

Validation of Armenia: Report on initial data collection and stakeholder consultation

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Abbreviations

AMD	Armenian Dram
APR	Annual progress report
AUA	American University of Armenia
BO	Beneficial ownership
CJSC	Closed Joint Stock Company
CSO	Civil society organisation
EBRD	European Bank for Reconstruction and Development
EIA	Environmental impact assessment
EITI	Extractive Industries Transparency Initiative
EY	Ernst & Young
GDP	Gross domestic product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
IA	Independent Administrator
LLC	Limited Liability Company
MEDI	Ministry of Economic Development and Investment
MEINR	Ministry of Energy Infrastructures and Natural Resources
MNP	Ministry of Nature Protection
MoE	Ministry of Environment
MoF	Ministry of Finance
MoH	Ministry of Health
MoJ	Ministry of Justice
MSG	Multi-stakeholder group
MTAI	Ministry of Territorial Administration and Infrastructure
NGO	Non-governmental organisation
NRGI	Natural Resource Governance Institute
OJSC	Open Joint Stock Company
PWYP	Publish What You Pay
RA	Republic of Armenia
SOE	State-owned enterprise
SRC	State Revenue Committee
ToRs	Terms of Reference
USAID	United States Agency for International Development
USD	United States Dollar

VAT	Value added tax
WB	World Bank

Executive summary

Hovik Abrahamyan, former Prime Minister of Armenia, issued an official public statement about the government's intention to implement the Extractive Industries Transparency Initiative (EITI) on 28 July 2015. On 27 June 2016, the first meeting of the interim multi-stakeholder group (MSG) of Armenia EITI took place. The composition of the MSG was approved by the Prime Minister's Decree #1104-A on 24 November 2016.¹ On 26 December 2016, the MSG adopted its Terms of Reference (MSG ToRs)² and the 2017-2018 work plan³. The Government of Armenia formally submitted its application for membership of the EITI on 28 December 2016. Armenia was accepted as an EITI member country on 9 March 2017 at the EITI Board's meeting in Bogota, Colombia.⁴

On 9 March 2017, the Board agreed that Armenia's Validation under the 2016 EITI Standard would commence on 9 September 2019. This report presents the findings and initial assessment of the International Secretariat's data gathering and stakeholder consultations. The International Secretariat has followed the Validation Procedures and applied the Validation Guide in assessing Armenia's progress with the 2016 EITI Standard. While the assessment has not yet been reviewed by the MSG or been quality assured, the Secretariat's preliminary assessment is that two of the requirements of the EITI Standard have not been fully addressed in Armenia. The recommendations and suggested corrective actions identified through this process relate in particular to subnational transfer and social expenditures.

Overall conclusions

Armenia's EITI implementation is exceptionally embedded in its broader governance of the extractive sector. Armenia's EITI has already led to legislative changes, including ones ensuring contract transparency and beneficial ownership disclosures. The MSG is being consulted from the outset in the preparation of the government's mining strategy. Background studies informing this mining strategy draw on information disclosed through the EITI. However, the broader environment for the extractive industries is challenging, as most civil society groups and some decision-makers are opposed to mining due to its environmental and social impacts.

The MSG had gone beyond EITI Requirements to ensure that implementation addresses issues of national priority in practice. The MSG has a working group on responsible mining that seeks to create a common understanding of the meaning of responsible mining and to promote legislative changes. EITI reporting has been extended to cover environmental monitoring and payments, well ahead of formal requirements of the 2019 EITI Standard. By law, all mining companies are required to disclose data on payments through an online reporting system. Comprehensive data is searchable and available in open format.

EITI implementation started in 2017 but entered a more reform-driven phase after the Velvet revolution of 2018. Many government officials are young and enthusiastic for change. The national secretariat currently only has two staff, but they were commended by stakeholders for their professionalism. The national secretariat is housed within the Prime Minister's office, which enables access and coordination across government agencies. Government representation on the MSG is

¹ Prime Minister's Decree 1104-A on "Establishing Multi-Stakeholder Group for Accession of the Republic of Armenia in the Extractive Industries Transparency Initiative and Approving Its Composition" from 24 November 2016: <https://www.e-gov.am/decrees/item/16411/>.

² MSG ToRs: <https://www.eiti.am/en/msg-tor>.

³ Work plans: <https://www.eiti.am/en/eiti-work-plan>.

⁴ Board decision 2017-16/BM-36: <https://eiti.org/board-decision/2017-16>.

senior, and members of other constituencies are engaged and active in all aspects of EITI implementation.

By encouraging cooperation between all constituencies, the EITI has helped to contribute to a new culture of dialogue in the country. However, one of the key challenges for Armenia EITI is to ensure continued stakeholder engagement. Only a few civil society groups are interested in participating in the EITI, as most are opposed to mining altogether. Companies' engagement also depends on the prospects for the sector and whether they see EITI improving their operating environment. So far, EITI has not led to increased public trust in the mining sector, although relations between stakeholders on the MSG appear to be healthy. A second challenge is transitioning to systematic disclosures, which requires both funding and commitment from all relevant government agencies. There are opportunities for the EITI to work together with the Audit Chamber to improve data reliability.

Recommendations

The International Secretariat has identified two corrective actions that Armenia should undertake to address shortcomings in meeting EITI Requirements, as well as strategic recommendations that Armenia is encouraged to consider for strengthening implementation.

Corrective actions:

- In accordance with Requirement 5.2, Armenia is required to disclose the revenue-sharing formula and any discrepancies between the formula and actual transfers to communities. Armenia should disclose (1) the basis for calculating the total amount of environmental payments by metal mining companies to be redistributed to communities, (2) the resulting amount in the year under review, (3) the proportions reserved for each affected community, (4) the total amount assigned for each community, (5) the actual transfers, and (6) any discrepancies between the values to be made available according to the revenue-sharing formula, the values actually made available to each community and the values actually transferred to each community. The responsible government agencies may wish to comment on the reasons behind possible discrepancies.

To strengthen systematic disclosures, the Ministry of Environment is encouraged to proactively publicly disclose the proportions assigned to each community and the basis of calculation. The MSG is encouraged to consider additional disclosures related to the design and execution of health and environmental projects in communities.

- In accordance with Requirement 6.1, Armenia is required to disclose information about the nature of extractives companies' mandatory in-kind social expenditures, as well as possible third-party beneficiaries of mandatory social payments. Armenia should ensure that its EITI reporting and/or the online portal provide an overview of total mandatory social expenditure by companies, both in cash and in-kind. For upcoming EITI reporting, Armenia is encouraged to document its assessment of the materiality of mandatory social payments.

Strategic recommendations:

- To strengthen implementation of Requirement 1.1, Armenia is encouraged to ensure additional capacity building on the EITI Standard for relevant government officials and technical specialist that are not part of the MSG, with a focus on systematic disclosures.
- To strengthen implementation of Requirement 1.2, the industry constituency is encouraged to explore means of systematically disclosing data required by the EITI Standard through company systems such as corporate websites and annual reports.

- To strengthen implementation of Requirement 1.3, Armenia is encouraged to further strengthen awareness-raising for civil society actors not part of the MSG and undertake additional capacity-building for analysing and using EITI data. Civil society MSG members are encouraged to pursue ongoing outreach efforts towards the broader constituency.
- To strengthen implementation of Requirement 1.4, Armenia may wish to consider broadening engagement between the MSG and local governments, in the context of its engagement with the broader government constituency, to further reflect locally-significant challenges in the management of the extractive industries in the MSG's deliberations. Armenia may also wish to consider formalising the procedures for the MSG's rotation of members from all constituencies.
- To strengthen implementation of Requirement 1.5, Armenia may consider in future EITI work plans activities related to analysing and using data related to revenue management and expenditure, discretionary social expenditures, subnational transfers. Moreover, the multi-stakeholder group is expected to agree and include in the work plan activities for disclosing all contracts and licenses with a clear time frame for implementation addressing any barriers to comprehensive disclosure.
- To strengthen implementation of Requirement 2.2, Armenia is encouraged to provide more detailed information on the rejections of applications for exploration and production permits and may wish to draw on the findings of EITI reporting on exceeding the statutory timeframes for certain permit awards as the basis for future reforms. The MSG could also consider clarifying the rules and implications of change of control/ownership of metal mining permit-holders.
- To strengthen implementation of Requirement 2.3, the MSG is encouraged to consider integrating the information provided in the license (permit) register and online interactive geological map, and could ensure that the efficiency of synchronising all relevant data with the Republican Geological Fund website is improved.
- To strengthen implementation of Requirement 2.4, Armenia is encouraged to undertake a review of published production contracts and to make efforts to encourage analysis and use of disclosed contracts by interested stakeholder groups. In addition, Armenia is encouraged to assess the possibility of systematic disclosure of exploration and production permits as well as exploration contracts.
- To strengthen implementation of Requirement 2.5, Armenia is encouraged to analyse the first beneficial ownership disclosures and to ensure that the data is published in an accessible format for the future reporting periods. Once the register is established, the Ministry of Justice and the MSG should review the disclosures, assess any gaps and weaknesses and agree on a plan for addressing these.
- To strengthen implementation of Requirement 3.2, Armenia is encouraged to ensure that more detailed information on production volumes and values of precious metals is publicly disclosed, including a comparison of applied methodologies and differences in the data reported by the companies and the data systematically disclosed by the government. In addition, the MSG may wish to clarify the legislation hindering disaggregated disclosure of precious metals production data and consider different reporting options that will ensure systematic disclosure of production data for precious metals.
- To strengthen implementation of Requirement 3.3, Armenia is encouraged to ensure that a comparison of data on precious metals exports from companies and from government websites is publicly disclosed, alongside additional information on region of origin for all metal mining exports, where relevant.








