



Practical guidelines for mining companies

Establishing good community relations

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NOTE: From these guidelines, local authorities also can draw conclusions, but not all measures mentioned here are suitable for each local context. It should be kept in mind that the level of community engagement can vary in respect to the (exploration) mining lifecycle and the here mentioned measures are describing more the framework of within the negotiation with a company can take place.

LIMITATIONS: It needs to be acknowledged that there are certain limitations to this research. First, the interviews could only be conducted with respondents that were willing to share their experience. From about 20 companies contacted only 8 were willing to participate. Secondly, only gold exploration/mining companies and also only communities which are currently affected by gold mining/exploration were interviewed. 10 interviews were conducted with locals community members (Akim, youth leader, deputy of Ayil kenesh, economist of Ayil okmotu, housewife, shopkeeper, activist, business man) to check (and confirm) the literature research result (for more details see Chapter 3.2).

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Table of Contents

Acknowledgements	I
1 Introduction	2
1.1 Who are these guidelines for	2
1.2 Definitions and abbreviations.....	3
1.3 Normative references	4
1.4 Concept of ‘Social License to Operate’	5
1.5 International example: Company operations on establishment of good community relations	6
2 Methods for establishing and maintaining good community relations	8
2.1 Public involvement	8
2.2 Community development programs	11
2.3 How to measure performance	13
2.4 Common mistakes.....	14
3 Situation in Kyrgyzstan	17
3.1 Status quo of mining in Kyrgyzstan.....	17
3.1.1 Licensing process.....	17
3.1.2 Financial issues	20
3.1.3 Social Package	25
3.1 Experience of companies	27
3.2 Community concerns.....	28
3.3 Key problems	32
4 Recommendations.....	35
4.1 Communication strategy – Example.....	38
5 Conclusion.....	42
6 List of figures and tables	43
7 References.....	44
8 Appendix	47

1 Introduction

Building and maintaining good community relations are the key factors for companies in the mining sector if they want to earn their 'social license to operate'. The statement 'It ain't what you do it's the way that you do it' [1] sums up most lessons learned in development and maintaining good community relation. Various international institutions and as well mining companies regard the achievement of a 'social license to operate' (SLO) as a major challenge for the extractive industries for successful mining project development. The topic ranges within the area of three main actors: **1)** the mining company **2)** the affected communities and **3)** the government. Whereas the main aim of the company is to conduct mining projects without social conflicts, the community seeks for participation and acknowledgement of their rights to decide what is happening to them. The government has an interest to attract investors and generate tax revenues to enhance nationwide wellbeing (ideally).

The following chapters will explain the concept of SLO, why it is important for the extractive industry, what are main strategies to build up and maintain good community relationships, common mistakes and examples from mining projects on international basis. Later on specialties regarding community relations in Kyrgyzstan are explained. As the focus of previous research



Figure 1: Public hearing of company and community members

was mainly about the community's opinion of problems with mining in Kyrgyzstan (e.g. [27][31]) relatively less research has been done on the company's strategies to deal with these. Therefore interviews with mining companies were conducted on their perception of the problems and their strategies dealing with them. From the company interviews, as well from literature research and interviews with local community members, key problems were identified. Comparing the interview results with international best practice and approaches that companies chose in Kyrgyzstan, recommendations were drafted to offer possible approaches for healthy community-company relations.

1.1 Who are these guidelines for

The guidelines' audience includes project managers, CSR managers, community relation specialists, HR and purchasing managers of mining companies. Moreover it may be useful for national and local state authorities, community leaders, NGOs or community groups who are interested in improving their relations with mining companies or to understand the position of the company and get an impression of what can be expected as good practice from companies. They have been developed to provide practical advice on how to establish good community - company relations in Kyrgyzstan and pay respect to the challenges in this country. The information provided is of a general nature and not all challenges and recommendations will fit to every company or community, as every company and every community has different needs and goals.

1.2 Definitions and abbreviations

Akim	Head of regional (rayon) local authority
Aksakal	Village elderly
Ayil aimak	Administrative unit, may cover territories of several villages
Ayil kenesh	Village councils
Ayil okmotu	Local self-government unit, headed by village leader
CDA	CDA Collaborative Learning Projects (NGO)
CD	Community Development
CEO	Chief Executive Officer
City aimak	Territory that belongs to the administrative unit of a city
Community	Group that has continuously lived as an organized unit on communally bounded and defined territory, occupied, possessed and utilized such territories under claims of ownership
CSR	Corporate Social Responsibility
CRMS	Community Relations Management System
Development	Development of a mineral deposit and extraction of minerals
EITI	Extractive Industries Transparency Initiative
Gubernator	Head of Oblast
Mining company	Company that explores for or extracts mineral resources
HR	Human Resources
ICMM	International Council on Mining & Metals
IFC	International Finance Corporation
IP	Indigenous People
Local authorities	Local executive power (Ayil/city level)
LSG	Local self-government
MMSD	Mining, Minerals and Sustainable Development
NGO	Non-governmental Organization
Oblast	Regional administrative unit of the Kyrgyz government, headed by Gubernator
OSCE	Organization for Security and Co-operation in Europe
PCDP	Public Consultation and Disclosure Plan
PDCA	Prospectors & Developers Association of Canada
RAP	Relocation Action Plan
Rayon	District administrative unit of the Kyrgyz government, headed by Akim
SLO	Social License to operate (see chapter 1.4 for explanation)
SP	Social Package
Stage	Stage within the mining cycle (prospection, exploration, development/production, closure)
T&C	Terms and Conditions
USSR	Union of Soviet Socialist Republics/ Soviet Union
VAT	Value Added Tax

1.3 Normative references

Tax Code of the Kyrgyz Republic No.230 effective since October 17, 2008

Law of the Kyrgyz Republic “On Subsoil” No. 160 effective since 17 September 2012

Law of the Kyrgyz Republic “On Non-Tax payments” No. 1480-XII effective since April 14, 1994

Regulation of the Kyrgyz Republic “On Regional Development Funds” No.633 effective since November 10, 2014

Regulation of the Kyrgyz Republic “On Organizing auctions” No. 834 effective since December 14, 2012

Regulation of the Kyrgyz Republic “On Organizing tender” No. 834 effective since December 14, 2012

1.4 Concept of 'Social License to Operate'

Evolving from the broader field of Corporate Social Responsibility (CSR) the concept of a social license to operate (SLO) (sometimes referred to as 'local license') is based on the idea that mining companies need not only governmental permission but also a 'social permission' to operate. It should be noticed that there is no formal definition of this concept.

SLO is described as intangible, dynamic and non-formal agreement between the company and the communities that relies on the current credibility, reliability and acceptance of a company's activities by the affected communities [4]. A SLO refers to the level of acceptance of both the mining company itself and their projects by all stakeholders that are or potentially can be affected by the mining projects (e.g. local communities, indigenous people, society) and other interest groups (e.g. NGOs, local/ regional/national government) (see Figure 2) [1][3]. A SLO exists when a mining project is seen as having the broad, ongoing approval and acceptance of the local community, the national government and other stakeholders to conduct its activities; therefore it is granted by the community (and other stakeholders) and has to be earned and maintained by the mining company [5]. So SLO goes beyond a simple community benefit agreement but means continuously striving for good relations and adaptation to changes. Only limited research to date has been conducted on this topic, especially what factors contribute towards or undermine acceptance of mining projects [6].

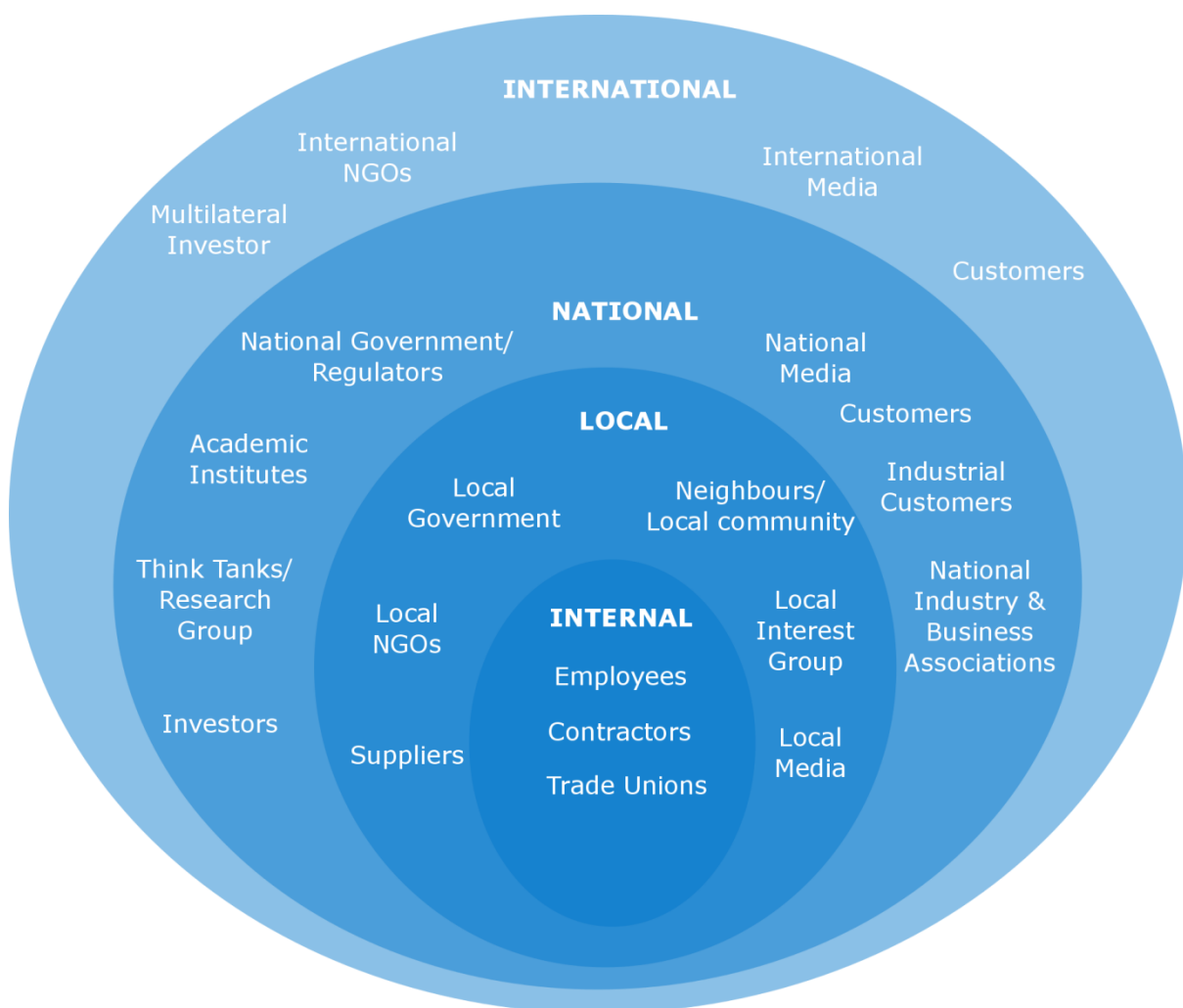


Figure 2: Possible Stakeholders, project affected people deserve highest attention. (from Spitz & Trudinger (2009) by Zemek (2002) [1][7]).

Why the SLO is important?

Where mining projects lack a SLO, negative impacts for the mining company such as delays in operation, blockade of further mine development projects, slow-ups, vandalism, increased difficulties in hiring skilled labor force and possible mine shutdowns can occur (e.g.[8][12]). So obtaining a SLO is essential for reducing the risk of social conflicts, public criticism and damage to the company's reputation on the one hand and mitigation of the risk of financial loss on the other hand. Moreover it is indispensable for companies operating in certain jurisdictions, mainly those classified as representative democratic societies where an SLO is generally required for political support [2][8][12][13]. While a SLO may be issued by the society as a whole (e.g. government, general public), local communities play the key role due to their proximity to projects, sensitivity to effects and ability to affect the outcome of projects. The concept of SLO therefore strengthens the communities and other relevant stakeholders in mine development process [2].

1.5 International example: Company operations on establishment of good community relations

Buzwagi mine, Tanzania (former Barrick Gold)

Developed at costs of \$400 million, feasibility for Buzwagi commenced in 2005, completed in October 2006 and first gold was produced in 2009. Experiences made at other mines (North Mara, which faces large problems in obtaining a social license to operate, and good experiences at Tulawaka mine) were implemented as 'lessons learned' into the entire planning, design and operation of the new Buzwagi mine. The mine has been conceptualized, planned and developed to meet and exceed global best practice [13].



Figure 3: Community meeting with company [17].

From the beginning of operation as many locals as possible were hired and subsequently this number was increased while foreign staff number was reduced.

A significant feature of the development of the Buzwagi mine was the particular attention towards the environmental and social impact assessment (simultaneously to feasibility study). This process entailed consultation with local communities, village leaders, regulatory working groups aiming at mitigating adverse impacts on local communities and environment. Barrick Gold made it as prerequisite for developing the mine the acceptance of the communities, especially based on the approval to a RAP (Relocation Action Plan). This empowered the community to participate in a decision that will affect them. The aim was mitigating the impact of the mine on local communities and environment. Consultations with local communities, village leaders and regulatory working groups were ensued to establish fair asset values and identify location expectations for resettlement. Despite replacement of land and housing and compensation for business losses, livelihood restoration was conducted through trainings and development programs [13].

Community engagement is an integral part of the corporate management system at Barrick Gold. Barrick implemented a Community Relations Management System (CRMS) which provides guidance and tools on engagement best practice at all sites of Barrick's operation. Central components of CRMS are:

- Stakeholder mapping and social profiling (assessing priorities and concerns)
- Culturally appropriate ways for people to communicate directly to the company
- Developing two-way dialogue on regular basis
- Establish methods for stakeholders to raise concerns and grievances (grievance mechanism)
- Documenting engagement activities
- Stakeholder engagement

The stakeholder engagement plan ensures consistency in the community relation approach and is mandatory for all sites. It must at least include:

- Stakeholder identification
- Mapping and analysis of stakeholders
- Planned engagement and community activities
- Objectives
- Responsibilities
- Monitoring mechanisms for effective implementation

Additionally Barrick is listed at the Dow Jones Sustainability Index, incorporates its sustainability commitment into the business practice, cooperating with independent NGO's and implement besides other actions the Voluntary Principles on Security and Human Rights [13][16].

2 Methods for establishing and maintaining good community relations

This chapter depicts a short introduction into methods of public involvement and community development based on Spitz & Trudinger (2009) [1], the Prospectors & Developers Association of Canada PDAC e3 Framework [34], the International Council on Mining & Metals (ICMM) Community Development Toolkit [24] and PDAC, World Vision and CDA Collaborative Learning Projects (CDA) (2012) [20]. For further reading the authors refer to the above mentioned publications with their in detail description on those methods.

