



UNIVERSITY OF CENTRAL ASIA
GRADUATE SCHOOL OF DEVELOPMENT
Institute of Public Policy and Administration



Understanding Gold Mining and Social Conflicts in Kyrgyzstan

Saipira Furstenberg and Kemel Toktomushev



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Abstract: While the development of the mining sector continues to be a strategic priority for Kyrgyzstan, local resistance against gold mining exploitation has been on the rise. Since 2010 there has been an upsurge in social protests related to mining activities from local residents who typically have limited power to negotiate their interests over mining exploitations and preserve their livelihoods. Additionally, the industry has attracted criticism for its lack of transparency, trust and corruption, and environmental damage. Accordingly, this paper examines the root causes of conflict dynamics related to mining activities in Kyrgyzstan with a focus on Chinese mining operations in the country. This study was motivated by indications that conflict incidents associated with Chinese mining operations in Kyrgyzstan have increased dramatically in recent years. The study is based on observations in the mining sector and draws its analysis from interviews conducted in Chatkal, Ala Buka and Naryn sites.

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On the cover: Abandoned mining site in Chatkal (Source: Almaz Tchoroev).

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Photo: Mining site in Ala-Buka (Source: Rufat Ergeshov).

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1. Introduction

The mining sector in the Kyrgyz Republic (or Kyrgyzstan) has historic significance. During the Soviet period, the mining industry of the Kyrgyz SSR was one of the leading sectors of the Soviet economy. The republic was the largest supplier of mineral raw materials, contributing to 15-18% of the USSR's total production of lead, 40-100% of mercury and 100% of antimony¹. However, the collapse of the Soviet Union and the concomitant disintegration of interrepublican cooperative trade links plunged the newly independent Kyrgyzstan into a sharp economic decline. Kyrgyzstan was thus forced to adopt radical reforms to transition from a socialist-oriented planned economy to one following a liberal market model. One of the most visible neoliberal economic policies was implemented in the mining industry. Kyrgyzstan was among the first post-Soviet countries to liberalize its mining sector. The privatization of the mineral resources sector contributed to develop Kyrgyzstan's economy and attract foreign direct investment. From the late 1990s onwards, foreign miners started coming to Kyrgyzstan to engage in its gold mining sector².

Mining makes up around 10% of the country's GDP, with the greatest proportion of it coming from the Canadian-operated Kumtor gold mine that is to be fully terminated by 2026. Aside from Kumtor, since 2019 there have been an additional 13 gold mining companies operating in the mining industry and another 13 in the exploration phase³. The most recent data from the State Committee for Industry, Energy and Subsoil Use of the Kyrgyz Republic, (SCIESU) note the existence of over 2,400 active mining licenses in the country⁴, including gold exploration among other mineral resources.

While the development of the mining sector continues to be a strategic priority, local resistance against gold mining exploitation has been on the rise⁵. Since 2010 there has been an upsurge in social protests related to mining activities from local residents who typically have limited power to negotiate their interests over mining exploitations and preserve their livelihoods⁶. Additionally, the industry has attracted criticism for its lack of transparency, trust and corruption⁷, and environmental damage⁸.

This paper examines the root causes of conflict dynamics related to mining activities in Kyrgyzstan with a focus on Chinese mining operations in the country. This study was motivated by indications

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- 1 Rogalsky, A. 2019. Report on Classification of Energy and Mineral Resources and its Management in the Kyrgyz Republic. [Online]. https://unece.org/DAM/energy/se/pdfs/UNFC/proj/unfc_ca/Report_Class_EMR_KG_Arkady_Rogalsky.pdf.
 - 2 Bogdetsky, V. 2012. 'Mining, Development and Environment in Central Asia: Toolkit Companion with Case Studies'. Zoi Environment Network, University of Eastern Finland, Gaia Group Oy. [Online]. <https://wedocs.unep.org/handle/20.500.11822/7549>.
 - 3 Kulova, N. 2021. 'Addressing Local Conflicts in the Kyrgyz Republic's Mining Industry: A Holistic Approach'. University of Central Asia – Institute of Public Policy and Administration (IPPA) Working Paper 59, pp. 1-55.
 - 4 Kyrgyz Government Portal. 2017. 'Spisok Deistvuushih Licenzii (List of Active Licenses)'. [Online]. <http://www.gkpen.kg/index.php/2017-12-22-09-23-23>.
 - 5 Bogdetsky, V. and Novikov, V. 2012. 'Mining, Development and Environment in Central Asia: Toolkit Companion with Case Studies'. Zoi Environment Network, University of Eastern Finland, Gaia Group Oy; Gullette, D. 2013. 'Conflict Sensitivity in the Mining Sector of The Kyrgyz Republic'. OSCE Academy: Bishkek. [Online]. http://www.osce-academy.net/upload/file/Mining_report_final.pdf.
 - 6 Sternberg, T. 2020. 'Conflict and contestation in Kyrgyz mining infrastructure'. *The Extractive Industries and Society* 7 (4), pp. 1392–1400; Ocaklı, B., Krueger, T. and Niewohner, J., 2020. 'Shades of Conflict in Kyrgyzstan: National Sector Perceptions and Behaviour in Mining'. *Int. J. Commons* 14 (1), pp. 191-207. Doolotkeldieva, A. 2020. 'Regulating Corporate Social Responsibility (CSR) in the Large-Scale Mining Sector of Kyrgyzstan'. OSCE Policy Brief 60. [Online]. http://www.osce-academy.net/upload/file/PB_60_May.pdf.
 - 7 David G. and Kalybekova, A. 2014. 'Agreement Under Pressure Gold Mining and Protests in the Kyrgyz Republic'. Friedrich-Ebert-Stiftung. [Online]. <https://library.fes.de/pdf-files/id-moe/10927.pdf>; Furstenberg, S. 2015. 'Consolidating Global Governance in Nondemocratic Countries: Critical Reflections on the Extractive Industries Transparency Initiative (EITI) in Kyrgyzstan'. *Extractive Industries Society Journal* 2 (3), pp. 462–471; Doolot, A. and Heathershaw, J. 2015. 'State as Resource, Mediator and Performer: Understanding the Local and Global Politics of Gold Mining in Kyrgyzstan'. *Central Asian Survey* 34 (1), pp. 93–109; Gullette, D. 2013. 'Conflict Sensitivity in the Mining Sector of the Kyrgyz Republic'.
 - 8 Doolotkeldieva, A. 2016. Social Mobilizations, Politics and Society in Contemporary Kyrgyzstan. Unpublished PhD dissertation; Wooden, A. 2013. 'Another Way of Saying Enough: Environmental Concern and Popular Mobilization in Kyrgyzstan'. *Post-Soviet Affairs* 29 (4), pp. 314-353.