- To strengthen implementation of Requirement 4.1, Armenia may wish to consider revising the scope of reconciliation in its transition to systematic disclosures, to strike a balance between the comprehensiveness of reconciliation and improvements in the comprehensiveness, disaggregation and reliability of systematically disclosed extractives revenue data.
- To strengthen implementation of Requirement 4.3, Armenia is encouraged to ensure that the existence of infrastructure provisions and barter arrangements is reassessed annually ahead of EITI reporting.
- To strengthen implementation of Requirement 4.4, Armenia is encouraged to ensure that the existence of transportation revenues is reassessed annually ahead of EITI reporting.
- To strengthen implementation of Requirement 4.7, Armenia may wish to analyse any legal changes required and consider the extent to which it can make progress in implementing project-level EITI reporting for all fiscal periods ending on or after 31 December 2018.
- To strengthen implementation of Requirement 4.8, the MSG is encouraged to explore opportunities to disclose data as soon as practically possible, for example, through continuous online disclosures or, where available, by publishing additional, more recent contextual EITI data than the accounting period covered by the EITI revenue data.
- To strengthen implementation of Requirement 4.9, Armenia is encouraged to use its upcoming EITI reporting as a diagnostic of implementation of reforms in auditing public institutions. The MSG is encouraged to collaborate with the Audit Chamber to agree a plan for building capacity and ensuring that extractive revenues are subject to an independent audit. Armenia is also encouraged to ensure that extractive companies undergo credible, independent audits made publicly available in a timely manner.
- To strengthen implementation of Requirement 5.1, Armenia is encouraged to include in its upcoming EITI reporting links to further information about the national budget and the budgets of communities that receive revenues from metal mining companies. The MSG may wish to make recommendations to improve the accessibility and usability of this information.
- To strengthen implementation of Requirement 5.3, Armenia is encouraged to disclose information on extractive sector production and revenue projections as a means of supporting forward-looking public debate on the extractive industries.
- To strengthen implementation of Requirement 6.3, the Statistical Committee is encouraged to consider collecting and disclosing the information referred to in Requirement 6.3 of the 2019 EITI Standard. Armenia EITI could focus on interpreting, analysing and visualising the data.
- To strengthen implementation of Requirement 7.1, Armenia is encouraged to build stakeholders' capacity to analyse financial data and to strengthen engagement with research institutions. Armenia EITI is also encouraged to engage with parliamentarians to ensure that EITI data helps inform their decision-making.
- To strengthen implementation of Requirement 7.2, Armenia is encouraged to focus on capacity-building efforts to develop stakeholders' capabilities to analyse financial data, which could involve collaboration with economic research institutions such as universities.
- To strengthen implementation of Requirement 7.3, the MSG is encouraged to establish a mechanism for considering recommendations from EITI reporting and Validation and to ensure that progress in addressing recommendations endorsed by the MSG is regularly monitored.
- To strengthen implementation of Requirement 7.4, Armenia is encouraged to develop tools for the monitoring and evaluation of the impact of EITI implementation. When reviewing the outcomes and impact of EITI implementation in 2019, Armenia should include an overview of

the MSG's responses to and progress made in addressing recommendations from the 2016-2017 EITI Report and Validation.

FIGURE 1– INITIAL ASSESSMENT CARD

EITI Requirements		LEVEL OF PROGRESS				
		No progress	Inadequate	Meaningful	Satisfactory	Beyond
Categories	Requirements					
MSG oversight	Government engagement (#1.1)					
	Industry engagement (#1.2)					
	Civil society engagement (#1.3)					
	MSG governance (#1.4)					
	Work plan (#1.5)					
Licenses and contracts	Legal framework (#2.1)					
	License allocations (#2.2)					
	License register (#2.3)					
	Policy on contract disclosure (#2.4)					
	Beneficial ownership (#2.5)					
	State participation (#2.6)					
Monitoring production	Exploration data (#3.1)					
	Production data (#3.2)					
	Export data (#3.3)					
Revenue collection	Comprehensiveness (#4.1)					
	In-kind revenues (#4.2)					
	Barter agreements (#4.3)					
	Transportation revenues (#4.4)					
	SOE transactions (#4.5)					
	Direct subnational payments (#4.6)					
	Disaggregation (#4.7)					
	Data timeliness (#4.8)					
	Data quality (#4.9)					
Revenue allocation	Distribution of revenues (#5.1)					
	Subnational transfers (#5.2)					
	Revenue management and expenditures (#5.3)					
Socio-economic contribution	Mandatory social expenditures (#6.1.)					
	SOE quasi-fiscal expenditures (#6.2)					
	Economic contribution (#6.3)					
Outcomes and impact	Public debate (#7.1)					
	Data accessibility (#7.2)					
	Follow up on recommendations (#7.3)					
	Outcomes and impact of implementation (#7.4)					

Legend to the assessment card

	No progress. All or nearly all aspects of the requirement remain outstanding and the broader objective of the requirement is not fulfilled.
	Inadequate progress. Significant aspects of the requirement have not been implemented and the broader objective of the requirement is far from fulfilled.
	Meaningful progress. Significant aspects of the requirement have been implemented and the broader objective of the requirement is being fulfilled.
	Satisfactory progress. All aspects of the requirement have been implemented and the broader objective of the requirement has been fulfilled.
	Beyond. The country has gone beyond the requirement.
	This requirement is only encouraged or recommended and should not be taken into account in assessing compliance.
	The MSG has demonstrated that this requirement is not applicable in the country.

Introduction

Brief recap of the sign-up phase

Armenia joined the Open Government Partnership in 2011 and expressed its intention to become an EITI implementing country in July 2015.

On 27 June 2016, the first meeting of the interim Armenia EITI multi-stakeholder group (MSG) took place. The composition of the MSG was approved by the RA Prime Minister Decree on 24 November 2016. On 26 December 2016, the MSG adopted its ToRs and 2017-2018 work plan. On 28 December 2016, the Government of Armenia formally submitted its candidature application.

Armenia's EITI candidature application was approved on 9 March 2017 at the 36th EITI Board meeting in Bogota, Colombia.

Objectives for implementation and overall progress in implementing the work plan

The objectives of EITI implementation in Armenia are outlined in the 2019-2020 work plan and cover the following aspects:

- Ensuring accessible and timely information;
- Increased accountability and public oversight, reduction of corruption risks;
- Ensuring Armenia's EITI candidacy/membership status;
- Comprehensive EITI report consistent with the EITI Standard;
- Expanding the scope of the EITI Armenia, study of the Armenian legal framework, disclosure of inconsistencies and gaps with the EITI Standard;
- Implementation of responsible mining (RM) practices in Armenia according to the RM roadmap and in line with the best international experience;
- Strengthening capacities of the EITI MSG and other stakeholders, EITI mainstreaming, encouraging systematic data disclosure.⁵

The work plan includes time-bound activities and the progress in addressing deliverables is reviewed every quarter.⁶ The MSG is largely on track in implementing its activities.

History of EITI Reporting

In accordance with the EITI Standard, the Republic of Armenia was required to publish its first EITI Report within 18 months of becoming a candidate, i.e. by 9 September 2018. Following a reporting extension request, in June 2018 the EITI Board agreed that Armenia was eligible for an extension and the reporting deadline was extended to 9 March 2019.

In January 2019, Armenia published its first EITI Report covering 2016 and 2017 fiscal years. The report covers the mining and quarrying sector of Armenia. Preparation of the 2018 EITI Report is ongoing and publication of the report is expected before the deadline of December 2020.

⁵ Armenia EITI work plans: <https://www.eiti.am/en/eiti-work-plan>.

⁶ Armenia EITI annual and quarterly progress reports: <https://www.eiti.am/en/Quarterly-annual-reports>.

Summary of engagement by government, civil society and industry

All constituencies (government, civil society and industry) are fully, actively and effectively engaged in the EITI process. A review of MSG meeting attendance and minutes indicates that MSG membership has been quite stable since 2016.

The MSG has established two working groups – on beneficial ownership and responsible mining. Moreover, MSG members hold additional working meetings when there is a need to discuss some topics in detail and bring them to the MSG for decision or clarification.

All constituencies contributed to the preparation of the first EITI Report, work plans, quarterly and annual progress reports and other relevant documents. Stakeholders across constituencies highlighted the important role of the EITI as a platform for discussion of issues related to the mining sector in Armenia and building dialogue between the government, industry and civil society. All stakeholder groups expressed strong interest in the topic of responsible mining.

Key features of the extractive industry

The metal mining sector is an important contributor to Armenia's economy and is the fastest-growing sector in the country's largely agricultural economy. The country's main metals mining consists of copper, molybdenum and gold. Currently, the biggest mine is operated by the "Zangezur Copper-Molybdenum Combine" CJSC located in Kajaran (Syunik province).

The mining and quarrying sector contributed 2.6% and 3.2% of GDP in 2016 and 2017 respectively. The sector accounted for 4.4% and 7.1% of total state revenues in 2016 and 2017 respectively. In the same years, the share of the metal mining sector in the total export of the Republic of Armenia was 23% and 28% respectively.

Armenia implements the EITI to attract foreign investment in the mining sector, bring accountability and transparency into the sector and enable public access to reliable information. By fostering cooperation between government, industry and civil society, the EITI has helped to contribute to a new culture of dialogue in Armenia.

Explanation of the Validation process

Validation is an essential feature of the EITI implementation process. It is intended to provide all stakeholders with an impartial assessment of whether EITI implementation in a country is consistent with the provisions of the EITI Standard. It also addresses the impact of the EITI, the implementation of activities encouraged by the EITI Standard, lessons learnt in EITI implementation, as well as any concerns stakeholders have expressed and recommendations for future implementation of the EITI.