2.1 Public involvement

The principle of participation as defined by the World Bank is ‘a process through which stakeholders’ influence and share control over development initiatives, decisions and resources which affects them’. A growing body of empirical evidence demonstrates that projects tend to be more successful when stakeholders are integrated into the planning process. When people have the possibility to be involved into a project that affects them, it is more likely that they will accept changes, because they

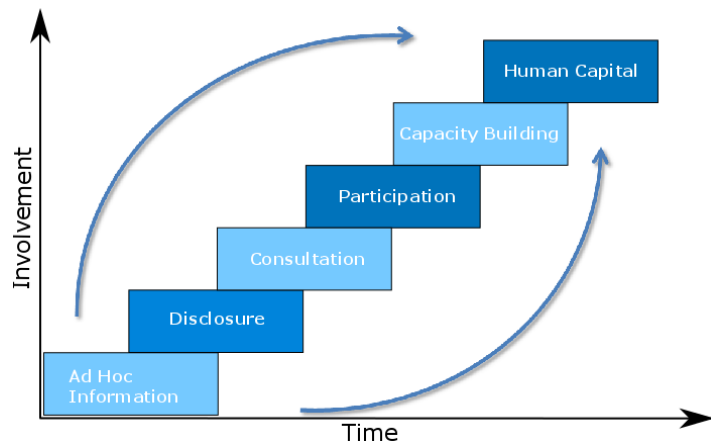


Figure 4: Community Involvement over time (from Spitz & Trudinger (2009) by Zemek (2002 [1][7])).

feel that they were taken serious and that their voice mattered. It is commonly accepted that involvement includes disclosure; consultation and participation, which evolves subsequently in time (see Figure 4). Ad-Hoc Information and disclosure represents a one-way flow of information from the mining company towards the community that lacks the opportunity for questions and discussion. A higher degree of community involvement is reached by consultation. This represents a two-way flow of information allowing the public to express opinions and provide feedback, while the mining company commits itself to consider the input by the stakeholders in decision making. Participation gives the public some degree of control and includes shared analysis of the mining project. The highest degree of community involvement (capacity building & human capital) is reached when local stakeholders take responsibility for, identify themselves with the project and become true partners (see Figure 4) [1].

Initially truly participatory practice is usually not appropriate or practical! There are good reasons for restrictions of collaborative decision making to selected project aspects. It takes time to develop a level of skills to enable shared decision making and will from both sides; without these neither the company, nor the community will profit.

Main aspects of successful stakeholder engagements:

- 1) Planning of stakeholder involvement (e.g. Public Consultation and Disclosure Plan, see Appendix);
- 2) Capacity building in the company;
- 3) Identifying and engaging stakeholders (e.g. stakeholder mapping);
- 4) Capacity building in the community;
- 5) Understanding benefits and risks of public involvement.

Planning stakeholder involvement is necessary to decide the possible extent of public participation, to identify stakeholders, to evaluate the company's capacity for public involvement measures, to build up sufficient resources (time, money, staff, etc.) in the company and the community and to ensure consistency of the chosen approach. Public involvement is a continuous process during the life of mining projects. Figure 5 discloses ways of communication between company and community, divided into formal and informal venues.

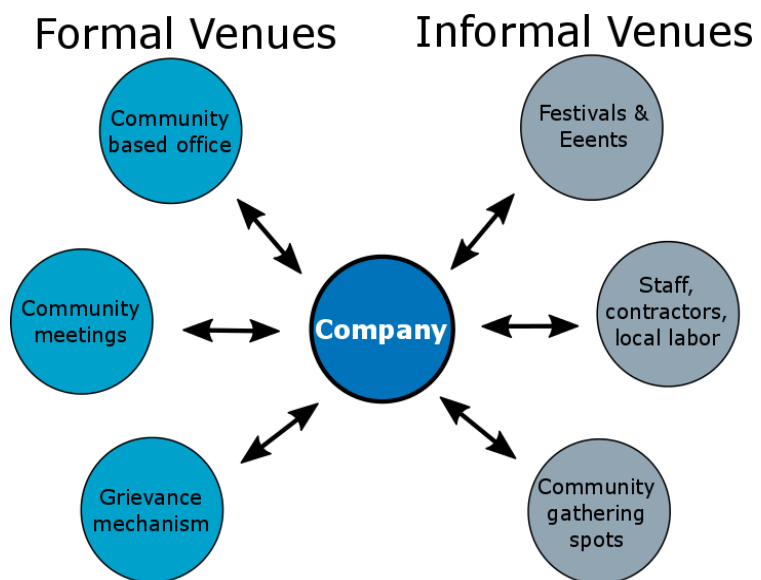


Figure 5: Whom to talk to (from PDAC, World Vision Canada and CDA, 2012) [20].

Moreover, it can help to minimize conflicts and to build positive relationships. However especially in mining projects different people have different interests (e.g. regarding use of natural resources – land, forest, water, mineral resources, etc. in different ways). According to Engel & Korf (2005) [16] differences can lead to conflicts based on:

- 1) Competition for natural resources, economic benefit, property or power;
- 2) Stakeholder groups believe that their needs cannot be satisfied;
- 3) Stakeholder groups perceive that their values, interests and needs are under threat.

Sharing benefits will never be received as fair by all parties. Stakeholder will tend to see any change that goes along with mining as threatening their comfort zone and justified or not demand a greater share. Generally resistance against change occurs when people do not understand or agree with the goals, the methods, the company who is responsible for the change or the timing of these. Monitoring conflicts (e.g. by grievance mechanisms) can help to identify conflicts that are likely to result into a dispute (e.g. protest, lawsuit, etc.) and pro-actively create measures to mitigate escalation [16].

In Kyrgyzstan it can be observed that there are structural causes for conflict, such as customary land right for the use of mountain pastures that remain unclear, even when they are acknowledged legally or the legal frame at national level is perceived as unjust and ineffective (see [27][31]). Anyhow one must acknowledge that the resolution of structural economic and legal inequalities is, of course, out of control of the mining company. Public involvement will not resolve these issues but can help to identify and understand these underpinning conflict areas and enable the company to include them into their planning [1].

Some **benefits** of public involvement are **reduced financial risk**, positive community perception and corporate image. As most mining investments are long term investments, support from local communities especially in Kyrgyzstan is crucial to reduce project risks and ensure smooth operation throughout the project's lifetime. In addition social benefits for the community can be enhanced, which in return helps to build and expand local support for the project and further reduction of the financial risk (e.g. financial losses due to blocked operations, etc.). **Informed communities will better understand** tradeoffs between the benefits generated

by the project and disadvantages that might occur. In the end they can be able to contribute meaningful to the project and will develop greater trust and support.

Besides clear benefits there are risks as well.

A village near a mine site was complaining about the water quality in their village and accused the mining company to be responsible. The locals and the mining company agreed on water sampling and testing by an independent 3rd party. However the test by the independent 3rd party showed that E.coli bacteria from feces of animals and humans alike were the cause of bad quality. Instead of accepting the result and taking countermeasures, the 3rd party was accused not being independent and that the results were manipulated.¹

This example points up that stakeholder groups are likely to attack the results and the process of obtaining these results, when the results do not correspond to the desired outcome.

Common complaints are that there was too little time to comment, the consultation was too long or too short, the consultants or engineers are not neutral and so on. One risk of early public involvement is creation of unrealistic demands and expectations, particularly by overestimation of benefits or promises that cannot be kept. To avoid this pitfall, clear and consistent communication in describing what the project can deliver and what not is essential (needs to be done by external consultants and contractors too). Finally information relating to a mine proposal can increase the risk of land speculation, which can be addressed with a detailed census of landownership, people living in the area and current land use, documented with local witnesses [1].

Possible methods of public participation:

Announcement:

- Use of media (Newspaper, radio, TV,...);
- Advertisements;
- Leafleting (Brochures, leaflets, information packs,...);
- Display and exhibitions (photographs, maps, diagrams,...).

Informal discussion:

- Telephone 'hot lines';
- Open houses;
- Personal contact;
- Community liaison staff;
- Community advisory committees (members of public who represent interest of community, communication channel between community and company);
- Online consultation (requires internet infrastructure and well educated stakeholders);
- Online feedback;
- Online discussion.

Formal group discussions:

- Questionnaires and surveys;
- Public meetings;
- Public hearings and inquiries (more formal than public meetings);
- Group presentations;
- Workshop.

¹Personal communication of the authors with Mr. Jonathon Hornbrook (Program Manager in Kyrgyzstan), who accompanied the process between company, village and laboratory.

Each approach has advantages and disadvantage and not all are suitable for all contexts. A combination of one- and two-way flows of information is usually seen as good practice [9].

For a detailed step - by - step guidance see **Section C** of IFC publication '*Doing better business through effective public consultation and disclosure*' [25] and **Chapter 3** '*Involving the public*' by **Spitz & Trudinger** [1]. Moreover the Development Policy Institute developed a useful handbook for local self-government about how to organize participatory democratic processes in villages which provides valuable information to understand the local democratic context [10] .

2.2 Community development programs

This chapter is shortly introducing community development programs, as it can provide guidance regarding the social package requirements that were introduced into the Kyrgyz Law on Subsoil in 2014. It is mainly derived from the book 'Mining and Environment' by Spitz & Trudinger (2009) [1]. According to the book, the community development (CD) program is an indispensable part of any mining company, regardless of their size. However, the definition of the community development differs from company to company. For one, building a swimming pool and reconstruction of roads, for another supporting a celebration of any holiday can be part of the CD program. Perhaps these are the two most basic approaches to development: donating to a worthy cause or building something. Moreover, CD is a process of growing the strength and efficiency of communities, improving people's quality of life and empowering people to take part in decision-making and achieving greater long-term control over their lives. In other words, community development is a planned evolution of all aspects of community well-being (economic, social, environmental and cultural).

The model of community development is very simple as described in the literature, but probably no mining company carries out the programs exactly as described in the literature. However, the model that follows is simple in use, achievable and is based on practice. The two vital elements of this model are consultation and collaboration. A CD program based on negotiation with and in cooperation of the affected community is likely to be successful. Nevertheless, communities are dynamic and any model must be flexible so that it can be adapted to changing circumstances.

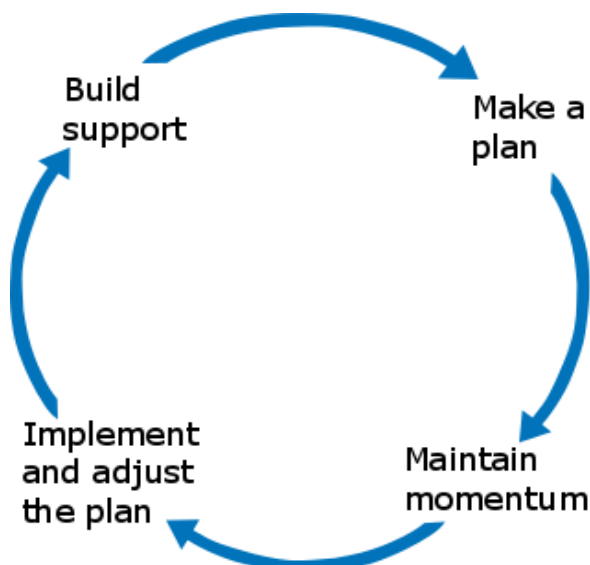


Figure 6: Main Components of a flexible CD Framework (from Spitz & Trudinger (2009) by Zemek (2002) [1][7]).

Figure 6 is illustrating the main steps to develop a flexible CD framework. An essential factor of community development is the community capacity. The company can utilize the existing capacity and if successful, it results in increased capacity. The community capacity is much more than just people and money; it also includes leadership, commitment, resources, planning skills and experience in community affairs.

Before creating any community development program, first, the company should define the community that they are going to work with. Generally, there is tendency of identifying a certain community solely in geographical terms. However, a community should also be defined as a group of people having common interests or common origins. A community may consist of

Indigenous People (IP), or compound of people from different origins, religious and cultural

background. Each community has unique attributes, understanding, and respect, which are essential for effective community development planning. People of various communities are different from one region to another, thus the community development should be adapted to the region and people that are living there. Usually it is hard to work with a community that has representatives of various groups because many competing and diverse interests are represented.

Any mining company has two approaches to community development: to insulate the local community from the project or to integrate it into the project. A decision on which approach to take is best made jointly with the affected community. Generally, mining companies prefer to insulate the mine construction from the local community to certain point. Access to the construction camp is restricted so there is a minimum interaction between the construction workforce and community. This approach is selected in order to minimize the worker's impact on the areas outside the camp, including hunting, and minimizing security disturbances or other issues arising between local communities and the construction workforce. The arrangement of insulating construction from the communities also recognizes the safety hazards that take place at any large construction site.

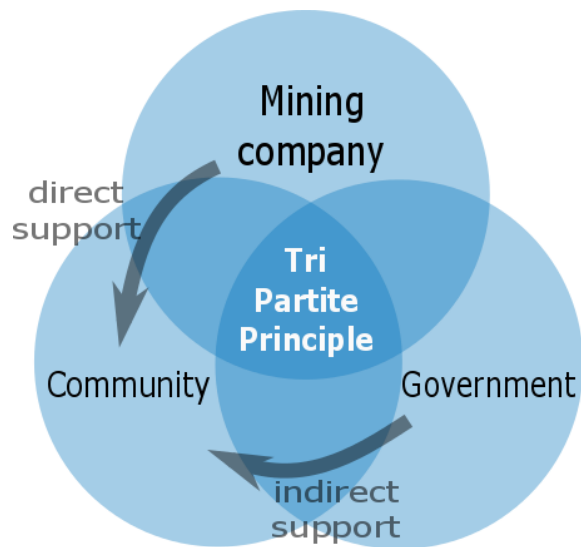


Figure 7: Tri-Partite Principle in the Community Development Process (from Spitz & Trudinger (2009) by Zemek (2002) [1][7]).

It is also important for a company to get started in a right way from the beginning. Impressions that are formed during the initial contact with local communities can affect relations between the mining company and the local population for many years. Negative initial impression may be very difficult to overcome in the future. The company personnel needs to be prepared themselves well before meeting with the community. The beginning of community contact is the most important period to build good community relations, later it will be difficult. The objectives of most CD programs are simple in concept, tending to focus on improving health, public services, and education. However, the affected communities need to be included in the design and execution of the program. The process of planning and implementing a CD program often determines the success or failure of the project.

The tri partite principle is the basis for development programs (Figure 7). There is direct support from the mining company for the community and indirect support via the government. It is also important to keep the constant contact with the local government authorities and other community groups. The CD program should be integrated with official regional and local development efforts. In many cases, CD initiatives actually address the same needs (education, health, welfare, community infrastructure) that are clear responsibilities of governments. Thus, developing the CD along with the affected community and later integrating it to the government development efforts is a good way to do it.

Ensuring that any project-affected community continues to thrive as an articulate, self-reliant, and mature community is an overall goal of CD programs. Successful CD programs are reflecting the understanding that unique needs and aspirations of individuals and communities are best identified and addressed through a consultation and participation processes (see 2.1).

Additional information on community development programs:

- The Community Development Toolkit (World Bank and ICMM 2012) [24]

International Finance Corporation (IFC) good practice manuals and reports such as:

- 'Doing Better Business Through Effective Public Consultation and Disclosure' (1998) [25];
- 'Investing in People: Sustaining Communities through Improved Business Practice' (2000) [26];
- 'Investing in people: sustaining communities through improved business practice - a community development resource guide for companies' (2000) [28];
- 'Breaking New Ground' (MMSD 2002) [43];
- 'Developing Value: The Business Case for Sustainability in Emerging Markets' (Sustainability and IFC 2002) [44].