Photo: UCA researchers interviewing local villagers. (Source: Almaz Tchorev).

that conflict incidents associated with Chinese mining operations in Kyrgyzstan have increased dramatically in recent years. The study is based on observations in the mining sector and draws its analysis from interviews conducted in Chatkal, Ala Buka and Naryn sites. These case studies were chosen as they represent sites of large-scale Chinese mining investment and local conflicts with Chinese mining companies. The interviews were conducted with national-level stakeholders and government officials, mining company representatives, local communities affected by mining exploitation and NGOs. Additionally, the interviews were complemented by focus groups conducted at each site.

2. The Mining Industry and Social Protests

While gold forms an important source of Kyrgyzstan's financial income and economic development, the industry is threatened by social protests and conflicts surrounding large-scale mining exploitation. Following the country's parliamentary elections on 4 October 2020, a series of riots erupted at foreign-owned gold mines across the country. Facilities of the second largest goldmine at Jerooy operated by Alliance Altyn, a subsidiary of Russian Platinum were burned down. Other smaller sites as Bozymchak, run by the Kazakh state-owned company Kaz Minerals were forced to suspend their operations⁹. Violent clashes between Chinese companies and local villagers erupted across several mining sites. According to local reports, the Ishtamberdy site, a gold deposit near Bozymchak, was reportedly seized by 300 local residents. Meanwhile, Chinese employees working for the Full Gold

⁹ Leonard, P. and Imanaliyeva, A. 2020. 'Kyrgyzstan: Economy and Healthcare Shattering Under Weight of Crisis'. *Eurasia.net*. October 8, 2020. [Online]. <https://eurasianet.org/kyrgyzstan-economy-and-healthcare-shattering-under-weight-of-crisis>

Mining Company, were thrown out of their premises¹⁰. Similar incidents were directed against workers at a Chinese-run gold reserve in Jalal-Abad's Chatkal district, Kichi-Chaarat¹¹.

Social conflict surrounding the mining sector in Kyrgyzstan is not a recent phenomenon. Over the past 20 years, anti-mining protests coupled with resource nationalism have been on the rise, spreading gradually across different parts of the country. To address local grievances, the national government has adopted a series of reforms to improve the situation in the management of natural resources.

The changes are largely reflected in the Law of the Kyrgyz Republic 'On Subsoil'¹² which is the key document regulating the use of natural resources in Kyrgyzstan. Article 3 of the Law 'On Subsoil', explicitly states that: 'Subsoil is the exclusive property of the Kyrgyz Republic, is used as a basis for the life and activities of the people of Kyrgyzstan and is under special protection of the state'. Since 2012, the Kyrgyz government has introduced the requirements of a 'social package' and the promotion of 'regional development funds' as a way to ease up conflicts in the mining sector and with the goal to better support regional development and local municipalities affected by mining. Under this new mining policy framework, the revenues from mining must be exclusively focused on bringing benefits to local communities affected by mining development¹³. The extractive industries are held responsible to provide socioeconomic assistance to the local communities affected by mining operations. Article 30 of the Law 'On Subsoil' further stipulates that at the stages of exploration and development, the subsoil user and the relevant administrative entity must reach an agreement to develop a 'social package'.

The package should include a program of socioeconomic development with concrete benefits to the local community (such as professional development, investment in local infrastructure and other support¹⁴). The socioeconomic investments made in the local community must be included in the annual reports of the subsoil users. Additionally, the Typical Regulation on the Procedure to Form Regional Development Funds (2014¹⁵) establishes the basis for development funds for socioeconomic development at the oblast or rayon level. The Regional Development Funds are formed by the financial contributions of individual entrepreneurs and legal entities holding development licenses that are required to contribute on a monthly basis two per cent of their proceeds from the sale of mineral resources before the withdrawal of indirect taxes to the regional development funds. The budget also includes a one-time deduction for the right of license holders to use subsoil, that is three per cent of the total price of the licensing fee¹⁶. According to the Ministry of Finance, by the end of 2018, there were 43 regional development funds created in Kyrgyzstan¹⁷.

10 Shaku, K. 2020. 'Wave of Attacks on Foreign Owned Gold Mines amid Kyrgyzstan's Political Upheaval'. *Intellinews*. October 7, 2020, [Online] <https://www.intellinews.com/wave-of-attacks-on-foreign-owned-gold-mines-amid-kyrgyzstan-s-political-upheaval-193554/>

11 Market Screener. 2021. Centerra Gold. [Online] <https://www.marketscreener.com/quote/stock/CENTERRA-GOLD-INC-1409419/news/Centerra-Gold-Wave-of-attacks-on-foreign-owned-gold-mines-amid-Kyrgyzstan-s-political-upheaval-31496018/>.

12 Zakon Kyrgyzskoi Respubliki 'O Nedrah' (The Law of the Kyrgyz Republic on Subsoil). [Online]. <http://cbd.minjust.gov.kg/act/view/ru-ru/111782>.

13 Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF). 2018. IGF Mining Policy Framework Assessment: Kyrgyzstan. Winnipeg: IISD. [Online] <https://www.iisd.org/system/files/publications/kyrgyzstan-mining-policy-framework-assessment-en.pdf>.

14 See <http://cbd.minjust.gov.kg/act/view/ru-ru/111782>.

15 See the Decree of the Government of the Kyrgyz Republic No. 633 'On Approval of the Standard Provisions on the Formation of Regional Development Funds'.

16 Ministry of Economy of the Kyrgyz Republic. 2019. Analytical review on the results of activities of the Regional Development Funds in the Kyrgyz Republic for 2015-2018. [Online]. <http://mineconom.gov.kg/ru/post/5608>.

17 Ibid.

Moreover, since 2005, to address the lack of transparency in the mining industry, the government has implemented the Extractive Industries Transparency Initiative (EITI), which requires companies and the government to reveal their revenues generated from extractive industries to the public. Kyrgyzstan was among the first countries of Central Asia to implement the EITI. However, in 2017 the country was suspended from the initiative due to a lack of adequate progress and financial support from the government¹⁸. To address the EITI's corrective actions, the country undertook a series of reforms. In 2017, the Parliament of the Kyrgyz Republic adopted new amendments to the Law 'On Subsoil'. These require the mandatory reporting of extractive companies as well as the disclosure of beneficial ownership data and licensing agreements over natural resources exploitation¹⁹.

