



**Barriers and Difficulties for CSR Development in Kazakhstan**

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## **Abstract**

Corporate Social Responsibility, or CSR, has been attracting significant interest as one of the key instruments for governments in maintaining the sustainability of local communities. The CSR approaches include not only the economic profitability of companies but also the societal and environmental aspects.

The purpose of our master's project is to investigate the barriers and difficulties for CSR development in Kazakhstan via testing two hypotheses, specifically whether (i) a better understanding of CSR and enhanced communication among stakeholders (Akimats, companies, local communities/NGOs) results in the improved realization of CSR and (ii) better planning and availability of CSR monitoring & feedback tools/mechanisms by local authorities or Akimats increases realization of more sustainable projects which address local community needs. The research has been done with a focus on the oil & gas industry, based on the case-study example of the North Caspian Operating Company in Atyrau Oblast.

The research findings have demonstrated that: (i) varied perceptions of CSR by stakeholders lead to a disparate understanding of the CSR realization process; (ii) insufficient involvement of certain stakeholders leads to poor communication among parties; (iii) the absence of a clearly defined national framework for CSR implementation results in the weak realization of CSR projects; (iv) Akimat's objectives are not clearly defined, which leads to lack of planning and contribution; (v) limited opportunity for company's long term planning leads to projects that don't address the needs of the local community; (vi) Akimat lacks the expertise and knowledge to support the realization of CSR project from the government's side, which leads to its dependency on company's decision-making and capacity during the CSR realization process; (vii) the absence of CSR monitoring and feedback processes from the local governments results in the realization of non-sustainable projects.

## **Keywords**

Corporate social responsibility; CSR; NGO; Akimat; Sustainability; Perception; Oil & Gas; NCOC.

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## INTRODUCTION

Corporate Social Responsibility (CSR) is viewed as a growing modern concept addressing the socio-economic and environmental aspects of every society. Although the primary focus of business is maximizing profits, there is a growing need for their CSR commitments. First, companies are becoming more responsible for the development of the local society where they operate. That's why the EU defines CSR as the responsibility of enterprises for the impact of their operations on society. Secondly, CSR has been attracting significant attention as it has become one of the key instruments for maintaining the development of local communities. Third, due to close attention and heightened requirements, CSR is directed not only to minimize environmental impact but also to create a good governance system, through integrating CSR goals with business strategies. As a result, companies are taking an active part in social inclusion programs all over the world, including Kazakhstan. So, for companies, CSR provides such advantages as mitigation of companies' risks and the reduction of the costs; for the economy, CSR investments contribute to more sustainable development; and for society, it creates several values on which a more collaborative society can be built.

The CSR phenomena, its difficulties, and challenges are actively discussed in Kazakhstan, though specific research materials are limited. It will be further discussed in the literature review section, but it appears the extractive sector and major oil & gas companies with the participation of international transnational companies have become leaders in this field, as for them CSR is an effective tool for enhancing the companies' competitiveness and developing sustainable development. The main reason is that significant investments made to CSR are paid off in the long run. However, CSR could be covered by other advanced companies as well. As a result, the Government of Kazakhstan becomes dependent on the decision of large companies in terms of CSR projects' realization and loses opportunities for involving other businesses from different sectors of the economy. While companies provide social and environmental benefits, the analysis of Kazakhstan's CSR practice shows that most of them pursue philanthropic and operational effectiveness goals, but mainly because of legislative requirements and pressure from the governmental authorities.

Moreover, not all companies have their own CSR strategy which would have a vision of community development in the long run.

Based on the available CSR articles and research materials, for businesses, it is a normal practice to demonstrate the best and successfully realized projects. Their CSR reports illustrate positive stories on the implemented CSR projects via publishing corporate citizenship reports, demonstrating the number of investments spent, but they rarely report on the projects' effectiveness or share the problems they encounter during CSR implementation, such as issues or concerns during cooperation with state authorities and the population. The main issue is how the trust is being built among stakeholders on CSR implementation. The practice also shows that there is no common approach for CSR realization in Kazakhstan, raising the questions of projects' sustainability in the long run and whether the national CSR agenda and its challenges are being considered thoroughly.

Considering the above-listed policy problems, the objective of our study was to analyze existing barriers and difficulties for CSR development in Kazakhstan and come up with practical recommendations on how CSR implementation can be improved, especially in the regions where significant investments are being made by the business for social projects. That's why the research was conducted focusing on the oil & gas industry, the main source of funding for CSR projects in Kazakhstan. With the literature review and analysis, a qualitative approach was taken using the case study method based on the CSR implementation process of the major oil & gas field operator North Caspian Operating Company B.V. (NCOC). The data collection was supported through secondary data (Sustainability report of NCOC, Kazakhstan's Extractive Industry Transparency Reports for 2017-2019, and relevant international guidelines), and primary data was collected via interviews with key stakeholders (local government experts, company representatives, community leaders) and online surveys of residents, which helped to lead a thorough discussion of the topic.

## **LITERATURE REVIEW**

In this section, we conducted a literature review to better understand the CSR phenomenon, theoretical concepts, as well as existing implementation mechanisms. We first provide an overview of relevant academic works by studying different views of scholars on the subject and analyzing the debate around voluntary vs obligatory character of CSR activities. Then, we covered some CSR research in the oil & gas industry to understand the current situation and existing implementation processes and challenges. Brief overviews and examples of CSR reports of several world non-oil sector companies are also presented to demonstrate the current situation as well. An important part of the literature review was devoted to the exploration of international CSR guidelines that are applied globally.

Since our research objective was to determine barriers and difficulties of CSR development in Kazakhstan, we reviewed academic studies in the subject area to understand both international and domestic perspectives of the CSR phenomenon, and deeply looked into the CSR development in Kazakhstan based on the analysis of relevant researches, mostly in the oil and gas industry given the wider appliance of CSR in this sector and significant contribution of oil and gas sector to Kazakhstan's economy.

### **Understanding of the CSR phenomenon. Theoretical and practical concepts**

The origins of contemporary CSR emerged internationally in 1990 when the rapid growth of NGOs and different activists focused their attention on the harsh results of the activities of the extractive companies. As opposed to obligatory regulation, the CSR agenda became a voluntary and softer regulatory approach designed to enable collaboration and partnership between stakeholders and companies (Utting, 2006).

According to the European Commission, CSR is defined as the “responsibility of enterprises for their impacts on society” (A Renewed EU Strategy 2011–14 for Corporate Social Responsibility, 2012). According to the international social

responsibility standard ISO 26000, companies' social responsibility is based on seven core subjects: organization governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement (ISO 26000 — Social Responsibility, 2021).

CSR approaches are based on various policies put in place by companies that make them more robust with increased responsibilities for protecting the environment, improving the quality of products they produce, and supporting social involvement. In their research paper related to CSR's theoretical framework, the scholars Fernando and Stewart (2014) provided a comprehensive analysis of a theoretical approach to companies' CSR practices in a multi-theoretical horizon, describing legitimacy theory, stakeholder theory, and institutional theory. As noted by the authors, these theories are widely applied in CSR studies but are frequently used individually. That's why they tried to explain that it is important to pursue an integrated approach to ensure a better understanding of the organizations' CSR behavior. The scholars outlined three motivations of CSR practices: first, the wish to legitimize the organization's activities; second, to maintain accountability to the organization's stakeholders, and, third, to comply with social norms and beliefs that are largely imposed on an organization.

Some researchers argued that CSR is vital not just for the environment, society, but also for corporate reputation. Major incidents, including environmental accidents, can significantly affect the company's corporate reputation unless those incidents are handled skillfully and deployment of best available CSR knowledge and resources (Vaaland & Heide, 2005).

A scholar Carroll (1991) suggested that CSR consists of four types of social responsibilities: economic, legal, ethical, and philanthropic. These four components of CSR are depicted in a form of a pyramid with economic performance underling the other three components of CSR - maximizing earnings, maintaining a competitive position, and degree of operating efficiency. Complying with laws and regulations is important. Ethical responsibilities establish unwritten standards, norms, and expectations for societal members, consumers, employees, and the community. To do what is right and fair, and to

minimize negative effects on stakeholders is a fundamental obligation for ethically responsible business. Finally, the companies' voluntary CSR activities are expected to contribute to the socio-economic development of the community.

