, which represents backsliding from the previous Validation.</p> <p>The objective of this requirement is to ensure that appropriate measures have been taken to ensure the reliability of disclosures of company payments and government revenues from oil, gas and mining. Available documentation and stakeholder consultations indicated that this objective has been mostly met.</p> <p>The SB agreed to prepare the 2018-2020 KR EITI Report based on a flexible reporting approach. Based on available documentation, it is unclear if the SB formally agreed a procedure to address data quality and assurance. Consulted stakeholders noted that preparation of the 2018-2019 KR EITI Report was done based on the standard ToRs for the IA template, although they did not specify which data quality assurance mechanisms were agreed by the SB for EITI reporting. The 2018-2020 KR EITI Report does not include a statement from the IA on the comprehensiveness and reliability of financial data. Consulted stakeholders expressed mixed opinions regarding data reliability. However, most concerns appeared to be related to contextual information rather than financial data.</p> <p>The 2018-2020 KR EITI Report notes that the Audit Chamber conducts an <a href="#">annual review</a> of government data and that no significant discrepancies were identified in the Audit Chamber's audit of government accounts for 2018-2020. Based on available documentation and stakeholder consultations, it is unclear if EITI data reported to the Mining Department is subject to audit as well.</p> <p>The EITI reporting also highlights that analytical analysis of data has been conducted and requests for clarifications were sent when needed. This was confirmed during stakeholder consultations. However, the 2018-2020 KR EITI Report does not seem to provide a broader summary of the key findings from the assessment of the reliability of the data disclosed by companies and government entities and/or assessment of data quality of 2018-2020 reporting.</p> <p>Non-financial (contextual) information is mostly sourced. However, due to the restructuring of government agencies and ongoing maintenance of relevant websites, several links are not working.</p>
<b>New corrective actions and recommendations</b>	
<ul style="list-style-type: none"> <li>In accordance with Requirement 4.1, the Kyrgyz Republic is required to provide aggregate information about the amount of total revenues received from each of the benefit streams agreed in the scope of the EITI Report, including revenues collected from companies that fall below agreed materiality thresholds. Where these data are not available, the Kyrgyz Republic should be transparent about the barriers to the government's full unilateral disclosure of extractive revenues and draw on any relevant data and estimates from other sources to provide a comprehensive account of the total government revenues. To publicly demonstrate the comprehensiveness of its EITI disclosures, the Kyrgyz Republic is encouraged to ensure that the Supervisory Board's materiality decisions are documented.</li> </ul>	

- To strengthen implementation of Requirement 4.3, the Kyrgyz Republic is encouraged to consider, on an annual basis, 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. Where material, such agreements are expected to be addressed in EITI reporting in accordance with Requirement 4.3.
- To strengthen implementation of Requirement 4.4, the Kyrgyz Republic is encouraged to consider whether revenues from the transportation of oil, gas and minerals collected by the government or material state-owned enterprises are material. Where material, such transportation revenues received are expected to be disclosed in accordance with Requirement 4.4.
- In accordance with Requirement 4.7, the Kyrgyz Republic should ensure that financial data disclosed through the EITI is disaggregated by project, where such government revenues are levied at a project level in practice. If multiple agreements are substantially interconnected, the Kyrgyz Republic must clearly identify and document which instances are considered a single project.
- In accordance with Requirement 4.8, the Kyrgyz Republic is required to publish regular and timely information in accordance with the EITI Standard and the agreed work plan. The EITI disclosures should be published no later than two years after the end of the fiscal period covered.
- In accordance with Requirement 4.9, the Kyrgyz Republic is required to agree a procedure to address data quality and assurance. Should the SB wish to deviate from the standard procedures, approval from the EITI Board must be sought in advance. Revenue data disclosures should include an explanation of the underlying audit and assurance procedures that the data has been subject to, with public access to the supporting documentation. The SB should ensure that EITI Reporting should include a clear statement on the comprehensiveness and reliability of the financial data on government revenues disclosed.

## Revenue management (Requirements 5.1, 5.3)

### Overview of progress in the module

The Kyrgyz Republic mostly fulfils the objective of ensuring traceability of extractive revenues for both on- and off-budget revenues. The Kyrgyz Republic also ensures public oversight of the management of extractive revenues, the use of extractive revenues to fund specific public expenditures and the assumptions underlying the budget process. There is no evidence to suggest that there has been backsliding on revenue management requirements. However, this Validation did not find sufficient evidence to conclude that encouraged Requirement 5.3 on revenue management and expenditures has been fully met and it is thus marked as 'not assessed'. There are opportunities for the Kyrgyz Republic to make greater use of the EITI to disclose information to further public understanding and debate around issues of revenue sustainability and resource dependence, such as assumptions underpinning forthcoming years in



the budget cycle and relating to projected production, commodity prices and revenue forecasts arising from the extractive industries and the proportion of future fiscal revenues expected to come from the extractive sector. In terms of disclosing the distribution of extractive industry revenues, the Gap Analysis study and the KR 2018-2020 EITI Report clearly describe that all mining revenues are recorded in the national budget. Information on [State budget](#) revenues by the regions is systematically disclosed through the Ministry of Finance website.