2.3 How to measure performance

Effective reporting, monitoring and evaluation depend on effective performance indicators. An indicator is simply evidence or a signal of what is happening in a situation, e.g. the number of accidents at the mine site can be an indicator for safety measurements at site. With indicators it is possible to systematically and repeatedly analyze changes (qualitative and quantitative) in the relationship between company and local community. By keeping record of changes companies can be responsive to those and ensure that they are incorporated into the community engagement strategy. By establishing indicators a company has the possibility to use them as monitoring system for social acceptance of the operation and conflict identification and so take measures to prevent an escalation of the conflict. Each context indicator need to be developed by the company (if applicable in cooperation with the community) and should fulfill following criteria (see Anglo American's tool SEAT [11]):

- a) Relevant;
- b) Measurable;
- c) Useful;
- d) Informative;
- e) Easily understood;
- f) Simple to report;
- g) Widely recognized.

Some of the easy indicators can be the behavior of local people towards the company staff (friendly/unfriendly) or the number of grievances received in a certain period. Examples for other indicators can be (citation from IFC Guidelines for Community Investment [14]):

- Communities say they have access to the information they need on issues that affect them;
- Communities say they feel listened to and that the company takes their concerns and grievances seriously;
- Communities express satisfaction with their level of involvement in decisions that affect their lives;

- Community elders and leaders state that they feel respected by the company;
- The same grievances do not arise over and over;
- Company staff feel welcome visiting local communities;
- Women and minority groups in the community say they feel their interests are taken into account;
- There is a high level of participation in consultation meetings.

Table 1 below provides more indicators some of which can be relevant for a wider range of operational contexts. After indicators are defined it is useful to document the results and review them on a regular basis. The PDAC, CDA & World Vision toolkit for explorers and developers [20], the ICMM Community development toolkit [24] and the IFC Guidelines for Community Investment [14] can give additional information on how to measure performance.

Table 1: Example of Indicators for community – company relationship (from PDAC, World Vision Canada and CDA, 2012 [20]).

When a company has a Social License to Operate	When the Social License to Operate is compromised	When a company does not have a Social License to Operate
<ul style="list-style-type: none"> • People wave back when greeted • New notices from the company remain on the bulletin boards without being torn off • Recognition in the community that the company is bringing together opposing groups and parties that otherwise would not meet • Low, or decreasing, theft levels, destruction of company property • People associate improvements in their quality of life with the company presence • Anti-corporate advocacy groups get no local support • Community requests focus on personal skills development instead of material things. • No or low public outrage following accidents • Communities identify trouble makers and inform company staff about (security) rumors in the community • Communities say they have access to corporate decision makers 	<ul style="list-style-type: none"> • Visible change in community behavior e.g. people stop greeting (waving to) company staff • Community leaders, elders stating they do not feel respected • The same problems arising over and over • Evidence that individuals, rather than the community, benefit from company-community interaction • Staff feels unsafe visiting communities • Accusations of company association with a repressive government • Disproportional negative reaction compared to the nature of an accident • Proliferation of groups that each claim the company should deal with them. 	<ul style="list-style-type: none"> • Rising trends in theft (company is seen as target) • Work stoppages • Increased demands and hostile tone of community • No leniency when accidents happen • Bad press • Increasing crime in the area of operations • Increased conflict between communities or within communities • Kidnappings, targeted assaults toward the company • Sabotage • Increasing reliance on police/ army • Communities say the company is "stealing" resources

2.4 Common mistakes

In theory establishing good community relations can be straightforward. An integrated partnership between the company and the community's formal and informal leaders is necessary to create relations that are good and long lasting. Though there are common mistakes from around the world that damage this relationship [1] [14]:

Starting communication too late

Communication should start as early as possible, also during the exploration stage and not when the first drillings or construction starts. This clearly confirms that decisions are already made ignoring the opinion of the community regarding the project. Timing should occur when affected people have the best chance of influencing the outcomes and it should be sufficient time provided to express their views and to become involved in subsequent decision-making.

Top-down approach / Paternalism towards communities

Enhancing participation is a key to long term good relations with accepting the community as equal partner. The mine management or the government should not simply inform the public on the decisions that had already been made or CD programs developed without participation of the community, assuming that the mine company knows best what is good for the community. Recommendations of the community should have a strong likelihood of being adopted and if not, a public explanation should be provided.

Lack of transparency

The communication should not lack transparency as it undermines the credibility of the company, thus leading to deprivation of trust. Full disclosure of relevant information (e.g. on environmental impacts) to other parties is essential to build trust. Moreover it should be clear how decisions will be made so that all participants understand their impact of the involvement.

Failure in educating the community properly about the project

Assuming that by releasing information the community is educated about the project is a common mistake. Disclosure of all relevant information is necessary and so is to make sure that the effect is to improve the recipients' understanding. An effective way is a consultation process which follows the customary and legal requirements of the host country.

Mixed messages (lack of clear and open communication)

Mixed messages undermine public trust. It is common in the mining development due to the variety of spokespersons that may be involved in the life cycle of the mine. To avoid the problem of mixed messages, spokesperson should emphasize the uncertainties that are involved and as soon as things become clear they should be communicated clearly. It is as well important to manage also contractors and subcontractors, as the local population often does not differentiate between company and contractor of the company.

Not seeking local input

Delivery of social community projects without sufficient input leads to low relevance to local stakeholder and thus is inefficient spending from the company side. Projects that consider local input are more likely to become self-sufficient, self-reliant and sustainable. It is essential to create a comprehensive dialogue and capacity for involvement of community (see 2.1 Public involvement). Communities must, therefore, understand their role and position in the project.

Lack of capacity building

Capacity building within the company and with stakeholders (e.g. local governments, communities, NGOs,...) for community communication and methods of public involvement is

crucial to achieve meaningful public involvement. This also means that communities must be willing to develop such capacities.

Lack of cultural sensitivity

The way how to communicate in an appropriate manner depends largely on culture. Communication should be done by paying respect to the local language and communication habits, showing respect for the counterpart and insuring that explanations are given in an easy understandable way.

Making promises that cannot be kept

Once a promise is made, the mine management or the government will be held accountable to keep that promise. The other way around communities should be realistic about their demands.

(Unconsciously) excluding some community groups

Besides community leader involvement, participants within the consultation process should ideally represent a cross-section of the population. Stakeholder identification is important to identify and consider groups that may be disadvantaged (e.g. women, minorities, youth...).

Trying to please everyone

Every solution should be community oriented. It is unrealistic to assume that all stakeholders with their diverse interests can be satisfied.

Lack of documentation

The consultation process should be well documented especially about issues raised and responses provided to reduce the possibilities of manipulation.

Detachment from the business

Community engagement that is planned and implemented isolated from the business has limited effectiveness in helping the company to address key risks and opportunities at site level. Community engagement should be seen as investment rather than as charity to ensure long term support within company and long term development for communities.

Provision of free goods and services

Long term consequences of providing free goods and services have not proven to be in the interest of either the company or local stakeholders, due to the fact that it makes it difficult to generate shared ownership and financial sustainability. Instead it fosters dependency, **so minimizing direct transfers should be the aim**. However often cash transfers are legally required, so they should be fixed (as total amount or tied to scale of operation) and transparent, that every party is informed about the transaction.

No exit or handover strategy

Commencing activities without planning in advance for the company's potential retreat makes company supported activities unsustainable and raise difficulties to maintain the social license while handover due to financial cutbacks or strategic decisions.

3 Situation in Kyrgyzstan

3.1 Status quo of mining in Kyrgyzstan

The mining industry development in Kyrgyzstan started back in the 20th century. The main productions at that time were coal, oil, copper, mercury, antimony, lead and gold. Consequently, during the Soviet time, Kyrgyzstan became an important contributor of certain minerals to USSR [32]. Some of the former state-owned Soviet companies are still operational. Among them are Kara-Balta Mining Enterprise, which is refining up to 25 tons of gold and silver per year. Right before the disintegration of the Soviet Union, Kyrgyzstan used to be a sole producer of antimony, producing 64% of rare earth products and 15% of uranium in the whole USSR. Kyrgyzstan played a substantial role in the raw material economy of the USSR [32].

After 1991, the flow of foreign investment to independent Kyrgyzstan had started. In 1996 the biggest gold mine in Kyrgyzstan, Kumtor, with gold resources of more than 300 tons started operating with an annual production of 500 to 750 thousand ounces (15 – 23 tons) of gold per year [32].

Generally, Kyrgyzstan has an enormous mineral resource potential that could fuel the economic development of the country. In order to exploit this potential foreign investment is necessary, but it is hindered by inconsistencies between laws, legal uncertainty, lack of transparency in administrative processes, underdeveloped governance mechanisms and fragmented responsibilities. Thus a negative investment climate persists. Challenges for exploration and mining companies are furthermore widespread corruption, often negative perception of mining that goes along with refusal of any project related to mining and growing resource nationalism that create larger uncertainties. As result of this and of inept behavior of mining companies conflicts between mining companies and local communities across the Kyrgyz Republic are frequently accompanied by open protest (e.g. roadblocks, etc.) and even violent escalation, demonstrate clearly many mining projects do not have the ‘social license to operate’ [33]. The mining companies and the relevant government authorities are accused of misconducting licensing procedures, threatening the environmental security of the communities and neglect of local needs [35]. So far the government was mostly unable or unwilling to enforce the access to the sites for the licensees, thus after obtaining a license companies were often left alone to solve company – community problems [27][30][31]. Within the law of Kyrgyzstan the concept of SLO is not considered in the formal license agreement, but the concept of a social package was introduced (see Chapter 3.1.3).

3.1.1 Licensing process

Licensing is mandatory for all types of subsoil use of all types of minerals, including fresh, mineral and thermal water, groundwater, except for granting subsoil use rights under the concession agreement or the product sharing agreement, and execution of works based on the state registration. The State Committee on Industry, Energy and Mining of the Kyrgyz Republic administers the licensing of subsoil use rights as a licensing body [35].

There are four main types of licenses:

1. Prospecting: up to 5 years with further renewal according to the technical project;
2. Exploration: up to 10 years with further renewal according to the technical project;

3. Mineral deposits development: up to 20 years with the further renewal until complete depletion of commercial minerals;

4. Targets, not related to geological exploration and commercial minerals deposits development: for the period provided in the technical project, with the further renewal as per the terms of amended technical project [37].

Depending on the significance of the deposit/licensed area and the type of minerals the license can be obtained based on a **1)** competitive bidding (tender), **2)** auction or **3)** the first come first served principle* (see Figure 8).

* First come first served principle is the novelty introduced by the new Law “On Subsoil” that has not been officially validated.

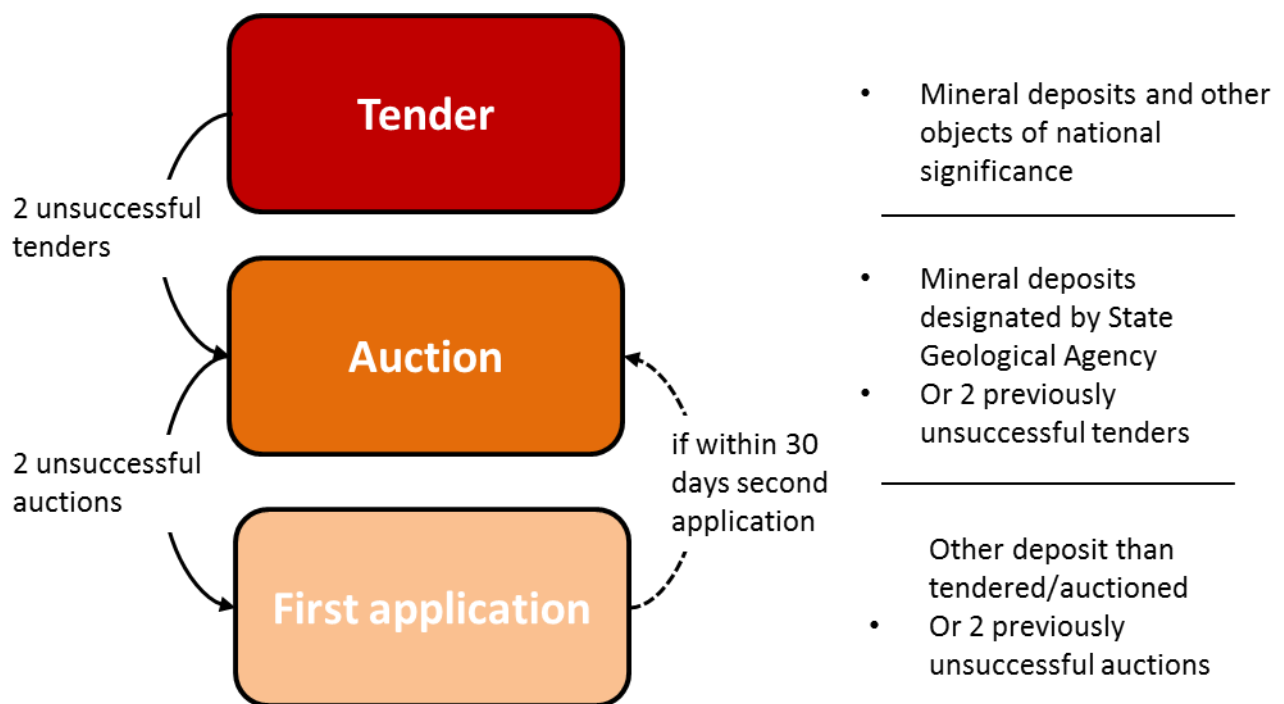
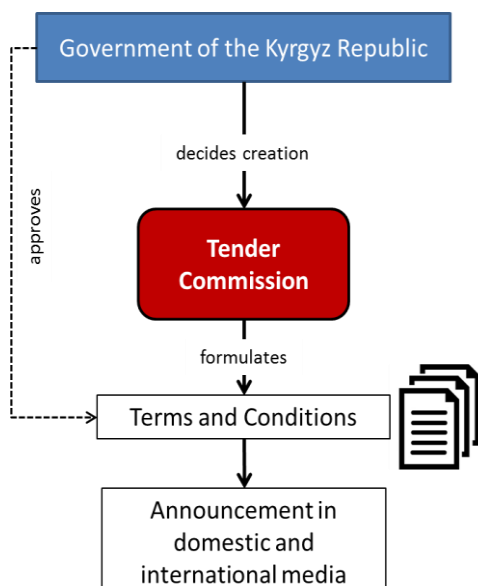


Figure 8: Tender, Auction and direct negotiations processes to obtain a license and their relationship.

1) Tender

Tenders are held on the objects of national significance by the decision of the Government of the Kyrgyz Republic. These are the big projects, where a number of governmental institutions are



participating in the decision making process. A tender participant recognized as the winner of the tender by the decision of the Governmental Tendering Commission based on accumulated points in the course of the tender, becomes the Licensee. The license is issued in the office of the State Committee on Industry, Energy and Mining of the Kyrgyz Republic on Geology and Mineral Resources of the Kyrgyz based on the decision of the Governmental Tendering Commission. Members of the Commission consist of the director of the State Committee on Industry, Energy and Mining of the Kyrgyz Republic or his deputy, representatives of the political parties from the parliament, Oblast

Figure 9: Framing processes of tender.

gubernator, representatives of local administrative units (Ayil okmotu, Rayon Akim, Ayil kenesh), of the region where the target (license area) is located, representatives of Ministry of Economy, Ministry of Finance, State Agency on Environment Protection and Forestry, State Inspectorate for Environmental and Technical Safety and other related agencies. In case a tender is not realized place twice, the target is moving to Auction (Figure 8). The inter-agency Tendering Commission is established by the Government of the Kyrgyz Republic (Figure 9) The Tendering Commission is responsible for formulating the tender terms and conditions (T&C). Later, the Government of the Kyrgyz Republic passes a decision that approves the formulated tender T&C. After this process, the tender announcement is placed in domestic and international media (Figure 9).