The topic of CSR is evaluated differently in various organizations. The companies depending on their corporate values, strategic management and planning have different motivations to conduct CSR activity. The numerous paradigms underlying CSR are centered on the idea of creating "shared value" which identifies the role of business as the creation of value for its stakeholders but in such a way that it also creates the value for society and suggests a win-win proposition (Rangan et al., 2012).

According to Rangan et al. (2012), the main challenge with CSR is that companies normally do not have CSR strategies and usually replace them with smaller-scale CSR programs. So, they suggest the platform of three theatres of CSR, including philanthropic giving, reengineering the value chain, and transforming the company's ecosystem. The philanthropic giving theatre focuses on philanthropy voluntarily CSR with good intentions generating environmental and social value, but not necessarily creating the economic return for the company. The second theatre is reengineering the value chain to expand business opportunities via establishing socio-environmental benefits to improve operational effectiveness. The last theatre means that if companies provide better societal value, including via addressing the ecological issues, in the long run, it would lead to increased financial returns.

As for image building, we found there is a RepTrack study that ranks companies with the best reputation. The companies are ranked according to their best experience and positive practices on involving stakeholders. As a result, the public becomes informed of what they do and has a good perception of them. According to the 2020 Global RepTrack, here are TOP three companies with the best reputation and interesting CSR and sustainability initiatives: Lego (retrieved from <https://www.lego.com/en-us/sustainability>), The Walt Disney Company (retrieved from <https://thewaltdisneycompany.com/social-responsibility/>), Rolex (retrieved from <https://www.rolex.org/>). All of these companies focus on three



main areas – children, environment, and people, energy efficiency, and renewable energy projects.

Selection of the best CSR company in Kazakhstan is carried out through the “Paryz” award program aimed at setting the highest development standards of the Kazakhstani business community and providing the highest quality of local people's development and well-being. In 2019, the Eurasian Resources Group (ERG) was recognized as the most socially responsible company of the year (retrieved from: <http://metalmininginfo.kz/archives/6754>). The company undertakes thorough assessments of local community needs and conducts necessary consultations when implementing any social projects. The company's key issues and initiatives in Kazakhstan have been realized through the regional development program commenced in 2019 to sustain long-term socio-economic development in the regions of their presence. ERG conducts regular surveys among community members to identify local needs and benchmark socio-economic conditions to achieve this goal. As a result of such surveys, such CSR priorities as housing, infrastructure, public transport, education, etc., were identified. The program was realized in cooperation with local and central state authorities via signing a memorandum of understanding (Eurasian Resources Group, 2019).

For developing countries such as Kazakhstan, CSR measures are important to support sustainable development goals through the active engagement of the business community. In this regard, some public and private initiatives have been established. In the public sector sphere, the most prominent representatives of well-adopted CSR policies are Kazakhstan's sovereign wealth fund Samruk-Kazyna, Kazatomprom, Kazpost, which have their CSR policies. These policies focus on social and labor relations, training and development, safety measures in the workplace, environmental sustainability, and social project spending. The Ministry of labor and social protection of the population also aims to promote UN Global Compact Principles, particularly in the area of social and labor relations. (OECD, 2014).

When it comes to private companies, CSR is not only a question of image and prestige but a tool in the struggle for profit. In conditions when the buyer needs to

know whether child labor has been used at the enterprise and whether the company is causing an environmental disaster by its activities, the business seeks to earn a credit of trust by supporting socially important projects and ensuring the transparency of its business processes. Among Kazakhstani companies, CSR understanding and practice are better developed in nationally centralized government companies and companies with foreign participation in the extraction of natural resources.

The research of Baisakalova (2014) is dedicated to determining the views and perceptions of different stakeholders to better understand the current status and elaborate more effective public policies on CSR issues. When it comes to CSR, “one-size-approach” is not applicable. It depends on what economical, political, and environmental conditions companies operate in. The study fills out the gap of studies on CSR perception and understanding by different stakeholders in developing countries like Kazakhstan. To achieve this goal the primary data was collected through a survey among business, government, and civil society in different regions in Kazakhstan. As part of the study, the key actors’ priorities and problems were analyzed as well as similarities and different perceptions of various stakeholders. As a result of this study, the major barriers preventing the development of CSR were found, such as lack of financial resources, incentives from the government, and knowledge and expertise. For example, on incentives, businesses want tax incentives for CSR activities. Corruption also was considered the most important barrier for the further development of CSR in Kazakhstan.

Some scholars compared CSR with sustainable development. They argued that both CSR and sustainable development are important concepts. If sustainability focuses on addressing implications of environmental impact on business’s activities, CSR seeks to balance the economic, legal, ethical, and social responsibilities considering stakeholders’ different values and expectations on their relationships with business. In the VUCA world, companies should respond to new CSR challenges to meet legitimacy and accountability. This requires the creation of a new form of relationship with stakeholders and networks. (Moon\*, 2007).

According to the new research (Barrio-Fraile & Enrique-Jiménez, 2021), there are several future challenges CSR functions need to take into account, such as incorporating sustainability policies into the management of the company, increasing credibility via committing to the public needs, establishing robust mechanisms and standards that demonstrate that CSR as an investment and not an expense, transparent dialogue with stakeholders, complying with the SDGs established by the United Nations to promote a more just and equitable world. Gender equality, the reduction of inequalities, health, well-being, or climate action are examples of SDGs being considered.

### **Debates on voluntary vs obligatory character of CSR activities**

The talks on the importance of CSR for companies and sustainable development started back in the 1950s by some western companies' managers. They thought that if companies focused not only on the profits but also on the impact they have on the environment and society, they would receive other types of benefits. The research from Bowen et al. (2013b) referred to the book published in 1953, where it was explained why companies should be interested in being more socially and environmentally accountable.

Economic and strategic thoughts around CSR have been debated for many years -- from well-known Milton Friedman's critical view of CSR to other scholars' opposite arguments stressing the shared-value proposition (Bosch-Badia et al., 2013). At the beginning of CSR development, it was understood as expenditures on philanthropic activity aimed at returning benefits to society. However, from a financial standpoint, it was viewed as a decrease in profits for the sake of environmental and social responsibility. In this regard, as analyzed in the research from Bosch-Badia et al. (2013), Friedman called those executives who imposed CSR expenses on the corporations as disloyal agents to the shareholders. Friedman's theory was important and influential, as almost every scholar who studied this subject responded to Friedman's position. Milton argued that the only obligation of business was to maximize profits via engaging in open and free competition. He also advocated that business executives are obligated to follow the wishes of shareholders obeying the laws and the "ethical customs" of the society. In contrast, Porter and Kramer were proponents of the opinion that social

issues are linked to the core business of the company (Bosch-Badia et al., 2013). Mulligan (1986) proposed a different approach and argued that a commitment to social responsibility can be an integral element for a business's strategic and operational management planning. In contrast, Mulligan tried to discredit Friedman's view by highlighting the importance of the consultative and consensus-building role of CSR. However, based on the article of Shaw (1988), it is the function of governmental institutions to deal with state issues such as inflation, unemployment, and pollution, not at the expense of the business.

### **CSR researches in the oil & gas industry**

Subsoil use operations are costly but profitable businesses for investors. At the same time, according to Lucia Mancini and Sala (2018), socio-economic, local population, where subsoil use operations are carried out, experience all the negative aspects of nature management (bribery, poor working conditions, expropriation, displacement, limited access to land and the consequent impact on livelihood, food insecurity, and loss of protected areas, gender imbalance and migration, inflation, water contamination, environmental impacts affecting health). Thus, to maintain the balance of interests, the local population should also receive benefits from the subsoil use process, including those that can serve the population in the periods after completion of subsoil use operations by the company. Segerstedt and Abrahamsson (2019) noted that some positive footprints should be left. These benefits are carried out thanks to CSR projects.