Most of the information on mining reporting is available via various government portals and can be monitored in the Open Budget Portal²⁰ which provides information on revenues flows and payment type directed to regional or local budget streams on a disaggregated basis by the extractive industries. Meanwhile, information on license agreements is disclosed through the portal of the State Committee for Industry, Energy and Subsoil Use. In May 2018, the Parliament of the Kyrgyz Republic adopted additional revisions to the Law 'On Subsoil' that now permits public access to beneficial ownership information²¹.

Finally, in response to citizens' environmental complaints associated with the extractive industries, the authorities made several efforts to design effective engagement strategies. Local concerns over environmental pollution and degradation were first raised in 1998 when a sodium cyanide spill occurred as the result of a transport accident at Kumtor gold mine. The spill contaminated the Barskoon River, and about 1,500 people downstream applied for medical care for possible poisoning²². Following the incident, the government adopted several legal and policymaking frameworks for environmental protection and sustainable development. Since 1999, the authorities have introduced the Law on Environmental Protection (1999)²³ and the Law on Environmental Expertise (1999)²⁴ which regulate the protection and efficient use of natural resources and aim to protect the population from negative ecological consequences of economic activities like mining.

Additionally, the government has formulated several key policy documents such as the Country Development Strategy for 2018- 2040²⁵, and the 2007 Ecological Security Concept²⁶. These policy documents recognize the importance of the environment and identify strategic priorities to achieve socioeconomic and sustainable development. Another important document is the Regulation on the Procedure for Conducting Environmental Impact Assessment in the Kyrgyz Republic (2015)²⁷, which establishes the procedures for impact assessments with the goal of preventing or mitigating impacts on the environment. This regulation is subject to the Law on General Technical Regulation on Ensuring

18 Due to lack of government engagement with the initiative, since October 2011, the EITI-MDTF facilitates and support EITI activities in Kyrgyzstan, Kyrgyzstan was among the few country financially supported by the EITI-MDTF.

19 See The Law of the Kyrgyz Republic on Subsoil.

20 See <https://budget.okmot.kg/ru/incomes>.

21 See The Law of the Kyrgyz Republic on Subsoil.

22 Bogdetsky, V. and Novikov, V. 2012. 'Mining, Development and Environment in Central Asia: Toolkit Companion with Case Studies'.

23 Zakon Kyrgyzskoi Respubliki 'Ob Ohrane Okruzhushchei Sredi' (The Law of the Kyrgyz Republic on Environmental Protection). [Online]. <http://cbd.minjust.gov.kg/act/view/ru-ru/218>.

24 Zakon Kyrgyzskoi Respubliki 'Ob Ekologicheskoi Ekspertize' (The Law of the Kyrgyz Republic on Ecological Expertise). [Online]. <http://cbd.minjust.gov.kg/act/view/ru-ru/219>

25 See <http://www.stat.kg/ru/ukaz-prezidenta-kyrgyzskoj-respubliki-o-nacionalnoj-strategii-razvitiya-kyrgyzskoj-respubliki-na-2018-2040-gody/>.

26 See <http://cbd.minjust.gov.kg/act/view/ru-ru/4683>.

27 Polozhenie o Pordyake Provedeniya Ocenki Vozdeistviya na Okruzhushchuu Sredy v Kyrgyzskoi Respublike (Regulation on the Procedure of Environmental Impact Assessment in the Kyrgyz Republic). [Online]. <http://cbd.minjust.gov.kg/act/view/ru-ru/97326>.

ing Environmental Safety (2009)²⁸. However, in practice the aforementioned laws are weakly implemented due to the government's low level of financing and investment in environmental protection. Additionally, there is little accountability over how the EIA is implemented with regards the requirements of the current environmental regulations. Critics further note that the current legislation do not adequately address the link between the environment and social aspects of mining²⁹.

3. Chinese Investments in the Mining Sector

Kyrgyzstan struggles to benefit from its natural resources and remains one of the poorest countries in the region. In this context, the unveiling of the China-led Belt and Road Initiative (BRI) in 2013 appeared to be that long-awaited solution for the country's extractive industry. The BRI was presented as a US\$1 trillion initiative that would transform the economic landscape of the whole of Eurasia, with China's smallest and most underdeveloped neighbors set to become the greatest beneficiaries of Chinese President Xi Jinping's flagship project. Thus, it was hardly surprising that Kyrgyzstan's leadership, which struggles with financial constraints and low investment rates, emphatically supported Beijing's economic commitment to the region.

However, unlike political and economic elites who can directly benefit from China's integrationist projects, Kyrgyzstan's general public appeared less enthused about China's economic outreach, the promises of BRI notwithstanding. Since the announcement of the BRI, local communities have grown wary of China's role in Central Asia, and multiple accounts of anti-Chinese protests across the country expose much more diverging responses to China than presented on the political stage. Even younger generations tend to view China's activities in the country through the lenses of imperialism and expansionism.

The anti-Chinese sentiment has been particularly evident in Kyrgyzstan's extractive industry. Since 2010, gold mining has been a source of deep contention among the nearby communities who have expressed grievances about the scale of Chinese mining operations, perceived corruption, the lack of transparency, and discrimination against hiring local residents as well as environmental degradation linked to mining activities³⁰. Additionally, local residents complain about Chinese companies being opaque and lacking transparency in terms of working practices towards their employees. Opposition to Chinese-owned or -funded mining operations has grown considerably in the country. For instance, in the past three years, there were more than 20 anti-Chinese mining-related protests in Kyrgyzstan that often took violent forms and that surfaced throughout different mining life cycles³¹. As pointed out by Grenfell-Shaw and Toktomushev (2021)³², local communities often resorted to anti-Chinese narratives in order to express their grievances.

Accordingly, it becomes of paramount importance to understand the impact of BRI projects in countries like Kyrgyzstan, which are in need of investment injections, and yet are experiencing simmering grievances against Chinese investors. Currently, there are 111 Chinese companies operating in

28 Obshii Tehnicheskii Reglament po Obespecheniu Ecologicheskoi Bezopasnosti v Kyrgyzskoi Respublike (General Technical Regulation on Environmental Safety in the Kyrgyz Republic) [Online]. Available at: <http://cbd.minjust.gov.kg/act/view/ru-ru/97326>.

29 See Doolotkeldieva, A. 2020. 'Regulating Corporate Social Responsibility (CSR) in the Large-Scale Mining Sector of Kyrgyzstan'. OSCE Policy Brief 60; Kulova, N. 2021. 'Addressing Local Conflicts in the Kyrgyz Republic's Mining Industry: A Holistic Approach'. University of Central Asia – Institute of Public Policy and Administration (IPPA) Working Paper 59, pp. 1-55.

30 BBC. 2013. 'Kyrgyz Protesters Lift Blockade of Centerra Gold Mine'. June 1. [Online] <https://www.bbc.com/news/world-asia-22744282>.