The Validation process is outlined in chapter 4 of the EITI Standard.⁷ It has four phases:

1. Preparation for Validation by the multi-stakeholder group (MSG)
2. Initial data collection and stakeholder consultation undertaken by the EITI International Secretariat.
3. Independent quality assurance by an independent Validator who reports directly the EITI Board
4. Board review.

The [Validation Guide](#) provides detailed guidance on assessing EITI Requirements, and more detailed [Validation procedures](#), including a standardised procedure for data collection and stakeholder

⁷ See also <https://eiti.org/validation>.

consultation by the EITI International Secretariat and standardised terms of reference for the Validator.

The Validation Guide includes a provision that: “Where the MSG wishes that validation pays particular attention to assessing certain objectives or activities in accordance with the MSG work plan, these should be outlined upon the request of the MSG”. The Armenia EITI MSG did not request any issues for particular consideration.

In accordance with the Validation procedures, the International Secretariat’s work on the initial data collection and stakeholder consultation was conducted in three phases:

1. Desk Review

Prior to visiting the country, the Secretariat conducted a detailed desk review of the available documentation relating to the country’s compliance with the EITI Standard, including but not limited to:

- 2017-2018 and 2019-2020 work plans, including documents covering implementation progress in implementing the work plans;
- The MSG’s Terms of Reference, and minutes from multi-stakeholder group meetings;
- 2016-2017 EITI Report, including relevant scoping study and inception report;
- Online e-reporting portal⁸;
- Communication materials;
- 2016 and 2017 annual progress reports and quarterly progress reports;
- Armenia’s candidature application; and
- Legal and institutional Study, prepared by the AUA Center for Responsible Mining.

In accordance with the Validation procedures, the Secretariat has not taken into account actions undertaken after the commencement of Validation.

2. Country visit

A country visit took place on **4-8 November 2019**. All meetings took place in **Yerevan**. The Secretariat met with the multi-stakeholder group and its members, the Independent Administrator and other key stakeholders, including stakeholder groups that are represented on, but not directly participating in, the multi-stakeholder group. In addition to meeting with the MSG as a group, the Secretariat met with its constituent parts (government, companies and civil society) either individually or in constituency groups, with appropriate protocols to ensure that stakeholders are able to freely express their views and that requests for confidentiality are respected. The list of stakeholders consulted is outlined in Annex C.

3. Reporting on progress against requirements

This report provides the International Secretariat initial assessment of progress against requirements in accordance with the Validation Guide. It does not include an overall assessment of the country’s progress in implementing the 2016 EITI Standard.

The International Secretariat’s team comprised Olesia Tolochko, Country Officer, and Lydia Kilpi, Validation Manager, with support from Oliana Valigura, Regional Director, and Alex Gordy, Validation Director.

⁸ Armenia EITI online e-reporting portal: <https://reports.eiti.am/hy/>

Part I – MSG Oversight

1. Oversight of the EITI process

1.1 Overview

This section relates to stakeholder engagement and the environment for implementation of EITI in the country, the governance and functioning of the multi-stakeholder group (MSG), and the EITI work plan.

1.2 Assessment

Government engagement in the EITI process (#1.1)

Documentation of progress

Public statement: The idea to join the EITI was initiated within the framework of the Open Government Partnership (OGP), which the Republic of Armenia (RA) joined in 2011 intending to implement certain government commitments to promote transparency and ensure multi-stakeholder dialogue (p.10).⁹ Hovik Abrahamyan, former Prime Minister of Armenia, issued an official public statement about the government's intention to implement the Extractive Industries Transparency Initiative (EITI) at the first meeting of the Anticorruption Council on 28 July 2015.¹⁰ Since 2015, several public statements regarding EITI implementation were made by senior government representatives, including a speech by Deputy Prime Minister Tigran Avinyan at the launch of the first 2016-2017 EITI Report.¹¹

Senior lead: The composition of Republic of Armenia's EITI MSG was approved by a Decree of the Prime Minister¹² on 24 November 2016, which was subsequently amended on 16 July 2018.¹³ According to the latter Decree, changes were made to the composition of the EITI MSG. Currently, Tigran Avinyan, Deputy Prime Minister of RA, is the Chair of the EITI MSG. Other MSG members and alternates from the government are represented by the Head and Deputy Head of the State Revenue Committee (SRC), First Deputy Minister of Environment (MoE), two Deputy Ministers of Territorial Administration and Infrastructure (MTAI), Deputy Minister of Justice (MoJ), and Deputy Minister of Finance (MoF). These are senior government officials. The composition of the EITI MSG is available on the national EITI website.¹⁴

Active engagement: Minutes of the MSG meetings confirm that government representatives take an active part in MSG meetings and discussions regarding EITI implementation.¹⁵ For example, the draft 2016-2017 EITI Report was thoroughly reviewed by the MSG and included comments from all constituencies, including government. Moreover, there is evidence that government representatives participate in the awareness-raising and dissemination activities as well as other EITI events.¹⁶

⁹ 2016-2017 EITI Report, hereinafter pages in brackets correspond to the 2016-2017 EITI Report unless otherwise specified.

¹⁰ The Government of Armenia news item, "Anticorruption Council Holds First Meeting": <https://www.gov.am/en/news/item/8039/>.

¹¹ National EITI website, "Conference on the First National Report of the Extractive Industries Transparency Initiative of Armenia": <https://www.eiti.am/en/news/2019/01/30/conference-on-the-first-national-report-of-the-extractive-industries-transparency-initiative-of-arm/49/>.

¹² Decree of Prime Minister N 1104-A "On Setting Up the Republic of Armenia's Extractive Industries Transparency Initiative Multi-Stakeholder Group and Approving Its Composition": <https://www.arlis.am/DocumentView.aspx?DocID=123961>.

¹³ Amendments to the Decree of Prime Minister N 1104-A: <https://www.e-gov.am/decrees/item/18988/>.

¹⁴ Armenia EITI MSG composition: <https://www.eiti.am/en/MSG-composition>.

¹⁵ Armenia EITI MSG meeting minutes: <https://www.eiti.am/en/agenda-protocols-other-related-documents>.

¹⁶ See news section on the national EITI website: <https://www.eiti.am/en/news>.

According to the 2019-2020 work plan¹⁷, several activities are funded from the state budget. In addition, the national EITI website notes a number of awareness-raising activities conducted in recent years, including for representatives of government agencies and communities¹⁸. Moreover, the national EITI secretariat is under the Prime Minister's office and is fully funded by the government.

Stakeholder views

Stakeholders across all constituencies indicated strong government engagement and support to EITI implementation in Armenia.

A representative of the national secretariat clarified that the government constituency on the MSG currently comprises of six main members and two alternates. The MSG members and their alternates represent all key government entities of relevance for the EITI process, including the State Revenue Committee (SRC), Ministry of Territorial Administration and Infrastructure (MTAI), Ministry of Environment (MoE), Ministry of Finance (MoF), and Ministry of Justice (MoJ). The SRC and MTAI have two representatives on the MSG because the SRC provides a significant amount of revenue data for EITI reporting while MTAI is a new ministry that was created in spring 2019 (by merging the Ministry of Energy Infrastructures and Natural Resources with the Ministry of Territorial Administration and Infrastructure) and covers a broad range of areas and policy topics relevant for the EITI process. The MSG is chaired by the Deputy Prime Minister, which helps ensure that the EITI is high on the government's agenda.

Overall, company and civil society representatives commended the seniority and efficiency of government involvement in EITI implementation and decision-making process. In addition, the government's genuine commitment to the transparency agenda and reforming the sector was noted by stakeholders from all constituencies. At the same time, it was noted that technical specialists from relevant government entities required additional technical capacity building on the EITI Standard.

Progress in developing the framework for beneficial ownership disclosures and contract transparency is a prominent example of government commitment to EITI implementation. With regard to beneficial ownership, an inter-agency working group was set up in spring 2018¹⁹. It first focused on the development of draft legislation enabling the disclosure of beneficial owners. After the approval of the amendments to the relevant legislation, the working group focused on the development of relevant bylaws and reporting forms with the aim of ensuring first reporting by Q1 2020. Government representatives appreciated the possibility of being involved in the beneficial ownership working group and expressed strong support for beneficial ownership transparency. The issue of contract transparency has been discussed since 2017 and a package of relevant legal amendments was presented to relevant state entities.²⁰ As a result, an agreement on disclosing all metal mining contracts and their annexes was reached in spring 2018 and contracts were subsequently disclosed. Company and civil society representatives highlighted that such important reforms were contingent on strong government support.

In addition, a working group on responsible mining has been set up to meet demands for improved socio-environmental responsibility in the mining sector. It has developed a roadmap and a concept note on the MSG's approach to responsible mining²¹.

¹⁷ Armenia EITI work plan 2019-2020: https://www.eiti.am/file_manager/EITI_Documents/EITI_Work_Plan_and_NPs/EITI_Workplan_Armenia_2019-2020_eng.pdf.

¹⁸ See "News" section on the national EITI website: <https://www.eiti.am/en/news>. For example, this news item: <https://www.eiti.am/en/news/2018/04/28/awareness-raising-events-took-place-for-representatives-of-government-agencies-and-communities/26/>.

¹⁹ The composition of the working group is available on the national EITI website: <https://www.eiti.am/en/msg-working-groups>.

²⁰ See MSG meeting minutes from 10 October 2017 (https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minute_10_10_%202017.pdf) and 6 December 2017 (https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minutes_06_12_2017_eng.pdf) for more information.

²¹ Roadmap and concept note on the responsible mining: <https://www.eiti.am/en/other>.