Professor Frynas (2009) studied CSR's capability and constraints. The researcher looked at the CSR areas where oil companies should contribute. Because of the potential negative effects of their operations (i.e. oil spill, well fire, etc.), the oil industry finds itself under greater pressure when managing relationships with wider society. The article gives an overview of CSR contributions by 20 companies to assess how oil companies invest in community development projects. The finding showed that for reporting purposes companies shared numbers on the amount of expenditures for social projects and shared information with stakeholders, but they provided no calculations or assessments on the efficiency of those investments made. The findings showed that companies never measure the effectiveness of their investments, e.g. they don't know whether

health indicators have changed as a result of healthcare projects, or what the outcomes of cost and benefit analysis are. The study states that there are many cases when community investments are not fit for purpose or not workable for the community. Although fighting the poverty problems of a particular society and failure of governance is not on the primary agenda of companies, their profit-maximizing interests are often incompatible with good development practices.

In the study on the politics of corporate responsibility (Utting, 2006), the evolution of CSR in the oil industry was examined with a focus on initiatives and institutions on environmental management, community development, and revenue transparency. The paper also discussed corporate accountability, highlighting that the CSR contribution of oil & gas companies goes hand in hand with regulatory approaches and political developments. CSR projects are now implemented through developing collaboration between authorities and NGOs, not just by providing ad hoc support for partnerships. Investments of the oil and gas companies in community development programs are rather increasing than declining. At the same time, the failure of companies to improve their base business practices and lack of sufficient project design, and weak involvement of stakeholders led to the inefficient implementation of CSR projects. Particular attention was paid to political and institutional factors. It appears that the future development of CSR will depend not only on business but also on state and international regulations. The voluntary characteristic of CSR has shifted from just government-business relations to the consideration of the importance of regulation and regulatory components. Debates between corporate self-regulation and philanthropic CSR activities have changed the focus from legalistic and voluntary to softer and harder regulatory approaches. There is also growing interest in the critical role of interrelation between civil society and law.

### **International guidelines**

Although there are no legal requirements making companies put in place CSR strategies, there are some well-known international CSR frameworks as follows: OECD's report on Responsible Business Conduct in Kazakhstan (2014), the Sustainable Development Framework of the International Council on Mining and Metals (ICMM) in 2001; the OECD Principles for Corporate Governance released

in 1998; the UN's Global Compact in 2000; the Extractive Industry Transparency Initiative released by a coalition of governments, companies, and NGOs in 2002; the Global Reporting Initiative (GRI) released in 2000; and ISO 26000 (Henriques, 2012; Brès, 2013), published by ISO in 1996 and 2010, respectively.

Experiencing the lack of comprehensive knowledge about the phenomenon of corporate social responsibility, we have analyzed the international regulations providing guidelines and principles of corporate social responsibility. The OECD's report on Responsible Business Conduct in Kazakhstan (2014) is the most significant research made in the area of corporate social responsibility in Kazakhstan which provides a keen understanding of particular CSR-related issues from the sustainability of community standpoint to the impact of business on the host country. This publication reveals the need for increased awareness of the concept of responsible business conduct among all stakeholders and for the development of a comprehensive CSR policy and principles in Kazakhstan. The OECD report addresses several problems of CSR, including, but not limited to the contradictory understanding of what CSR should entail: lack of transparency in the process of allocating money and miscommunication with regional authorities on selection and implementation of CSR projects. There seem to be uncertainties: CSR is still viewed as a charitable interest. The RoK government has not made its expectations clear on CSR and the limited involvement of civil society adds up to this uncertainty. A better understanding of CSR expectations would benefit all stakeholders and would help create a dialogue, at both national and regional levels.

Annual report on the OECD guidelines for multinational enterprises (2020) has outlined certain challenges and proposed some recommendations to increase awareness and common understanding of CSR agenda, to maintain transparency, to provide legal rights and secure labor interests as part of CSR initiative, to develop local business, to improve environmental issues, etc. As the benchmark for developing countries, the OECD actively collaborates with UN Global Compact on promoting responsible business conduct. The Guide to Corporate Sustainability of the UN Global Compact provides ten principles of corporate sustainability in the realms of human rights (support and respect of internationally proclaimed human rights, etc), labor (freedom of associations, elimination of all forms of forced and compulsory labor, abolition of child labor, elimination of

discrimination in respect of employment and occupation), environment (precautionary approach to environmental challenges, greater environmental responsibility, development, and diffusion of environmentally friendly technologies) and anti-corruption (work against corruption in all forms). These principles shall be implemented in Kazakhstan's practice of CSR.

Most of the major extractive companies produce annual sustainability or CSR reports and apply reporting standards such as Global Reporting Initiative (GRI) and Extractive Industries Transparency Initiative (EITI). The EITI reporting is aimed at increasing the transparency of the extractive industry. Under this global initiative, governments are required to engage with industry and civil society to improve the management of the extractive sector with the involvement of a third-party implementing the Validation procedure (Wilson et al., 2021). According to the annual progress report 2018 on EITI implementation, our country after another process of validation had made significant progress in implementing the EITI principles (EITI, 2019).

### **CSR studies in Kazakhstan: Research challenges and literature gap**

Through the emerging literature on CSR, it has become clear that a large number of companies, NGOs, and government agencies are interested in CSR development. Finding a common language to discuss CSR among diverse stakeholders has been a challenge, due in part to the lack of common understanding of CSR principles, limited coordination across initiatives, and the wide geographic distances separating stakeholders (retrieved from: <http://en.ef-ca.kz>).

Kazakhstan's model of CSR has been deeply analyzed in the article of Kassymov (2016), who made a research on CSR practices of large Kazakhstani companies as well as areas of cooperation with interested parties in the context of the transformation of mindset and better understanding. He addressed the main peculiarities of Kazakhstani practice which, among others, include the absence of ambiguous interaction of the parties in the "society – business – state" chain. There is no single standard for all companies without reference to the region and the structure of the company (what is good for national companies, is not always

suitable for privately-owned companies or international organizations). The author also mentioned that companies usually create the illusion of activism in CSR, which in most cases does not comply with the real situation. Although this article provides an overview of Kazakhstan's practice of CSR, it lacks supporting information on actual cases. Thus, in our research we will collect the data based on the case study, being the basis for our findings on the effectiveness of corporate social projects.

Many scholars mostly focused on the identification of CSR definitions and directions of its usage, analyzed awareness of Kazakhstani business about corporate social responsibility, and understanding of social responsibility by different stakeholders. Some studies described the most popular CSR projects, which include support to people in need, charitable sponsorship projects, development of local communities, etc., but without specific reports on the benefit to citizens and local communities. For example, the work of Christian Brauweiler and Aida Yerimpasheva (2019) examined global CSR experience highlighting the main problems hindering the solution of social problems through CSR. As a result of the study, the researchers offered the following options for the development of CSR in Kazakhstan: development of CSR reporting practices and increased monitoring of the reputational landscape of companies. They stated that the designated CSR policies could increase the company's business reputation indicator as to the loyalty of its stakeholders, which can serve as a basis for a competitive advantage.

The report developed by the "Kazakhstan's Association of oil-gas and energy sector organizations "KAZENERGY" (The Social Responsibility of the Oil and Gas Industry of the Republic of Kazakhstan in 2012–2013) aimed to provide an overview of the contribution of the oil and gas industry to the country's sustainable development by reviewing the best practices of CSR to recommend improvements in the field of CSR. Kazakhstani oil and gas companies were surveyed for the existence of CSR strategy with clearly defined and measurable goals and objectives. However, only a few companies (NC KazMunayGas, TCO, and KPO) answered this question in the affirmative. Most of the responding companies reported that they don't have separate strategies.



