

The implementation of social packages for the socio-economic development of Talas Oblast, Kyrgyzstan

This is an English-language summary of «Анализ реализации социального пакета на объектах недропользования общего государственного значения: Таласская область, Кыргызская Республика», published by PWYP Kyrgyzstan coalition in May 2021.

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The “social package” as a form of corporate social responsibility of mining companies was for the first time introduced to the national legislation of the Kyrgyz Republic in 2014. The current national legislation defines the "social package" as a voluntary agreement between a subsoil user and local authorities to promote the socio-economic development of the region where a mine site is located.

Nowadays, social packages remain one of the poorly studied aspects in the field of subsoil use of the Kyrgyz Republic. The lack of clear regulatory mechanisms and limited access to information on the implementation of the social package has become a matter of pressing public concern in local communities over the past decade. Under the legal framework, the respective state and local government bodies are duty-bound to publish annual reports on the social package. However, such norms are not upheld and there is no way to find any relevant information.

Even the information on social packages provided in the 2015-2017 EITI Report is extremely scarce and limited to the corresponding three-year period. On its part, the Ministry of Finance of the Kyrgyz Republic admits that the department does not have any data on the social package receipts.

The current legislation contains numerous gaps leading to legal uncertainty. A number of issues have not been properly reflected in the country's legal framework. The legislation does not specify the type of requirements that should be provided for the development of a social package. This omission poses several types of risks. The legislation of the Kyrgyz Republic does not currently require a mandatory independent audit in relation to funds allocated directly by mining companies for the implementation of specific social and other programs, as well as such mining companies themselves, except for cases when the mining company is a public company (which carried out a public offering of securities) and is subject to a mandatory audit under the Audit Law of the Kyrgyz Republic. In addition, the legal framework does not specify the mining company's counterparty when entering into social package agreements.

By and large, the above-mentioned omissions in the legislation and extremely limited access to information highlight the lack of a comprehensive analysis in the implementation of such agreements in the country. This is because not a single legal act in the field of subsoil use regulates the requirements for the content and process of developing a social package.

This study focuses on the research of the implementation of social packages for objects of national importance with a concentration on the Talas Oblast, where the development of the Jeruy deposit is underway. To that end, the author of the study carried out due diligence of the implementation of the social package for the period from 2016 to 2020, as well as studied the priorities in the approval of initiatives and considered the pertinent norms in national legislation.

The author of this study provides detailed information on the Agreement on Assistance in Social and Economic Development of Talas Oblast and examines its contribution to the regional development locally. The author also reviews the preliminary results of measures for the capacity building and employment of the local population in the mining sector and analyzes the contribution to the development of small businesses and agriculture through soft loans.

The source base of the study consists mainly of official documents of state bodies, survey analytical studies, periodicals and news sites, a [report](#) (in Russian) on the implementation of the Extractive Industries Transparency Initiative in the Kyrgyz Republic for 2015-2017, as well as reporting documents posted on the websites of the “Alliance Altyn” mining company and the results of interviews with representatives of the “Bakubat Talas” Welfare Fund.

The idea of this study was supported by members of the Kyrgyzstan National Coalition of Non-Governmental Organizations for the Extractive Industries Transparency Initiative and local communities in regions where the problem of developing and implementing social packages is extremely acute.

Key findings:

- There are no legal mechanisms in Kyrgyzstan containing uniform norms for the drafting and implementation of social package agreements and regulating selection, implementation and reporting of projects, as well as their monitoring and control.
- Despite the ongoing monitoring of the soft loans in Talas Oblast, there is insufficient analysis of the implementation of the loan product in terms of assessing their contribution to the development of small and medium-sized businesses and agriculture, as well as the opening of income-generating enterprises and job creation.
- The analysis revealed the absence of uniform mechanisms in the selection of funding applications, as well as an imbalance in the distribution of funds across the administrative-territorial units of Talas Oblast.
- The study revealed the need to revise the criteria for selecting project proposals, with a focus on the socio-economic development priorities of the territories concerned and towards opening up businesses for the production and processing of local products, with a subsequent contribution to securing employment for the local population.
- On a national scale, there is no single set of data on the implementation of social packages.
- At the stage of collecting primary data, the study revealed the absence of a mechanism for information exchange between mining companies, state authorities, local government bodies and local communities.
- Requirements of the Law of the Kyrgyz Republic "On Subsoil" in terms of ensuring the storage of annual reports on the implementation of the social package in the buildings of local governments and local state administrations from the moment they are signed and/or received (paragraph 9 of Article 7) and their publication on the website of the authorized state body for subsoil use (Article 30) are not fulfilled.

Recommendations:

Based on these conclusions, the author of this study proposes the following recommendations to address identified challenges:

- The Government of the Kyrgyz Republic should develop a by-law containing uniform norms for drafting and implementing agreements on social packages and regulating mechanisms for selection, implementation and reporting on projects, as well as monitoring and control.
- “Bakubat Talas” Welfare Fund should periodically analyze the implementation of the loan product in terms of assessing the contribution to the development of small and medium-sized businesses and agriculture, as well as the opening of income-generating enterprises and job creation.
- The Supervisory Board of the “Bakubat Talas” Welfare Fund should revise the criteria for selecting project proposals with a focus on the priorities of socio-economic development of the

respective territories and in the direction of opening enterprises for the production and processing of local products with the subsequent contribution to the provision of employment among the local population.

- “Bakubat Talas” Welfare Fund should consider the possibility of creating grant committees for the selection of project applications at the local level.
- The “Bakubat Talas” Welfare Fund should unify the reporting forms on the implementation of socio-economic grants and concessional lending and establish a mechanism for periodic exchange of reporting data with the office of the Plenipotentiary Representative of the Government of the Kyrgyz Republic in Talas region and the partner bank.
- The authorized state agency for subsoil use should publish reports on the implementation of the social package annually on the website.
- The Government of the Kyrgyz Republic should consider the possibility of developing a certain flat rate in relation to the size of the social package for subsoil use objects of national importance;
- The authorized state body for subsoil use should develop an interactive map for the implementation of social packages in the territory of the Kyrgyz Republic to provide the public with accessible and timely information.
- “Alliance Altyn” LLC should strengthen the work on communication of the progress and results of the implementation of the social package to the general public.
- Local authorities must strengthen control over the implementation of the norms of the Law of the Kyrgyz Republic "On Subsoil" as per the social packages.