

# EITI and sustainable development: perspectives from Aktau, Kazakhstan

Workshop report, Hotel Grand Victory, Aktau, Kazakhstan  
28th and 29th May 2012

Kazakhstan joined the Extractive Industries Transparency Initiative (EITI) in 2005 and passed the five sign-up requirements to become a Candidate country in 2009. It hopes to pass Validation and become a fully Compliant country in 2013. EITI is a voluntary global initiative to promote revenue transparency in the oil, gas and mining sectors that requires countries to declare the revenues they receive from companies, and companies to declare what they pay. In discussions around EITI in Kazakhstan, proponents feel there should be more relevance to the regions outside Kazakhstan's major cities, Astana and Almaty. This includes addressing issues such as how extractive industry-related funds are spent locally and how civil society, industry and government engage at the local level.

In order to explore these issues, the International Institute for Environment and Development (IIED), the Regional Aarhus Centre (Zhayik-Kaspy), and the local civil society organisation Eko-Mangistau convened a meeting on 28th and 29th May 2012 in Aktau, a small town and oil industry hub on Kazakhstan's west coast. The aim was to discuss EITI and broader issues of transparency and good governance in the oil and gas sector. The meeting was sponsored by the Soros Foundation, Kazakhstan, and is part of a series of meetings on EITI supported by the UK Foreign and Commonwealth Office in Kazakhstan. Present were 30 representatives of the Akimat (regional government), maslikhat (local elected council), companies, and civil society organizations (CSOs), including participants from CSOs in neighbouring Aktau and from Astana and Almaty.

## Purpose of the workshop

The aim of the workshop was to discuss regional mechanisms for multi-stakeholder participation in dialogue on social and infrastructure projects and oil companies' environmental programmes. The discussion covered issues related to levels of public participation in Kazakhstan, analysis of existing legislative barriers to effective participation, and methods for overcoming barriers. The meeting provided an opportunity for working out strategies for collaboration among all stakeholders.

Opening words were given by the Secretary of Aktau maslikhat, the British Embassy, the Soros Foundation and IIED. A representative of Atyrau-based CSO Demos also provided a few introductory words. Speakers emphasised the importance of transparent and constructive dialogue that takes into account the opinions of local people. EITI is a good framework for promoting this; the challenge is how to implement it effectively at the regional or 'sub-national' level. The speakers welcomed

initiatives that are already attempting to do this (see below).

Following a discussion of the theme of the workshop, participants agreed that the focus should be on activities 'in the context of EITI' or 'towards EITI' at the regional or local level, rather than 'beyond EITI', which was interpreted as 'outside EITI' and therefore implied that regional (or 'sub-national') matters were less relevant than the official EITI, which operates mostly at the national level. Moreover, several CSO representatives stated that recent fatal riots in nearby Zhanaozen<sup>1</sup> underscored the need for this workshop as well as a wider

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<sup>1</sup> On 16th December 2011 violence broke out in Zhanaozen, western Kazakhstan, following a seven-month strike among oil workers. At least 16 people were killed after police opened fire on protestors. The tragedy was followed by a series of high-profile and controversial trials. For more information see: <http://www.eurasianet.org/node/65491>, <http://www.hrw.org/news/2012/02/01/kazakhstan-letter-prosecutor-general-regarding-december-events-zhanaozen-and-shetpe>

regional forum discussion in connection with issues of transparency, accountability and corruption.

## EITI, civil society and multi-stakeholder dialogue

IIED presented a short overview of EITI at the international level, drawing attention to some areas of interest such as the new wording of the 2011 EITI Rules which emphasises that participation of civil society in EITI implementation needs to be “free, full, independent, active and effective” (p.68)<sup>2</sup>; and the publication of a recent World Bank report on implementing EITI at the sub-national level.<sup>3</sup>

The Soros Foundation-Kazakhstan provided an update on Kazakhstan’s progress with EITI. In February 2012, Kazakhstan’s candidate status was renewed for a further 18 months (until 15 August 2013), after which the country will pass through the validation process. A key obstacle to validation has been the frequent replacement of the EITI ‘champion’ within government, from the Ministry of Environment, to the Ministry of Oil and Gas, to the Ministry of Innovation and New Technologies, where EITI sits today. This is further compounded by a lack of resources and coordination among CSOs.

Further key concerns include the need to finalise terms of reference for the validation process; to introduce disaggregated reporting (company-by-company and project-by-project); establish regional multi-stakeholder councils; increase popular awareness of EITI in Kazakhstan; and expand EITI into other sectors. The process of validation requires official registration of CSOs and the national multi-stakeholder group (MSG); an updated Memorandum of Understanding that frames the MSG, incorporating national as well as regional expert feedback; a finalised work plan for the MSG; and support for capacity building of NGOs participating in the MSG<sup>4</sup>. CSO representatives at the workshop also noted the need for clarity of new EITI rules, clear translation of those rules for participating countries, and transparency of the discussion processes around those rules.