According to local content requirements in Kazakhstan, the impact of extractive activities on local communities was addressed. They are widely used among minerals-exporting countries, including in OECD jurisdictions (OECD, 2018). Local content requirements usually include the minimum percentage of local content in works and services produced, obligations on financing tuition of local personnel, annual payments of certain funds for socio-economic development of the region, and the development of infrastructure to the budget of the local regional authority (Subsoil Use Code, 2017). Dependence on natural resources makes it clear for Kazakhstan the necessity of mutually beneficial relationships between the government as a regulator and the citizens - as the main stakeholders of this process. Sustainable mining requires multidimensional policy solutions that take into consideration economic efficiency, social benefits, and environmental protection.

Given the above extensive literature review, it has become clear that while CSR challenges and perspectives are widely discussed in Kazakhstan, specific research materials are not abundant. Although some researchers gave some perspectives, different perceptions of CSR by various stakeholders were not studied thoroughly to explore challenges existing in Kazakhstan. The literature review also revealed that a lack of resources and limited knowledge and expertise in the CSR area exists. We believe this is also another area of future research to explore what types of resources and expertise should be developed in Kazakhstan to execute CSR projects. Analysis of international literature helped to identify that the absence of a unified CSR framework and common approach significantly affects CSR development. Given the expanding role of CSR in the ESG part, one interesting new research-informed that incorporation of sustainability policies into the management processes of companies would increase credibility and establish robust mechanisms demonstrating CSR as an investment, not as an expense.

Finally, based on the literature review, we identified several policy problems. First, there is no common approach for CSR realization among the involved parties. Not all companies have their own CSR strategy which would have a vision of community development in the long run. Second, the CSR concept is understood differently by various stakeholders. Third, there is a lack of communication mechanisms among stakeholders and forth, all of these mentioned

problems result in community investments that are not fit for purpose or don't address local needs. We could not also locate any reports analyzing the effectiveness and sustainability of the realized CSR projects to date.

## RESEARCH METHODOLOGY

As a result of an extensive literature review, we have identified some policy problems in Kazakhstan's CSR field. First, CSR is mostly realized by larger-scale companies – the main reason for that is the investments made to CSR are paid off in the long run and it is not appropriate to companies who aim to gain short-term profits. Major companies can afford to undertake certain social commitments given the availability of necessary resources. The extractive industry is viewed as accountable for minimizing the impact of its activities on the environment and for supporting socio-economic development (Zou et al., 2021). Thus, it is primarily practiced by extractive industries given the participation of international transnational companies. However, as practice shows, CSR could be covered by other advanced companies as well. Secondly, CSR is mostly a voluntary activity as not all companies have contractual obligations. As a result, the Government of Kazakhstan becomes dependent on the decision of large companies in terms of CSR projects' realization and loses opportunities for involving other businesses (e.g. top 30 taxpayers).

Considering the above-listed policy problems, the research question is “**What are the barriers and difficulties for CSR development in Kazakhstan?**”

### **Sub-questions:**

- How to improve the realization of CSR projects in the regions?

As a result, we plan to test two hypotheses:

**Hypotheses #1:** Better understanding of CSR and enhanced communication among stakeholders (Akimat, company, NGOs) results in the improved realization of CSR projects.;

**Hypotheses #2:** Better planning and availability of CSR monitoring&feedback tools/mechanisms by local authorities or Akimats increases realization of more sustainable projects which address local community needs.

The research was conducted based on a qualitative approach using the case study method. The data collection was supported and ensured through semi-structured interviews with relevant interested parties (local government experts, residents, company representatives, community leaders), which helped to lead a thorough

discussion of the topic. Interviews aimed to collect primary data for analysis of views and opinions of different stakeholders and to interpret the obtained data.

### **Case study selection**

The reason for the selection of a case study as a research method is that it allows to conduct a thorough analysis based on selected objects and illustrate the characteristics of similar concepts. The information from one case can be generalized to others.

The type of case study that we used is Explanatory. It suits our research because an Explanatory case study is often used to do causal investigations. In other words, we were interested in looking at factors that may have caused barriers and difficulties for the realization of CSR projects in the regions.

Kazakhstan has always relied on its windfall oil and gas revenues that make up around 40% of the state budget. Major oil-producing companies are represented in Western Kazakhstan, including the Atyrau region. Among the diverse range of companies, there are large operators such as Tengizchevroil, North Caspian Operating Company (NCOC), and Karachaganak Petroleum Operating, which are the main contributors to Kazakhstan's budget and the most experienced in the CSR realization. For this research case study, we decided to select NCOC with a logic of 'benchmarking'. According to A. Erdil and H. Erbiyik (2019), benchmarking is the most appropriate method for forecasting the future for enterprises. In addition, NCOC has sufficient experience in CSR due to the participation of major transnational companies, such as ExxonMobil, Shell, Eni, Totalenergies, and CNPC.

### **Types of the data:**

1. **Primary data** – surveys, semi-structured interviews, and written informatory data requests (if needed). To collect primary data, we conducted surveys and interviews among respondents in several groups such as representatives of the regulator, company, local administration (Akimat), NGOs, and residents.

2. **Secondary data** – publicly available information, reports, articles, studies, and researches, etc. were gathered from the internet resources, online libraries, company's websites, official reports, studies, etc. (Global Reporting Initiative (GRI), OECD Guidelines for multinational enterprises).

The main criteria for respondents' selection were based on the following factors: dependency and involvement level, authority, and interest level. Correspondence to the above factors helped us to separate stakeholders into groups suitable for interviews and surveys. All secondary and primary data were validated through the prism of integrity and applicability to the study.

## METHODS AND DATA COLLECTION

### **Interview**

A semi-structured interview is an optimal method for our research in terms of speed and flexibility. Pros of semi-structured interviews are in-depth discussion of the topic, the integrity of data, flexibility, and convenience (time, place, context, etc.). However, the cons are time-consuming and could be expensive. An in-depth semi-structured interview was conducted among representatives of the company (CSR department) and local Akimat administration (the department in charge of entrepreneurs' activities) to address the research hypotheses. All interviews were organized through online meetings via Zoom, and were recorded to avoid risks of misconduct and inappropriate use of received answers, the key questions were prearranged. The results of the interview among representatives of the company were agreed upon and approved by the authorized personnel of NCOC in advance to avoid any reputational risks and conflicts of interest. Pros of surveys were cost-effectiveness (online) and the ability to collect quick results.

### **Survey**

In addition to the interview, we conducted an online survey of local citizens in the Atyrau region to address the hypotheses of the research. Surveys were done through the Google docs program. After conducting surveys and interviews, we analyzed and categorized the data manually. The results were provided in a structured format using graphs and diagrams.

### **Measurement of variables**

As for hypothesis #1 “Improved realization of CSR projects” is a dependent variable of the research and it is influenced by independent variables such as better understanding of CSR, enhanced communication among stakeholders.

As for hypothesis #2 “Increased number of sustainable projects that meet local demands” is a dependent variable of the research and it is influenced by independent variables such as better planning, robust CSR monitoring&feedback tools/mechanisms.

## **Limitations**

Due to COVID-19 restrictions, our first limitation was holding surveys and interviews online using Zoom channel, which might affect the reliability of obtained data due to the online method of data collection, as well as the biased opinions of the respondents. Secondly, NCOC's department for external relations and social projects nominated a designated contact for liaison with us on behalf of the department. NCOC responded to our questions in written form and declined to give a formal interview because hurdles of internal approvals take more time (*it would require approval from all shareholders*). The provided answers were based on the company's sustainability reports published on the official website.

Further on the survey, although we attempted to cover a wider part of local residents, due to the specific nature of the questions, we could collect responses from around 70-80 respondents. As for the work with the regional government given the Atyrau regional Akimat's busy workload and non-availability of designated contact persons, we could only obtain written responses to our questions versus formal interviews from the department for entrepreneurship development.

Besides there are a lot of registered NGOs in Kazakhstan we were faced with the fact that only a few of them are actively participating in social projects. Therefore, there was a limitation on involving a wider group of NGOs. Hence, for the interview with NGO representatives, we decided to reach out to one of the well-known and credible activists from the Zhaiyk-Caspian Aarhus Center, which is a dialogue platform representing the interests of similar organizations and that organizes collaboration between all interested parties, businesses, society, and government agencies.