The content of the T&C consists of the following:

- Terms and conditions for submitting tender applications;
- Tender time frames;
- List of documents required to be submitted as part of a tender bid;
- Admission criteria for tender participants;
- Minimum price for subsoil-use.
- The selection stages and bid scoring:
- Review of tender application;
- Review of tender bids;
- Assessment of submitted documents;
- Scoring and identification of a winner [37].

2) Auction

Auctions are taking place in the region where the site is located. The licensing commission consists of members of the State Committee on Industry, Energy and Mining of the Kyrgyz Republic, members of the committee's internal departments (mine safety and legal department), local self-government representatives, Ayil okmotu, Ayil kenesh, Rayon Akim, regional representatives of Tax agency, State Agency on Environment Protection and Forestry, State Inspectorate for Environmental and Technical Safety, Governmental registration, and Ministry of Economy. The auction is held at the place of the license area and public is allowed to observe the auction process.



Figure 10: Impressions of an auction hold at a village.

Based on the auction results subsoil use right shall be granted:

- a) For the targets stated in the list, approved by the state body, authorized for implementation of the state subsoil use policy;
- a) For the targets of national significance, which were not awarded, based on the results of two tenders;
- a) For the targets not included into the list of auctioned deposits, but those with two or more applications for with the complete list of documents.

The bidder who offered the highest bid is recognized as the winner by the auction commission. The license is awarded to the winner of the auction at the office of the Committee on the basis of the minutes of the auction committee. In case the auction is not successful twice, the target (mining site) is moving to direct negotiations (see Figure 8). The auction procedures start from an official order from State Geology Committee on establishing an Auction Commission, where the representatives of the local self-government and local administration participate. The State Committee on Industry, Energy and Mining of the Kyrgyz Republic formulates the auction T&C and indicates a starting price. The notice on an upcoming auction is sent no later than 45 days prior to auction date. The auctions are held on the site location [37].

3) First come first served principle

Licenses for subsoil use rights based on the first come first served principle are issued by the State Committee for Industry, Energy and Mining of the Kyrgyz Republic. For deposits with suspended licenses, the first come first served principle will be applicable only after termination of a three month period from the date of suspension of the license. If within three months there will be a second application, the license for the deposit will be issued via auction. (see Figure 8).

The subsoil right is granted through first come first served principle:

1. For deposits that are exempted from auctioning or tendering;
2. For the deposits of commercial minerals and perspective areas that were subjects for two auctions acknowledged as failed;
3. For the subsoil areas, not associated with the geological study of subsoil and development of mineral deposits.

In case of two auctions acknowledged as failed the subsoil right will be issued by first come first served principle only in case of a single application in specified timeframe.

Obtaining a license by a foreign entity

Legal and physical entities, established under the legislation of the Kyrgyz Republic, as well as foreign legal entities with state registration in accordance with the legislation of the Kyrgyz Republic, and physical entities, registered under the legislation of the Kyrgyz Republic as private entrepreneurs, can become subsoil users.

In order to obtain the license a foreign legal entity is required to register a branch company (100% ownership) in the Kyrgyz Republic with indication of the name and the address of the licensee in the Kyrgyz Republic [37].

3.1.2 Financial issues

The following chapter is based on the Law on subsoil, the Law on Tax, the Law on Non-Tax payments and their amendments, publications by the World Bank [36], 'Kalikova & Associates' law firm [38]&[42] and the Kyrgyz EITI publication for 2013-2014 [39]. Generally, the mineral resources sector in Kyrgyz Republic is falling within the general tax regime. This includes payment and reporting for the following types of taxes for local and foreign companies that are operating in the Kyrgyz Republic as displayed in Figure 11.

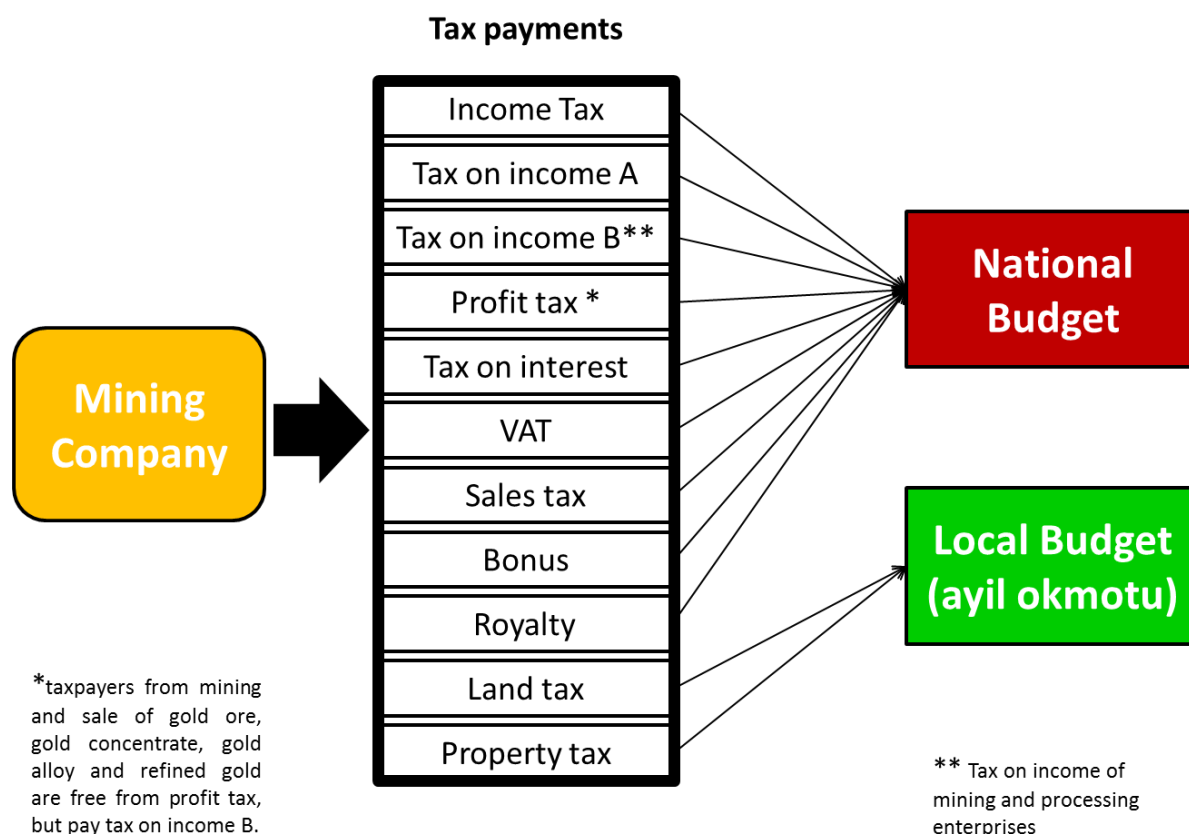


Figure 11: Overview of major tax payments for mining companies and their distribution [36][38][39].

Most of the tax payments are allocated to the national budget, whereas only land and property tax are to the local budget (Ayil okmotu). It may be mentioned that the local budget also includes deductions from nationwide taxes.

Income tax (rate usually 10 %) (or also referred to as personal income tax) is paid based on taxable income by individuals (Kyrgyz citizens, resident non-Kyrgyz citizens, non-Kyrgyz citizens) receiving income from a source in the Kyrgyz Republic. Individuals or legal entities that are paying income to individuals from a source in the Kyrgyz Republic retain the income tax and transfer it to the state budget.

Tax on income A represents the tax on income for foreign organizations with no permanent establishment in the Kyrgyz Republic.

Tax on income B represents a specific tax for the gold industry (Tax on income of mining and processing entities). Taxpayers from mining and sale of gold ore, gold concentrate, gold alloy and refined gold pay a tax on income with a rate ranging from 1-20 % depending on the world price of a troy ounce of gold (September 17, 2012, amendments to the Tax Code of the Kyrgyz Republic).

The Income tax, the tax on income A and the tax on income B can be applicable all together at an entity.

Profit tax (rate 10%) (sometimes referred as corporate income tax) is paid based on taxable profit. Taxpayers mentioned in the Tax on income B are free from profit tax (rate 0%).

Tax on interest (rate 10%) is paid based on the interest income.

Value added tax (VAT) (rate 12%) is paid based on the value added. Exceptions are VAT taxable supplies subject to a zero rate or a 20 % rate. 0% VAT taxable supplies include e.g. Export of goods, except export of gold and silver alloy and refined gold and silver.

Sales tax (rate 2%) is paid based on turnover.

Land tax (per m²) is paid based on land area owned or used.

Property tax is paid based on taxable value of building or property (immovable).

In addition to these taxes mentioned above, there are mining related taxes:

Bonus is a one-time payment for the subsoil use right for prospecting, exploration and development of mineral deposits. The bonus is also paid in case of change in ownership shares (10% or more in proportion to the share of the property, except for companies listed on stock exchanges). Bonus rate is set by the Kyrgyz Government on all types of minerals on a classification table, depending on the degree of exploration, values, and scale deposits and/or occurrences of minerals, as well as the size of the area of deposits for the search of minerals and the drilling depth of water wells. In case the mineral deposit is subject to tender, the bonus rate is determined individually by the Government of the Kyrgyz Republic.

Royalty are recurrent payments for the use of subsoil for mineral extraction (and/or extraction of underground water). The tax base of royalty is determined by:

- Revenue (excluding VAT and sales tax) received from the sale of mineral resources or products received as a result of mineral resources processing;
- In-kind volume of products sold;
- Volume of the underground water withdrawn according to water gauges, except for specialized water supply organizations.

Royalty rates for minerals (other than water) and construction materials range from 1% up to 12%. For gold, silver and platinum the increase in reserves is taken into account:

- a) For deposits with reserves of more than 10 tons – 5%;
- b) For deposits with reserves from 3 up to 10 tons – 3%;
- c) For deposits with reserves of less than 3 tons – 1%.

In addition to tax payments, mining companies are obliged to make non tax payments as well. Figure 12 displays non tax payments and their allocations to different budgets/funds/accounts. On the first look it might seem confusing, that's why Figure 13 and Figure 14 (see part about development funds below) show more detail regarding the distribution of shares of the payments made by the company.

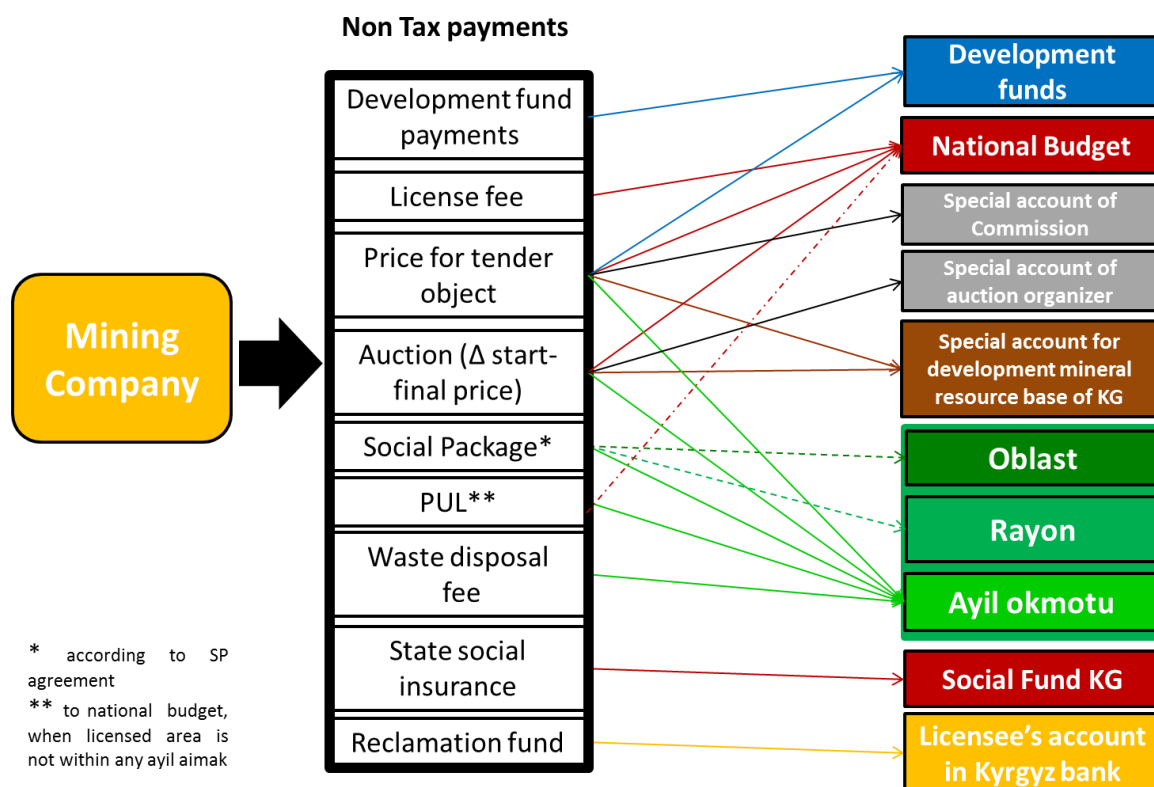


Figure 12: Overview non tax payments and their subsequent distribution [36][38][39].

During the different stages in the mining cycle, different payments are made. As soon as first sales start, **development fund payments** need to be made via the Ministry of Finance (see part about development funds below).

A **fee for issuing the license** is a one-time payment (currently 1000 SOMS) paid to the national budget for issuing the license.

Social package payments are according to the social package (SP) agreement, mostly to the Ayil okmotu budget, but contribution to the district rayon or oblast budgets are possible. Payments defined in the SP agreements are paid at the stage of prospecting, exploration and development for objects that are under tender. More information is given in Chapter 3.1.3.

Payment for holding of license (PUL) is a fee for holding a license for prospecting, exploration or development without any activities performed and/or planned. Payment is made directly to local budget, only in case when the licensed area is not within any Ayil aimak it goes to the national budget.

Waste disposal fee is paid to the local budget for the disposal of waste at all stages.

State social insurance contributions need to be paid for all employees depending on the gross salaries.

Reclamation fund payments are requested to ensure that the company has sufficient financial reserves for the reclamation or recultivation of the land plot and/or the licensing object after exploration or production came to an end.

Independent of the licensing process (**tender or auction**) the company needs to pay a price to obtain a license. Further distribution of the paid price, depends on the licensing process shown in Figure 13. In case of auction, only the difference of the initial price and the final price is

distributed in the illustrated way, in the case of tender the whole price (including the net bonus payment and costs of geological information package) is considered. In comparison to the tender, the auction does not contribute to the development fund, but the local budget gets a greater share (7% instead of 3%). However the largest share in both cases with 85% belongs to the national budget.