### Progress by requirement and corrective actions

EITI Requirement / past corrective action and assessment	Summary of progress in addressing the EITI Requirement
<p><b>Distribution of extractive industry revenues (Requirement #5.1)</b></p> <p><i>Fully met</i></p>	<p>The International Secretariat’s assessment is that Requirement 5.1 is fully met, as in the previous Validation.</p> <p>The objective of this requirement is to ensure the traceability of extractive revenues to the national budget and the same level of transparency and accountability for extractive revenues that are not recorded in the national budget. Available documentation and stakeholder consultations indicated that this objective has been fully met considering the solid budgeting process and absence of off-budget revenues.</p> <p>All of the Kyrgyz Republic’s mining revenues are recorded in the national budget. The budget’s revenue classification is defined by the <a href="#">National Budget Classification</a> and is consistent with the <a href="#">IMF Government Finance Statistics Manual</a>. The national budget classification disaggregates revenues received from extractive industries, namely, bonus and royalty, for all types of mineral resources.</p> <p>The 2018-2020 KR EITI Report and consultations with stakeholders confirmed that all revenues from the extractive industries were allocated either in the state or local budgets and afterwards consolidated into the national budget.</p> <p>According to the 2018-2020 KR EITI Report, extractive revenue streams that are recorded in the local budget consist of</p> <ul style="list-style-type: none"> <li>• state social insurance;</li> <li>• based on additional agreements with the Government of the Kyrgyz Republic – this was relevant only for Kumtor Gold;</li> <li>• education and social infrastructure support;</li> <li>• recultivation fund.</li> </ul> <p>However, the local budget is consolidated into a national budget. Therefore, it can be concluded that there are no off-budget revenues.</p>

<p><b>Revenue management and expenditures (Requirement #5.3)</b></p> <p><i>Not assessed</i></p>	<p>The International Secretariat's assessment is that Requirement 5.3 remains not assessed, given that several encouraged aspects of this requirement remain to be addressed by the Kyrgyz Republic EITI.</p> <p>The objective of this requirement is to strengthen public oversight of the management of extractive revenues, the use of extractive revenues to fund specific public expenditures and the assumptions underlying the budget process.</p> <p>The Secretariat is not aware of any earmarking of revenues to specific geographic areas, apart from subnational transfers described under Requirement 5.2.</p> <p>The 2018-2020 KR EITI Report, the distribution of the state budget revenues is carried out by adoption a relevant law on an annual basis. The report provides a link to the <a href="#">Law “On the Republican Budget of the Kyrgyz Republic for 2018 and the forecast for 2019-2020”</a>. It is noted that the audit of the execution of the state budget is conducted by the Chamber of Accounts of the Kyrgyz Republic which publishes its reports on an annual basis. The links to the <a href="#">Chamber’s reports</a> are provided.</p> <p>There is potential for the SB to engage in increasing public understanding about projected revenues and plans for their management. Disclosure of medium- and long-term revenue scenarios would inform public debate about the management of revenues and economic diversification.</p>
<p><b>New corrective actions and recommendations</b></p>	
<ul style="list-style-type: none"> <li>• To strengthen implementation of Requirement 5.3, the Kyrgyz Republic is encouraged to disclose further information on revenue management and expenditures that is linked to national priorities and public demand for information.</li> </ul>	

## Subnational contribution (Requirements 4.6, 5.2, 6.1)

### Overview of progress in the module

All revenues in the Kyrgyz Republic appear to be recorded in the national treasury under the Ministry of Finance (MOF), including company payments that are regarded as subnational payments or subnational transfers. EITI reporting has provided data on what it deemed as subnational payments received in the accounts of local administration of the national treasury (i.e., local non-agricultural land use tax, real estate tax and license retention fees for subsoil use rights), but these are not fully consistent with the list that stakeholders attested as being paid to subnational entities directly (i.e., payments for the lease of municipal lands, compensation for losses of agricultural production, lost profits when providing land plots, payment for retention of licenses for the right to use subsoil resources). Data on these subnational payments are presented by individual revenue streams, although disclosed in aggregate from 2018 to 2022. It is not clear whether these disclosures are comprehensive and how the government oversees and monitors collection of these revenue streams.

EITI reporting has also provided data on subnational transfers, which are based on a legally mandated revenue-sharing formula and undertaken through a regional development mechanism to finance local development programs in regions, districts, and localities. The Kyrgyz Republic has made progress in publishing data on subnational transfers through the MOF portal, which contains information on actual receipts and expenditures from 2021, and in the 2018-2020 KR EITI Report, with information on the actual amounts received, the amounts spent, and the balance for 2018-2020, disaggregated by region and district. However, the EITI reporting did not provide calculations of what should have been transferred to each subnational entity according to the revenue-sharing formula for each year, and whether there is any discrepancy between this amount and the actual amount received.

EITI reporting has further provided data on social expenditures, which are paid directly by mining companies to local communities in accordance with the Law on Subsoil although based on their specific agreements as part of a social package to promote socio-economic development in the community, such as through education or social infrastructure. In addition, EITI reporting has provided data about extractive companies' environmental expenditures, which are mandated under varied environmental laws to compensate for certain damages or losses. Data on social and environmental expenditures were aggregated in the EITI Report based on information received from the Department of Subsoil and Kumtor Gold Company. However, the disclosures were not disaggregated by company or by government beneficiary. It is not clear whether the disclosures could be considered as comprehensive. Stakeholder consultations demonstrate significant public interest in subnational payments, subnational transfers, and social and environmental payments. While there appears to be progress in accessing information about subnational payments and subnational transfers through the MOF's website, concerns were raised about the accuracy and adequacy of these payments, the distribution of subnational transfers to local communities, and the process for deciding the social package agreements.

### Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement / past corrective action and assessment	Summary of progress in addressing the EITI Requirement
<b>Subnational payments (Requirement #4.6)</b>  <i>Mostly met</i>	<p>The International Secretariat's assessment is that Requirement 4.6 is mostly met, as in the previous Validation.</p> <p>The objective of this requirement is to enable stakeholders to gain an understanding of benefits that accrue to local governments through transparency in companies' direct payments to subnational entities and to strengthen public oversight of subnational governments' management of their internally generated extractive revenues. Available documentation and stakeholder consultations indicated that this objective has been mostly met</p>

<p>considering available data on subnational payments, however noting the lack of discussions on the comprehensiveness of disclosures.</p> <p>The 2018-2020 KR EITI Report provides information on payments at the subnational level, which are received in the accounts of local administrations in the national treasury under the Ministry of Finance (MOF). The data included payments from 2018 to 2020, with corresponding budget classifications, for local non-agricultural land use tax, real estate tax, and license retention fees for subsoil use rights.</p> <p>Consulted stakeholders from the government and companies noted that the extractive revenues mentioned in the 2018-2020 KR EITI Report were paid to the subnational entities directly, such as payments for the lease of municipal lands, compensation for losses of agricultural production, lost profits when providing land plots, payment for retention of licenses for the right to use subsoil resources. The 2018-2020 KR EITI Report presents aggregate data of these payments from 2018 to 2020, by individual revenue stream and by company, based on information submitted by 13 companies selected by the SB and on reports submitted by companies to the Department of Subsoil Use.</p> <p>However, it is not clear whether, in practice, any of these payments are received by subnational entities directly from companies, where the MOF's role is limited only to the collection of information on their payments, or whether these are received through the MOF (in which case, these could be considered as subnational transfers under Requirement 5.2).</p> <p>The MOF has an <a href="#">Open Budget portal</a>, which is an automated online system that provides detailed and up-to-date data on income and expenditures of the state and local government budgets. The portal presents data on the execution of the state budget in the context of government departments, territorial divisions, by individual recipients (by tax identification numbers). Further, the MOF, through the <a href="#">State Tax Service website</a>, provides reports on the implementation of the state budget in revenue by regions from 2014 to May 2023. The list of revenues appears to be comprehensive, covering all categories of revenue sources, with information on planned and actual budget implementation disaggregated by the regions of the Kyrgyz Republic. Given the long list, it could however be difficult to locate the revenues specifically generated from the extractive industry. The list also does not indicate which specific companies have made these payments and for which specific projects in the regions.</p> <p>A consulted stakeholder from civil society identified the matters of subnational payments, subnational transfers and social and environmental funds as important for local communities. Concerns raised were about challenges related to access to information and transparency around distribution of these funds, which were partly attributed to the frequent changes in the government's administrative divisions.</p> <p>Another consulted stakeholder representing civil society organisation described that they accessed information about subnational payments and subnational transfers through the MOF's website, which also provides how these are distributed from the national treasury to the regions and districts. However, concerns were raised about the adequacy of the information, as there were</p>
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	<p>questions about whether these amounts already include royalties and how percentages of funds are calculated. There appears to be a lack of awareness or confusion about which subnational contributions should be directly received by local communities from extractive companies and how these are calculated.</p>
<p><b>Subnational transfers (Requirement #5.2)</b>  <i>Mostly met</i></p>	<p>The International Secretariat's assessment is that Requirement 5.2 is mostly met, as in the previous Validation.</p> <p>The objective of this requirement is to enable stakeholders at the local level to assess whether the transfer and management of subnational transfers of extractive revenues are in line with statutory entitlements. Available documentation and stakeholder consultations indicated that this objective has been mostly met.</p> <p>The EITI Report provides a description of subnational transfers in the Kyrgyz Republic, which are made through a regional development fund mechanism aimed at financing the development of local infrastructure and the implementation of targeted socio-economic development programs. This fund mechanism is managed by a representative of the government or a representative of a local administration for different types of territorial units (regions, districts, etc.). The main provisions are described in the Standard provisions on Regional Development Funds, which have been amended during the period under review. The regulation was adopted in 2014 and amended several times since then (the April 2023 version is available <a href="#">here</a>).</p> <p>Subnational transfers are undertaken based on a legally mandated contribution from extractive companies and other sources which are consequently distributed to regions, districts and localities in accordance with a revenue-sharing formula. A 2% share of the mining companies' revenues (at the location of deposits) received from the sale of minerals is deducted based on the <a href="#">Code on non-tax payments</a> and then distributed accordingly to regional, district and local budgets. As per <a href="#">2019 relevant legislation</a> and the 2018-2020 KR EITI Report, the revenue-sharing formula varied depending on the volume of proven gold reserves deposit (in tons) and its classification as a deposit of national importance. For deposits where gold reserves were more than 50 tons or were considered to be of national importance, the revenues were distributed 50-30-20% respectively to the regional, district and local development funds. For deposits where gold reserves were less than 50 tons or were not included in the list of deposits of national importance, the revenues were distributed to district development funds and local budgets in an 80-20% split. However, available documentation does not seem to clarify how the government calculated the transfers to each region or district in 2018-2020.</p> <p>The EITI Report provides the total amount of deductions made and allocated for the development and maintenance of local infrastructure from 2018 to 2020. The report cites a link to a <a href="#">Ministry of Finance portal</a> providing the Regional Development Funds' actual receipts and expenditures, which includes data starting from 2021. Referring to a March 2022 communication from the Ministry of Finance, the 2018-2020 KREITI Report also presents the actual amounts received, the amounts spent, and the remaining balance on the subnational transfer funds for 2018 to 2020, disaggregated by region and</p>