## FINDINGS

The goal of the project was to determine the barriers and difficulties for CSR development in Kazakhstan by proving the research hypotheses through analysis of primary and secondary data.

**Hypotheses #1:** Better understanding of CSR and enhanced communication among stakeholders (Akimat, companies, local community/NGOs) results in the improved realization of CSR projects.

**Hypotheses #2:** Better planning and availability of CSR monitoring & feedback tools/mechanisms by local authorities or Akimats increases realization of more sustainable projects which address local community needs.

### Secondary Data Analysis

For secondary data, we reviewed Kazakhstan's Extractive Industries Transparency Reports (EITI) for 2017-2019; the NCOC Sustainability Report 2020, and the OECD Guidelines for multinational enterprises.

Based on the data review, we identified that subsoil users, including mining and oil and gas sectors, allocate a significant amount of investments to social projects with a tendency for growth. For example, as demonstrated in diagram 1 below, from 2017 through 2019, there has been a steady increase in social investments (EITI Reports, 2017-2019).

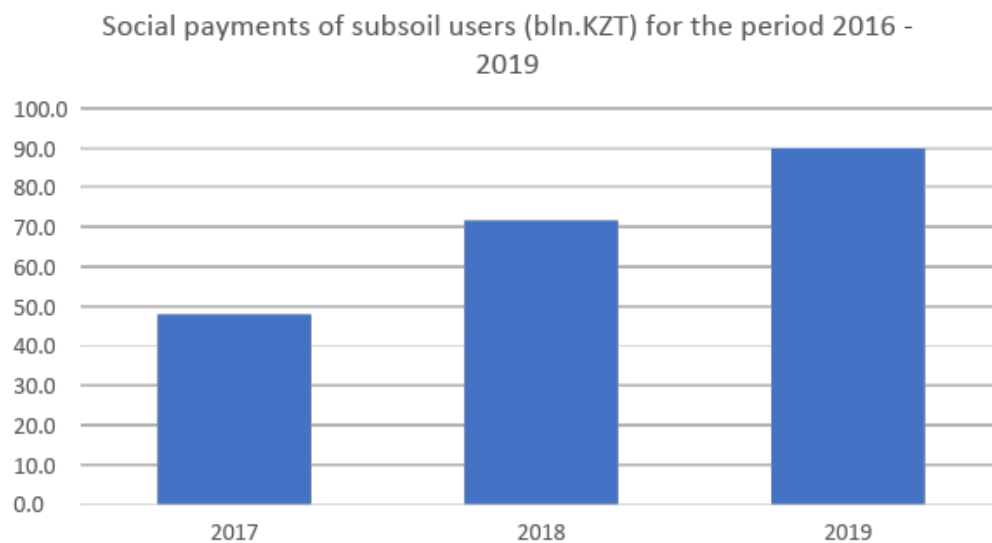


Diagram 1



If you look at the composition of the contribution shares in diagram 2, payments by the oil and gas sector accounts for around 80% of total expenditures, whereas the mining sector stays at around 15-20%, and they are credited to the budget classification code (KBK) 206114 "Contributions from subsoil users on the socio-economic development of the region and the development of its infrastructure". At the same time, in addition to funds directed to KBK 206114, expenses are carried out within the framework of memorandums, social agreements, and partnerships.

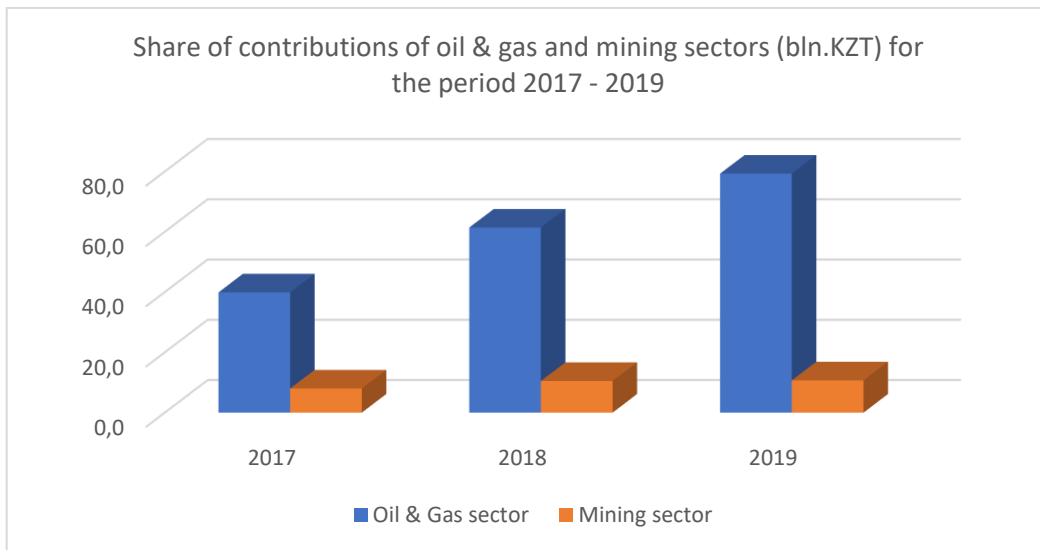


Diagram 2

In this regard, we have concluded that the oil & gas industry is the driver in terms of social investments, in particular oil-rich regions, including Atyrau. This is one of the main reasons for selecting the Atyrau region as a basis for our research. For the case study, we took the North Caspian Operating Company (NCOC), one of the main subsoil users investing in the region's socio-economic development.

Based on the NCOC Sustainability Report 2020, the company's aggregated investments to social infrastructure projects (SIPs) and community sponsorships in Atyrau and Mangistau regions in 2017-2020 amounted to USD 818,5 million. NCOC each year allocates a budget for SIPs. In 2020 alone the company allocated USD 76.9 million. The funds are spent for the construction of social objects (schools, kindergartens, hospitals, sports facilities), as well as on infrastructure projects such as roads, electricity, and water supply lines. The expenditures are

split equally between Atyrau and Mangystau regions, as they are the company’s main areas of operation.

SIPs are normally proposed by the regional Akimats and then reviewed by NCOC and the PSA Authority (the state body that supervises NCOC’s operation on behalf of the Ministry of Energy) to make sure compliance with contract requirements and the Operator’s sustainable development commitments in close cooperation with the Akimats. Once approved by the Akimats, NCOC conducts a tender and executes the project.

In addition to SIPs, NCOC addresses the needs of local communities. Referring to NCOC’s Sustainability Report 2020, the company allocates USD 1.5 million each year between Atyrau and Mangystau oblasts for community sponsorships and donations, but there is no reference that the company conducts community needs assessment. The Sponsorships and Donation program includes five main areas of support for local communities: healthcare, education, sports, culture, and charity, but the preference is mostly given to the educational projects. The project initiatives usually are received from the local communities, but may also be initiated by NCOC. USD 23.7 million has been spent on sponsorship and donation projects since 1998.

**List of Sponsorship and Donations projects implemented in Atyrau Region in 2020**

<b>Project description</b>	<b>Category</b>
A three-year project "Distance English Language Courses in Atyrau Oblast" in liaison with British Council	Education
GAZ 32212 based purpose-built vehicle to transport people with disabilities	Donation
Special Montessori equipment for children with speech delay	Education

Eight-floor split-systems for sports hall of the Sports Club for handicapped persons in Atyrau Oblast	Education
STEM-laboratory" classroom for Atyrau secondary school	Education
Children's outdoor play equipment for kindergartens	Education
Replacement and installation of filters in air disinfectants - cleaners in 27 secondary schools in Atyrau city,	Education

Engagement with local communities is a major part of external relations policy, and NCOC's goal is proactively to address any concerns raised about operations, recognizing that public respect is gained through safe performance, open communications, and community involvement. However, according to NCOC's Sustainability Report 2020, community engagement is carried out only as part of public hearings for operational projects or environmental issues, not on social projects. There is no evidence of involving the community in regards to the implementation of SIPs, for instance.