Initial assessment

The International Secretariat's initial assessment is that Armenia has made *satisfactory progress* in meeting this requirement. Government representatives make regular public statements of support for EITI. The MSG is chaired by Deputy Prime Minister Tigran Avinyan and comprises representatives from all relevant government entities. Analysis of MSG meeting minutes and stakeholder consultations confirmed that the government is fully, actively and effectively engaged in the EITI process.

To strengthen implementation of Requirement 1.1, Armenia is encouraged to ensure additional capacity building on the EITI Standard for relevant government officials and technical specialist that are not part of the MSG, with a focus on systematic disclosures.

Industry engagement in the EITI process (#1.2)

Documentation of progress

Active engagement: The MSG's ToRs allocate four seats on the MSG to representatives of the mining industry and up to four alternates.²² In addition, industry constituency has four alternate members. The MSG members and their alternates represent the main mining companies in the country.²³

Analysis of MSG meeting attendance and minutes shows that while industry participation varies, the constituency ensured a quorum at all MSG meetings held in 2018-2019 and for all but one MSG meetings in 2017. There is also evidence of industry representatives participating in MSG meetings via Skype. The latest annual progress report (APR) covering 2018 confirms that company MSG representatives participated in the working groups and provided comments and recommendations on draft documents developed during the period²⁴. Moreover, according to the questionnaire filled by companies in preparation of the 2018 APR, three to four meetings were held with the broader constituency in 2018. Besides, within the framework of the Union of Miners and Metallurgists of Armenia, meetings are organised regularly on topics related to the sector.²⁵

The 2017 and 2018 APRs as well as the national EITI website also mention several capacity-building events attended by company representatives.²⁶ The EITI Board meeting in June 2018, pre-Validation workshop in July 2019 and a visit to the UK Business, Energy and Industrial Strategy Department (BEIS) in September 2019²⁷ are examples of activities attended by industry MSG representatives. At the same time, responses to the questionnaire in the 2018 APR note that further capacity-building efforts will be needed to ensure industry's active and efficient engagement in the EITI process.

In 2017, 26 of 27 metal mining companies submitted data required by EITI. In 2016, 22 of 27 metal mining companies submitted their reports since EITI reporting became mandatory only starting from 2017 and there was no legal requirement to report in 2016. At the same time, the EITI Report confirms that all material companies provided data for both 2016 and 2017 (p.199).

²² MSG ToRs: <https://www.eiti.am/en/msg-tor>.

²³ "Agarak Copper and Molybdenum Combine" CJSC, "Geomining" LLC, "Lydian Armenia" CJSC, "Zangezur Copper and Molybdenum Combine" CJSC, "ASSAT" LLC, "GeoEconomics" CJSC, "Teghut" CJSC, "Meghradzor Gold" LLC.

²⁴ 2018 annual progress report: <https://www.eiti.am/en/Quarterly-annual-reports>.

²⁵ Union of Miners and Metallurgists of Armenia website: <https://www.miningmetal.am/>.

²⁶ 2017 and 2018 annual progress reports: <https://www.eiti.am/en/Quarterly-annual-reports>.

²⁷ National EITI website, "Armenian EITI delegation hosted by the UK Business, Energy and Industrial Strategy Department (BEIS)": <https://www.eiti.am/en/news/2019/09/17/armenian-eiti-delegation-hosted-by-the-uk-business-energy-and-industrial-strategy-department-beis/74/>.

Enabling environment: The Government of RA has ensured an enabling environment for company participation in EITI with regard to the legal framework and administrative rules (p.3). Company participation in the EITI reporting process became mandatory in 2017 and reporting templates have been approved through the Government Decree 666-N on 8 June 2018.²⁸ Evidence indicates that the fundamental rights of company representatives engaged in the EITI have been respected.

Stakeholder views

There was general agreement among stakeholders from all constituencies that companies play an active and important role in the EITI implementation in Armenia.

Industry representatives confirmed that EITI reporting became mandatory from 2017. However, many companies, including all companies participating in the reconciliation process, provided relevant data for 2016 despite the lack of legal requirements to report.

Several industry representatives noted that EITI serves as a platform for efficient communication between different constituencies and helps to build trust between companies and citizens. A company representative noted that participation in the EITI process played an important role in the company's success in raising financing by issuing corporate bonds.

It was also confirmed that all relevant documents, such as reporting templates, work plan, the EITI Report and the APR, have been shared with the industry constituency in a timely manner and all representatives have had an opportunity to comment. It was noted that industry representatives provided a significant amount of comments to the draft EITI Report and draft APR. The comments were considered and often included in the final versions.

No geographical or capacity constraints were highlighted preventing industry representatives from participation in the MSG meetings or the EITI process more broadly. At the same time, it was noted that it was possible to join MSG meetings online and industry representatives had used this option several times.

Industry representatives explained that they kept in touch with each other regularly through meetings, emailing, social media communication and other channels, and agreed on mutual positions in advance of MSG meetings. In addition, consultation with the broader constituency is usually facilitated by the Union of Miners and Metallurgists of Armenia, which also includes companies that are not presented in the MSG.

Company representatives consulted provided several examples of use of EITI data in daily work. At the same time, the scope for further use of EITI data was noted, amid calls for more capacity building for government and civil society.

In addition, industry representatives confirmed that they participated in awareness-raising and outreach events organised in regions, namely Agarak, Kapan, Lori and Syunik.²⁹ At least one company representative attended each event.

Initial assessment

The International Secretariat's initial assessment is that Armenia has made *satisfactory progress* in meeting the requirement on industry engagement. Metal mining companies are fully, actively and effectively engaged in the EITI process. In addition, the government has ensured an enabling environment for company participation by adopting the legislation on mandatory EITI reporting starting from 2017 fiscal year.

²⁸ Armenia EITI reporting templates: <https://www.eiti.am/en/eiti-templates>.

²⁹ National EITI website, "News" section: <https://www.eiti.am/en/news>.

To strengthen implementation of Requirement 1.2, the industry constituency is encouraged to explore means of systematically disclosing data required by the EITI Standard through company systems such as corporate websites and annual reports.

Civil society engagement in the EITI process (#1.3)³⁰

Documentation of progress

According to CIVICUS civic space monitor, Armenia is marked amber and classified as a country with “obstructed” civic space.³¹ Freedom House ranked Armenia as “partly free” in its 2019 ranking with a rating of 51/100 noting that “*the new government has pledged to deal with long-standing problems including systemic corruption, opaque policymaking, a flawed electoral system, and weak rule of law*”.³² Such rankings have been influenced by a “post-Soviet” heritage, the country’s gradual development after independence in 1991 and the 2018 Armenian revolution.

In late 2017-early 2018, concerns about shrinking civil society space were growing as pressure from the regime began to intensify with the increasing centralization of power in the hands of the Republican Party of Armenia and former President Serzh Sargsyan.³³ Anxiety and dissatisfaction with the political regime resulted in anti-government protests and a subsequent peaceful revolution in April-May 2018 where civil society played a crucial role.

The main outcome of the revolution was the election of a new government led by the Prime Minister Nikol Pashinyan. Several studies note that many civil society activists have taken up posts in the new government or joined political parties after the revolution, although it may be too early to analyse the outcomes of such changes on the country’s political and social situation.³⁴ Moreover, while the new government currently has strong support from the civil society, the situation could change depending on the pace of reforms, including on improving the environment for civil society engagement. According to a study prepared by Socioscope NGO and Heinrich Böll Foundation, the further development of civil society space depends on further institutionalization of civil society-government relations, the creation of a platform for discussions and constructive criticism as well as the need to diversify civil society’s funding sources.³⁵

Currently, development of Amulsar gold mine appears to be one of the most-discussed topics.³⁶ While the conclusions of the audit³⁷ of potential environmental impacts from the Amulsar gold project led to the government’s approval of the mine’s development, there remains strong opposition to mining activities in the Amulsar area from local environmental activists and civil society representatives.

³⁰ The first Validation under the EITI Standard (Azerbaijan 2016) established precedent for the Validation of requirement 1.3. The CSO protocol “operationalises” requirement 1.3. Each part of the CSO protocol speaks to specific parts of Requirement 1.3:

2.1 of the CSO protocol is intended to assess provisions 1.3(d), 1.3(e)(i), 1.3(e)(iv).

2.2 of the CSO protocol is intended to assess provisions 1.3.(b) and 1.3(c).

2.3 of the CSO protocol is intended to assess provision 1.3(e)(iii).

2.4 of the CSO protocol is intended to assess provisions 1.3.(a) and 1.3(e)(ii)

2.5 of the CSO protocol is intended to assess provision 1.3(d).

³¹ CIVICUS civic space monitor: <https://monitor.civicus.org/>.

³² Freedom House, Armenia: <https://freedomhouse.org/report/freedom-world/2019/armenia>.

³³ Socioscope and Heinrich Böll Foundation, “From shrinking space to post-revolutionary space: Reimagining the role and relations of civil society in Armenia”: https://ge.boell.org/sites/default/files/socioscope-report_15.01_spread-eng.pdf, p.9.

³⁴ Ibid.

³⁵ Ibid, pp. 81-83.

³⁶ DW, “Our water is our gold! Armenians blockade controversial mine”: <https://www.dw.com/en/our-water-is-our-gold-armenians-blockade-controversial-mine/a-50324152>.

³⁷ Lydian International, “Lydian Provides Update on Environmental Audit”: <https://www.lydianinternational.co.uk/news/2019-news/470->

Before 24 November 2019, the Armenia EITI MSG included four civil society members representing both local and international non-governmental organisations as well as a representative from the research community. All civil society representatives on the MSG have either a mining or environmental background. Since 24 November 2019, the MSG includes four civil society members and two alternates.