	<p>district. It is not clear, however, whether the amounts transferred to the regions and districts have been calculated in accordance with the relevant revenue-sharing formula and whether there are any discrepancies between the revenue-sharing formula and the actual amounts transferred. For some regions, no information is provided, and for some regions, information appears to be incomplete.</p> <p>On encouraged disclosures, the <a href="#">website</a> of the Ministry of Economy and Commerce provides information on the management of the Regional Development Funds for the period from 2015 to 2019. Information on the website further shows that the government, based on a decision adopted in April 2020, has utilised 30% of the total amount of deductions for activities related to addressing the COVID-19 pandemic.</p> <p>Consulted stakeholders from the civil society, including those based in the local areas, have expressed views about the need to have more transparency about the adequacy and distribution of subnational transfers to local communities, similar to concerns around subnational payments (see <i>Requirement 4.6</i>).</p>
<p><b>Social and environmental expenditures (Requirement #6.1)</b></p> <p><i>Mostly met</i></p>	<p>The International Secretariat's assessment is that Requirement 6.1 is mostly met, which represents backsliding from the previous Validation.</p> <p>The objective of this requirement is to enable public understanding of extractive companies' social and environmental contributions and provide a basis for assessing extractive companies' compliance with their legal and contractual obligations to undertake social and environmental expenditures. Available documentation and stakeholder consultations indicated that this objective has been mostly met.</p> <p>According to the Law "On Subsoil" (Article 30), mining companies with deposits of national significance are required to undertake social expenditures through agreements with local authorities within a 'social package' framework. Other mining companies can participate in the 'social package' framework on a volunteer basis. In addition, they undertake environmental expenditures in accordance with provisions of relevant laws.</p> <p>The 2018-2020 KR EITI Report refers to information collected by the Kyrgyz Republic EITI Secretariat from the Department of Subsoil Use about payments directly made by mining companies to local communities in accordance with the Law "On Subsoil", which are based on specific agreements between subsoil users and local administrations as part of what is deemed as a 'social package' to promote the socio-economic development of the local community hosting a mining project. These payments are disclosed in the report as 'support for education' and 'support for social infrastructure, which were based on reports submitted by companies to the Department of Subsoil Use and on the annual reports of Kumtor Gold Company. However, these payments are not disaggregated by beneficiary, by company (except for Kumtor Gold), by nature of expenditures (cash or in-kind), or by non-government beneficiaries.</p> <p>The 2018-2020 KR EITI Report also provides information about the environmental expenditures that extractive companies are required to undertake by virtue of laws relating to environmental protection, forestry, and</p>

	<p>land. These include payments for environmental pollution and compensation for damage caused to the environment; compensation for losses in forest production; compensation for losses in agricultural production; lost profit in the provision of land, such as when design and survey work would limit use of one's land; and payment for the lease of land in state and municipal ownership or of forest fund plots. The amounts of environmental payment are typically indicated under the provisions of the law that mandate them. Environmental expenditures from 2018 to 2020 are disclosed in the report, although not disaggregated by company or beneficiary. It is not clear whether the disclosures are comprehensive.</p> <p>Consulted stakeholders from civil society expressed views about the need to further understand the mechanism for social payments, in the same way as for direct subnational payments and transfers (see <i>Requirements 4.6 and 5.2</i>). One stakeholder mentioned that the matter of social packages in the regions has often become a source of conflicts among local authorities. Some members from local communities also noted a lack of clarity on how decisions were made in crafting these social package agreements.</p>
<b>New corrective actions and recommendations</b>	
<ul style="list-style-type: none"> <li>• In accordance with Requirement 4.6, the Kyrgyz Republic should ensure that all material direct subnational payments collected by subnational government entities are comprehensively and reliably disclosed to the public.</li> <li>• In accordance with Requirement 5.2, the Kyrgyz Republic should ensure public disclosure of all subnational transfers of extractive revenues. These disclosures should include the transfer amount calculated in accordance with the applicable revenue-sharing formula and the actual amount that was transferred between the national government and each relevant subnational entity entitled to receive subnational transfers of extractive revenues during the period of review, reflecting any discrepancy between the two amounts. The Kyrgyz Republic may wish to undertake a scoping of all subnational entities (regions, districts, localities) entitled to receive subnational transfers through the Regional Development Fund mechanism, to ensure that its disclosures of subnational transfers are comprehensive of all transfers of extractive revenues to subnational entities.</li> <li>• In accordance with Requirement 6.1, the Kyrgyz Republic should ensure that material social and environmental payments to government are comprehensively and reliably disclosed to the public.</li> </ul>	

## Background

### Overview of the extractive industries

An overview of the extractive industries is accessible on the [country page](#) of the EITI webpage for the Kyrgyz Republic.

### History of EITI implementation

The history of implementation is accessible on the [country page](#) of the EITI webpage for the Kyrgyz Republic.