As for the international experience, after having reviewed the Annual report of the OECD guidelines for multinational enterprises, we found out that compliance with the international principles and standards on responsible business conduct (RBC) has become important lately not only for business but also for the government. The adaptation of RBC practices contributes to the sustainable development of society, and successful promotion of these practices requires active participation from governments. Governments are expected to take an active role in enacting internal legislation to regulate policies related to RBC with the direct involvement of all public agencies. There are several examples of successfully adopted RBC practices in France, the United Kingdom, and Australia, requiring companies to undertake supply chain due diligence and inform on cases involving the violation of human rights and environmental impacts. Several countries introduced new

legislation and policies that prevent child labor and combat modern slavery and regulations for sustainability-related disclosures. The main purpose of such regulating acts is to encourage companies to reduce their effect on society and the environment. In this regard, OECD Guidelines are considered as a useful framework that offers expanded considerations in regards to addressing such societal issues as corruption, environment, consumer protection, taxation, etc.

### **Primary data analysis**

Let's shift to primary data analysis. As outlined in the research design, we conducted interviews with relevant stakeholders (Akimat, NCOC, and selected NGO representatives) and surveyed randomly identified residents. As a result, we defined some issues regarding the realization of CSR projects in the Atyrau region. For example, one of the important findings is a lack of basic understanding of the CSR concept. This creates a higher expectation from companies by the local government and the population. Another issue is the absence of a clearly defined National Concept for CSR which is a reason for low awareness of officials about CSR, which in turn leads to the application of a top-down approach. Findings showed that unilateral decision-making by local authorities on the list of required CSR projects may demotivate companies on their active involvement in the process. Therefore, appropriate incentives from the state are needed to encourage companies to execute CSR projects.

There is an issue with lack of trust in the authorities and transparency of funds allocated for CSR projects, as there is no evidence of relevant reports issued by the Akimat. Hence, the local population has no idea where and to what extent the expenditures on CSR projects are made, whether such expenditures are justified, whether they meet the current needs of the population. Regulatory uncertainties and the absence of a clear CSR realization mechanism between stakeholders may create situations for corruption schemes.

As a result of the survey, we defined that the wider involvement of the local population is limited. As we mentioned above, companies tend to engage with a civil society mostly during official public hearings called to discuss environmental or project issues. The interview with NGO representatives demonstrated that civil society is not sufficiently engaged in the CSR process. From Akimat's

perspective, it would require additional resources to address their concerns and from the company's perspective, it is viewed that local NGOs lack the necessary knowledge and skills in the provision of technical expertise.

### **Analysis of the survey data**

The online survey of the Atyrau region residents was conducted, and around 70-80 respondents participated who helped to identify the following results, which were important in proving one of the hypotheses which said that different perceptions of stakeholders undermine the development of CSR:

#### 1) The increasing tendency of the local population's awareness regarding social projects being realized by businesses in the Atyrau region

According to the survey results, only 51.4% of the respondents showed their awareness of social projects realized by businesses in their region; 68.6% mentioned the programs of such companies as NCOC, Tengizchevroil (TCO), Shell, Chevron, ExxonMobil, and Embamunaygas. When asked about the well-known and notable projects, most of the respondents names the following projects:

- NCOC – infectious hospital for children, technical gymnasium, center for pupils, Atyrau riverside modernization, procurement of equipment for hospitals, support to Atyrau O&G College, projects in support of children with disabilities
- TCO – program “Igilik”, construction of schools and hospitals, incl. support during COVID-19, construction of Retro Park, the program “Yntymak” (educational and charity), program “Zharkyra” (development of social entrepreneurship), workshop “Koltanba” (vocational skills for people with disabilities)
- ExxonMobil – sponsorship of medical students and perinatal center of the Atyrau region
- Chevron – construction of the palace of pupils in Atyrau

#### 2) Growing expectations of the population from business in the realization of CSR projects

Based on the survey results, 83.7% of respondents agreed that businesses are obliged to implement CSR projects. This indicates the fact that the local population perceives that business plays an important role in the socio-economic development of the region. At the same time, the survey identified an opinion that the realization of CSR projects has to be decided by the business owners. Some respondents said that a business firstly should focus on its assets, and only then on social responsibility. See diagram 1 below:

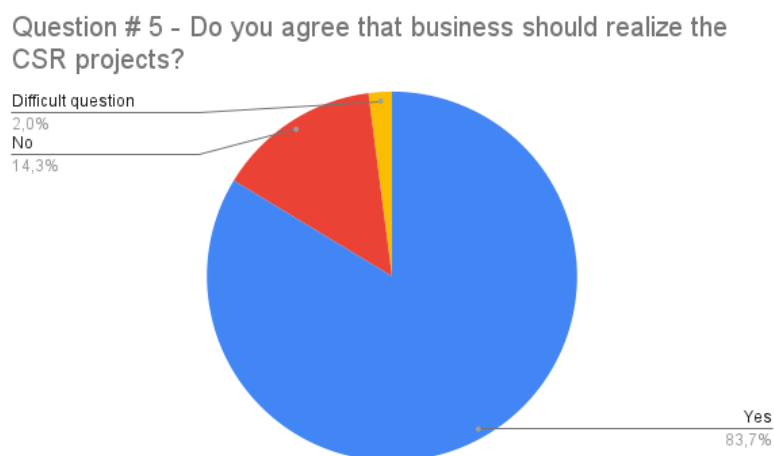


Diagram 1

As for growing expectations, the respondents highlighted certain roles and responsibilities of business such as long-term economic effect and sustainability, leading to appropriate maintenance of the projects' exploitation duration, social tensions relief, effective resolution of critical social issues, increased role and competency of NGOs, transfer of some state functions to NGOs, development of partnerships between the state, NGOs, and business, adoption of best practices of the transnational companies in CSR by Kazakhstani companies, involvement of volunteers in handling some of the social problems, employment opportunities, increased transparency.

### 3) The positive and negative impact of CSR projects realized by the business on the Atyrau region's development

The survey results demonstrate that 71.4% of the respondents agreed that there is a benefit from CSR projects on the region's development. This indicates the significant impact and more positive effects from the business activities. See diagram 2.

Question # 6 - Do you see any benefits from CSR projects realized by business in your region?

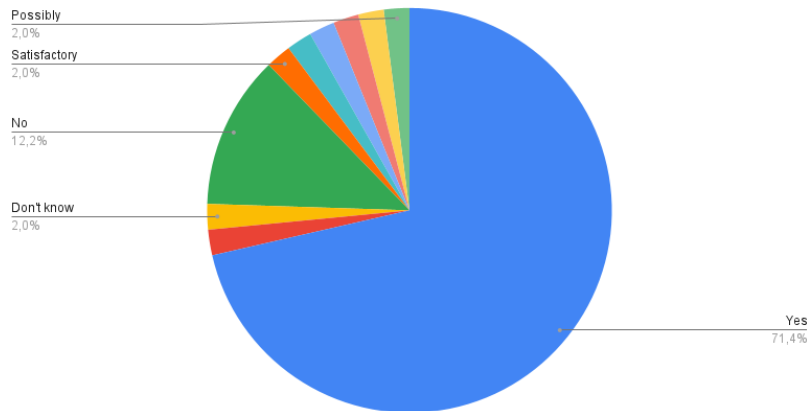


Diagram 2

Along with positive ones, the respondents highlighted the negative implications.