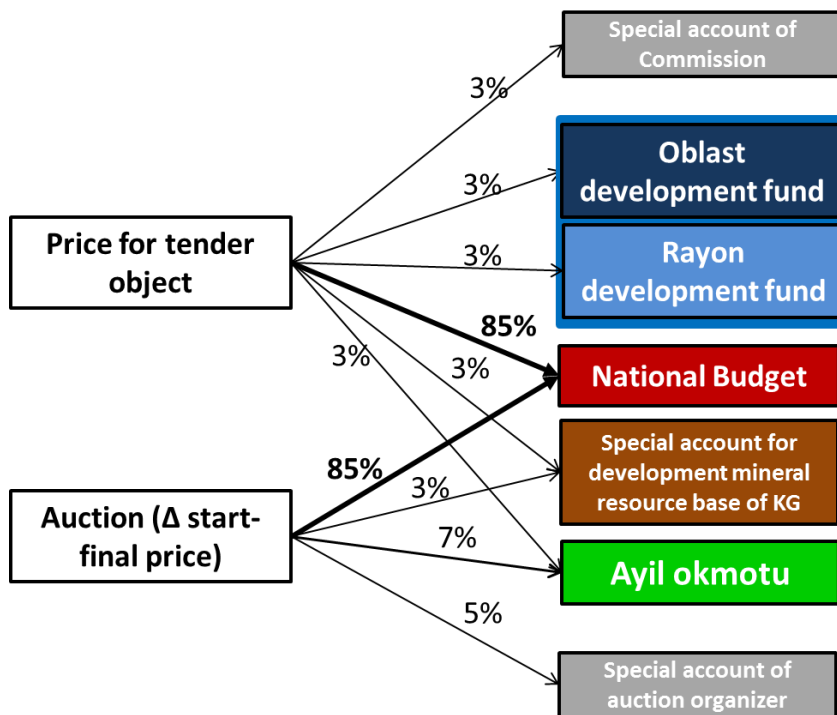


Figure 13: Distribution of the paid price for obtaining a license depending on type of license [36][38][39].

Development funds:

Regional development funds have been introduced on 10th November 2014 in the Kyrgyz law in accordance with amendments to the Law 'On the non-tax payments' (see also [40]). These funds are used for the development and maintenance of local infrastructure, to support priority initiatives of local communities in order to improve the social-economic development and enhance conditions for local economic development. Payments are made via the Ministry of Finance of the Kyrgyz Republic. Regional development funds exist for the rayon or oblast development and are registered as non-profit institutions. Following rules apply:

(1) Payers of contributions to the development and maintenance of the infrastructure of local importance, regardless of place of registration must contribute to the development funds of regions (Oblast), districts (Rayon) and Aiyl/City aimaks in the mine location;

(2) Contributions for the development and maintenance of local infrastructure are made in the amount of 2% out of revenue, excluding indirect taxes, resulting from the sale of mineral resources before the 20th day of the month (see Figure 14).

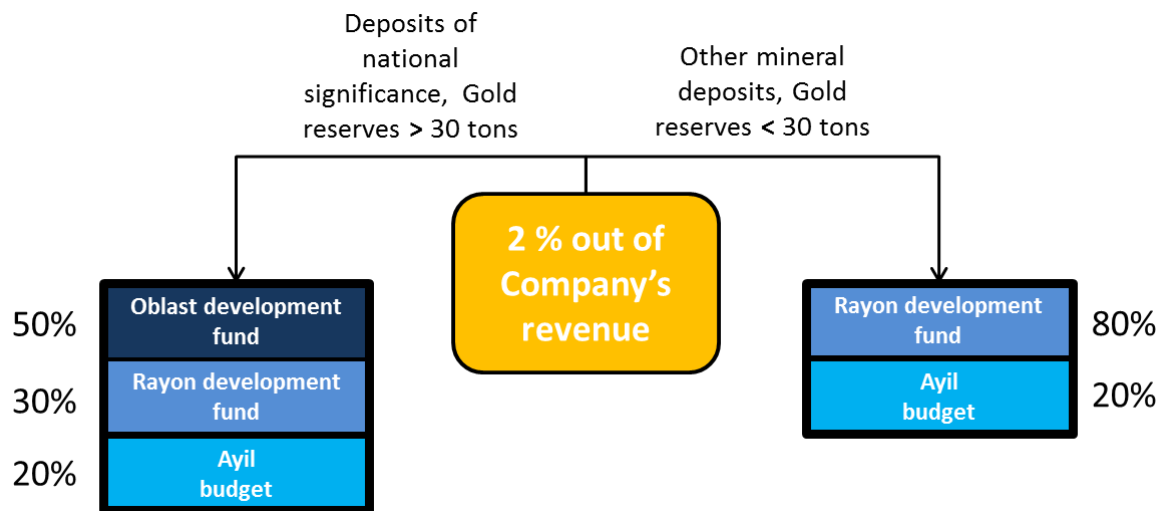


Figure 14: Contribution of companies to development funds and its distribution [38][39][40].

(3) If the mine is located in the territory of two or more Ayil aimaks that are belonging to different Rayons, the payer deductions passes record registration with the tax authority of each district. The amount of contributions paid in this case is proportional to the occupied area, located in particular Rayon. If the field is located on the territory of forestland, deductions for the development and maintenance of local infrastructure are fully enrolled to Rayon development fund;

(4) On the fields of national significance, where gold reserves account for more than 30 tons, or other minerals deposits of national significance, contributions credited in the following order (see Figure 14):

- + 50% of contributions credited to the Oblast Development Fund;
- + 30% of contributions credited to the Rayon Development Fund;
- + 20% of contributions credited to the Ayil or city aimak budget.

In fields where the gold reserves of less than 30 tons, or mineral deposits that are not of national significance, contributions credited in the following order (see Figure 14):

- + 80% of contributions credited to the Rayon Development Fund;
- + 20% of contributions credited to the Ayil or city aimak budget.

3.1.3 Social Package



In accordance with the Law on Amendments and Additions to the Law on Subsoil in May 2014 No. 77 the concept of the social package was introduced. It is an agreement between the executive bodies of a particular administrative and territorial unit (e.g. Ayil okmotu, mayor's office) and the licensee, on the minimum contribution to the economic and social development of the region in which the deposit of national importance is located [39]:

1. Social package shall be made in the form of agreement which shall be developed on the basis of the program for socio-economic development of the territory where the subsurface asset is located. The agreement shall be executed between the mineral right holder and the executive body of the relevant administrative territorial unit.

2. *The social package requirement shall apply only to nationally important mineral deposits being in the exploration and mining stages. The social package shall include the program of investing in the improvement of social and household conditions of the local community (professional development, employment of local population, building of infrastructure and other conditions) in whose territory the tendered assets are located.*
3. *The social package shall be submitted to the public authority for implementation of the state policy on subsurface management at the stage of developing an engineering design.'*

(As amended by Act No. 77 of May 24, 2014)

Within the terms and conditions of the tender, timing, minimum amount to be spent on the social package and other general requirements are defined. For successful bidding in the tender a first draft of a program for the social package need to be available. An example how the terms and condition regarding the social package can look like is below:

'[...]no later than 2 months from the date of receipt of licenses from local authorities prepare and submit for further consideration and approval a social package[...], which includes a program of socio-economic development of local communities and territories, the program of investment in local infrastructure, organization of workplaces for the local population living in the project area, ensure the maximum use of local labor in the development of the deposits, organization of trainings for the purpose of hiring local population to perform works related to the development of deposits, assist in addressing other issues related to the program of socio-economic development of the [...] district. The size of the annual investment in the development of the local community in monetary equivalent should not be less than 500,000 (five hundred thousand) kgs; [...]' [41].

After successfully obtaining the license, details are later developed in collaboration with counterparty of the agreement (territorial executive bodies and local self-government units).

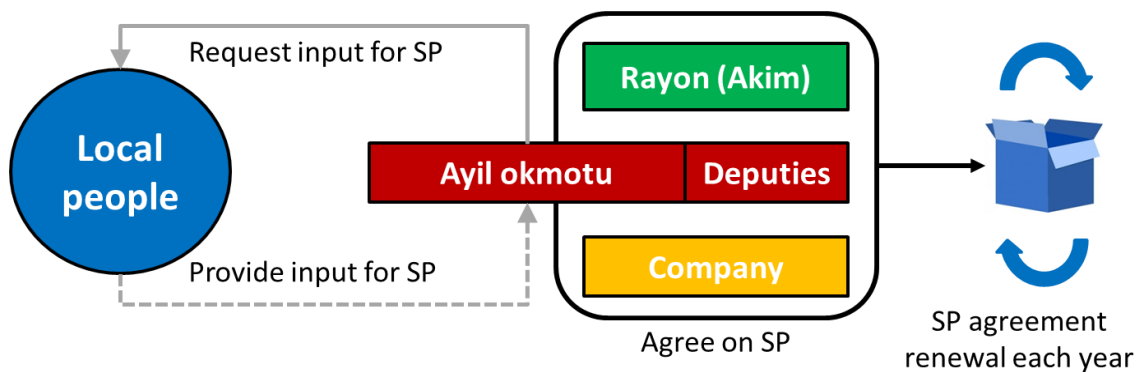


Figure 15: Example of a social package agreement process with yearly renewal. SP stand for Social package.

An example to manage a social agreement process is shown in Figure 15. Possible wishes and ideas for the social package content are collected by the Ayil okmotu. Later on the Ayil okmotu and local council representatives agree together with the Rayon Akim and the company on the content of the social package in form of a memorandum. Here in this example, the social package consists of two parts. One part is a fixed sum spent on infrastructure development. The other part gets renewed every year depending on proposals made by the local communities.

3.1 Experience of companies

As many other mining company in Kyrgyzstan, KAZ Minerals PLC (in the following text mentioned as the company) (<http://www.kazminerals.com>), as well had conflicts with local communities that are located in the territory of the mine. However, this company tackled this issue and was able to build good community relations over time.

Back in 2006, the construction phase of the mine started. The company faced a difficult start, since most of the local residents opposed the presence of outsiders in their area and hence the project as well. Reasons for such a reaction from the local community were among others, missing information on the operation of mining companies and their effects on the environment in general. The company identified that the environmental issue was one of the greatest concerns. People believed that, the mine operation would destroy the ecology, pollute the air and drinking water. The situation escalated to road blocking and even physical threats to staff members of the mining company. According to the company, it was likely that also an unknown 3rd party with their own interests manipulated the local opinion against the company. For instance, there were rumors and misinformation that the company's storehouse for hazardous materials is badly constructed so that rainwater can enter and the subsequent leaking of toxicants pollutes the water. To wipe out these rumors, visits for locals (e.g. informal leaders) to the storehouse were organized. The participants could see how the storehouse was run, how the material was stored and that the company implemented a seal to prevent any leakage into the ground. As a result, some of the participants of these visits even apologized for believing these accusations. Other problems have been unrealistic expectations, where protest and roadblocks were used as blackmail. Once in a roadblock, the protestors asked for immediate actions from the company to build a new hospital. In another case the demand was a quote of 100 % local employment. Explanatory work, giving reasons why the company cannot fulfil these demands was successfully used to solve these issues.



Figure 16: Local women discuss with company representatives in a public hearing.

While searching for solutions the public relations (PR) department developed various ways of communication (and a more systematic approach) to improve the relationship. Through stakeholder mapping and analysis with help of professionals, several groups each with their own characteristics were identified. By this analysis, complaints that are specific for a group (e.g. youth is not satisfied with employment policy), could be addressed in direct dialogues with

this group. To tackle any rising information vacuum, a free of charge, local newspaper (one in Kyrgyz, one in Russian) is published every month informing about the company's activities (e.g. ecological performance, contributions to local community) and local events. Site visits proved to be another successful measure. In case of questions or misunderstanding, concerning the mine operation, or chemicals/explosive materials that are used in the mine, the company gathers groups of people and offers a field visit, in order to solve the question directly at the place. Additionally two information centers, each lead by a local specialist were established in the villages in which the company is operating in. The staff of the PR department independently

consults in regular meetings the communities' subgroups and twice per a year a village meeting where everybody can participate is organized. Overall transparency and making information available even if it is not positive is another important pillar of the company's community relation approach. Complaints are documented, analyzed and it is identified whether the company can solve this complaint or not and if yes, which department can assist to find a solution. Finally yet importantly, the company gives only promises that they can fulfill.

Furthermore, the company provided assistance to the local development, for example by developing roads, providing the villages with electricity, local purchasing of goods, support for local business development with advice and material (that benefit locals and company alike and offers diversification) and other for basic needs of the locals. But not just by simply throwing money! The company made sure that locals have a degree of ownership over the project, by requesting a contribution from local side (e.g. company provides material, local community workforce) and in reconciliation with local authorities. The above mentioned actions are just an example of the variety of measures the company implemented.

Other experience companies made are that often environmental concerns were raised to receive compensation payments. Whereas there are genuine concerns, some people used this to manipulate the local opinion and spread misinformation. One company told that while working with the local community, they found out that over hundred CDs of video material about how bad mining is have been distributed to the locals. Another company faced an angry mob just on their way to the camp site accusing the company that they destroy the environment and demanded direct compensation. However the company's staff did not recognize anybody from the community, thus suspecting a third party with other interests trying to cause trouble for them.

3.2 Community concerns

The presented data is derived from interviews of local community members as well from two publications, namely 'Conflict Sensitivity in the mining sector of the Kyrgyz Republic' by David Gullette (2014, OSCE Academy) [27] and 'Extracting Sentiments: The Effect of Mining Exploration and Extraction on eight Communities in the Kyrgyz Republic' by Oxus International & Eurasia Foundation of Central Asia (2012) [31] who conducted interviews and case studies in communities in Kyrgyzstan regarding their attitude towards mining companies. For a detailed and in depth study of community's perception the authors refer to these studies.

When analyzing community concerns one must acknowledge that every community is different, so conclusions must be seen in the context of the community. One important factor that influences the perception regarding mining companies is the historical context of the area. In areas where mining existed in the past, the economic benefit appears to outweigh the negative environmental impact (e.g. Orlovka, Jumgal)² [31]. In areas with no history of mining, mining activities are often alien to the locals and little knowledge

Mayor when asked about reasons of protest:

'We do not want an ecological catastrophe as in Kumtor.'

together with rumors about mining creates distrust and rejection. Common sorts of grievance which interviewees raised are general environmental and health concerns, long term reduction of livelihood by the mining, labor disputes, accusation of corruption, feeling that mining companies do not care about the community and lack of participation [27][30][31]. Besides the attitude shaped by history also the common concerns might be influenced by history.

² Based on interviews conducted by the authors

One common environmental concern is the release of radioactive material, which might be rooted in the long history of uranium mining during the Soviet Union. Another is an extreme aversion which locals feel towards the use of cyanide and the presumed link to birth deformities which is probably related to the rumors around the Kumtor cyanide spill in 1998 [27][31]. More driving forces behind environmental concerns are that there are almost no good experience in responsible mining practices and re-cultivation during the soviet era [27]. In addition and maybe also as result of these concerns the image of mining companies is mostly negative. Mining companies are regarded as self-interested, distant, and uncaring; western companies as arrogant, domineering, whilst Chinese ones are viewed as buccaneers focused on quick payoffs [31].