Expression: According to Freedom House, discussions on political or other sensitive topics in the country are relatively vibrant and there are several independent and investigative journalists in Armenia, albeit operating mainly online.³⁸ The review also notes the possibility of self-censorship by some individuals who want to avoid possible official harassment. At the same time, there do not appear to be any barriers restricting CSOs from freely expressing their opinions on EITI implementation and/or national resource governance. According to a press release on a capacity building workshop held in March 2016, the EITI is seen as an opportunity for CSOs to engage in meaningful reforms. Some civil society members have publicly highlighted that there were limited tradition and experience with multi-stakeholder engagement in Armenia and that the EITI could, therefore, help in transforming government practices.³⁹

Analysis of MSG meeting minutes and other relevant documentation shows that civil society can freely speak about the EITI process at MSG meetings and other EITI events. For example, MSG meeting minutes from November 2016 show that civil society highlighted the importance of covering environmental issues in the EITI implementation in Armenia.⁴⁰ In fact, the first 2016-2017 EITI Report provided comprehensive information on social and environmental expenditures. The 2018 APR documents a CSO representative's views that the usability of environmental impact assessment (EIA) documents published on the government website could be further improved. A number of investigative articles about topics such as the ownership of mining companies⁴¹ and potential environmental impacts of mining⁴² are other examples of civil society and media freedom to express opinions regarding natural resource governance in the country. For example, an article on beneficial ownership disclosures critical of one of the largest companies has been recently published.⁴³ Another example is the website of the NGO "Ecolur", actively engaged in the EITI process, which covers all relevant mining news and analytical papers on various topics related to mining and its impact on the environment.⁴⁴ Mining, being a controversial topic in Armenia, is regularly critically debated in the media (see *Requirement 7.1*).

While there is sufficient evidence of CSOs' ability to speak freely and critically about mining sector governance issues, there is only very limited evidence of civil society and the media discussing EITI data beyond issues related to environment protection⁴⁵ and beneficial ownership. This does not appear to be the result of restrictions to freedom of expression, but rather the priorities of the media and civil society.

Operation: According to the March 2019 EU roadmap for engagement with civil society in Armenia, "the state of play for Armenian civil society has improved, with advances in several dimensions such

³⁸ Freedom House, Armenia: <https://freedomhouse.org/report/freedom-world/2019/armenia>.

³⁹ AUA Center for Responsible Mining: <http://crm.aua.am/eiti/#eiticso>, <https://crm.aua.am/eiti/#eitiworkshops>.

⁴⁰ MSG meeting minutes from 25 November 2016:

https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minute_25_11_2016_eng.pdf.

⁴¹ Hetq, "Mining Caucasian Gold: Corporate Profits Come at a High Price": <https://hetq.am/en/article/104582>.

⁴² Hetq, "Armenian Environmental Front: Pashinyan Has Violated Public Interest by Defending Lydian's Capital" or "Vayots Dzor Provincial Government Goes to Court to Overturn Areni Municipal Council's Mining Ban": <https://hetq.am/en/article/107162> or <https://hetq.am/en/article/108073>.

⁴³ CIVILNET, "The Secret Owners of Armenia's Largest Enterprise": <https://www.civilnet.am/news/2019/11/06/The-Secret-Owners-of-Armenian-Molybdenum/370063>.

⁴⁴ "Ecolur" website: <https://ecolur.org/en/>.

⁴⁵ "Ecolur" website, "Priorities of Civil Society in EITI Are Environmental Matters": <https://www.ecolur.org/en/news/mining/eiti-/9014/>.

as enabling environment, organisational capacity and sectoral infrastructure”.⁴⁶ There do not seem to be any legal, regulatory, administrative or practical barriers to the civil society participation in the EITI process.

Analysis of relevant documentation showed no or limited criticism of laws regulating civil society operation and confirms that no fundamental rights of civil society representatives have been restricted and there are no regulatory or administrative obstacles affecting the ability of CSOs to participate in the EITI process.⁴⁷ There also seem to be no provisions in the relevant legislation limiting the freedom of assembly.

According to the Ministry of Justice, over 4000 non-governmental organisations, approximately 1000 foundations and almost 250 associations (legal entity unions) were registered in Armenia at the end of 2018. At the same time, according to various assessments, less than 20% of the registered organisations are active.⁴⁸ While the process of registering a new NGO is slightly bureaucratic, there seem to be no related legal barriers and no experience of significant delays in registration for organisations involved in the EITI process.

With regard to funding of CSOs engaged in the EITI, there are no legal or administrative restrictions on access to foreign or local funding. However, there has been heavy dependence on foreign funding in recent years. Participation of CSOs in various EITI events in 2016-2019 was mainly funded by the World Bank and other development partners.

No legal or administrative issues preventing CSOs from holding meetings related to the EITI process or dissemination of information and public comment on the EITI process were documented.

In addition, the government has recently launched a platform e-request.am/en that can be used by citizens to send official requests to government entities.

Association: There is no Publish What You Pay (PWYP) coalition in Armenia. CSOs working on EITI issues have been organised with the support of the American University in Armenia (AUA) and the World Bank. At the same time, there is evidence that CSO representatives had an opportunity to participate in PWYP regional meetings.⁴⁹

CSO MSG representatives are not restricted from engaging with the broader CSO constituency. At the same time, the 2018 APR notes that “No separate works were performed with the broader civil society constituency in the form of special meetings during the reporting year. However, from time to time, information about the process of implementation of EITI in Armenia, the ongoing work, the news and reports were disseminated through electronic correspondence, to the e-mail addresses of non-governmental organisations and interested individuals included in the list of stakeholders.”⁵⁰ The APR also highlights that CSO MSG members individually participated in or organised various events where issues including transparency, responsibility and accountability in the sector were discussed.

The March 2019 EU roadmap for engagement with civil society in Armenia notes that “there is a strong disparity in terms of capacity between CSOs from Yerevan and the regions of Armenia.”⁵¹ At the same time, there is no evidence that CSO MSG members were restricted from engaging in

⁴⁶ EU roadmap for engagement with civil society in Armenia: https://eeas.europa.eu/sites/eeas/files/eu-cso_roadmap_armenia_2018-2020_en.pdf, p.2.

⁴⁷ Law on NGOs, Law on Public Organisations, Law on Charity, Law on Foundations, Law on Mass Media, Law on Freedom of Assemblies, Law on Freedom of Information.

⁴⁸ EU roadmap for engagement with civil society in Armenia: https://eeas.europa.eu/sites/eeas/files/eu-cso_roadmap_armenia_2018-2020_en.pdf, p.2.

⁴⁹ PWYP, “Publish What You Pay Eurasia Communique 26 – 28 September 2017”: <https://www.pwyp.org/pwyp-news/publish-pay-eurasia-communique/>.

⁵⁰ 2018 annual progress report: <https://www.eiti.am/en/Quarterly-annual-reports>, p.60.

⁵¹ EU roadmap for engagement with civil society in Armenia: https://eeas.europa.eu/sites/eeas/files/eu-cso_roadmap_armenia_2018-2020_en.pdf, p.2.

outreach to broader civil society and regional activists were invited to capacity building events.⁵² Additionally, grants and sub-grants for a number of capacity building activities were allocated in recent years.⁵³ Moreover, according to recent amendments to CSOs' MSG nominations procedures, one MSG seat has been reserved for a regional representative.

While there is no formal coalition of CSOs working on mining sector governance issues, MSG CSO representatives are using online channels to inform the broader CSO constituency, including email group, Facebook pages, other social media platforms and websites of relevant NGOs. Moreover, more targeted trainings on the EITI Standard have been organised in 2017-2019.⁵⁴

Engagement: CSO MSG representatives are able to fully contribute and provide input to the EITI process. Analysis of MSG meeting minutes and other relevant documentation confirms that there is ample evidence that their comments were considered in the development of work plan objectives and activities, discussion of documents such as the first EITI Report, pre-validation self-assessment and APRs. According to MSG meeting minutes, civil society is regularly participating in MSG meetings and working groups. For example, in 2018, civil society members attended the three key MSG meetings and other working meetings. According to the 2018 APR, in 2018, two CSO representatives have one excused absence each and two other CSO representatives attended all the MSG meetings. Artur Grigoryan, a former member of the constituency, attended only the first meeting due to starting a new position in the public sector.⁵⁵ Currently, there are three CSO members on the MSG – Sona Ayvazyan from “Transparency International Anticorruption Center”, Inga Zarafyan from “Ecolur”, Artur Hambardzumyan from “Civil Voice” and Harutyun Movsisyan who is representing academia⁵⁶ – and all of them are actively participating in the MSG meetings and EITI process.

There is no evidence of technical, financial or other capacity constraints affecting civil society. However, several CSOs consulted highlighted the need for additional capacity building.

Access to public decision-making: Civil society representatives are able to speak freely on transparency and natural resource governance issues. However, the number of channels for dialogue between the government and civil society is limited. There seem to be sporadic public hearings and consultations on the legislative and policy reforms related to the mining sector and related issues. For example, around 15 Aarhus centres have been created in order to promote public participation in the decision-making process and raising awareness on environmental issues, including on the impact of mining on a particular region.⁵⁷

In addition, the government has recently launched an online platform www.e-draft.am that can be used by any citizen to provide their feedback on draft laws.