31 The Central Asia Protest Tracker dataset is available at <https://oxussociety.org/viz/protest-tracker/>.

32 Grenfell-Shaw, L. and Toktomushev, K. (2021). 'Social License to Operate: Gold Mining in Kyrgyzstan'. In Social License and Dispute Resolution in the Extractive Industries. Cory H. Kent, Shaheez Lalani, Georgios Petrochilos, and Andreas R. Ziegler (eds). Brill.



Photo: Mining site in Ala-Buka (Source: Rufat Ergeshov)

Kyrgyzstan's mining sector, of which 26 are classified as large or medium³³. As the mining sector constitutes an important pillar of the Kyrgyz economy, social conflicts in this particular sector pose serious threats to the country's development and its investment climate. Precisely to address those challenges, the University of Central Asia teamed up with the University of Oxford and the Independent Research Institute of Mongolia³⁴. Our research team conducted extensive fieldwork in 15 mining-affected localities in Kyrgyzstan (Ala-Buka, Chatkal and Naryn regions) and in the capital Bishkek, with 262 semi-structured interviews and focus groups with residents, local and central government, civil society and mining companies. Understanding the root causes of mining conflicts in Kyrgyzstan is a pressing issue for all stakeholders involved in order to develop what is necessary for conflict mitigation.

4. Interview Findings

Despite the government's efforts to introduce reforms and regulations in the mining sector, the industry continues to suffer from weak governance. The interviews demonstrate that citizens' participation in decision-making processes over natural resources management remains low. Furthermore, fieldwork findings reveal that environmental concerns are key drivers for social unrest around mining sites.

4.1. Environment

In recent years, environmental concerns about the impact of natural resources extraction have mobilized people to engage in protests which resulted in large rallies with road blockades and occasional

33 Akchabar. 2017. 'V KR Rabotaet Svishe 100 Gornodobivaushih Kompani s Kitaiskoi Dolei Uchastiya (More than 100 Mining Companies with Chinese Participation are Operating in the Kyrgyz Republic)'. 22 September. [Online]. <https://www.akchabar.kg/ru/news/v-kr-rabotaet-svyshe-100-gornodobyvayushih-kompanij-s-kitajskoj-dolej-uchastiya/>.

34 See <https://gobiframeframework.ouce.ox.ac.uk/>.

violence³⁵. As in other mining developing countries, many local communities feel that foreign companies are extracting their natural resources at the cost of the local population's human and environmental rights³⁶. In Naryn, 90% of respondents raised concerns about environmental issues. The most common fears circulate around water contamination, degradation of pasture, negative impacts on crops and livestock, and air pollution. Mining extraction can have a detrimental impact on the environment and local livelihoods of the nearby communities. For instance, water is an important element in processing mining extractions and is used by mining companies for processing and the transport of ore and waste. The interaction between mining and water involves a complex of activities that has the potential to disturb the local ecosystem and livelihoods of local communities³⁷. The direct disposal of mining operations is likely to produce widespread water contamination which can have severe social and environmental consequences.

In 2019, the Solton-Sary mining site in Naryn was temporarily forced to suspend its activities after violent clashes occurred between workers and villagers, the latter of whom blamed the company for toxic spillages that contaminated their cattle. The Solton-Sary mining site is owned by the Zhong Ji Mining Company, which has been operating in Kyrgyzstan since 2009³⁸. Although the company acquired all the licensing rights to start explorations, the company's operations were put on hold, after some 300 locals of central Naryn province gathered outside the Solton-Sary mine demanding its Chinese operator halt work. Locals claim the mining company's activities were contaminating their soil on which their cattle and sheep graze. However according to a local veterinarian, officials' tests showed most of the deaths were due to parasitic diseases and a lack of vaccinations, and that no harmful substances from the mine had been found³⁹. This incident demonstrates that one of the main issues concerning mining sites relates to a lack of information and communication between companies and the local communities. In general, local communities have little information and knowledge about mining activities and the related extraction processes. The widespread allegations of pollution by mining companies often force local communities to quickly jump to assumptions that mining operators are responsible for damaging the local ecosystem, while in reality this is not always the case. Tensions around mining and environment highlights that the lack of transparency around the industry leads to produce rumours and disinformation around mining sites.

However, the negative effects of mining activities on the environment should not be overlooked. Respondents in Naryn complained about mining operations hindering free cattle grazing and pastures. In other instances, the population criticized abandoned and closed mine sites which pose a significant threat to the health of people and the environment. The current legislation in place lacks directives on the specific management of mine closures and their infrastructure such as tailings facilities and waste dumps. According to our interviewees, there is little compensation available for the side-effects of mining and clean-up measures have been limited. Other respondents also acknowledged that environmental issues serve as a pretext to advance local economic and political grievances.

The problem of environmental degradation around mining sites is further exacerbated by the weak capacity of the state to formulate and implement effective environmental policies geared towards the protection of the environmental and human rights of community members. Article 48 of the Con-

35 See Wooden, A. 2013. 'Another Way of Saying Enough: Environmental Concern and Popular Mobilization in Kyrgyzstan' and Gullette, D. 2013. 'Conflict Sensitivity in the Mining Sector of Kyrgyzstan'.

36 Sternberg, T. 2020. 'Conflict and contestation in Kyrgyz mining infrastructure'.

37 Kemp, D., Bond, C., Franks, D. and Cote, C. 2010. 'Mining, Water and Human Rights: Making the Connection'. *Journal of Cleaner Production* 8 (15), pp. 1553-1562.

38 Minex, 2019. 'Chinese Mining Company in Kyrgyzstan Suspected of Playing Havoc with Ecology'. MINEX Forum, September 4 [Online]. <https://www.minexforum.com/en/chinese-mining-company-in-kyrgyzstan-suspected-of-playing-havoc-with-ecology/>.

39 Bacchi, U. 2019. 'Kyrgyzstan Halts Work at Chinese Gold Mine after Clashes'. Reuters. August 7. [Online] <https://www.reuters.com/article/us-kyrgyzstan-protests-mining-idUSKCN1UX200>.

stitution of the Kyrgyz Republic states that ‘all citizens shall have the right to an environment that is favorable to life and health, the right to compensation for damage to health or property and that citizens have a responsibility to care for the environment’⁴⁰. In reality, however, citizens enjoy little protection from the government and have few resources with which to raise their concerns. Although the government does provide instruction through which communities may formally seek compensation for the violation of their rights, the process takes time and represents a bureaucratic burden. Moreover, the costs of proving environmental damages can be financially expensive for local residents. Such situations insulate mining companies from the risks associated with poor environmental performance and can lead them to neglect environmental regulations around mining sites. As a result, the lack of response from the authorities and weak legal environmental protection forces the communities to resolve such issues independently, often through organizing protests and road blockades.