Besides the bad reputation of mining companies, also the local authorities are regarded as lacking abilities to solve and to comply with their duty in mining related social issues. This led to claims of poor communication if mining companies only leaned on the local government intermediaries to spread information [27][31].

Communities often view the land (and the subsoil) that they are using for living, agricultural purposes and animal husbandry etc. (especially mountain pastures) as 'their' own while the state regards the subsoil as state property [27]. It is important to acknowledge that mostly fears of the population about negative impacts of mining are genuine and so they must be taken seriously.

What is your opinion about the mining industry in your area overall?

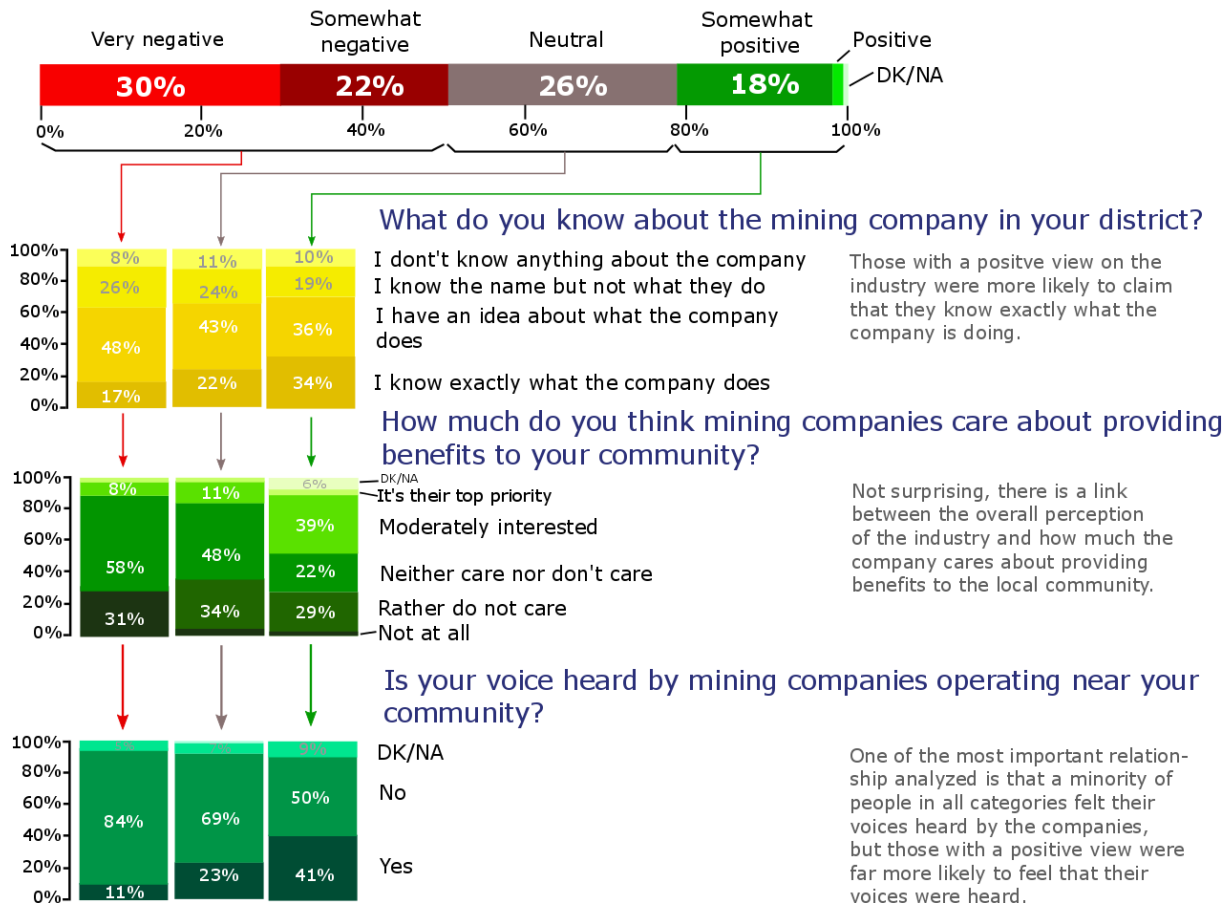


Figure 17: Sentiments towards mining industry in relation to other variables. DK: Don't now. NA: No answer (from Oxus International (2012). Extracting Sentiments: The effect of mining exploration and extraction on eight communities in the Kyrgyz Republic [31]).

The study by Oxus International indicates a link between general sentiments about mining and the perception of the performance of the mining company. Interviewees who had a positive opinion about mining are more likely to be informed about the company's activities, think that the company cares about the community and feel that their voices are heard by the company (Figure 17). On the other hand people with negative opinion are more likely to be not informed, think that the company does not care about the community and do not think that they can give input or that their opinion matters for the company. That information about mining is scant is confirmed by the study as well, representing an underlying cause for conflict between company, communities and governmental units [31].

According to the study of Oxus International and the OSCE study, the single most important reason why people protest against mining companies are environmental concerns. Some do so because environmental changes mean potential changes in crop production. For others, it means that they can no longer access pastures for their animals. Both of these situations mean a loss of livelihoods in a context where there are few other opportunities for employment [27][31].

The environmental debate also highlights the power of rumors and speculation on processes that are not transparent. In most of the cases, the lack of communication among the companies and the local communities, lead the rumors develop into concerns. Furthermore there are long-term environmental impact concerns, such as risk of radiation or other toxics released by mining activity leading to degradation of livelihood and issues regarding long-term security of tailings. This is connected to a lack of trust in the work of mining companies and also in government

authorities that would be essential to encounter these long-term concerns. Mostly companies see the local administration as the representatives of the local community, but in several cases, the administrative unit has limited interaction with their communities and is not necessarily seen as representing the community's interest [31].

On the other hand there are more immediate concerns like pollution by dust and noise or potential negative impact on air quality, drinking and irrigation water security, degradation of pastures and orchards, thus resulting in reduction of livelihood and a negative impact on health (e.g. exhaust gases, soil contamination by fuel, etc.). These concerns are related to the communication activity of companies. Where mining companies did not communicate well ('company does not listen to us'), environmental concerns were underpinned by this absence of information and rumors and assumptions dominate the (negative) perception about the company [31].

Statement of a local resident:

'The bridge that the company constructed is of a bad quality. They used only the cheapest material and did not do it properly. If they would really care about our village, they would have

Besides the environmental concerns, locals have a perception of unfair hiring practices, where jobs are provided mostly to workers that are outside of the community, or community members are getting jobs through corruption and personal ties. In addition, communities complain on the roads and other infrastructure being damaged by the mining company [27][31].

Another example of the experience of locals is described below:

In a village an exploration company is active. Mining related activities are new to the local people, as in history no mining took place there. The main income source is agriculture and animal husbandry, but the unemployment rate is very high, especially among the youth. At the beginning of the company's exploration activities, locals burned down the camp site several times justified by the locals with environmental concerns and assumed illicit performance of the company. After that the company engaged more with the community signing a memorandum of understanding that would allow the company to continue their exploration work. Several locals worked then as contact persons between company and local community members. A grievance mechanism was established and the company contributed (among other things) with the construction of a bridge. A local woman described her experience with the company like this: 'One day people from the company came and talked about supporting the women organization in our village with [XXX] KGS. By the time we [the women] decided what to do with the money, the company did not answer to our request. We do not know what happened with that money.' Currently the local community members do not know what the company is doing, they just heard by rumors that the investor changed and that the license was probably renewed. Besides these complaints, the supporting measures of the company were criticized for being of bad quality (e.g. the roof of the school that the company repaired leaks again), which lead to the perception that the company does not really care about the locals. ³

The government of the Kyrgyz Republic is interested in economic development of the country through mining sector, but the affected areas and the communities living around the mine areas do not want an economic development to come at the (perceived) expense of their health and livelihoods [27].

³ Based on interviews conducted by the authors

3.3 Key problems

The current chapter presents the key problems which were identified through, literature research, interviews and the comparison of company's performance with international best practice. Deriving from the research above, the main driver for conflicts in Kyrgyzstan are (similar to many other cases throughout the developing world) the lack of sound relationships between communities and mining companies and as well between state authorities and communities. Main driver for conflict is identified as a lack of communication between companies, communities and state authorities. As an example, a company thinks informing the local population as primary task of the local state authorities, but miss to check if the information about the companies' coming reached the local population. So when starting operations, the company is surprised as well are locals due to this missing information flow. Moreover several problems arise due to common mistakes (see chapter 2.4). Not all problems will be valid in all cases, but it should raise awareness within each reader to check his/her social performance and sensitize newcomers to the Kyrgyz mining sector.

Widespread distrust into government bodies and foreign mining companies

A problem of more general nature is a widespread distrust. Government representatives (especially if they are not locals) are often regarded as corrupt, self-interested and thus not acting in the interest of the local communities. Moreover foreign companies are often regarded as arrogant, stealing the resources that many locals believe belong to them. This attitude creates difficult starting conditions to establish good community relations.

Lack of communication

Too late, too little or no communication at all between company, local governmental authorities and local population (Figure 18):

- a) Lack of information exchange between company and local population
- b) Lack of information exchange between local governmental authorities and local population
- c) Lack of information exchange between company and local governmental authorities.

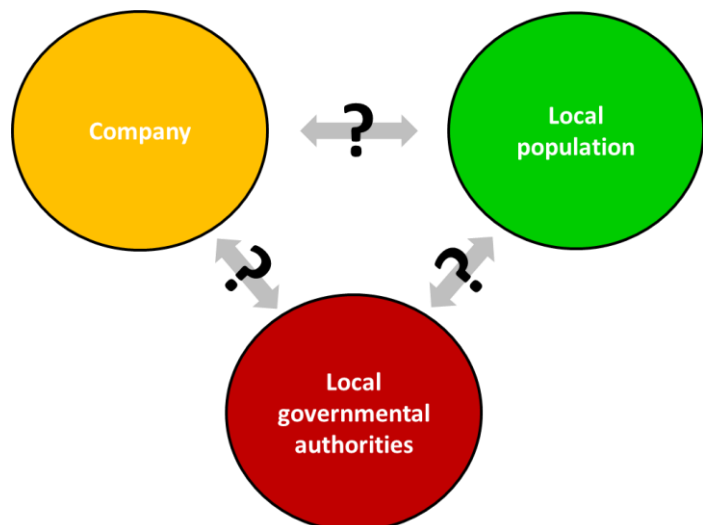


Figure 18: Lack of communication.

Spare information and late timing of disclosure

Lack of information about the project, potential changes that will occur (e.g. more new cars, more foreign people, etc.), about typical exploration/mining processes, possible benefits and risks. Disclosure often happened when work started, presenting the community with a fait accompli. Also often there is no information given on who is the investor, especially when the investor changed.

Assumption that information will be spread through (governmental) intermediaries

Assuming that information will be spread to the local population via the local administration or government officials is a common mistake in Kyrgyzstan (as widespread distrust in governmental bodies persists). In some cases it worked, in others it did not.

Missing communication strategy

Most of the respondents did not have a clear, consistent communication strategy. Risk of mixed messages arises, especially if (sub-) contractors are involved and communication possibilities between locals and companies are difficult to sustain. It is not that companies do not conduct meetings with locals, but they are mostly only held if a major problem occurred. Very few respondents proactively hold meetings on a regular basis. Moreover only one respondent stated that they conducted a stakeholder analysis.

Statement of an exploration company:

'We do not have time to explain everything to the locals! We are a company and need to work.'

General negative image of mining activities

Adding to the difficult starting conditions created by mistrust into foreign companies and government representatives. General negative perception of mining industry leads to denial of any mining related activity thus making even contact or consultation very hard.

Large environmental concerns of local communities

Environmental concerns are the most single reason why people oppose mining [31]. Genuine environmental concerns need to be taken serious.

Lack of knowledge and experience with mining at local level

Often people opposed the mining due to a lack of knowledge about mining, its impacts and possible benefits. Even if companies do not see this issue in their responsibility, information is necessary due to lack of capacity of governmental bodies. Additionally an often low educational level makes people more susceptible for misinformation and manipulation.

Statement of mining company:

'They blocked the road, demanding the immediate construction of a hospital.'

Unrealistic demands of local population

Unrealistic demands of locals from the mining company. Especially the limited possibilities of exploration companies are not considered. A possible reason for this demanding behavior is missing knowledge about the different mining stages and about company's limitations, as it is a business and not a charity organization.

Community engagement often not regarded as integral part of business

Neither most of respondents from the business side nor from governmental side regard community as integral part of mining business. By seeing community engagement as bothersome liability, its' importance is constantly underestimated, not thoughtfully considered and additionally undermines the authenticity of the company.

Statement of mining company (CEO):

'When people protest, we'll know that there is a'

Lack of mechanisms to identify potential conflicts

Many of the respondents did not have a formal mechanism to identify potential conflicts, thus no early counter measures can be taken to mitigate a potential conflict and subsequently are only reacting when the conflict becomes manifest.

Lack of (formal) grievance mechanism

Several respondents stated that there is no formal grievance mechanism or they do not know about such thing. Direct contact via telephone to raise concerns is according to most of the respondents possible. This may be a component to solve minor issues, but for serious complaints it might not work, especially if the relationship between community and company is disturbed.

Lack of documentation regarding complaints and promises

Respondents often stated that they do not know what was promised or complaints about before they started their job. Missing documentation can be a problem especially if people change over time and with them the knowledge so that newcomers do not know what was promised or complaint about (problem of mixed messages can occur).

Blind eye to possible problems in community communication

There is a significant gap between the company's perception on their performance and how the performance is regarded by the communities. As to a certain extent this is normal, complete different statements about a certain topic, indicate that there might be a problem in community communication.

Lack of performance monitoring and improvement loops

Several respondents did not establish performance indicators and targets. Subsequently a fact based evaluation of the own performance is difficult. This can lead to implementation of ineffective measures, inefficiency of which will probably not be detected. Additionally if no improvement loops are established, an inefficient measure is likely to stay inefficient, thus a waste of resources.

Missing mining professionals at local level

In most cases not all jobs can be provided for the local community members, due to missing mining professionals in the community. Especially for positions where high technical or management knowledge is required, people from outside the local area are hired. This is challenging mining companies to fulfill their duties of local employment and to face the local expectations of employment opportunities.

Lack of capacity of governmental bodies and agencies to execute their duties sufficiently

Lack of funding, staff or knowledge presents obstacles to the governmental bodies to fulfill their duties, especially on local level. Many respondents clearly allocated the responsibility for e.g. infrastructure maintenance, informing local population or being a mediator in conflicts, to governmental bodies. Even if the problem is identified by them, their capacity might be too limited to solve it. Especially for the LSG there is a risk being overwhelmed by the news tasks, responsibilities and tensions that it is faced with due to a mining project.

Missing a clear long term development plans on local and regional level

On the regional and local governmental level, often there is no clear and well drafted long term development plan, thus no vision of where the region/village wants to be in the future exists. For a company that means that it is more difficult to streamline projects for social-economic development and for locals it implies that measures are not that efficient as they could be with a future goal (e.g. spending on single projects with short vision losing the opportunity to use synergies).

No flexibility in the social (package) agreement / renegotiation loops

In the social agreements that most of the respondents created or plan to create with their communities, no renegotiation loops are included. In times of low resources prices, the social-economic obligations of a company may lead to their insolvency, whereas in times of resources prices the community may feel disadvantaged.