2 The 2011 EITI Rules can be downloaded at: [http://eiti.org/files/2011-11-01\\_2011\\_EITI\\_RULES.pdf](http://eiti.org/files/2011-11-01_2011_EITI_RULES.pdf)

3 The World Bank report: Implementing EITI at the Subnational Level, Extractive Industries for Development Series #23, Oct. 2011, can be downloaded at: <http://eiti.org/document/implementing-eiti-subnational-level>

4 A meeting had been convened between members of the national MSG and the Deputy Prime Minister on the 28th May. This was later postponed to the 29th. This unfortunately meant that some people could not attend the meeting in Aktau.

The speaker from Azerbaijan reported on progress in his country, where challenges include making EITI accessible to ordinary people at the sub-national level; interpreting the EITI data to make it relevant to people’s lives<sup>5</sup>; civil society capacities and resources to engage meaningfully in the EITI process, which is still dominated by government and business interests; and how to achieve sustainable development goals by implementing EITI.<sup>6</sup>

Participants discussed some of the challenges facing civil society in engaging with EITI in Kazakhstan, which some interpret as ‘fragmentation’, while others interpret it as ‘monopolisation’ by some parties, with the ‘exclusion’ of others. Participants agreed that while it is important for CSOs to have clear common messages and consolidated positions vis-à-vis other representative groups in a multi-stakeholder dialogue, it is not essential for all organisations to agree on everything. The question was also raised about how CSOs are ‘chosen’ to represent civil society interests in the EITI process, and participants agreed that ‘representativeness’ was a key issue.

## EITI as a tool to drive sustainable development

A second IIED speaker noted that EITI still has an institutional character, and to talk about initiatives ‘outside the framework of EITI’ is to talk about expanding the positive impact and values of this initiative more broadly. Public participation is an important element of local planning, and multi-stakeholder dialogue is a tool that can be used to promote transparency and accountability at different levels. This presentation covered ‘hot topics’ relating to EITI and sustainable development, including how to integrate agendas such as environmental protection, social investment and local content with the access to information, transparency and accountability agendas. Some of the highlighted linkages include changes in procurement rules and

5 See the Revenue Watch Institute’s report What do the numbers say? Analyzing report data, which is free to download at: <http://data.revenuewatch.org/eiti/about.php#numbers>

6 For more on EITI in Azerbaijan see the report from our workshop in Azerbaijan at: <http://www.iied.org/search/site/Caspian%20Energy%20Initiative>. The Extractive Industries Knowledge Hub at Khazar University is working towards building civil society capacities to understand and engagement meaningfully in the EITI process. The training is also open to non-civil society participants. See: <http://www.khazar.org/s513/Eurasia-Production-Industry-Knowledge-Center#>

quality of sub-contracting, their impacts on service delivery, accessibility of such information at the local level and its importance in the transparency debate.

A representative of the Sange Research Centre presented a typology of corporate social responsibility (CSR) and outlined various forms of stakeholder involvement, highlighting some of the risks of not taking stakeholder concerns into account. This presentation included the results of a survey of public perceptions of government and industry social performance, along with analysis of social statistics. A key conclusion is that the CSR actions of companies often do not correlate with the needs of the region, which tend to be poverty, employment, labour conditions, child and maternal mortality. There is a need to re-orientate CSR goals to fit local needs better through more effective dialogue at the regional and local level, and to establish clear guidelines for good practice in sustainability reporting, underpinned by a legal framework for social accountability.

Participants noted a clear need for this kind of research to be more accessible to civil society and local communities, as the figures do not necessarily coincide with official statistics or commonly-held perceptions. It was noted that the Aarhus Centres in Aktau and Mangistau regions can help to disseminate the results of such surveys along with information about EITI and other sustainable development initiatives, and serve as venues for dialogue around such issues in general.<sup>7</sup>

A representative of the North Caspian Operating Company (NCOC) spoke about the Kashagan offshore oil project and NCOC's corporate responsibility efforts. One per cent of the value of the Production Sharing Agreement goes to social infrastructure projects, which equates to tens of millions of dollars in Mangistau region alone, allocated in close collaboration with the akimats. In addition, community projects total 1.5 million dollars. The NCOC representative stated that the company responds to local communities' expressed needs and wants. Consultants visit communities and hold workshops to find out what people's needs and interests are. This applies to all communities where the company has facilities or bases. Companies need to meet local priorities,

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<sup>7</sup> For more information on the work of OSCE and Aarhus Centres see: <http://www.osce.org/eea/43654>

but they also need to be long-sighted. The strategy needs to take into consideration today's priorities and those that may become issues in the future.