As noted in the above analysis, the poor management of environmental impacts produced by mining has a negative effect on pasture lands, animals, and water. This affects the natural balance of herding and a community’s ability to maintain viable livelihoods. The sectoral transformation from rural agrarian to more urbanized mining economies, forces local residents to migrate towards the cities in search for better employment opportunities. Rural-urban migration in Kyrgyzstan is the result of these transformations, and a critical component of urban poverty throughout the country.

4.2. Lack of Transparency

Systemic corruption and a lack of transparency are important factors contributing to the discontent among the country’s population concerning the mining sector. Despite the government’s efforts to crackdown on corruption in the mining sector, corrupt practices continue to thrive. In 2019, the then-President of Kyrgyzstan, Sooronbay Jeenbekov acknowledged that corruption was running deep in the state committee in charge of subsoil use and the distribution of licenses. Corrupt practices in the resource governance sector were particularly striking in the allocation of mining licenses, where state officials used their vast discretion to issue mining licenses based on direct negotiations, often without transparency and accountability. In the period from 2009 to 2018, criminal cases were initiated against five chairmen of state bodies who were charged with corruption-related crimes. Additionally, about 100 criminal cases have been launched against officials of the State Committee for Industry, Energy and Subsoil use of the Kyrgyz Republic and private entrepreneurs on charges of money embezzling and corruption⁴¹.

Nonetheless, the government’s efforts to promote greater transparency in the mining sector fall short. So far, the Kyrgyz Republic has not published license agreements or other contractual arrangements with extractive companies, apart from the concession agreement with Kumtor (through a legal act)⁴². Additionally, local populations around the mining sites are largely unaware of extractive industries reporting. Although the Open Budget Portal provides information on revenues and expenditures it does not allow for citizens to engage with the information in meaningful ways.

Moreover, the disclosure of data on license agreements is not published systematically by the mining industry of the Kyrgyz Republic. The government does not take into account the existing lack of capacity of government bodies to oversee the country’s licensing policy and exploration/extraction

40 Konstituciya Kyrgyzskoi Respubliki (ot 27 iunya 2010 goda) (Constitution of the Kyrgyz Republic of June 27 2010).

41 Elet. 2019. ‘Zheenbekov: O Vidache Licenzii, Korrupcii v GKPEN i Investicionnoi Privlekatelnosti (Zheenbekov: On the Issuance of Licenses, Corruption at GKPEN and Investment Attractiveness)’. January 30. [Online]. <https://elet.media/ru/proisshestviya/korrupciya/sooronbaj-zheenbekov-o-vydache-litsenzij-korrupcii-v-gkpen-i-investitsionnoj-privlekatelnosti/>.

42 EITI. 2018. Feasibility Study: Systematic Disclosures of EITI Data in Kyrgyz Republic. [Online]. https://eiti.org/files/documents/english_feasibility_study_systematic_disclosures_of_eiti_data_in_kyrgyz_republic.pdf.

operations⁴³. As a result of weak license policy implementation, supervisory bodies and citizens do not have enough data to ensure accountability of the government, local authorities or companies. The publication of insufficient data, especially in the field of environmental protection, is one of the reasons for the ongoing conflicts in areas of subsoil use.

Residents complain that they lack information from their local councils on how money received from the extractive industries has been used in their local community to their benefit. Unfortunately, the Open Budget Portal does not provide such detailed information as it mainly tracks government spending. Additionally, some in-depth budgetary data information, might require some level of literacy and knowledge of financial reporting. The difficulty in implementing such tools lies in the ability of the average citizen living in rural villages to access and truly understand the budget reporting.

Since 2014, Regional and Local Development Funds have been established by the government to promote the socioeconomic development of regions and districts⁴⁴. These funds are implemented at regional (provincial) and district levels in areas subject to mining activity. The budget for such development funds comes from three types of non-tax payments generated from the extractive companies. These include 3% of the license value during tenders, excluding bonuses; payments for retaining licenses; and 2% of the revenue from the sale of commodities as outlined in the Law on Non-Tax Payments. In addition, these payments are further broken down according to the deposit of gold reserves. Deposits that form over 50 tons of gold reserves are considered of national importance and have the following redistribution formula: 50% to regional development funds, 30% to district development funds and 20% to local government units. Deposits that have less than 50% of gold reserves have the following allocation model: 80% of revenue shares are distributed to district funds and 20% to local government units. However as noted by the latest EITI report (2020), it is not clear how the government calculates the allocation of the money from the Treasury to separate regional and district funds⁴⁵. Furthermore, although information on Regional and Local Development Funds is disclosed⁴⁶, it is however difficult to know how Regional and Local Development Funds are monitored and whether these funds are used for their intended purposes.

Additionally, socioeconomic investments made to the local community by the extractive industries in some mining areas can be left unnoticed, making little or no impact at all on the livelihoods of ordinary residents. In Naryn, for instance, revenues and social benefits from the Solton-Sary mine which is operated by the Zhong Ji Mining Company were directly transferred to Local Self Governance (LSG) bodies. These funds were used to purchase agricultural technical equipment and to build social infrastructure projects in Emgekchil and Min-Bulak villages. However, the majority of the local population residing in these villages were unaware of these mining revenues or the benefits they had made to the local community.

A key issue related to the social investments package is the redistribution of funds and investments. The decision to purchase items from “a social investments package” is taken by LSGs. However, these are composed of different voices that often have a divergent agenda from that of the local population. Our findings reveal that LSGs lack the technical capacities required to manage and spend these funds.

43 Natural Resource Governance Institute, 2017. Improving Resource Governance in the Kyrgyz Republic: 12 Priority Issues for the Mining Sector. [Online]. https://resourcegovernance.org/sites/default/files/documents/nrgi_discussion_paper.pdf.

44 Tipovoe Polozhenie o Poryadke Formirovaniya Fondov Razvitiya Regionov (Standard Regulation the Formation of Regional Development Funds). [Online]. <http://cbd.minjust.gov.kg/act/view/ru-ru/97125>.

45 EITI. 2020. Second Validation of the Kyrgyz Republic: Final Assessment by the EITI International Secretariat. [Online]. <https://eiti.org/kyrgyz-republic>.

46 EITI. 2018. Feasibility Study: Systematic Disclosures of EITI Data in Kyrgyz Republic.

Additionally, there is often no long-term interest in investing these funds into larger tangible assets. Local authorities (mayor) often prioritize their investments in terms of their election mandate and political goals to win votes and please the local population on a short-term basis. Moreover, the periodical replacement of the mayor and key officers in the local administration may hinder the transfer of knowledge if there are no mechanisms in place to transmit the accumulated institutional and technical experience. In this view, the lack of institutional memory may be an important factor affecting the capabilities of LSGs to effectively manage social package funds.

