

Research on social payments by the SSMPA over 2016-2019 (Sokolov-Sarbai Mining Production Association, Rudniy, Kostanay region)

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The research seeks to determine how the Sokolov-Sarbai Mining Production Association (SSMPA) and local authorities, Akimats of Rudniy and Kostanay oblast, spend funds allocated for social expenditures, and how this activity affects local communities in the regions of production.

Local context:

Sokolov-Sarbai Mining Production Association (SSMPA) is part of the Eurasia Recourse Group company (ERG). ERG is an international company involved in the extraction of solid minerals in Kazakhstan and abroad (DRC, Zambia). 40% of ERG shares are owned by the government of Kazakhstan through the Committee for State Property and Privatization of the Ministry of Finance, 60% of shares are in private hands. ERG is officially incorporated in Luxembourg.

The SSMPA is geographically located in the town of Rudniy, Kostanay oblast. The total amount of tax and non-tax payments of SSMPA for 2016 - 2019 is 157.062.787 thousand Tenge (about 450.160 thousand USD). Of these, 117.518.055 thousand Tenge (about 336.820 thousand USD) were paid to the National budget, and 39.544.732 thousand Tenge (about 113.340 thousand USD) to local budgets.

Methodology:

As part of the research, the legal framework for the implementation of the Social Infrastructure Projects (SIP) was reviewed and the open data regarding payments to the SSMPA were examined.

The open data were examined during the analysis stage:

- The total amount of tax and non-tax payments by SSMPA;
- Payments to SEDRDI;
- Payments and expenditures of the company for SIP under Memorandums with local executive authorities;
- Budgets of the town of Rudniy and Kostanay oblast both in the revenue and expenditure sections;
- SIP data from ERG sustainability reports.

For questions that are not reflected in open sources, requests were made to Akimats (local executive authorities). Those questions were related to the terms of the Memorandums between the company and the local authorities, and the targeted use of funds paid for SEDRDI to local budgets at BCC 206114. The responses to the requests were applied in the analysis.

Additionally, consultations were held with representatives of local communities on the implementation of the CIP.

Key findings:

- Information on social and infrastructure projects carried out by SSMPA independently on the territory of both the town of Rudniy and the Kostanay oblast, in accordance with the Memorandums with local executive bodies, is available. However, the texts of the MOUs are not available and the procedures for implementing the SIP are not transparent. The lack of transparency in the procedures for determining and implementing the SIP can be a corruption-generating factor.
- The data of the regional budget of Kostanay oblast and the budget of Rudniy town do not contain direct indications of the receipt of funds for SEDRDI (BCC 206114). The funds listed by subsoil users in the income of the regional budget are the total incomes of the regional budget and are not directly tethered to expenditure programs. As a result, a direct comparison of SSMPA payments to BCC 206114 and the income part of the budget of Rudny is impossible.
- Local communities are not sufficiently involved in the discussion, planning and monitoring of the SIP; only SSMPA employees are involved in the process, and their participation is also limited to informing about decisions that already taken. At the same time, there is quite a lot of interest on the part of local communities to widely participate in discussions, decision-making and monitoring of the SIP implementation.

Recommendations:

To the attention of local executive bodies of Kostanay oblast and Rudniy town:

1. Take efforts to disclose MOUs on interaction with mining companies and make their content available to citizens.
2. Initiate public hearings, round tables, briefings and other events for the discussion of the plans for SIP; to develop and implement mechanisms of public participation in the definition, planning, implementation and control of the implementation of SIP by mining companies in the Kostanay oblast.

To ERG and SSMPA:

1. Withdraw information on the content of Memorandums with local executive bodies from the category of commercial secrets, and insist on the disclosure of this information.
2. Involve not only own employees, but also other representatives of local communities, NGOs and the media, in the processes of defining, planning, implementing and controlling the SIP; introduce the practice of wide public debates on SIP plans with local communities prior to making any decision on funding.
3. Publish overall information related to SIP on their websites, organize the possibilities for deliberations of these issues on the websites.

To civil society organizations of the Kostanay oblast and the town of Rudniy:

1. Undertake efforts for greater participation in the discussions of SIPs for extractive companies; initiate public hearings, round tables and other events to discuss plans for SIP. Invite representatives of SSMPA and local authorities to participate in such events.
2. Use EITI data to inform citizens about the costs by extractive companies for the SIP.

3. Insist on changes in the policies of extractive companies and local executive authorities in terms of accountability and transparency of payments, as well as costs for SIP.
4. Increase capacity for more effective work with extractive companies in the field of subsoil companies SIP.