

# From transparency to a better natural resources management and social harmony

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# Major achievements and problems in the mining transparency in KR

- Great achievement in the field of transparency in the mining industry in Kyrgyzstan, is the fact that the country has passed validation. This was done in difficult circumstances of the two revolutions in Kyrgyzstan in 2005 and 2010.
- But it's early for complacency and our civil society Consortium on promotion of EITI during the last three years implements actions on Initiative expansion, introduction of disaggregated reporting, transparency of contracts and agreements, environmental and social responsibility of mining companies. This is not just a desire to achieve the ideal conditions with transparency, but these are vital challenges of the current situation in Kyrgyzstan and demands of the population living in mining regions.

# Features of Extractive Industries Transparency Initiative (EITI) in Kyrgyzstan

- Peculiarity of the Transparency Initiative in Kyrgyzstan, in contrast with oil-producing countries is that the contribution to the gross domestic product (GDP) of the mining industry is not very large and vary from 5 to 10%. Tax revenue to the budget vary from 7 to 12%. The share of mining industry in export is 40%.
  - We do not have a national fund from the proceeds of the mining industry, as in Kazakhstan and Azerbaijan. 90% of the country's territory is mountainous, which are pertained to vulnerable natural ecosystems. Kyrgyzstan has large water resources and in the terms of global warming, intensive melting of glaciers it leads to their gradual disappearance. Therefore, mining activities in some regions is a source of conflicts in natural resources usage.
  - However, the mining industry since the days of the Soviet Union has traditionally been one of the sectors of the economy which makes contributions to the state budget, while providing jobs and contributes to social programs. I myself grew up in a small mining town, and received an excellent education, and we had free medical care. Therefore it is not surprising that the Government of Kyrgyzstan during the period of the country independence continues to rely on the mining industry, hoping to improve and develop the economy

# Local context

- Our Consortium has a public reception in the three mining regions. They disseminate information and provide training on the EITI, as well as monitoring the situation in different areas and providing feedback. During one of our missions in the Naryn region in 2009, even the representatives of local authorities said that new companies come and start mining activities without their prior notification as well as the general public. Therefore, they are also asked to strengthen control over the issuance of licenses to companies and made an emphasis on the need to involve local authorities in this process. Lack of clear information on the actual commencement of deposits exploration, without extensive consultations with local population, ignoring their interests, and weak Environmental Impact Assessment (EIA), lead to the fact that in regions there are conflicts have been started between local population and the companies, long before the actual exploration works. For example, these type of conflicts started in the Talas region of Kyrgyzstan. Considerable part of conflicts in Kyrgyzstan happens due to the lack of transparency of contracts and agreements (before income still is not income).

# Local context

- After the revolutionary events in April 2010 in some regions, there were situations of confrontation between public and companies. To me as the leader of the Consortium representatives of local communities have turned as well as companies asking to organize seminars in the region and initiate dialogue. At that time there was no funding and we couldn't do that. The problem is that since many mining companies pay no taxes at the place of actual operation but they pay at the place of companies' registration in the capital city, local residents do not receive tangible benefits from the activities of mining companies in their regions. But when representatives of the region have come to our office, we gave them advice, and thereafter the situation was resolved in the legal manner – meetings have been organized between people and companies under the auspices of our public reception office, where the companies have agreed to register at the local level and to deduct payments to the local budget.

# Local context

- One positive example of local initiative is organization of the Chatkal Development Fund, which was created in Jalal-Abad region after our meeting in 2008 with local people, companies and local authorities. Mining companies have agreed to allocate funds for social programs in the area. Further development of this initiative requires the development of procedures for transparency and information on the work of the Foundation. Therefore, in our opinion it's necessary to expand the format of the Initiative and to include the issues of contracts and agreements transparency, environmental and social security.

## **What should we do?** Application of international instruments and experience to improve natural resources management.

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In my opinion, the mining industry can make positive contributions to the development of our economies only under certain conditions, which are already reflected in a number of international instruments:

1. Natural resources exploration should be planned in such a way as to ensure maximum benefit for its citizens, exploring these resources. (1 principle of the Charter of Natural Resources)

2. Resources obtained are in the public domain, and decisions on their operations must be transparent and should be subject to informed public control. (2 principle of the Charter of Natural Resources)

# What should we do? Application of international instruments and experience to improve natural resources management.

- **Recommendations on the Extractive Industries Review, have been made by the World Bank:**
- Require Integrated Environmental and Social Impact Assessments.
- Update and Fully Implement the Natural Habitat Policy. Clear “no-go” zones for oil, gas, and mining projects should be adopted on the basis of this policy.
- Revise the Disclosure Policy. For example -,EBRD do not disclosed information on credit granted to Centerra Gold and do not reply on our request in 2010, regarding issue on which objectives these credit sums will be allocated.
- Develop Sector-specific Guidance for Tailings Disposal, Waste Management, and the Use of Toxic Substances.
- Develop Guidelines for Integrated Closure Planning.



# What should we do? Application of international instruments and experience to improve natural resources management.

- Free prior informed consent ( UN Declaration on rights of indigenous people)
- Implementation of the ecological insurance of the population, introduction of the fee for natural resources usage.
- Inclusion into the costs of natural resources associated costs for the environment restoration
- Consideration of projects on mineral deposits exploration in the context of the country development strategy and regions development strategy, taking into account all alternatives and risks.
- Failure to implement requirements will lead to further expansion of anti-mining campaigns of the population, unprofitable and non-effective mining industry and instability.
- In case of full observance of all above mentioned requirements, we can expect that mining industry could make contribution into economy development and promote sustainable development of the country.
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