The above mentioned problems should be considered by active mining and exploration companies and newcomers to the mining industry in Kyrgyzstan as well in order to avoid violent escalation of conflicts between local communities and mining companies what occurred in the past.

4 Recommendations

Breaking news cannot be expected from this research. Conflicts between mining companies and local communities have been analyzed around the world and often similar conclusions can be drawn. The best that can be expected is that this document will raise awareness among all stakeholders and lead to a process of self-reflection and evaluation of their own practice. First, avoiding the above mentioned common mistakes (see 2.4) is a step to better company-community relations. Second, identify and understand key problems in the Kyrgyz context and look beyond one's nose to see how others perform. For these purposes best practice are drawn from interviews and literature:

**'Do what you say
and say what
you do!'**

- ⇒ Be easily accessible and respectful to locals;
- ⇒ Communication on the same level (from partner to partner, language, etc.);
- ⇒ Start communication as early as possible (see note below for exploration companies);
- ⇒ Communicate directly with the affected community and check that information reached all stakeholders (releasing information ≠ informing people);

Good

One company operates information centres in the communities where they are active. To take advantage of possible synergies of the physical presence, the centre is used:

- 1) As contact point for locals to address the company,
- 2) as job centre,
- 3) to publish information.

- ⇒ Understand the local context (culture, communication processes, etc.) and stakeholders (e.g. conduct a stakeholder mapping);
- ⇒ Understand the local communication processes (see e.g. [10]);
- ⇒ Be pro-active (sharing proactively information will not leave a vacuum that can be filled by misinformation);
- ⇒ Regular release of information and regular meetings (with all stakeholders) to keep in contact;
- ⇒ Do not make false promises;
- ⇒ Explain clearly what the company is capable of and what not;
- ⇒ Be honest and also release negative news (not only positive ones);
- ⇒ See community engagement as integral part of business;

Good

After the license was issued, the company split their socio-economic investment obligations over time and payed parts of it in advance, instead of delaying it until the beginning of first resources sales. This demonstrated commitment to the local community and the company's trust into the community

- ⇒ If feedback is wanted, make sure it is considered and if not, provide an explanation why not;
- ⇒ Establish sufficient grievance mechanisms and ways for communication (enable affected community members to raise concerns and provide mutually agreed mechanisms for resolution);
- ⇒ Document actions, commitments and grievances;
- ⇒ Check and evaluate if your methods and mechanism are sufficient (and reaches the target audience);
- ⇒ Collect and manage reliable statistics on where employees are from, how much is the contribution to the community/region (by taxes, social benefit programs/provided training, etc.) and share the results with the stakeholders;

Good practice

To make the investments into socio-economic projects more sustaining, a company established a policy to demand contributions from the community to implement a project. For example the Company provides materials, local community provides labor. This creates a degree of community ownership, thus increasing the chance that the project will be maintained by the community and shifts away from the perception of community as donation receiver towards true partners.

- ⇒ Organize site visits or days of open house and provide explanation to tackle rumors ;
- ⇒ Establish a transparent and fair hiring procedure (give preference to locals);
- ⇒ Train local workforce (short, mid and long term) e.g. by providing trainings, scholarships for students etc.;
- ⇒ Engage in social-economic development that is beneficial to community and company (e.g. local purchase);
- ⇒ Seeking for local input where it is possible, e.g. in the social (package) agreement;
- ⇒ Implement community development projects under community ownership by demanding contribution from the community's side;
- ⇒ Make sure your support is of high quality and ascribe responsibility for maintenance
- ⇒ Support communities in development of a long-term vision and streamline social-economic development projects towards that vision;
- ⇒ If financial support is provided, check that money was used for the agreed purpose;
- ⇒ Include renegotiation loops in the social (package) agreement to offer the opportunity to adapt to changing business environment;

Good practice

A mining company created a community consultation group (head of ayil okmotu, deputies, company representatives) to decide the social package spending. Locals can propose a certain project that is then evaluated by the consultation group. Key criteria for decision making are transparent principles, set up by the company regarding their support.

- ⇒ Conduct an environmental baseline assessment before start of works together with locals to document the status quo before exploration or mining activities started. Repeat this assessment regularly and publish the results;
- ⇒ Organize visits to other mine sites and communities to show what the benefit of mining can be (e.g. with the help of the State Committee on Industry, Energy and Mining of the Kyrgyz Republic or international organizations);

- ⇒ Acknowledge that LSG might be overwhelmed with the tasks and responsibilities due to a mining project and think of organizing capacity building (e.g. financed by donors, Rayon Akim or indirectly by the company via a fund).

Good practice

A company was accused that their storehouse for hazardous materials is badly constructed so that rainwater can enter and the subsequent leaking of toxicant is polluting the water. The company thought that these accusations were partly fuelled by anti-mining activists or 3rd party that want to harm the company. To wipe out these rumours, visits for locals (e.g. informal leaders) to the storehouse were organized. The participants could see how the storehouse was run, how the material was stored and that the company implemented a seal to prevent any leakage into the ground.

Note for exploration companies

Exploration is very different from the mining stage. The budget is smaller, less staff, smaller impact on environment and on community and high uncertainty to find an economic mineable mineral deposit. However, exploration companies usually make the first contact with local people, so that they play a crucial role initiating a relationship of trust and partnership. Due to uncertain nature of exploration activities, communication should be clear that the company might be there just temporarily. The business case for good community-company relations is:

- Access to land;
- Access to capital;
- Project value and sale;
- Reduced time and cost of operation.

Another strong reason in Kyrgyzstan to establish good community relations directly from the exploration stage is that in case of successful exploration, the exploration license holder has a priority right to obtain the license for development of the mineral deposit. Establishing good relations does not mean to construct a brand new hospital or spending millions of Dollars. The most important thing is transparent and open communication about what you are doing ('It ain't what you do it's the way that you do it' [1]). Another reason beyond the business case: Working with other than working against or around others is much more enjoyable. The e3 Plus Framework of PDAC (Prospectors & Developers Association of Canada) [20] provides a step by step guidance for community engagement that is suitable for exploration companies.

4.1 Communication strategy – Example

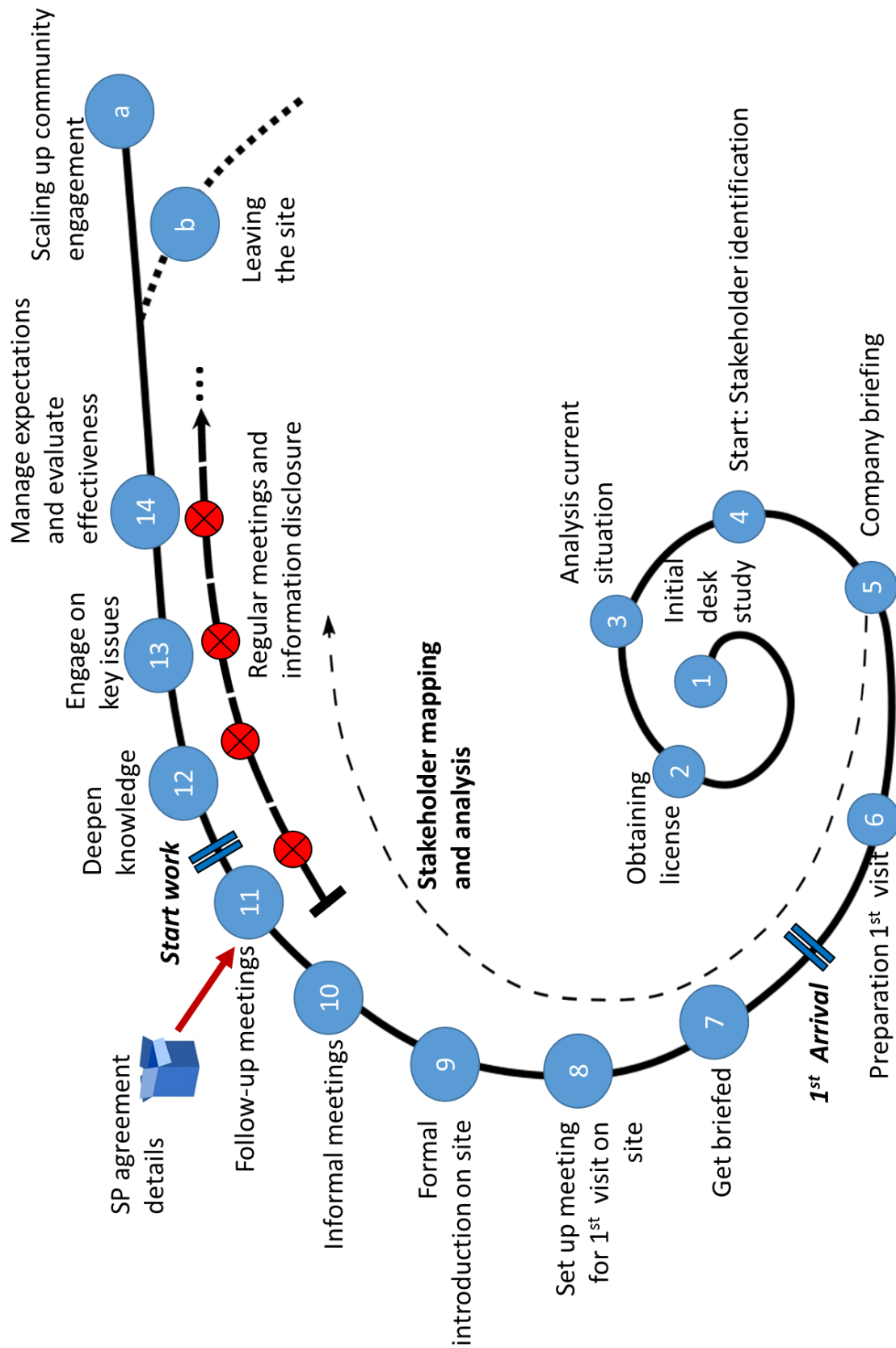


Figure 19: Example - Community communication (contact) strategy in time (N° 1 start).

Figure 19 shows an example how a communication (contact) strategy can look like based on interview results and the e3 Plus Framework [34]. Regardless if you start exploration or mining activities, the steps for first engagement are usually similar. The degree of available information might be higher for a mining development project and subsequently the steps may be taken faster.

1. Initial desk study

Conduct an initial desk study to gather information about the license area, which communities are relevant, have there been conflicts in the past and what is the attitude towards mining. More general information about the economic activities, demographics of the area will help you to make a better decision e.g. regarding the social package obligations.

2. Obtaining a license

3. Analysis of current situation

After obtaining a license, research should be intensified. Aspects to cover are:

- The general socio-political context in the region (e.g. history, cultural issues, ethnic composition, overall education, health, languages, local beliefs, social composition (indigenous people, migrants, refugees, etc.), level of activity of civil society).
- Situation around the target area (e.g. distances between target site and population, infrastructure, land use, economic activities, other existing exploration/mining projects, protests or other conflicts in recent history, etc.).

4. Start: Stakeholder identification

Through the analysis of the current situation first stakeholders can be identified. Stakeholder identification should be updated through the whole process and subsequently stakeholder mapping and analysis should be conducted.

5. Company briefing

Before contacting anyone from the project site, your company needs to discuss on a community engagement approach to effectively represent the company. Important points are the mandate (what is the mandate of the person who will represent the company), how to present the company (key messages, policies, what is different from predecessor, etc.), and which materials and tools are available (e.g. posters, company brochures, copies of permits/license, etc.).

6. Preparation of 1st visit

Before you arrive set up meetings with high-level people and organizations. These meetings can provide you with further contacts for your project and give you additional information about the project site. Meetings can be set up with: The embassy of the country where the company is registered, State Committee on Industry, Energy and Mining of the Kyrgyz Republic, other companies that are active in the country, international organizations that are active in the regions of your site and other NGOs.

----- **1st Arrival in the country** -----

7. Get briefed

Once you arrived in the country you can begin discussion with the high-level groups. These meetings serve two purposes: 1) verifying the desk study you conducted before and 2) prepare you for the formal introduction at the target area.

Tasks: Check the new information with the data you collected before, ask for advice about do's and don'ts, check if you need an invitation letter that can be presented to the local authorities, find an appropriate translator (ideally someone from your target area), find out about the local protocol for introducing, update stakeholder identification and start mapping.

8. Set up meeting for 1st visit on site

Set up subsequent meetings with the governmental authorities. Contact and inform them about your coming. Suitable sequence can be the hierarchical order:

1. Oblast (Gubernator)
2. Rayon (Akim)
3. Village (local community)
4. Village groups/informal leaders (if identified already)

Ideally you receive official invitation letters from the different governmental levels before you visit the local community. Set up the initial meeting and make sure that the information reaches the local community. The Rayon Akim can usually arrange meetings with the heads of Ayil okmotus and subsequently support the organization of a first public meeting in the villages.

9. Formal introduction on site

A formal introduction on site is only to establish contact. There are three essential steps to build a healthy relationship: First initiating the relationship, second determining the rules for engagement and third discussion of specific issues (which will be conducted in following meetings).

Stages in the first meeting are:

- Introduction;
- Explanation of purpose for the visit (that it is just as first introduction, details can be discussed in follow up meetings);
- Information exchange (about the company, issues the company should be aware of, experience with exploration or mining companies, etc.);
- Agree on how the process should go forward (propose follow-up meeting to discuss issues more in detail, ask who else should be contacted, ask on how to share information and how regular the communication should be);
- Summarize and close the meeting and set up of a follow-up meeting.

10. Informal meetings

Conduct informal meetings whenever you are in the community (not before the formal introduction) by, for example, asking people in the tea house, at taxi stands, shops and so on. The discussion will be very informal and mostly short but can give you valuable information on who are the informal leaders, activists, what are culturally sensitive topics, what behavior the company should avoid and it can confirm your, earlier made visual observations. Be ready to explain about your company and about your personal information.

11. Follow-up meetings (Social Package agreement details)

In the follow-up meetings more detailed information about the exploration/mining project is provided. Explanatory work about the typical process of exploration and mining, the uncertainties especially in exploration, employment opportunities and possible changes is conducted in these meetings. Depending on the license, the issue of the social package agreement will arise and should be discussed in one or two (or even more) following meetings. Moreover determine how regularly a meeting should take place and with whom. The follow up meetings provide also a good possibility to ask for permission to build e.g. a information stand, or to establish a formal contact point for locals. During all meetings observe your surroundings (e.g. presence of police/military, indicators for municipal development plan, signs of artisanal mining, etc.). For additional

information see general tips on engagement practice from the e3 Plus Framework in the Appendix.

NOTE: Document your activities and knowledge from day one, update your stakeholder maps and start an engagement log!

----- Start of technical (exploration/mining) work -----

If not agreed upon before, do not start technical work within the negotiation process of the social (package) agreement. Start work after all agreements are settled to show that you respect communities' decisions. If there is no complaint about an earlier date to start work, technical work may start earlier.

12. Deepen your knowledge

Within the first month you should deepen your knowledge about the project context. Further engagement is crucial after the initial visits. Consult with different community groups independently. Focus areas can be for example: People, history, culture, community concerns, perception and economic situation.