One of the main challenges for social investments funds on social packages is the lack of a clear regulatory framework. The implementation of social packages differs across regions and districts. Moreover, the size of the social package depends on the reserves of the deposit, regional aspects and the company's preferences. According to the respondents, companies together with local government approve certain development plans and each side fulfills its obligations accordingly. However, there is little information available for local residents on how revenues from extractive mining have been used. Very often the social package is negotiated between the company and LSG without consulting local communities and their needs, particularly those who are located far from the production site. The main problem here is that there is no clear strategy of communication between LSG and mining companies and the remote villages. The sharing of information about mining activities with these villages is practically non-existent. As such, local residents in remote villages have very little up-to-date information on mining operations and any related benefits. Our analysis further demonstrates that benefits from mining are unevenly distributed. Mining activities appear to benefit local districts where the mining production takes place while other districts and villages which are further away from production sites have no visible spillovers from the mining activities. Therefore, mining also appears to lead to higher inequality across districts and villages in the same province and that residents of the villages located around the mining sites are better informed about mining operations and social benefits packages.

4.3. Land and License Ownership

Another major issue in the mining sector relates to land ownership. To obtain a license for mining exploration and the development of the mining concession, a company needs to submit a request to the State Committee on Industry, Energy and Subsoil Use (SCIESU). The SCIESU is the main government agency that is responsible for granting licenses. It also has the power to revoke and suspend licenses. The Law on Subsoil and Regulation and the Regulation on the Procedure for Licensing Subsoil Use (2012) are the primary legal acts that regulate the licensing of mining operations in Kyrgyzstan.

The interview findings demonstrate that a company's legal compliance with state regulations on obtaining a license is an increasingly insufficient means of dealing with local discontent about, and resistance to, mining operations. Some of the major concerns expressed by local residents included the potential for significant environmental and socioeconomic impacts from the proposed mine, the threats posed to agricultural livelihoods and water resources in the region, and the lack of effective project consultation with the local residents. According to a study by Ocakli et al (2020)⁴⁷, state actors believe that it is the responsibility of local governments to implement license agreements at the community level, and that failure to do so can fuel the conflict. Doolotkeldieva's analysis⁴⁸ on conflict mining in Kyrgyzstan also alludes to the importance of acquiring a 'social license' from local communities for extractive industries to access land and continue their mining operations.

47 Ocakli, B., Krueger, T. and Niewohner, J., 2020. 'Shades of Conflict in Kyrgyzstan: National Sector Perceptions and Behaviour in Mining'.

48 Doolotkeldieva, A. 2020. 'Regulating Corporate Social Responsibility (CSR) in the Large-Scale Mining Sector of Kyrgyzstan'.

The term 'social license' refers to the process whereby an extractive company has been granted the social approval and acceptance of society to conduct its operations⁴⁹. It implies community approval to operate that extends beyond formal legal authorization⁵⁰. At the core of the 'social license', extractive industries are expected to operate within a sustainable development framework which provides social and sustainable benefits to the local population affected by mining. The dynamics of conflicts in the mining sector in Kyrgyzstan demonstrate that often community demands are not being met. Moreover, the tensions around the mining areas show that social licensing needs to be granted not only by local stakeholders and LSGs but also by the local residents affected by mining. More importantly, our findings suggest that once mining companies have gained a social license to operate from local communities, they also need to maintain the social license in the long term in order to avoid mining conflicts.

Local residents complain that although substantial mineral revenues are derived from their region, it remains poor, as a large share of benefits is used to develop other villages. The mandatory redistribution of natural resource revenues from national to subnational levels and the ability of local governments to retain a certain percentage of mining revenues encouraged LSG to pursue a more opportunistic and independent agenda that seeks to maximize resources transfers to their own localities without including the population living in remote areas affected by mining. For instance, in Ala-Buka extractive companies like Full Gold Mining Company directly make non-tax payments to the Regional Development Fund of Ala-Buka district. In addition to these payments the company makes further tax payments to Ala-Buka LSG and the central government. Although Full Gold Mining Company is located in the Ala-Buka district, social packages and employment were allocated to central and large villages of Ala-Buka district, while remote villages have been left behind. Residents of Terek-Sai and Kyzyl-Tokoi villages of Chatkal districts were the ones who benefited the most from mining operations. Meanwhile, smaller and remote villages like Zhyl-Bulak and Kuigomon, which territorially belong to Ala-Buka LSG and in close proximity to the mining site have barely seen any social profits from the mining.

The local population in these villages often do not have proper access to drinking water, schools, medical services and other social facilities. All of the focus group participants from Ala-Buka mentioned that they do not see any benefits from Full Gold Mining Company operations as they believe that social packages and jobs were given to centrally located villages like Chatkal. Only one medical facility was built as a result of the road blockade protest to the mining site. Therefore, communities of Ala-Buka believe that only through conflicts will the mining company and state bodies recognize them.

In other instances, residents from Chatkal villages (Kyzyl-Tokoi and Terek-Sai) also complained that despite providing social benefits to the population, community development projects were not always adequately executed. Although Full Gold Mining Company created a water supply system in Kyzyl-Tokoi village, this was however poorly implemented as only one portion of the population had access to clean water as a result.

Another important element, that is entangled in population grievances against mining companies, is the feeling of 'unmet expectations' of local stakeholders. According to a study by Mahmood and Humphrey (2012)⁵¹, institutional and cultural contexts in which CSR activities operate are important

49 Joyce, S. and Thomson, I. 2000. 'Earning a Social Licence to Operate: Social Acceptability and Resource Development in Latin America'. *CIM Bulletin* 93 (1037), pp. 49-53.

50 Kemp, D. 2009. 'Mining and Community Development: Problems and Possibilities of Local-Level Practice'. *Community Development Journal* 1 (45), pp. 198-218.

51 Monowar, M. and Humphrey, J. 2013. 'Stakeholder Expectation of Corporate Social Responsibility Practices: A Study on Local and Multinational Corporations in Kazakhstan'. *Corporate Social Responsibility and Environmental Management* 20 (3), pp. 168-181.



Photo: Abandoned mining site in Ala-Buka (Source: Almaz Tchoroev).

factors that determine community expectations. The authors note that in the context of Central Asia, communities' expectations are mixed between their Soviet past and the contemporary neoliberal agenda of capitalism. Business entities operating in such environment are often expected to resolve social and economic problems of the local communities. Residents living around the mining sites in Naryn, complain when a mining company's infrastructure does not meet their local needs or when their economic grievances are left unmet. Locals also note that Chinese companies often come with pre-determined corporate goals without having an understanding of the local context and its culture.