Positive	Negative
Improvement of the social sphere (construction of schools, hospitals, etc.)	Lack of assessment and ignorance of local population's needs during the realization of CSR projects
Transparent mechanism of procurement, construction and realization of CSR projects (control over the quality and budget)	No budget and lack of control from local authorities on the projects' sustainability, as they take them for granted
Additional social objects on top of the state commitments relieve the burden on the state budget	Duplication of budgets allocated for social infrastructure projects by companies and states creating corruption risks
Development and better involvement of NGOs	Patronage and kinship during the allocation of funds for educational projects

Development of social entrepreneurship	NGOs' dependency on funding from business
Employment opportunities, development of cadres	Short-term duration of some of the projects
Quick and less bureaucratic realization of social projects thanks to business	Lack of support and incentives from the government for realization of CSR projects
More infrastructure projects	Miscommunication, insufficient coverage of CSR projects. People still think that transnational companies are stealing the region's wealth
Development of small and medium enterprises	Funds can be allocated not appropriately
	Business is reluctant to cooperate with authorities and NGOs due to lack of knowledge and unnecessary bureaucracy

4) Insufficient involvement of the local population during decision-making process on CSR projects

According to the survey results, only 6.1% of the population mentioned full involvement of local citizens' participation in the CSR decision-making and implementation process, indicating the fact that there is no cooperation with the local community. See diagram 3.



Question # 10 - Assess the involvement of local community in decision-making process during realization of CSR project.

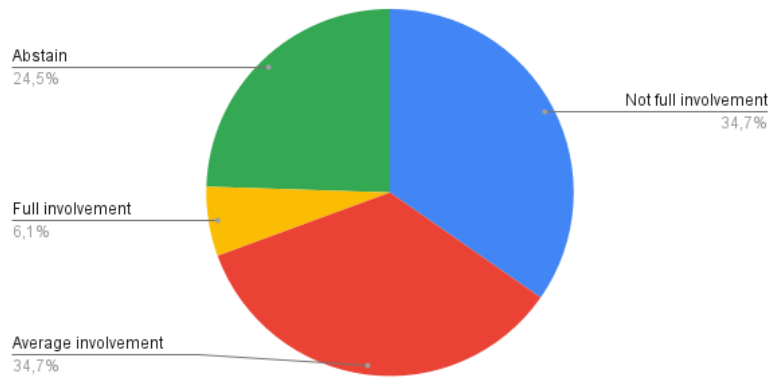


Diagram 3

5) Different views on the CSR focus areas

As identified by the survey, the following spheres were described as highly demanded: social (42.9%), environmental (17.1%), and infrastructure (2.9%) and all three spheres mentioned above (14.3%). This indicates the priorities of the local population in terms of their needs and preferences. See diagram 4 below.

Question #12 - In what spheres the companies should realize their CSR activity?

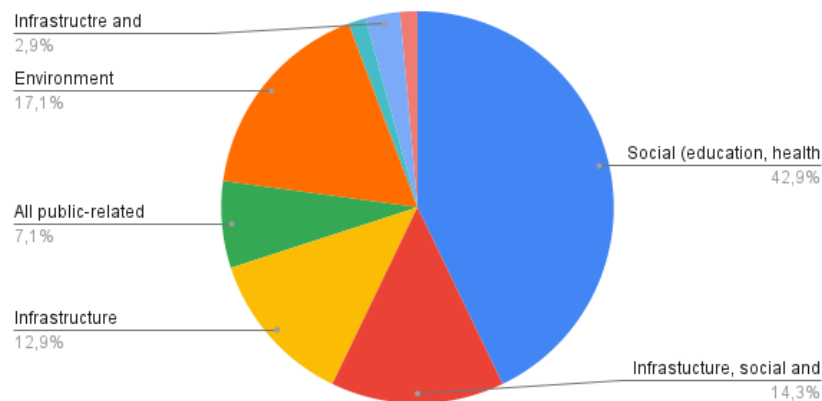


Diagram 4

**Analysis of the interview with the Atyrau region's Akimat representatives**

1) Absence of interaction between Akimat and local community/NGOs during CSR projects realization

Akimat confirmed that one of the important CSR criteria is the realization of social infrastructure projects, which specifically address the needs of the local population. We learned that based on the agreement between Akimat of the Atyrau region and subsoil users (NCOC, TCO), Akimat provides the list of social infrastructure projects which are subject to realization. When asked about the process of compilation of the list of projects, Akimat responded that the list is approved internally via obtaining a review of corresponding departments (education, health, sport, culture, energy, etc.). However, Akimat did not mention the involvement of the local community and NGOs during the decision-making process.

2) Akimat is dependent on companies' decision-making and capacity during the CSR realization process

When asked how the CSR process can be improved, Akimat responded that companies need to increase the budget and conduct an in-depth analysis of the CSR projects' significance and relevance. However, these responsibilities lie under Akimat's direct purview. Thus, transferring this important function to companies, Akimat is deterring the CSR planning and realization process.

3) No evidence of existing mechanisms of Akimat's CSR monitoring and feedback processes

According to the Akimat, they thoroughly monitor the CSR budget and obtain feedback from the object recipients (schools, kindergartens, and hospitals). However, Akimat did not mention any existing mechanisms of the monitoring and feedback processes.

**Analysis of the interview with NCOC representatives responsible for CSR projects**

1) NCOC's CSR realization process is regulated by the Production Sharing Agreement (PSA) signed between the Republic of Kazakhstan and foreign investors

During the interview, NCOC confirmed that social infrastructure projects are proposed by the regional Akimat. The proposed list is analyzed for compliance with PSA requirements and NCOC's commitment to sustainable development.

Once the list of projects is approved, the whole process, including procurement, project design, and acceptance of CSR projects are realized by NCOC with the support of Akimat and other relevant state authorities. This indicates the fact that the CSR implementation process is fully implemented by the company from start till the transfer of the projects to the local community. While NCOC confirmed that the engagement of the local community in the CSR process is envisaged in the PSA, they did not provide sufficient information regarding the population's involvement in the decision-making process. In addition, strict compliance with the PSA requirements doesn't stimulate NCOC to further monitor and assess the effectiveness of the realized CSR projects.

2) Limited opportunity for company's long term planning over CSR realization process

When asked about how the CSR realization process can be improved, NCOC recommended that ideally SIP projects should be planned 4-5 years in advance, taking into account the needs of the local community. The infrastructure projects have to be built per modern construction design requirements and under the strict control of the company's engineers.

**Analysis of the interview with CSR representatives of NCOC's shareholder companies (Shell, Eni, ExxonMobil)**

Based on the interviews with the CSR representatives of NCOC's shareholder companies, we learned that these companies also realize their CSR projects in different spheres (health, education, social) in compliance with internal procedures. However, the following gaps have been identified during the CSR realization process with local Akimat:

*Lack of competence* – Akimat's CSR objectives are not clearly defined, which leads to poor monitoring of the CSR realization. Companies recommend that Akimats should take more responsibility and actively participate in the acceptance of the CSR project. Separately, Akimats must be involved in the projects' implementation process.

*Lack of planning* - inconsistent policies of regional Akimat lead to poor CSR process planning. Companies recommend that the CSR planning process should be incorporated into the region's territorial development.

*Lack of incentives* – companies view that there is a necessity of fiscal incentives for CSR realization. One of the proposed options is excluding the companies' social expenditures from the corporate income tax.

### **Analysis of the interview with the region's NGO representative**

As a result of the interview, we found out several NGO concerns: 1) NGOs are not involved in the CSR process from the beginning; 2) There are no legal obligations either for Akimat or companies to engage NGOs and community representatives during the decision-making process in the compilation of the list of social infrastructure projects; 3) Transnational companies are more inclined to hear NGO concerns rather than local Akimat or national companies; 4) Absence of appropriate technical maintenance and support of the projects' sustainability by Akimat after realization of the project, which leads to the deterioration of the constructed facilities; 5) Akimats and companies are not interested in engaging NGOs due to lack of institutional knowledge and expertise.

## DISCUSSION

The analysis of the primary and secondary data helped to confirm the two hypotheses that we identified at the beginning of the research. **The first hypothesis** confirmed that a better understanding of CSR and enhanced communication among stakeholders (Akimat, companies, local community/NGOs) results in the improved realization of CSR projects. We found that varied perceptions of CSR by stakeholders lead to a lack of unified understanding of CSR. In support of our argument, the following table below summarizes the results of interviews and surveys, showing different levels of involvement of stakeholders in the CSR realization process.