During this time also conduct a stakeholder analysis. Whenever you meet groups or people, note whether they are supporters or opponents of the company's project, what is their influential power, are they decision makers and what their willingness to cooperate is, etc.

Moreover it is useful to identify risks and opportunities that could arise during the projects lifetime. For example there is competition between youth groups leading to a risk of conflict about hiring the 'wrong' people. This risk has certain likelihood, certain impact on the operation of the company and can be reduced by certain mitigation actions of the companies. To think about questions like these can help to be prepared in a case of conflict escalation or even can be used to proactively mitigate the risk.

13. Engage on key issues

When you successfully deepened your knowledge so that you understand who are formal and informal leaders, what groups might be impacted to what extend by your activity, which are topics the community want more information about and on which you want community's feedback, it is time to establish a more systematical approach in engaging stakeholders. Possible ways are the creation of formal community feedback mechanisms, setting up a grievance mechanism, conduct regular meetings (even if there are no concerns) or discussion rounds and establish more channels for information distribution.

14. Manage expectations and evaluate effectiveness

The most important point to manage expectation is fairly simple: 'Do what you say and say what you do, no promises that cannot be kept.' To ensure that this common mistake is prevented, establish a policy for making promises, establish a commitment register, educate your staff, contractors and subcontractors, explain your understanding to the broader community and be transparent about your work.

Evaluating effectiveness (and efficiency) of your efforts is not difficult either. Indicators mentioned already in chapter 2.3, e.g. no upward trend in community complaints, people are friendly to company staff, etc.

----- Leaving the site or gradually scaling up -----

For exploration there is a turning point: Either leaving the site or starting the development of the deposit. A significant change happens when a mining company starts the production. Both mean a change (primarily in scale) for community engagement.

a) Scaling up community engagement

If your project is successful, first production can start soon. Revenues will increase and so will tax and non-tax payments, but also possibilities for engagement. Local workforce training can be intensified, larger infrastructure support, setting up community development centers, support in developing business skills and local businesses (that are beneficial for the mine and the community and ideally can also sustain after mine closure), are only some of the possibilities to scale up engagement. As knowledge about the project increases in the community, more participatory approaches may become suitable and the relationship between company and community could develop into a true partnership.

b) Leaving the site

It is the nature of exploration projects that only a very few become a mine. Also change in ownership of the project is of high probability. This may be clear for people working in the industry, often this is not clearly understood by communities. Leaving on good terms is critical for the future of your project (in case you leave temporarily) and has a serious impact on the general perception of the mining industry. That's why it is important to make sure that the local community understands the reasons why you are leaving. Furthermore make sure that all outstanding bills are paid, obligations are fulfilled and the site will not pose any safety or environmental risk to the community. If leaving only temporarily, consider employment possibilities that can be continued during the company's absence (e.g. security, monitoring,...) and agree on possible contact possibilities.

5 Conclusion

Healthy relationships between mining company and local communities are essential in Kyrgyzstan to conduct any successful exploration or development project. In the past mining company recognized that trust of local communities was little, when conflicts escalated into protest, road blocking or threats against company personal. Still, with no reliable information available, misinformation and rumors dominate the local opinion and are fueling rejection of any mining related activity. Once trust is lost, it is hard to regain if it is possible to regain it at all.

Companies in Kyrgyzstan became aware of these problems and many learned their lesson. Community engagement, communication and education about the (mining) project were increased and past behavior analyzed. When looking back, companies identified that early, ongoing communication and sufficient education about the mining project could have prevented lots of troubles and eased the path to a trustful relationship. Newcomers to the mining sector in Kyrgyzstan should learn from the experience in the past and pay heightened attention to develop a community communication strategy. Experience shows that by informing and engaging with the local population, former rejection of mining activities can be turned into acceptance and even partnership.

6 List of figures and tables

Figure 1: Public hearing of company and community members.....	2
Figure 2: Possible Stakeholders, project affected people deserve highest attention. (from Spitz & Trudinger (2009) by Zemek (2002) [1][7]).	5
Figure 3: Community meeting with company [15].	6
Figure 4: Community Involvement over time (from Spitz & Trudinger (2009) by Zemek (2002 [1][7])).	8
Figure 5: Whom to talk to (from PDAC, World Vision Canada and CDA, 2012) [18].	9
Figure 6: Main Components of a flexible CD Framework (from Spitz & Trudinger (2009) by Zemek (2002) [1][7]).	11
Figure 7: Tri-Partite Principle in the Community Development Process (from Spitz & Trudinger (2009) by Zemek (2002) [1][7]).	12
Figure 8: Tender, Auction and direct negotiations processes to obtain a license and their relationship.	18
Figure 9: Framing processes of tender.	18
Figure 10: Impressions of an auction hold at a village.	19
Figure 11: Overview of major tax payments for mining companies and their distribution [36][38][39].	21
Figure 12: Overview non tax payments and their subsequent distribution [36][38][39].	23
Figure 13: Distribution of the paid price for obtaining a license depending on type of license [36][38][39].	24
Figure 14: Contribution of companies to development funds and its distribution [37][38][39].	25
Figure 15: Example of a social package agreement process with yearly renewal (as done by Chaarat Holdings Limited). SP stand for Social package.	26
Figure 16: Local women discuss with company representatives in a public hearing.	27
Figure 17: Sentiments towards mining industry in relation to other variables. DK: Don't now. NA: No answer (from Oxus International (2012). Extracting Sentiments: The effect of mining exploration and extraction on eight communities in the Kyrgyz Republic [31]).	30
Figure 18: Lack of communication.	32
Figure 19: Example - Community communication (contact) strategy in time (N° 1 start).	38

Table 1: Example of Indicators for community – company relationship (from PDAC, World Vision Canada and CDA, 2012 [20]).	14
--	----

Table 2: General tips on engagement practice [33].	53
--	----

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8 Appendix

Questions for companies:

1. How community (affected) is defined for your company?
2. What is the opinion of the communities about your company?
3. Do you think you have a social license to operate?
4. When did the first interaction start with the community and how (timing within the (licensing) process, what exactly was done)?
5. How was the first visit (at site contact)?
6. Does your company have a formal approach for community communication and community development programs?
7. Is there a special employer who interacts with the community, what are her/his tasks and who is contacted?
8. Whose responsibility is it in your opinion to inform and make contacts with the local community?
9. What have been/are challenges (or problems) regarding community-company relations? What are the main issues that the community addresses to you?

If the company has negative experience:

10. What went wrong?
11. When the situation started to become worse and how did you recognize it?
12. What could have been done to prevent the worsening of the situation?
13. How did or does your company try to solve the problems?

Is or was your approach successful?

14. Whose involvement could have helped?
15. How do you inform the communities about decisions that may affect them?
16. What options communities have part to participate in decisions that may affect them?
17. How often the company is in contact with the community?
18. Do you have policies regarding what information and how it will be published (e.g. on environmental performance of the company)?
19. Do you consult (independently) with local government and the different groups within the communities (e.g. youth, women's council, etc.)?
20. What mechanisms does your company have to identify and mitigate conflicts (e.g. grievance mechanisms)?
21. How rapidly your company reacts and responds to a certain problem and is there a formal mechanism (that is transparent)?
22. What is the contribution from the company towards the local community and to the region?
23. How do you publish or communicate this to the communities?
24. Does the community recognize your contributions?
25. Do you have community development programs?
26. Is and if yes how the community is involved?
27. What is in the social benefit package who decided what is in?
28. How do you measure your performance (regarding community relations)?
29. Which sustainability criteria do you implement in your community approach?
30. Do you include minority groups in your community contact approach and how you include them?
31. Are gender issues parts of your community approach?

32. Do you consider in your support for communities what will happen after the mine closure?
33. What are the responsibilities of the government?
34. What are the responsibilities of the communities?
35. What are the responsibilities of the company?
36. What expectations you have towards the community?
37. What expectations you have towards the national government?
38. What expectations you have towards the local government?

Questions for local communities:

1. What are the major challenges in your community?
2. What is the major source of income in your community (e.g. artisanal mining)?
3. What are the major needs in the community (Infrastructure, education facilities, jobs)?
4. What does the mining company do at the moment (owner, stage,...)?
5. What is the opinion about exploration / mining here?

6. Why many people oppose the mining (but not the exploration)?
7. What could be the positive and what the negative impact on from mining activity?
8. What and how a company should do something for the community (what do you expect from the company)?
9. Is the company in touch with the community (if yes, how and with whom)?
10. Does the company seek for regular contact with the community?
11. Does the company seek for the community's opinion or input?
12. Are you satisfied with the company's performance and what could be improved?
13. Does the mining company contribute to the community economy? And if yes, how much and what (taxes, social payments, support of students, local employment etc.)?
14. Is the distribution of the money (and other support) received by the company transparent and how can everybody check it?
15. What is in the social benefit package and who decided what is in it?
16. Is there a grievance mechanism and if yes do you think it is sufficient?
17. Are there business opportunities with the exploration/mining company?
18. What are the main positive and main negative impacts the community experiences?
19. Are there plans what will happen after mine closure?
20. Who informed you at first that there will be an exploration campaign or a mine?
21. What does/did the company do to solve the conflict and was it sufficient?
22. What do/did you do to solve the problems (and whose responsibility should it be?)
23. In your opinion what needs to be improved (regarding mining)?

Questions for State Committee on Industry, Energy and Mining of the Kyrgyz Republic:

1. Can you describe briefly the tasks of the Geological Committee?
2. Can you explain briefly the licensing process (especially regarding the social package)?
3. How is affected community defined for your Committee?
4. When does/did the first interaction start with the community?
5. What is the approach for community communications?
6. Are you provided with training regarding communication with communities?
7. Do you have internal guidelines (or mechanisms) for communication with communities?
8. If yes, how formal they are?
9. If not should it be formalized?
10. What kind of training is necessary for local government bodies?
11. What options communities have part to participate in decisions that may affect them?
12. How do you inform the communities about decisions that may affect them?
13. How often is your Committee in contact with the community?
14. What are from your point of view major concerns of communities?
15. What mechanism does your Committee has for conflict identification (e.g. grievance mechanisms)?
16. What should be the role of the company regarding capacity building in the communities?
17. In your opinion, how the problems can be solved (regarding protests, blockade of access, etc.)?
18. What do you expect from the local communities to find a solution (and from who within the community, e.g. Mayor, etc.)?

EXAMPLE PCDP

Example for a Public Consultation and Disclosure Plan (PCDP) structure (from [1]).

Introduction

- Overall purpose of consultation and disclosure
- Structure of Public consultation and Disclosure plan

Mine Proposal

- **Key elements of mine proposal**
- **Time line**

Principles and Policy Objectives

- Legislative requirements
- Emerge of international standards
- Company's internal requirements

Review of Past Disclosure and Consultation

Strategies for Continuous Communication and Stakeholder Involvement

- Applied methods
- Risks and opportunities
- Grievance mechanisms

Resource Allocation

- Funding
- Organizational Structure

Time line

Monitoring

- Indicators
 - Reporting
-

Overview: Governmental structure in Kyrgyzstan

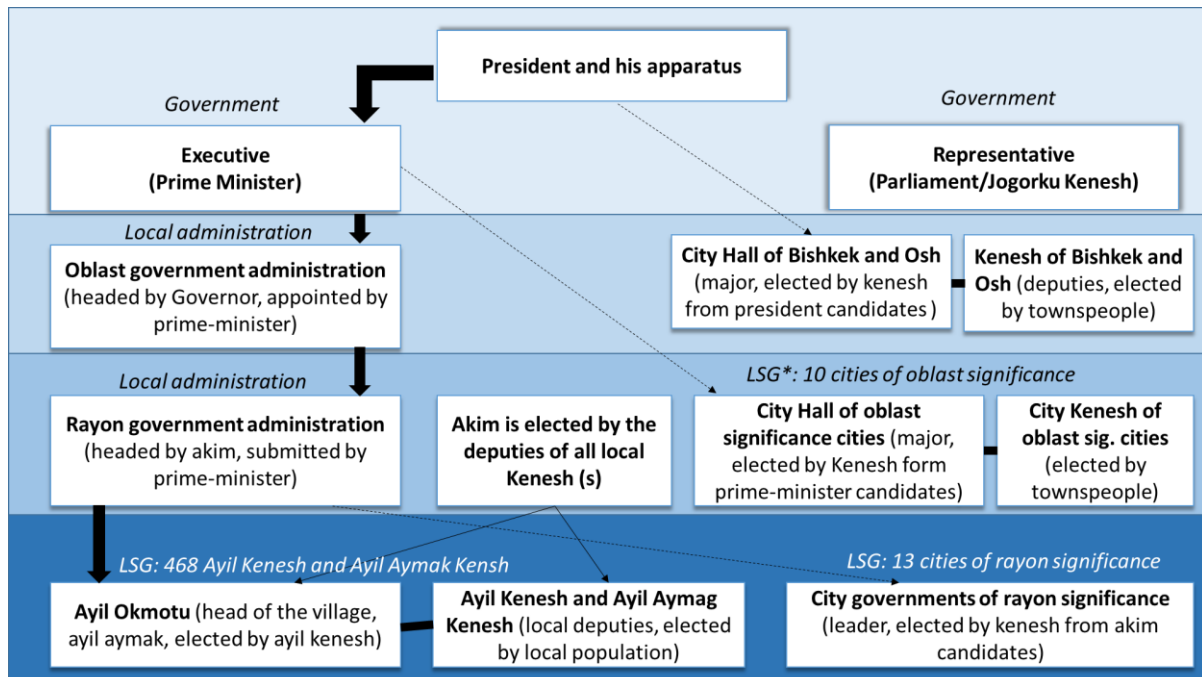


Table 2: General tips on engagement practice [34].

DO	DON'T
<ul style="list-style-type: none"> – Ask how the community is organized – Ask how you can help local people get a better understanding of what you are doing – Allow people to speak their minds, even if you do not agree with their opinions – Acknowledge people's concerns ("I'm glad that you asked that") – Listen at least as much as you speak – Show that you listened: summarize the point someone made and ask if you understood correctly – Apologize on behalf of the company if it made a genuine mistake – Ask for examples to make sure that you have a solid understanding of what people are telling you – Show empathy and try to place yourself in other people's situations – Try to be as precise and exact as possible ("May I come back to meet you next Monday at 10 a.m. in your office?") – If you do not have an exact answer to a question, be honest and say you do not know, but promise you will get back to them with that answer – Always follow through on your promises – Meet with people when there is no direct "need"; ask if there is anything they want to discuss or if they have any questions – Provide complete, unbiased information with explanations and education, if necessary, to ensure that it is properly understood 	<ul style="list-style-type: none"> – Make promises about jobs or project outcomes – Ask about what people "need" – Try to make a deal or agreement before you have established a relationship – Talk too much and listen too little – Interrupt when other people are speaking – Be accusatory or blame others – Say you do not have any budget – Come up with other excuses if they are not true or genuine – Defend the company if it made a mistake – Refer to, or call upon, your company or senior management when you know the answer yourself and can handle the situation – Use vague phrases like "We will consider this in the future" or "I will refer this to management" – Give answers to questions if you are not 100% certain that you are correct – Show off: for example, if you need to travel a short distance, walk (and talk to people) instead of drive – Give, or appear to give, preferential attention, information or benefits to one group within the community over another – Offer incomplete or biased information or opinions