4.4. Weak Inclusion of Local Citizens in the Decision-Making Process

The discourses of the local population about mining suggest that many local actors are excluded from the extractive industries decision-making processes. Concerns of the local population revolved largely around workplace conditions, a lack of jobs and clear hiring standards, environmental degradation and transparency in revenues reporting and revenue distribution.

Although the respondents acknowledged that in recent years, they have observed more collaborative engagement between mining companies and local communities, such actions remain focused between LSG bodies and company representatives, and local residents are rarely included in these discussions. Such situations produce an exclusive participatory framework where only one side of the population is effectively included in the process. Further, meetings and encounters between companies and local populations are held in major towns. For instance, in Ala Buka, public hearings are held in the villages of Chatkal district while the villages located in Ala-Buka territory are excluded from these meetings. Local populations residing in Ala-Buka territory, have little knowledge about the company's mining activities and any related benefits. They also lack mechanisms to address their grievances and complaints. Although there is a system in place to manage grievances from communities and local stake-

holders, it is weakly implemented. In the case of Ala-Buka, residents raise their concerns via their LSG by writing collective letters to the Full Gold Mining Company. However, respondents have indicated that the majority of their claims are left unanswered. Interviews across case study sites, suggest that the absence of corporate-community dialogue is an important factor that contributes to an increase in violence and conflicts between the local population and mining companies.

4.5. Lack of Trust

The weak engagement of the government in mining activities and the legacy of corruption left by previous government agencies have eroded local community trust. Community distrust of the government remains strong. Interviews at the case study sites reveal that the central government was distant, not trustworthy and had a weak capacity to develop the country's mining sector sustainably. Poor communication and a lack of responsiveness of the central government in the mining sector, forces companies to negotiate directly with local self-governance bodies. As reported in the studies of Doolotkeldieva (2020) and Ocakli et al. (2020), the national government responses to local conflicts conveyed a vision of detachment with attempts to disperse and delegate the management of mining and local conflicts exclusively to subnational levels of government and non-state actors such as local communities and extractive industries. In most of the cases, mining companies rely on the local governments to engage with residents.

Yet as our interviews reveal not all the local administrators are capable of defending the interests of the local communities. Local residents in Naryn and Ala-Buka often complained that their local self-government representatives were ineffective in resolving conflicts between local communities and mining companies as well as supporting their demands and meeting their fundamental socioeconomic needs. The core problem is that local governments often lack capacity, resources and expertise to deal with the complexities of the mining sector. Such situation as a result, shapes the local perceptions about mining activities and the ability of local actors to promote sustainable mining development.

5. Conclusion

All our respondents in the case study sites acknowledged the importance of mining investments in stimulating their local economies. However, they also recognized the lack of efforts made by the mining companies and LSG to generate socioeconomic benefits and sustainable development for the local communities. While the government has taken steps to implement reforms that stimulate local development in mining affected areas, these initiatives are however weakly implemented. The provision of Regional Development Funds to mining affected regions is an important step to promote development, yet as our interviews demonstrate it does not fully address the redistribution of mining revenues. One of the most fundamental problems in the current mining sector relates to the transparency and accountability on mining revenues and how these are shared with the local communities. While programs such as Open Budget Platform and the EITI are important transparency initiatives, to reduce corruption, promote disclosure and track government spending, they have however limited use if they cannot be accessed by the average population. As our study reveals local communities affected by mining have little knowledge about revenues generated by extractive industries. The challenge relates to the scaling and wider dissemination of budget reporting at the subnational levels. As our study demonstrates there is limited efforts from subnational governments to work on open data processes and make more information available on revenue reporting to citizens. The absence of information on revenue spending at subnational levels generates distrust and antagonism towards mining companies and LSGs.

Additionally, extractives industries and LSGs have too often failed to address the development needs of the local communities. Our observations reveal that companies are likely to promote participatory forms of governance with powerful local stakeholders rather than with local communities. Yet, the lack of engagement and consultation dialogue with the local population constitute an important source of conflict. It also shows that LSGs in Kyrgyzstan suffer from weak governance and a lack of capabilities to curtail tension in the mining industry. One way to ease up such tensions would be to actively involve local citizens in decisions about revenue spending and mining activities. Another way would be to include mandatory directives in the legislative frameworks that would include citizens' participation in the consultation process about mining developments.

The other major problem lies with the government and its resource capacities. At subnational and local levels, weak institutions, poor governance and expert knowledge, mean that LSGs are incapable of managing the complexities of the mining sector and translating revenue profits from natural resources into sustainable tangible development. At the national level, the weak responsiveness of the central government and its inability to adequately implement transparency and accountability norms into the natural resource sector, highlight its limited governance capacity to effectively monitor and enforce policies and legislations from the central bureaucratic apparatus to subnational levels. Additionally, for people living in mining affected areas, the lack of government engagement and support has further eroded public trust in government policies. The findings from our study demonstrate that the central government effectively delegates the management of mineral resource extraction to local self-governments. However, as discussed above, LSGs suffer from weak governance and have low capacity to mitigate conflicts, protect local livelihoods from negative mining activities and generate development benefits from mining extractions.

Moreover, tensions around the mining areas in the case study sites, further revolved around land ownership and the impact of foreign investments and mining operations on the environment and local livelihood. Discourses around these issues are although locally concentrated further resonate with wider national narratives on 'resource nationalism'. Kyrgyzstan's mining sector, and specifically the case of the Kumtor gold mine has long been subject to government efforts to exercise greater control over the ownership structure of the gold mine and maximize revenues from the natural resource exploitation⁵². The reference to nature and natural resources are a common feature in expressions of nationalism and specifically to resource nationalism. The general arguments of 'resource nationalism' is that people rather than private and foreign entities should benefit from the resources of their nation state⁵³. The different discourses are centered around sovereignty, territory, state, ownership, as well as the rights and privileges of citizens to access natural resources. In this view, using the language of 'resource nationalism', the local population challenge Chinese involvement in the country's extractive sector and contest the benefits of mining activities and revenues sharing. Such views create an unwelcoming climate for foreign investments in the mining sector. The instabilities in the mining sector and the passive engagement of the state to protect foreign investments could have a negative effect on the country's ability to attract FDI, thereby damaging the country's economic development in the long term.