## Regional level multi-stakeholder platforms in practice

A representative of the Natural Resources Department of Mangistau Regional Akimat gave a presentation on the work of the environmental council, which was set up within the Akimat in 2012. This is a new initiative for the region. The council, which is headed by the Akim, has a mandate to make recommendations. The council identifies environmental issues, commissions analysis, opens the results of the analysis to discussion and then comes to a decision about what to do. They also review how it is resolved, and the public is informed of any decisions made.

A representative of the NGO EkoMangistau presented the work of the Mangistau regional working group for transparency in social infrastructure projects, which is headed by the deputy head of the Akimat. The working group was established in 2010, though there was a long break in 2011. With new leadership in the region, the working group received renewed support and the latest meeting was in May 2012. The group includes members of civil society, the Akimat and the maslikhat. Companies are not represented yet, but would be welcome.

The work of the working group includes analysis of the social sphere, the work of companies and social policy in the region; monitoring of social issues, including building civil society capacities in monitoring; implementing environmental and social projects; and providing recommendations to the authorities. Participants noted the need to involve civil society in companies' charitable projects and increased transparency in relation to grant giving, as a way to reduce social risks all round. Similarly it is important that people have a role to play in the decision making of the Akimat and how money is spent at the regional level.

The NGO association Aikyndyk shared their experience of working on EITI issues. They participated in a social investment working group as part of the national MSG addressing how national reporting could address social investments. This group was subsequently discontinued, but some of the concerns were taken up by the next working group on development of the ToR for validation. Changing the rules of EITI is a very big job, but

civil society representatives together with local government and industry stakeholders need to determine what to do at different levels (national, international and regional), for example what type of national EITI reporting on regional social investments would be useful for local governments and CSOs.

With the national MSG, there are three sides: government, companies and civil society, but all normative documents are usually developed by civil society, and they tend to have insufficient experience, expertise and resources. The government and companies seem to be waiting for civil society to determine and ensure the next steps. At the sub-national level, such a process is ineffective and needs to employ standard top-down mechanisms to ensure local government involvement—perhaps taking from the experience of the national MSG. For the national MSG to work effectively and start addressing regional application of EITI, it would be even better to set up an independent secretariat, which would listen to all sides, develop materials, and provide administrative support. The Aikyndyk representative also discussed development of the model MoU for sub-national engagements between civil society, local government and industry, which would integrate best practice input and feedback from different regions.

Participants noted that people don't always want to be involved in decision-making and there is a need to develop a culture of participation. The importance of the elected representatives of the people in the maslikhat was also noted.

This led to a discussion of civil society representation and the role of other stakeholders such as research institutes who can help to build capacities and knowledge among civil society and the public more broadly.

## Reflections and learning for EITI

With regard to EITI, who is represented in multi-stakeholder forums is important. Content is important, but also the form of the dialogue, including information access and who will take part. EITI has quite a limited nature – it is just a first step in increasing transparency of financial flows in the extractive industries. Therefore when we are talking about regional transparency mechanisms, we don't have to link it directly to EITI. Instead we can see regional initiatives as part of the same overall manifestation of increased transparency and accountability. Yet EITI itself has no teeth if nothing is happening at the regional level.

At the regional or sub-national level participants reported having had limited support from the Akimat (notably in Atyrau). NGOs have limited capacities and resources to represent everyone's interests, but they should help people to build their own capacities to defend their own interests. There is a need for NGOs to formalise their demands in some way (not as a 'position' but more as a 'lobby'). Participants suggested the need for a kind of framework for systematically developing practical recommendations on the way forward, including how to bring together EITI and sustainable development agendas.

### Summary of recommendations:

1. Establish and develop expert potential at the regional and national levels.
2. Analyse the legislation that supports multi-stakeholder groups: e.g. legal acts where civil society and NGOs can realise their potential. Use of existing legislation at the national level.
3. Develop a model memorandum for civil society initiatives. In future, there may be potential for lobbying to change legislation. Engage the support of regional elected representatives.
4. Take local issues to national level and back e.g. meetings at the prime ministerial level.
5. Consolidate: work together to create a general position.
6. Develop mechanisms for ensuring the representativeness of regional councils.
7. Use existing local platforms (such as existing councils and Aarhus Centres).
8. Encourage support for local initiatives from broader national networks.
9. Improve communication: e.g. an e-list for regional councils using Mangistau as a pilot. Work towards linking regions and increasing exchange of valuable experience.

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