Criteria in the realization of CSR project	Local authorities (Akimat)	Business	Local community/NGO
selection of CSR projects	involved	not involved	not involved
preliminary stage (state approvals, land plot selection)	weak	involved	not involved
realization of the CSR project	not involved	involved	N/A
monitoring of the realization of CSR project	absent	involved	N/A
feedback collection	absent		
maintenance of CSR project	weak	not involved	N/A
long-term planning of CSR project (4-5 years ahead)	weak	N/A	not involved

We concluded that the role of the local community is underestimated while CSR activity should mainly address the local needs. Both business and local authorities disregard the demands and expectations of local communities. Moreover, there is a lack of Akimat's representation during the CSR realization process. The OECD Report on Responsible Business Conduct in Kazakhstan identified that a contradictory understanding of CSR leads to a lack of transparency in the process of allocating money and miscommunication with regional authorities on the selection and implementation of CSR projects. Some uncertainties still exist: CSR is still viewed as a charitable interest, there is still limited involvement of civil

society, and Kazakhstan's government has not made its expectations clear on CSR.

The absence of a clearly defined national framework for CSR implementation is the main reason for low awareness of government officials about CSR that leads to a top-down approach - unilateral decision-making by the local government on the list of required CSR projects in the region results in distrust in the officials by the population who put the issue of allocation of funds for CSR projects under question. Therefore, regulatory uncertainties, the absence of a clear CSR realization mechanism between stakeholders may create negative perceptions, including laying the ground for corruption schemes. For example, we learned both from the literature and findings that there are many cases when community investments are not fit for purpose or not workable for the community, and short-term. One study mentioned that companies usually create the illusion of activism in CSR, which in most cases does not comply with the real situation.

Most importantly, limited involvement of the local community both by companies and government leads to negative reactions from the public, as they view CSR as non-transparent and close to public activity. Referring to our case study - the review of NCOC's Sustainability Report 2020 indicated the fact that community engagement is carried out only as part of public hearings for operational projects or environmental issues, not on social projects. There is no evidence of involving the community in regards to the implementation of SIPs, for instance. There are no legal obligations either for Akimat or companies to engage NGOs and community representatives during the decision-making process in the compilation of the list of social infrastructure projects.

The findings showed that lack of understanding of the CSR concept and poor communication between stakeholders creates higher expectations from companies by the local government and the population. The findings confirmed that the involvement of the local population in the CSR process is limited. According to the research findings, only 6.1% of the surveyed population mentioned the full involvement of local citizens in the CSR decision-making and implementation process, and 83.7% of respondents agreed that companies are obliged to realize CSR projects. In terms of involvement, companies tend to engage with a civil society mostly during official public hearings on projects that fall under

environmental impact assessment procedures, but not for any CSR project. From Akimat's perspective, it would require additional resources to address community concerns. Another issue raised by both the Akimat and companies is the lack of necessary knowledge and skills in the provision of technical expertise by NGOs and the local community. While working on this project, we coincidentally took part at the CSR roundtable organized by GSSP (Oct 15'21), where it was mentioned that in Kazakhstan CSR is underdeveloped and that there is a lack of professional and credible NGOs. We learned that only a few of them are actively involved in CSR projects.

**The second hypothesis** confirmed that better planning and availability of CSR monitoring & feedback tools/mechanisms by local authorities (Akimats) increase the realization of more sustainable projects which address local community needs.

As we have already mentioned there is an insufficient level of involvement of each stakeholder. We concluded that Akimat's CSR objectives are not clearly defined leading to a lack of planning and contribution by Akimat. Our findings showed the increasing expectations from the local community and business on the role and contribution of Akimat.

Reviewing the annual report of the OECD guidelines for multinational enterprises, we found out that adapting and promoting responsible business conduct practices that contribute to the sustainable development of society requires active participation not only from businesses but also from governments. The governments are expected to take an active role in enacting internal legislation to regulate policies related to RBC with the direct involvement of all public agencies. There are several examples of successfully adopted RBC practices in France, the United Kingdom, and Australia, requiring companies to undertake supply chain due diligence and inform on cases involving the violation of human rights and environmental impacts.

The ineffective and poor involvement of Akimat in the coordination of CSR projects negatively affects the opportunity for companies for long-term planning. NCOC's representatives mentioned that ideally SIP projects should be planned 4-5 years in advance taking into consideration the region's territorial development

plan. Also, it should be mentioned that our survey and interview results had shown diverse opinions about the CSR focus area (what the primary needs for the region are) which again proves the poor planning process from Akimat's side.

The findings showed that Akimat lacks the expertise and knowledge to support the realization of CSR projects from the government's side which leads to its dependency on companies' decision-making and capacity during the CSR realization process. The CSR implementation is fully implemented by the company from start till the transfer of the projects to the local community. Transferring this important function to companies deters the CSR planning and realization process.

Also, we could not locate any evidence of existing mechanisms of Akimat's CSR monitoring and feedback processes. Based on the conducted interviews with the local Akimat, although authorities monitor the CSR budget and obtain feedback from the object recipients (schools, kindergartens, and hospitals), we found out that there are no clearly defined mechanisms of CSR projects' monitoring and feedback processes. We found examples of projects realized by NCOC for the last 10 years which are currently unsustainable. For example, such projects as Skalnaya Tropa or Victory Square are restricted for use due to unsafe conditions. Because of the lack of monitoring from the Akimat's side, the quality of construction was impacted and led to unsafe conditions.

The findings highlighted several important CSR factors that affect the local community and if improved could relieve social tension: long-term economic effect and sustainability of CSR project - as part of our primary data analysis, one of the important negative outcomes raised by the community members was that lack of control from local authorities on the projects' sustainability. Other factors included the necessity for robust plans for effective resolution of critical social issues; increased role and competency of NGOs, consideration of transferring some state functions to NGOs; involvement of volunteers in handling some of the social problems with further employment opportunities, and increased transparency.



## RECOMMENDATIONS

As a result of our research findings, we came up with the following recommendations for the RoK Government as the main policymakers in the development and effective realization of CSR in Kazakhstan:

### **1) Involve local community/NGOs in the decision-making process during the selection of CSR projects**

Provide support for the creation of professional and subject matter public organizations and NGOs within the local government (Akimat, maslikhats, public councils) by making certain legislative changes to oblige Akimats to hold public hearings, including online discussions on internet platforms before selecting CSR projects in the region. Since Akimat is a primary representative of local citizens' interests, we view that local administrations should be responsible not only for the organization of the CSR process but also for taking into account the needs of the population. While companies provide the investments, the Akimat should play a crucial role in building a mutually beneficial relationship with the local community.

### **2) Develop national conceptual CSR framework to ensure understanding of CSR concept by the involved stakeholders and introduce applicable CSR implementation mechanisms**

The guidelines should be based on the following principles: international guidelines, incl. OECD; should consider the views of all relevant stakeholders; should take into account Kazakhstani reality and regional/industry specifics. Core criteria for consideration are long-term planning, transparency, accountability, assessable, predictability, and measurability.

### **3) Ensure the sustainability of CSR projects**

The Government should introduce appropriate, workable mechanisms/instruments for monitoring and maintenance of the realized CSR projects. These mechanisms should be outlined in the proposed national CSR framework. Once the CSR project is completed and transferred to Akimat's ownership, the latter is responsible for the maintenance of its sustainability. For this, the Government should allocate budgets for proper exploitation of these objects in the long run. One of the options is to involve maslikhats as the

representatives of the local community for monitoring the sustainability of the realized CSR projects (third-party observation).

**4) Enhance CSR knowledge and expertise/capacity of stakeholders**

It is important to increase the quality of given recommendations by stakeholders through the organization of educational events (round tables, conferences, training programs). The recommendations should be based on international practices and adapted to local realities. One of the options is the establishment of an annual CSR forum demonstrating major projects with the participation of stakeholders (companies, NGOs, Akimats, international organizations). This platform will allow for the parties to exchange knowledge and experience, develop new approaches via using new technologies, and discuss emerging new trends in the CSR sphere.

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