However, it is important to note that while in recent years the intensity of mining protests has been particularly directed towards Chinese companies, other mining companies have been targeted too. Except for the 'usual' protests linked to the Canadian company Kumtor, other foreign companies operating in Kyrgyzstan have also experienced mining clashes. As observed by Gullette and Kalybekova

52 For example, see Fumagalli, M. 2015. 'The Kumtor Gold Mine and the Rise of Resource Nationalism in Kyrgyzstan'. Central Asia Economic Paper 16. [Online]. <https://www.centralasiaprogram.org/archives/8661> [3 March 2021].

53 Koch, N. and Perreault, T. 2019. 'Resource Nationalism'. *Progress in Human Geography* 43 (4), pp. 611–631.

(2014)⁵⁴ ‘the anti-Kumtor protests have encouraged similar protests and violence in other parts of the country’. For instance, in 2013, around 200 protestors attacked the offices of Z-Explorer, the local subsidiary of Australian-listed Manas Resources at the Shambesai gold field in Batken Oblast⁵⁵. The protestors destroyed the office and looted equipment. More recently, during the political unrest that followed legislative elections in Kyrgyzstan on October 4, 2020, several foreign companies operating in Jerooy in the northwestern region of Talas and the Ishtamberdi, Bozumchak and Terek-Sai mines in the southern Jalal-Abad region, were targeted by local residents⁵⁶.

Some urgent measures, therefore, are necessary towards achieving better resource governance and to mitigate mining conflicts in Kyrgyzstan. First, mining governance needs to be improved by enhancing the capacity of local government agencies and local communities by providing adequate resources and expertise. Second, local governance should invest more efforts in creating a more inclusive participative decision-making framework that brings together the local population and extractives industries. At the moment such frameworks are largely centered around the country’s main towns and cities. Yet as demonstrated in our analysis, the absence of corporate-community dialogue is one of the biggest sources of conflict in the mining sector. Therefore, community leaders and companies should seek to foster long-term dialogue with the local population in order to prevent community tensions. In this sense, mining companies should invest in building relationships and acquire trust from the local communities before mining operations take place. Together with the LSG bodies, mining companies should put in place institutionalized mechanisms that guarantee the inclusion of the local population and their participation in the assessment of the mining operations on environmental and socio-economic development. In this way, the adoption of CSR should be directed towards implementing long-term sustainable goals rather than supporting short-term community demands. It should further create mechanisms that would ensure greater transparency and accountability on revenue spending on local levels and provide means for the local population to access budget reporting.

Lastly, it is important for the state to oversee the implementation of its policies and legislation at subnational levels. As demonstrated in this paper, the central government has little oversight on the implementation of its policies and has been reticent in taking responsibility to manage conflicts in mining areas. Its role is largely reduced to delegating and decentralizing natural resources management to subnational levels. Yet, the weak institutional framework of the LSGs and their lack of resources and expertise prevent them from managing natural resources efficiently. The lack of government engagement in natural resources management at the subnational level and its inability to protect the population residing in mining areas, are producing polarized conflicts as well as informal arrangements between companies and communities. As demonstrated in this report, local residents directly affected by mining operations, have lost trust in the state’s ability to resolve conflicts and act as a mediator. However, as mining investments constitute an important share of the country’s economic development, anti-mining actions could discourage future investments. Such situation could further trigger a diplomatic crisis between Kyrgyzstan and its economic partners, such as China. Without strong government oversight, conflicts over mining are like to continue and risk intensifying community opposition to current and future mining projects.

54 Gullette, D. and Kalybekova, A. (2014). ‘Agreement Under Pressure Gold Mining and Protests in the Kyrgyz Republic’. Friedrich-Ebert-Stiftung Study [Online]. <https://library.fes.de/pdf-files/id-moe/10927.pdf> [Accessed: 10 May 2020].

55 Trilling, A. 2013. ‘Kyrgyzstan: Another Gold Mine Attacked as Kumtor Protests Continue’. Eurasia.Net. October 21. [Online]. <https://eurasianet.org/kyrgyzstan-another-gold-mine-attacked-as-kumtor-protests-continue>.

56 Rickleton, C. 2020. ‘Kyrgyzstan: Mining Sector Braces for Regulatory Blow’. Eurasia.Net. November 6. [Online]. <https://eurasianet.org/kyrgyzstan-mining-sector-braces-for-regulatory-blow>

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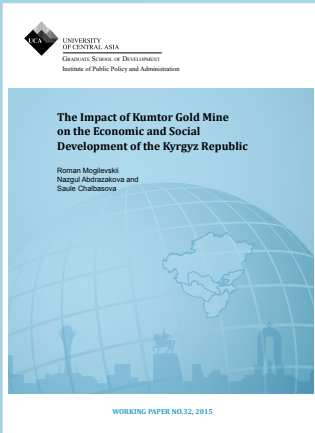
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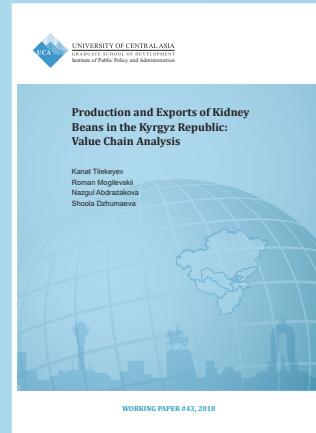
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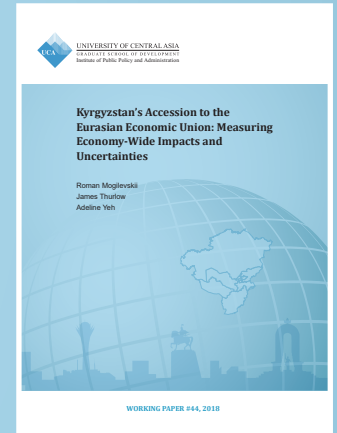
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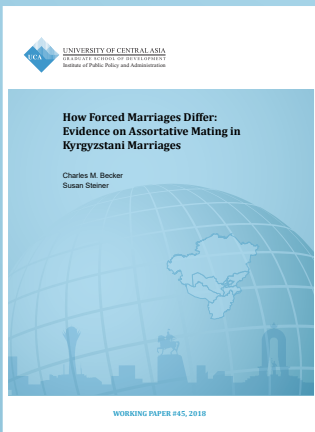
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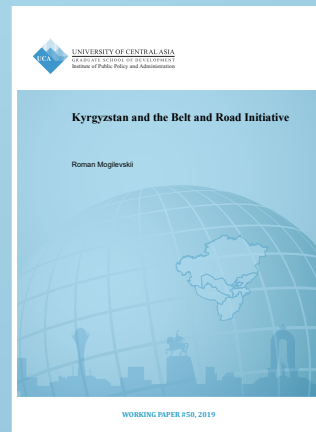
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