### Explanation of the Validation process

An overview of the Validation process is available on the EITI website.<sup>3</sup> The [Validation Guide](#) provides detailed guidance on assessing EITI Requirements, while the more detailed [Validation procedure](#) includes a standardised procedure for undertaking Validation by the EITI International Secretariat.

The International Secretariat's country implementation support team included Oliana Valigura, while the Validation team was comprised of Olesia Tolochko, Brenda Jay Angeles Mendoza and Olesia Nekhoroshko. The internal review for quality assurance was conducted by Alex Gordy, Gay Ordenes, Gilbert Makore and Mark Robinson.

### Confidentiality

The detailed data collection and assessment templates are publicly accessible, on the internal Validation Committee page.

The practice in attribution of stakeholder comments in EITI Validation reports is by constituency, without naming the stakeholder or its organisation. Where requested, the confidentiality of stakeholders' identities is respected, and comments are not attributed by constituency. This report is shared with stakeholders for consultation purposes and remains confidential as a working document until the Board takes a decision on the matter.

### Timeline of Validation

The Validation of the Kyrgyz Republic commenced on 1 April 2023. A public call for stakeholder views was issued on 30 January 2023. Stakeholder consultations were held virtually in May-July 2023. The draft Validation report was finalised on 20 October. Following comments from the SB on 17 November, the Validation report was finalised for consideration by the EITI Board.

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<sup>3</sup> See <https://eiti.org/validation>



## Resources

- Validation data collection file – [Stakeholder engagement](#)
- Validation data collection file – [Transparency](#)
- Validation data collection file – [Outcomes and impact](#)

## Annex A: Assessment of Requirement 1.3 on civil society engagement

### Methodology

The assessment follows the [Validation Guide](#), which defines guiding questions and related evidence that should be considered in cases where there are concerns about potential breaches of the [Protocol on participation of civil society](#). For contextual purposes, the Validation provides an overview of the broader enabling environment for civil society participation in the country's extractive sector. The assessment seeks to establish whether legal or practical restrictions related to the broader enabling environment have in practice restricted civil society engagement in the EITI in the period under review. It focuses on the areas where there are concerns regarding adherence to the civil society protocol.

The assessment draws on the available documentation, including the [CSO report](#) and the Stakeholder engagement template, and stakeholder consultations.

### Overview of broader environment for civil society engagement

According to [ICNL](#), civil society in the Kyrgyz Republic has been considered one of the strongest in Central Asia. In general, CSOs appear to engage with national and subnational governments through consultative public councils at state ministries and agencies. In addition, there are a number of tools such as the [portal](#) for public discussion of draft regulatory and legal amendments that aim to support active civil society participation.

The general legal framework supports an enabling environment for civil society engagement in the EITI process and broader extractive sector governance in the Kyrgyz Republic. The 2021 [Constitution of the Kyrgyz Republic](#) recognises the rights and freedoms of its citizens, specifically the right to freedom of thought and opinion; the right to freedom of expression, freedom of speech and the press; and the right to freedom of association (Articles 32 and 36). The Constitution also guarantees the right to freely seek, receive, store, use and distribute information; and to receive information about activities of governmental bodies; and to access information held by the state (Article 33).

However, the period under review in this Validation has seen a narrowing civic space in the Kyrgyz Republic, attributed to a mix of factors: social and political changes, legislative developments, and funding concerns. This is captured by indicators such as the [CIVICUS Monitor 2022](#), [Freedom in the World report 2022](#), [Human Rights Watch report 2022](#) and the [ICNL Civic Freedom Monitor 2020](#). Many of the rankings show lower scores compared to the period covered by the previous Validation. A [civil society report on the implementation of the United Nations Convention against Corruption \(UNCAC\)](#) in the country has also noted deficiencies in civil society participation and access to information. Although the country reportedly enjoys relative media freedom, mounting efforts to limit press freedom, including the harassment of journalists critical of authorities, are observed (see [Reporters Without Borders](#) and [Amnesty International](#)). In July 2023, the European Parliament adopted a [resolution on the human rights situation in the Kyrgyz](#)

[Republic](#), urging “the Kyrgyz authorities to withdraw and review a number of laws that are inconsistent with the country’s international commitments.”

In January 2021, Sadyr Japarov [was elected](#) as the new President of the Kyrgyz Republic and was given sweeping powers after voters opted for a constitutional change to a presidential system of government in a referendum. A [new Constitution](#) was ratified in May 2021, reintroducing a strong presidency, reducing the power of the legislature, and removing the Prime Minister’s office. The new President has vowed to institute political reforms and structural changes in the Kyrgyz Republic, promising to rule the country with an open government free of corruption.

Available documentation and stakeholder consultations indicate that the Kyrgyz Republic has introduced legislative measures that are perceived to potentially restrict civic space. Some legal amendments have been already enforced, while others are still under consideration. This includes the 2021 Law on Protection from Inaccurate (False) Information, intended by the government to regulate rights and obligations of social media platforms that host inaccurate information, but which is criticised by some as a threat to free speech in the Kyrgyz Republic. Another law relates to a new financial reporting requirement for CSOs, which some civil society members fear to be used to impede CSO activities for its onerous provisions. Similar concerns raised are related to the amendments to the law on registration and re-registration of legal entities, which gives significant leeway for the Cabinet of Ministers to determine the manner of registration; and draft law on CSOs (foreign representatives), which are suspected to prevent CSOs from accessing foreign funds. While stakeholder consultations did not indicate specific evidence that CSO representatives working on extractive issues have faced any restrictions related to these laws in practice, however, concerns about shrinking civil society space were expressed. The full impact of these legislative and regulatory changes is yet to be seen. The trend of declining civic space appears to have accelerated in 2021.