Stakeholder views

Civil society members confirmed that they have been fully, freely and actively engaged in the EITI process. However, they noted a need for additional capacity building and awareness-raising. Stakeholders from all constituencies clarified that there is an overall unfavourable perception of the mining sector by civil society actors in Armenia, which makes it difficult to engage and unite civil society around the EITI. A company representative confirmed that some CSOs outside the MSG were opposed to mining in general and therefore did not want to engage in the EITI. Several stakeholders

⁵² “News” section on the national EITI website (“Awareness of implementation of Extractive Industries Transparency Initiative took place in Syunik Region” and “Training for journalists and CSO representatives”): <https://www.eiti.am/en/news/2019/05/24/awareness-transparency-initiative-initiatives-implemented-took-place-in-syunik-region/62/>, <https://www.eiti.am/en/news/2018/05/16/training-for-journalists-and-cso-representatives/24/>.

⁵³ Transparency International Anticorruption Center, section on subgrant projects: <https://transparency.am/en/subprojects>.

⁵⁴ ALA, “EITI Standard and Principles for the Civil Society” Training Course for CSOs: <https://armia.am/en/3903.html>.

⁵⁵ 2018 annual progress report: <https://www.eiti.am/en/Quarterly-annual-reports>, p.60.

⁵⁶ Armenia EITI MSG composition: <https://www.eiti.am/en/MSG-composition>.

⁵⁷ Aarhus Centres in Armenia: <https://aarhus.osce.org/armenia>.

noted a general lack of trust in society around environmental problems associated with mining. At the same time, it was highlighted that all constituencies tried to raise awareness regarding the EITI as an accountability and transparency tool helping to ensure that the natural resources of the country are used in a way that benefits all citizens.

Different opinions regarding the need to organise a CSO coalition were expressed by different stakeholder groups. On the one hand, it was noted that there is a relatively small number of organisations actively involved on mining issues and that the process of nominating MSG members and contributing to the EITI process was transparent and open to all. On the other hand, it was highlighted that a coalition might help to engage the broader civil society constituency. There was a general consensus on the fact that CSO MSG representatives were unbiased, independent and reliable.

In terms of collaboration with international CSOs, despite the fact that Armenia is not directly engaged in the NRGI and PWYP networks, representatives from civil society have an opportunity to participate in the regional gatherings convened by various international organisations.

None of the media representatives consulted considered that there were any topics related to the natural resource governance that could not be covered in public. In terms of independent local media outlets, Hetq, CIVILNET, Factor TV were cited as examples of critical sources of information.

Civil society representatives generally agreed that the environment for civil society in Armenia was conducive and there were no significant limitations for civil society or media engagement in the EITI process. On the contrary, a civil society representative highlighted that civil society space had been increasing. For example, after broad public consultations, legislation had been recently amended in order to allow for social entrepreneurship. At the same time, better timeliness and comprehensiveness of systematically disclosed information was mentioned as the main area of improvement. For instance, stakeholders demanded more timely publication of environmental impact assessments (EIAs) and drafts of laws related to natural resource governance.

In this regard, preparation of the first EITI Report was considered to be a positive development towards a more transparent mining sector. Several stakeholders highlighted that the report included data that was previously difficult to access or had been scattered across different websites.⁵⁸ Several civil society representatives confirmed that they participated in regional awareness-raising events, mainly with support from Transparency International Armenia⁵⁹ and the NGO “Ecolur”. Allocations to communities, social expenses and environmental monitoring were mentioned among the topics of most interest for local citizens. A civil society representative noted several visits to major mining communities in 2018-2019 to consult with local communities regarding the most urgent issues related to mining and ensure that the government was taking action to address the socio-ecological impacts.⁶⁰ Information on the EITI and the first EITI Report was shared during these meetings. The recommendations of mining-affected communities had been shared with the MSG and discussed during consultation meetings.⁶¹

According to stakeholders consulted, no harassment or restrictions had been applied to civil society and media representatives engaged in the EITI process. It was also noted that the registration process did not cause obstacles to civil society participation.

⁵⁸ Media.am, “The EITI Report Will Help Journalists Investigate The Mining Industry”: <https://media.am/en/the-eiti-report-will-help-journalists-investigate-the-mining-industry/>.

⁵⁹ For example, AUA Center for Responsible Mining, “Improvement of Transparency and Accountability in the Mining Sector & Promotion of EITI (ITAMSPE)”: <https://crm.aua.am/itamspe/>.

⁶⁰ “Ecolur” website, (“Mining-impacted Communities – Full Participants in EITI Process” Project in Full Swing” and “EcoLur’s New Film - “Who Our Soil WEALTH Serves”): <https://www.ecolur.org/en/news/mining/--/10914/> and <https://ecolur.org/en/news/films/--/11738/>.

⁶¹ “Ecolur” website, “Proposals of Mining-Impacted Community Residents Dispatched to EITI MSG Members”: <https://ecolur.org/en/news/mining/--/11834/>.

In terms of funding, civil society representatives engaged in the EITI confirmed that most of their funding came from foreign donors. For example, USAID was funding the outreach project implemented by Transparency International Armenia and “Ecolur”. It was confirmed that it is also possible to apply for state funding or grants, although the process was considered cumbersome, requiring detailed reporting for relatively small amounts of financial support. It was also indicated that no funding was currently available for MSG participation from regional stakeholders. At the same time, civil society appeared to be open to the option of government funding for transportation expenses. It was noted that Skype could be more actively used for CSO and MSG meetings. Overall, it was confirmed that all relevant information was shared with the broader constituency through various online channels. Meetings of CSO MSG members were scheduled when needed and in some cases on ad-hoc basis. One civil society representative outside the MSG called on MSG members to share information more actively. MSG members noted that they had occasionally sought feedback on draft documents from the broader constituency through a mailing list, but that no comments had been received. Additionally, it was mentioned that CSO MSG members aimed at establishing common positions before MSG meetings. A civil society representative highlighted the efficiency of MSG dialogue.

Civil society representatives mentioned ample examples of their involvement in the design, implementation and monitoring of the EITI process through contributions to the work plan, the APR, the EITI Report and other relevant documentation. At the same time, limited analytical work had been conducted on the EITI Report and it was noted there was a demand for more specific expertise on technical aspects of the EITI Standard. It was indicated that several activities on data use had been conducted in the past year, with more planned for the near future. For example, a number of videos on the EITI process and Standard were being developed and would be used to build MSG members’ and other interested stakeholders’ technical capacities.

Several civil society representatives consulted emphasised the importance of further focus on analysing the mining sector’s environmental impact and the monitoring of government and mining companies’ environmental and social obligations.

Initial assessment

The International Secretariat’s initial assessment is that Armenia has made *satisfactory progress* in meeting the requirement on civil society engagement. The government has ensured an enabling environment for civil society and civil society is fully, actively and effectively engaged in all aspects of EITI implementation in Armenia. Stakeholders, including but not limited to members of the MSG, are able to freely express their opinions on transparency and natural resource governance issues, are substantially engaged in the design, implementation, monitoring and evaluation of the EITI process, and have the right to communicate and cooperate with each other. With regard to public debate, initial steps have been taken and awareness-raising activities have been conducted.

To strengthen implementation of Requirement 1.3, Armenia is encouraged to further strengthen awareness-raising for civil society actors not part of the MSG and undertake additional capacity-building for analysing and using EITI data. Civil society MSG members are encouraged to pursue ongoing outreach efforts towards the broader constituency.

MSG governance and functioning (#1.4)

Documentation of progress

Analysis of Armenia’s candidature application confirms that the government, the World Bank, AUA and other partners conducted a number of outreach activities to all relevant stakeholder groups in Yerevan

and in regions prior to the MSG's establishment in November 2016.⁶² There is ample evidence that the invitation to participate in the MSG was transparent and open to all constituencies.

The Terms of Reference regulating structure and responsibilities of the EITI MSG (MSG ToRs) in Armenia were developed and approved in December 2016⁶³, and subsequently reviewed and amended on 5 September 2019.⁶⁴ The main changes were related to clarification on the calculation of the membership period (provision 14), next steps in case of absence of quorum (provision 34), and provisions for extraordinary meeting upon request (provision 37).

MSG composition and membership: The MSG ToRs provide for fifteen members:

- six representatives of the Government of the Republic of Armenia;
- four representatives of the mining companies;
- five civil society representatives, including one representative from academy.

In addition, each MSG constituency is required to have at least one alternate member, but no more than the number of each constituency's MSG members. Each constituency nominates and elects its MSG members and alternates through its own procedures, published on the national EITI website⁶⁵. The ToRs note that MSG members and alternates should be appointed for a period of three years, but does not set any limits to the number of consecutive terms.

In practice, as of October 2019, Armenia's EITI MSG was composed of 19 members and their alternates: seven government representatives, eight industry representatives, four civil society representatives, including one representative from academic institutions. Participation of the MSG members and their rotation is documented on the national EITI website.⁶⁶ The composition of the MSG was defined in the November 2016 Prime Ministerial Decree, amended in July 2018. Several additional changes to the MSG's composition were made during 2019 due to a reorganisation of relevant government entities and changes in relevant ministries' staffing.

Civil society representation: According to Armenia's candidature application, in December 2015 the government representatives, with support from the World Bank, conducted several outreach meetings with civil society representatives at the marz (province) level.⁶⁷ During the meetings, the anticipated structure of the MSG, the number of its members by constituencies, the MSG's core functions, as well as the EITI Requirements were presented and discussed.

The civil society constituency's nomination and election process was coordinated by the AUA Responsible Mining Center and the World Bank, which held approximately 20 meetings to help develop the civil society strategy and agenda for the EITI process and facilitate elections of civil society representatives to the MSG. Invitations to participate in the CSOs discussions were sent to all relevant NGOs and representatives of Aarhus centres.⁶⁸ The meetings took place in Yerevan every week and those from regions could join online. All CSO meetings were open to all interested NGOs and the meeting minutes are available online on the AUA website.⁶⁹

The elections of CSO MSG members took place on 10 June 2016. Seven candidates were nominated for the election to five seats: Artur Ghazaryan, Artur Grigoryan, Artur Hambardzumyan, Erik Grigoryan, Harutyun Movsisyan, Inga Zarafyan and Sona Ayyazyan.⁷⁰ The five seats allotted to civil society

⁶² Armenia EITI candidature application: <https://eiti.org/document/armenia-eiti-candidature-application>.

