



British Embassy  
Astana



*Kazakhstan*

UNDP Kazakhstan  
Institute for Parliamentary Development

## **Social investment in Kazakhstan today and prospects for the future**

### **EXECUTIVE SUMMARY**

This report is prepared with the technical assistance of the British Embassy to Kazakhstan and Kyrgyzstan. It does not necessarily reflect the official views of the Embassy.

In connection with a two-year initiative with the aim of improving the long-term economic, environmental and social stability of oil and gas investment in Kazakhstan, the Institute for Parliamentary Development conducted a survey with the goal of analysing the current state of social investment in Kazakhstan and prospects for the future.

The survey was conducted at the request of the United Nations Development Program in Kazakhstan and the International Institute of Environment and Development (UK) with financial support from the Embassy of the United Kingdom of Great Britain and Northern Ireland in Kazakhstan. The opinions expressed in this summary are solely those of the Institute for Parliamentary Development.

The survey focused on the social investment projects of oil and gas companies working in the Mangistau and Atyrau oblasts. The results of the study, highlighted in this Executive Summary, will form the basis for discussion at a workshop to be held in Astana in April 2009.

The group surveyed was comprised of the oblast government bodies, representatives of non-governmental organizations (NGOs) and companies involved in the oil and gas sector in Kazakhstan. A total of 40 respondents was surveyed, including eighteen companies working in the oil and gas sector.

*The roles of company representatives surveyed can be broken down as follows:*

<b>No</b>	<b>Job position</b>	<b>%</b>
1	Engineer	16.7
2	Director	22.2
3	Supervisor	5.6
4	Assistant	5.6
5	Acting general manager	5.6
6	Finance director	11.1
7	Department director	5.6
8	Company Board of Directors' member	5.6
9	No response	22.2
	<b>Total</b>	<b>100</b>

The survey questions tackled a variety of issues with the objective of exploring:

- Perceptions of corporate social responsibility (CSR) and social investment policy;
- The drivers of social investment payments;
- Priority areas for social investment payments; and
- Challenges to compliance with social investment obligations.

**Conclusion highlights**

The answers to the survey were rich and varied. After analysing the survey results using SPSS (17.0) software, the Institute developed a set of conclusions which are highlighted below:

Perceptions of CSR and social investment policy

- While the groups surveyed had a generally high level of expertise in the area of corporate social responsibility and social investment, opinions differed as to the purpose of social investment payments.

- Information on social investment payments comes from different sources, including company reports, the mass media, and special presentations. The inclusion of information about socially responsible activities into the general company report appears to be the most common method by which companies inform the public of these activities.
- Monitoring the results of social investment projects appears to be inconsistent, with companies appearing to be most involved in this activity.

#### The drivers of social investment payments

- In development of social and charitable programs local government authorities are deemed the most important partners for business. Initiatives proposed by local authorities appeared to prevail in the determination of social investment payments. These proposals are generally made during the course of negotiations, hearings, offers of campaigns to be conducted and control procedures. The prevalence of local authorities in the determination of social investment payments is expected to be maintained going forward.
- From a company standpoint, human resources and finance departments were deemed those most involved in the determination and implementation of social investment payments.

#### Priority areas for social investment payments

- Social investment payments directed at the social and infrastructure spheres as well as at regional needs, including environmental protection, appear to have the highest priority, both currently and in the future. Support to vulnerable groups, especially children; education; environmental protection and healthcare were priorities for each of the groups, but the emphasis within each of these areas was different depending upon the group surveyed. It was felt that support for regional and local community development should be on building the capacity of Kazakhstani business to render work and services. Sports and culture were other areas mentioned.

#### Challenges to compliance with social investment obligations

- The perception of the challenges to fulfilling social investment objectives differed widely across the groups surveyed. However, all groups surveyed indicated that one of the most significant factors negatively influencing the development of social projects is their perceived lack of profitability.
- Despite the financial crisis the level of social investment in 2008 did not decrease from prior years, and some respondents noted increases. Taking into account the impact of the world economic crisis respondents from government and NGOs believed that in the long run there would be a reduction in financing for social investment projects. Company respondents tended to believe that implementation of ongoing projects would not be stopped but might be postponed until better times. Only a handful of those surveyed thought that the financial crisis would put a stop to social investment.
- There were concerns about the lack of uniform procedures for the determination of social investment payments, which could lead to tension amongst stakeholder groups.