While a number of international organisations have expressed concerns related to the more constrained civil society environment in the Kyrgyz Republic, the full potential effect of recent and planned legal reforms is yet to be seen. At the same time, stakeholder consultations indicated that expected legal amendments had already had a “chilling effect” on civil society’s ability to openly and freely express critical opinions.

## Expression

The CSO report and available published reports from international organisations highlight that the Kyrgyz Republic has in recent years enacted laws and considered legislative bills that infringe on constitutionally guaranteed freedom of speech and expression. For example, the implementation of the Law on Protection from Inaccurate (False) Information provided justification for the government’s closure of three independent media outlets allegedly without legal proceedings. On this basis, the government has also demanded a news agency (Kloop) to remove an article exposing overestimated costs of social facilities in the Batken region and threatened to block the news agency if it did not remove the material. [Another example](#) cited is the detention of a group of activists and journalists who were charged with ‘preparing to organise mass riots’ after expressing outrage over an agreement relating to the demarcation of the Kyrgyz-Uzbekistan border where the Kempir-Abad reservoir is located. While these events were not directly related to the EITI process and public debate on extractive industry governance,

consulted stakeholders considered that these events reflected a shrinking of the broader civic space that could potentially affect their free expression in relation to extractive issues.

According to stakeholder consultations, civil society representatives engaged in the EITI can speak freely on most topics related to EITI implementation through social media platforms and during the Supervisory Board (SB) meetings. Consulted stakeholders recalled having discussions on beneficial ownership disclosure, licensing issues and mining employment by gender. Although the CSO study does not indicate topics within the EITI Standard that civil society was restricted from expressing their views on, some consulted stakeholders noted that there were some sensitive topics related to natural resources governance and broader anti-corruption agenda that they did not address in a public forum. For example, a consulted stakeholder regarded as a sensitive topic the matter of the nationalisation of the Kumtor gold mine, previously operated by Canada's Centerra Gold. The stated reason for the lack of discussion of this topic was that it was not useful to bring up this topic because one would not get any answer, even from the government ministries. Some media outlets note that government has indeed remained secretive about [data on gold exports](#) from the Kumtor Gold mine, reportedly for national security reasons. Based on stakeholder consultations, there are also perceived risks and pressures that discourage citizens from tackling this issue to avoid retribution to themselves or their family members, for instance through arrest or sanction in the form of tax inspections or audits. It appears that consulted stakeholders have not raised this issue with the SB, although stakeholders consulted considered that this was partly related to the ongoing organisational restructuring of the EITI process. At the same time, there is evidence that civil society stakeholders communicated their concerns about the draft legal reforms that were seen as potentially constraining civil society.

Validation consultations did not indicate any cases where a journalist or a media organisation had suffered reprisals following coverage of a topic related to the EITI Standard. However, the Secretariat recognises that the recent and planned legislative reforms that relate to civic freedoms and reports about closure of media outlets and intimidation and arrest of activists critical of government authority appear to have a deterring effect on civil society, leading members to consider self-censorship and restraint. In the context of legal reforms that have impacted the broader environment for freedom of expression and evidence of government retribution related to critical expression on certain non-extractive issues, the Secretariat considers that there are credible concerns about self-censorship of CSOs substantially engaged in the EITI process in relation to certain topics covered by the EITI process, such as the nationalisation of the Kumtor gold mine. Thus, the Secretariat considers that there is a breach of the EITI protocol: Participation of civil society related to freedom of expression.

## Operation

There are concerns from civil society about the possible impact of new legislative and regulatory requirements related to CSO registration and reporting on civil society's ability to operate freely in relation to all aspects of the EITI process in future. However, there is no tangible evidence that these reforms have yet constrained CSOs' ability to operate in relation to the EITI process in the period under review, despite CSO concerns over the potential impact in future. In 2021-2023, the government introduced new requirements related to non-commercial/non-profit

organisations' (NCO/NPOs) registration, reporting and funding. Some aspects of these requirements have been enacted, while others are still under consideration.

In February 2023, the President signed [Law No. 44](#) further amending the law on the registration of legal entities, which requires the registration (re-registration) of all legal entities in a single register that is open to the public and processed in a manner to be determined by the Cabinet of Ministers of the Kyrgyz Republic. This law repealed previous iterations of the amendment, including [Law No. 78](#) (passed in 2021), which then required NPOs to submit information on the structure and size of their revenues, properties, income and expenditures, among others.

In January 2022, the President also signed a new [Tax Code](#) containing provisions related to CSOs. While the new code reduced immovable property tax rates for CSOs, among others, it now requires CSOs to pay and report income tax monthly (instead of quarterly). The ICNL and US State Department Human Rights reports further referred to draft laws that require CSOs to upload information on programmatic activities and new annual financial reports detailing income and expenditures, including from foreign sources, on the State Tax Service website. In addition, the [ICNL](#) reported about draft amendments to the law on NCOs (foreign representatives), considered to be very similar to legislation on 'foreign agents' applied in other countries in the region, which are expected to limit the ability of civil society to access funding from foreign sources. Stakeholder consultations did not identify evidence of any CSO substantially engaged in the EITI process having faced restrictions from these new reporting obligations in practice. However, there appeared to be an overall concern related to the fair application of these new laws and the potential consequences on freedom of operation.