⁶³ Armenia EITI MSG ToRs: <https://www.eiti.am/en/msg-tor>.

⁶⁴ Ibid.

⁶⁵ Procedures for selection of MSG members: <https://www.eiti.am/en/procedures-for-selection-of-msg-members>.

⁶⁶ MSG meetings participation data in 2016-2019:

https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_membership_eng_9_sept_2019.XLSX.

⁶⁷ Armenia EITI candidature application: <https://eiti.org/document/armenia-eiti-candidature-application>.

⁶⁸ Aarhus Centres in Armenia: <https://aarhus.osce.org/armenia>.

⁶⁹ AUA Center for Responsible Mining, "Meeting Minutes and Registration Lists": <https://crm.aua.am/eiti/meeting-minutes-and-registration-lists/>.

⁷⁰ AUA Center for Responsible Mining, CSO election results: https://crm.aua.am/files/2016/02/EITI_Election-Results_10-Jun-2016-Yerevan.pdf.

included quotas of one representative of academia and one representative from extractive regions. Artur Ghazaryan, the President of the “Workers’ Rights Protection Union”, was elected under the quota allocated to regional representatives, and Harutyun Movsisyan, the expert at the Yerevan State University Centre for Sustainable Development, was elected under the quota allocated to academia. The election of three other MSG members was carried out via e-mail voting. A total of 49 people were allowed to vote in the election through e-mail and 23 people sent their votes. However, on 12 July 2016, an MSG-elect Artur Ghazaryan resigned due to personal reasons. The majority of the CSO constituency agreed that the candidate who received the next highest number of votes during the election would take the vacancy. The candidate next in line was Erik Grigoryan, Co-Chairman of the “Youth Association of Environmental Lawyers and Economists” NGO. Besides active participation in CSOs’ discussions and meetings prior to 22 January 2016, there seemed to be no other formal criteria for the CSO nominations.⁷¹

Civil society constituency discussions related to ensuring policy and operational independence from the government and mining companies have not been thoroughly documented, however, there is evidence of such discussions.⁷² At the same time, there is evidence that most CSOs in Armenia, including those that are engaged in the EITI process, are funded by foreign donors.

On 19 August 2019, the broader CSO constituency of Armenia approved the formal procedure of formation of constituency, nomination, election and termination of members and alternate members of the MSG.⁷³ The procedure is comprehensive and describes rules for nomination and election of the CSO MSG members in great detail. Additionally, it notes the key principles and values of the CSO MSG members; confirms that CSO MSG representatives should have the capacity to perform their duties, be accountable to their electors and citizens, and responsible for providing complete, reliable, timely information to the broader constituency. The procedure also notes that CSO MSG representatives participate in EITI activities voluntarily. The election of CSO MSG members according to the new procedure was held in October 2019. Starting from 24 November 2019, the civil society is represented by five MSG members and one alternate member, including one representative of academia and one representative from the mining region.⁷⁴

Industry representation: According to Armenia’s candidature application, in December 2015, government representatives organised consultations with representatives of CSOs and the business community.⁷⁵ In addition, consultations were conducted with representatives of the metal extraction companies during which issues related to the readiness of the mining sector to participate in the EITI process, companies’ involvement in the MSG, procedure for nominating MSG members from the company constituency were discussed.

In early 2016, the industry constituency, coordinated by “Zangezur Copper-Molybdenum Combine”, agreed its election procedures and nominated its representatives to the MSG. The invitation to participate in the EITI process was sent out to all relevant companies, of which 12 companies expressed an interest in active participation that subsequently nominated five candidates to represent the constituency on the MSG. There seemed to be no formal criteria for nomination, except for being interested to represent the company constituency in the MSG voluntarily. The voting was conducted by e-mail. All companies could vote for up to four candidates and needed to ensure that their voting forms were signed by management. The voting forms and results of the election are available online on the national EITI website.⁷⁶ Due to a change of ownership of one of the companies initially elected to serve on the MSG, the industry constituency held another election for the vacant seat. The four

⁷¹ CSO meeting minutes from 27 January 2016: https://crm.aua.am/files/2016/02/EITI_Meeting-Minutes_27-Jan-2016-Yerevan.pdf.

⁷² AUA Center for Responsible Mining, CSO meeting minutes from October 2016: https://crm.aua.am/files/2016/12/EITI_Meeting-Minutes_14-Oct-2016-Yerevan.pdf.

⁷³ CSO MSG election procedures, adopted in August 2019: https://www.eiti.am/file_manager/EITI%20Documents/MSG%20Procedures/EITI_MSG_CS0_procedure_adopted_19.08.2019.pdf.

⁷⁴ Armenia EITI MSG composition: <https://www.eiti.am/en/MSG-composition>.

⁷⁵ Armenia EITI candidature application: <https://eiti.org/document/armenia-eiti-candidature-application>.

⁷⁶ Procedures for selection of MSG members: <https://www.eiti.am/en/procedures-for-selection-of-msg-members>.

representatives of companies elected in 2016 were the following: Pertch Khachatryan, Chief of Legal Support Service, CJSC Zangezur Copper-Molybdenum Combine; Vahe Vardanyan, Deputy Director, Geomining LLC; Armen Stepanyan, Senior Manager for Sustainability, 'Lydian Armenia' CJSC and Artur Nikoghosyan, Adviser to Director General, Agarak Copper-Molybdenum Combine CJSC. Additionally, four alternates representing the industry constituency were elected in June 2018.

Government representation: As part of preparation of the EITI candidature application, the Prime Minister tasked ministries working with the extractive sector to provide their recommendations for MSG members of the government constituency. The first MSG was officially approved on 24 November 2016 and was chaired by the Chief of Staff Davit Harutyunyan. The MSG members included representatives from five relevant government entities: State Revenue Committee, MTAI, Ministry of Economic Development and Investment (MEDI), Ministry of Nature Protection (MNP), and MEINR. All rotations since 2016 are clearly documented on the national EITI website⁷⁷ and were mainly caused by recent government changes as well as the government's decision to merge several ministries.⁷⁸ Currently, the MSG is chaired by the Deputy Prime Minister Tigran Avinyan and includes representatives from the SRC, MTAI, MoE, MoJ and MoF.

Terms of reference:

Internal governance and procedures: MSG members are responsible for guidance, implementation, monitoring, evaluation and development of the EITI process and for liaising with their constituencies. The MSG is also responsible for wide dissemination of the public information that results from the EITI process, such as the EITI Report. The ToRs stipulate that the MSG should approve annual work plans, the appointment of the Independent Administrator, the Terms of Reference for the Independent Administrator, EITI reports and annual progress reports. It also indicates a responsibility to oversee the EITI reporting process and engage in Validation. Each constituency can select its spokesperson, who ensures the communication among constituency representatives. MSG meeting minutes demonstrate that the MSG undertakes these responsibilities and the ToRs are followed in practice.

Decision-making: Section VII of the ToRs includes detailed procedures for decision-making and voting. All decisions should be adopted by consensus. If consensus cannot be reached, the MSG will try to resolve the issue under discussion with the help of a mediator. If mediation does not result in consensus, then the MSG might opt for voting as a last resort. A vote may take place and will be considered adopted if 2/3 of members from each of the three constituencies agrees. The ToRs stipulate that all decisions and meetings minutes are publicly available.

Record-keeping: Section VI notes that the MSG meetings shall be recorded, with notes in the MSG meeting protocol. In practice, MSG meeting minutes are published on the Armenia EITI website in a timely manner.⁷⁹

Capacity of the MSG: The ToRs state that MSG members should have the capacity to carry out their duties. This requirement is also mentioned in the CSO constituency's regulation. In practice, MSG meeting minutes indicate active engagement from members of all three constituencies, indicating sufficient capacity to undertake their duties.

Per diems: Section I on general provisions stipulates that the MSG members participate in EITI activities on a voluntary basis.

Attendance: Section VI notes that MSG members are required to attend MSG meetings in person. If technically possible and in agreement with the Chair, MSG members can participate in meetings

⁷⁷ Armenia EITI MSG composition: <https://www.eiti.am/en/MSG-composition>.

⁷⁸ News.am, "New Armenian government will have 12 ministries, instead of 17": <https://news.am/eng/news/486926.html>.

⁷⁹ Armenia EITI MSG meeting minutes: <https://www.eiti.am/en/agenda-protocols-other-related-documents>

online. The ToRs also define rules for participation of observers and experts in the MSG meeting minutes. All MSG meeting participation records are available on the national EITI website.⁸⁰

National secretariat: Section V of the ToRs defines the following functions and responsibilities of the national secretariat:

- Consult with the Chair, Vice-Chair, spokes-persons of the constituencies and other MSG members;
- Be equally available for all constituencies;
- Participate in the MSG meetings without the right to vote;
- Carry out organizational activities of the MSG, particularly preparation of the MSG meetings, documentation of the MSG meetings, communication with the International Secretariat and other MSG related activities;
- Ensure contact of the MSG members and experts with the responsible officials from sectorial state authorities;
- Organize and conduct activities necessary for the implementation of the objectives and work plan of the MSG.

Currently, the national secretariat consists of two employees – head of the secretariat and EITI expert – who are funded from the state budget and report to the Office of the Prime Minister.