The CSO report and stakeholder consultations confirmed civil society concerns about the effect of these legislative reforms, expounding that the amendments require civil society organisations to publicly disclose work records, including accounting documents, financial statements, and the organisation's assets, as well as personal data of employees. They are also required to publish summary information on the tax authority's website regarding the sources of their funds, spending directions, and any acquired, used or disposed properties, which would be audited and released to the media.

Consulted stakeholders engaged in the EITI expressed mixed reactions to these legislative developments. One CSO representative did not express strong objections against some of the provisions, stating that publication of reports and expenditures, for instance, could be considered a normal regulatory requirement. However, some of the amendments were perceived as unfair, such as the requirement for information to be published that might otherwise be considered confidential, classified or sensitive data, thus creating suspicion that such data might be used to interfere in their internal affairs or target activists working on particular topics. Others viewed the amendments as containing stringent rules and burdensome requirements, especially for small organisations, that might lead to waves of lay-offs and decline in civil society activity. Another stakeholder noted that as most CSOs in the Kyrgyz Republic rely on funding from foreign sources, there was apprehension that the draft laws would restrict foreign assistance and make it more difficult for civil society to operate.

Consulted civil society representative noted that some CSOs might consider closing operations because of the onerous financial and administrative provisions of the new laws and the

perception that the government is attempting to expand its control over civil society organisations. Validation consultations did not find a direct link between new legislation and closure of organisations to date. The Secretariat nonetheless recognises that legislative developments and experience related to CSO registration (re-registration), reporting, and funding are causing significant concerns about their potential impact on constraining CSOs from further full, effective, and active engagement in the EITI in future.

## Association

The EITI Consortium facilitates communication among civil society actors on EITI-related matters. Civil society's communication and cooperation on the EITI appeared to be active, especially before the onset of the COVID-19 pandemic and the ongoing political and legislative developments. At present, communications among civil society actors are mostly done through online platforms such as WhatsApp, Viber and [Facebook](#). Stakeholder consultations indicated that there might have been a slowdown in communications and coordination within the broader constituency, in particular, due to the COVID-19 pandemic. However, consulted stakeholders did not express any concerns with regard to this aspect.

The Stakeholder engagement template provides a list of approaches that civil society has used during the period to engage with a wider range of stakeholders, including local communities. The list includes a talk show on women's rights; targeted seminars and trainings on the gender, beneficial ownership and contract transparency provisions of the EITI Standard; media publications; and e-mail correspondence. It refers to an October 2022 CSO conference on the gender aspects of the mining industry in Kyrgyz Republic funded by the PWYP, where a [study](#) conducted by the EITI consortium, Alliance for a Transparent Budget, and the PWYP coalition was presented. The activity reportedly gave the civil society participants the opportunity to examine the EITI Standard provisions on gender in the extractives and to discuss the prospects for enhancing employment opportunities for women in the mining industry.

Consulted civil society representatives in the SB noted how they have used online formats for their meetings and other activities. However, one stakeholder remarked that communications, whether online or in-person, were more complicated in the remote regions. Some CSOs previously received support to undertake outreach activities to local populations and members of state bodies. However, this has become difficult for CSOs during the COVID-19 pandemic restrictions and was feared to remain a challenge if the draft laws dreaded to affect civil society operations were to be passed.

The CSO report and stakeholder consultations with civil society did not outrightly refer to any other restrictions on the ability of CSOs to contact and cooperate with colleagues in civil society, business and government related to discussions about SB representation and the EITI process. However, the CSO report noted a decline in the activities of the current SB that was elected in 2020, with an observation that the SB has become a 'passive structure' and where only a single meeting was attended by one SB member in the last three years (see *Requirement 1.4*). This was attributed to several related factors: perceived lack of commitment from stakeholders in the government; lack of interest and understanding of EITI among mining companies; government structural reorganisation, transfer of functions to ministries, and changes in legislation; and frequent change of power and staff turnover.

## Engagement

Civil society has actively participated in SB meetings, focus group discussions, capacity-building, and EITI outreach activities, especially from 2008 to 2019. After 2019, the CSO report describes that CSOs have remained active despite perceived political and regulatory restrictions, a significant decline in interest in the donor community to finance transparency and accountability in the mining sector, including EITI implementation, lack of political will on the part of the current government, and changes in the institutional housing of the KR EITI national secretariat. Civil society continues to see the value of EITI in increasing people's awareness and in promoting understanding of the EITI objectives, which one stakeholder regards as having an indirect but positive effect on mitigating conflicts.

Consulted stakeholders from civil society noted that they provide input and advocate on issues related to the EITI, such as through conferences, research, press statements, and social media. Within the SB, civil society representatives said they raise issues pertaining to the meeting agenda, work plan, and EITI Reports. One civil society stakeholder described how they have pointed out mistakes in the interpretation of figures in a draft report which led to its rectification before publication. Civil society representatives on the SB have also raised issues about licensing and contracts disclosure, publication of production volumes, gender diagnostics, beneficial ownership, social and environmental payments, and subnational payments and transfers, including their distribution to local communities. One civil society member noted concerns with regard to accuracy of historical data and limited response to raised issues.

Further information about civil society engagement is available in the Stakeholder engagement template.

## Access to public decision-making

Civil society is leveraging EITI data for analysis and advocacy related to extractive sector governance. For example, the EITI Consortium, Alliance for Transparent Budget and PWYP coalition have jointly used EITI to communicate the prospects for better gender balance in employment in mining. The CSO report also noted how EITI implementation has led to the establishment of a network of public reception offices in specific regions, which served as information and consulting centres for local communities and CSO representatives to dialogue on EITI and subsoil use issues. Consulted stakeholders noted that such centres have been operating for a while and expressed varying views on their efficiency. At the same time, the scope of analysis and advocacy efforts does not seem to cover all relevant EITI Requirements, with some topics such as state participation having limited coverage.

The legal framework of the Kyrgyz Republic broadly enables public participation in policymaking, including extractive sector governance. Public councils under ministries and state committees have served as mechanisms for civic participation in decision-making processes. Available evidence suggests that CSO representatives were included in working groups and were engaged in public discussions concerning the adoption of draft government regulations. Through these mechanisms, they could advocate for their interests, provide valuable input, and influence policy outcomes, including those that relate to natural resources management. The Kyrgyz Republic

also has a Single Portal for Public Discussion of Draft Regulatory Legal Acts, through which CSO members can provide feedback to refine proposed laws.

Consulted stakeholders admitted the presence of mechanisms for public discussions on draft regulations, but also raised concerns about its effectiveness in generating public comments and in addressing raised concerns. Concerns range from the limited period to offer comments and selection of CSO members of the working groups to whether CSO feedback is indeed considered in the refinements of the drafts. This is in addition to apprehensions that this platform for public discussion would eventually be curbed by legislation. The [ICNL](#) report remarked that most existing civic engagement and transparency mechanisms have now been excluded in a 2022 amendment to the [Law on State Social Order](#), which previously allowed civil society to participate in discussions about the implementation of government-funded social programs. The CSO Study further cited that local communities and individuals associated with mining companies often hesitate to publicly express views due to potential risks, including fear of losing their jobs.

The CSO report mentioned a stakeholder's perspective that the Kyrgyz Republic has several mechanisms for civil society to express opinions, including those related to extractive industry governance. At the same time, the CSO report raised concerns about draft amendments that purportedly aim to reduce the period for public discussions of draft regulatory legal acts from one month to 15 calendar days, thus limiting time available for public input and compromising the transparency accountability and effectiveness of the legislative process. The report also referred to a draft law that aims to repeal the Law on Public Councils of State Bodies, which if approved, would undermine the involvement of civil society in shaping legislation and policies.

## Assessment

Civil society in the Kyrgyz Republic appears to be well-capacitated and engaged in EITI, particularly through the EITI Consortium. Civil society has provided input to EITI, used EITI data for advocacy and actively participates in the work of the SB. They have undertaken efforts to communicate the objectives of EITI to broader stakeholders, including at subnational levels. However, the level and quality of civil society engagement in EITI appear to be affected by the perceived lack of commitment of the government and industry constituencies, potential civic space constraints and funding concerns. The Validation identified that civil society engagement in all aspects of the EITI process has declined since the previous Validation given breaches of the civil society protocol related to freedom of expression and weaknesses in the broader civil society constituency's engagement.

The enabling environment for civil society engagement in the EITI in the Kyrgyz Republic appears to be declining, compared to the previous Validation. The impact of new and planned laws on inaccurate (false information), registration (re-registration) of legal entities and tax payments/audits as well as draft amendments relating to financial reporting and foreign funding, among others, is still unfolding. Data from the period under review demonstrates that the overall civic space is diminishing in the Kyrgyz Republic, in particular, due to perceived or expected consequences of legal amendments. In the context of legal reforms that have impacted the broader environment for freedom of expression and evidence of government retribution related to critical expression on certain non-extractive issues, the Secretariat considers that there are credible concerns about self-censorship of CSOs substantially engaged in the EITI process in



relation to certain topics covered by the EITI process, including but not limited to state participation. These have an adverse effect on the ability of civil society actors engaged in the EITI to express their views related to the EITI process.

In accordance with Requirement 1.3, the Government of the Kyrgyz Republic is required to ensure that there are no obstacles to civil society participation in the EITI process. The government must refrain from actions which result in narrowing or restricting expression and debate in relation to EITI implementation. Should civil society actors engaged in the EITI experience threats or intimidation for expressing views about the extractive industries or engaging in other EITI-related activities, the government is expected to undertake measures to protect these actors and their freedom of expression. The government is encouraged to ensure that there are no obstacles to civil society's ability to organise EITI-related activities and to participate effectively in the development of public discussions on policies and regulations pertaining to natural resources governance. The government, in collaboration with the SB, is encouraged to consider practical steps for ensuring that civil society can engage in the EITI freely in all regions of the country. This could involve raising awareness about EITI among representatives of government authorities at national and subnational levels. In regions where civil society is refraining from organising events due to security concerns, the SB should consider stepping up its EITI outreach. The SB is encouraged to monitor developments regarding civil society's ability to sustainably engage in the EITI. The government, in collaboration with the SB, is encouraged to document the measures it undertakes to remove any obstacles to civil society participation in the EITI. The SB should ensure that CSOs are able to table any item for discussion, without fear of reprisal, including those that are deemed to be sensitive topics. In accordance with the EITI protocol: Participation of civil society, civil society members of the SB are encouraged to bring any ad hoc restrictions that could constitute a breach of the protocol to the attention of the SB. The SB is expected to document how it addresses these concerns.