Stakeholder views

Stakeholders across constituencies confirmed that each constituency's nomination process was open and transparent, with the invitation to participate in the EITI process and MSG had been shared with all relevant stakeholders. Civil society and industry representatives confirmed that their election processes were conducted independently and according to procedures agreed by each constituency. Some stakeholders noted that the recently developed nomination and election procedures for the CSOs were too comprehensive and rigid, especially with regard to minimum requirements for nominees. At the same time, it was confirmed that the opportunity to comment on the procedure was open to all engaged civil society representatives and that all controversial issues were voted on.

Stakeholders also confirmed that all relevant government entities are represented on the MSG and that the seniority of government representatives helps to facilitate reforms and accelerate decision-making process. Moreover, it was noted that the industry constituency comprised of representatives from all major metal mining companies and was actively engaged in the EITI process. Several civil society representatives consulted emphasised the challenges in finding a sufficient number of representatives due to general civil society opposition to mining and its strong focus on topics related to environmental monitoring and protection. Some stakeholders also mentioned that civil society was still reshaping its role, defining key focus areas and rethinking civil society-government relations after the Velvet revolution. It was nevertheless noted that the invitation to participate in the EITI was shared with more than 200 civil society representatives and participation in the discussions was open to all interested stakeholders.

It was confirmed that the MSG composition was approved in November 2018 and the MSG ToRs were discussed and formalised in December 2018. There was consensus among constituencies consulted that the ToRs were followed in practice. At the same time, it was noted that while the MSG composition was originally defined by the Prime Minister's Decree, there were some changes in government representation in the MSG after the approval of the decree. It was noted that all changes in the MSG composition were made in accordance with the MSG ToRs. It was also mentioned that a

⁸⁰ MSG meetings participation data in 2016-2019:

https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_membership_eng_9_sept_2019.XLSX.

new decree confirming the new MSG composition starting from November 2019 was expected to be issued soon.

Stakeholder consultations confirmed that all constituencies were actively and equally engaged in EITI implementation and were exploring the possibility to further expanding the scope of EITI reporting. Civil society representatives outside the MSG expressed their trust in the MSG members representing the constituency. It was also confirmed that all relevant government entities and the main metal mining companies were part of the MSG.

All stakeholders consulted noted the high level of professionalism and openness of discussion during MSG meetings. MSG members highlighted that they had been given an opportunity to comment on all draft documents, including the EITI Report, work plan, annual and quarterly progress reports, reporting templates, and had been engaged in the selection of the IA. For example, all MSG members consulted noted that they had reviewed the draft EITI Report and provided their feedback. Members also noted that all decisions were taken by consensus and that no voting had taken place since the establishment of the MSG in November 2016. Civil society and company representatives noted that their constituencies discussed and tried to agree on a mutual position ahead of MSG meetings. MSG members consulted mentioned that an opportunity to participate in working groups on beneficial ownership and responsible mining was given to representatives outside the MSG and that the discussions in those groups had been engaging and efficient. No regional or capacity constraints to participating in MSG meetings were highlighted.

Stakeholders from all constituencies highlighted the importance of the EITI in creating the platform for dialogue and cooperation between the government, industry and civil society. The importance of the working groups on responsible mining and beneficial ownership were highlighted by many. To strengthen EITI implementation, some stakeholders called for more active engagement of the local self-governing bodies in discussions related to EITI. It was confirmed that civil society MSG members were operationally and in policy terms independent of government and companies. It was noted that potential conflict of interests had been discussed several years ago. An external mediator was invited to ensure objectiveness and confirm that all CSO MSG representatives were independent from government and mining companies. Strong focus on this aspect was also put when discussing the new nomination and election procedures for CSO MSG members. It was also confirmed that all MSG members were participating in the EITI process on a voluntary basis and that no per diems were provided.

Stakeholders across constituencies commended the efficient work of the national secretariat and noted that all relevant documents had been shared in a timely manner and that all discussions had been clearly documented in MSG meeting minutes.

Initial assessment

The International Secretariat's initial assessment is that Armenia has made *satisfactory progress* in meeting the requirement on MSG governance and oversight. The MSG has been established to oversee the implementation of the EITI and all constituencies are actively and equally engaged in the EITI process. The invitation to participate in the group was open and transparent, and all constituencies are adequately represented. Clear MSG Terms of Reference were agreed after the establishment of the MSG and are followed in practice.

To strengthen implementation of Requirement 1.4, Armenia may wish to consider broadening engagement between the MSG and local governments, in the context of its engagement with the broader government constituency, to further reflect locally-significant challenges in the management of the extractive industries in the MSG's deliberations. Armenia may also wish to consider formalising the procedures for the MSG's rotation of members from all constituencies.

Work plan (#1.5)

Documentation of progress

Two work plans covering 2017-2018 and 2019-2020 have been prepared by the EITI MSG in Armenia. The latter work plan was approved at the MSG meeting held on 5 December 2018.⁸¹

Publicly accessible work plan: Both work plans have been published on the national EITI website.⁸² Additionally, the website includes reviewed 2017 and 2018 work plans with tracked progress in implementation.

Objective for implementation: The 2019-2020 work plan includes the following objectives:

- Ensuring accessible and timely information;
- Increased accountability and public oversight, reduction of corruption risks;
- Ensuring Armenia's EITI candidacy/membership status;
- Publication of a comprehensive EITI report consistent with the EITI Standard;
- Expanding the scope of the EITI Armenia, study of the Armenian legal framework, disclosure of inconsistencies and gaps with the EITI Standard;
- Implementation of responsible mining (RM) practices in Armenia according to the RM roadmap and in line with the best international experience;
- Strengthening capacities of the EITI MSG and stakeholder bodies, EITI mainstreaming, encouraging systematic data disclosure.

Most of the objectives also include a rationale and all of the objectives are linked to the national priorities defined in a separate document and published on the national EITI website.⁸³ The objectives are also linked to the EITI Principles. Moreover, it is commendable that MSG included activities related to responsible mining, beneficial ownership transparency and systematic disclosure to address the demand for this information from different stakeholder groups as well as increase the comprehensiveness of EITI reporting and public understanding of the sector. The work plan and a roadmap on responsible mining were discussed by MSG members and other relevant stakeholders during the workshop held in Tsaghkadzor on 2-3 November 2018.⁸⁴

Measurable and time-bound activities: Armenia's EITI work plans include specific activities, expected outcomes, responsible party, timeline, funding needs and sources for each objective. The previous work plan covering 2017-2018 was reasonably implemented with some exceptions concerning the preparation of the 2016-2017 EITI Report, for which Armenia EITI MSG applied for and received a reporting extension to March 2019. Most of the activities in the 2019-2020 work plan are also on track.

Activities aimed at addressing any capacity constraints: The 2019-2020 work plan includes a number of trainings (for example, activities 12, 14, 18) for MSG members and other relevant stakeholders aimed at capacity-building and improving the reporting process. All trainings provide an overview of the needed funding and potential donors as well as expected timeframes.

⁸¹ MSG meeting minutes from 5 December 2018:

https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minutes_05_12_2018_EN.pdf.

⁸² Armenia EITI work plans: <https://www.eiti.am/en/eiti-work-plan>.

⁸³ EITI national priorities of Armenia for 2019-2020:

https://www.eiti.am/file_manager/EITI%20Documents/EITI%20Work%20Plan%20and%20NPs/EITI_National_Priorities_2019-2020_eng.pdf.

⁸⁴ 2018 annual progress report: <https://www.eiti.am/en/Quarterly-annual-reports>, pp.18, 23.

Activities related to the scope of EITI reporting and systematic disclosures: One of the objectives covering activities 51-54 is fully dedicated to agreeing and expanding the scope of the EITI reporting. The 2019-2020 work plan also promotes systematic disclosures by including activities related to the online reporting platform and establishing a beneficial ownership register. The MSG has tasked an independent consultant to prepare a mainstreaming feasibility study and is planning to work on a roadmap towards systematic disclosures.

The work plan does not seem to include activities related to such encouraged requirements as revenue management and expenditure, discretionary social expenditures, ad-hoc subnational transfers and contracts, given that the majority of this information is already covered by EITI reporting.

Activities aimed at addressing any legal or regulatory obstacles identified: The 2019-2020 work plan identifies several activities aimed at addressing the existing legal obstacles. For example, one of the sub-objectives is related to the development of the beneficial ownership (BO) legal framework and notes several activities like development of bylaws (see activities 13-22). The Government of Armenia has already enacted legal amendments to remove key obstacles for EITI reporting and the disclosure of relevant data.

Plans for implementing the recommendations from Validation and EITI reporting: Activity 43 notes the need for discussion of recommendations, revealed deficiencies, and the gaps presented by the International Secretariat about the EITI 2018 Report of Armenia to determine implementation mechanisms for the recommendations and eliminating causes of discrepancies. In addition, MSG members are identified as one of the responsible parties for preparation and follow-up on the next EITI Report and Validation process.

Costings and funding sources, including domestic and external sources of funding and technical assistance: The work plan includes costings and suggested funding sources. World Bank, USAID, GIZ are provided as the main external donors. In addition, several activities will be carried out from the state budget. All in all, the funding forecast appears reasonable and funding sources well-diversified.

Stakeholder views

All stakeholders confirmed that they had been given an opportunity and sufficient timeframe to contribute to the work plan. Moreover, it was noted that special attention was given to the development of the national priorities and all constituencies had actively participated in the discussion.

Stakeholders noted that consultations with their wider constituencies were conducted in order to shape the first work plan covering 2017-2018 years. At the same time, development of the second work plan covering 2019-2020 years was easier and drafted by the national secretariat based on the discussion of progress in implementing the first work plan and addressing the national priorities. It was indicated that no significant comments to the draft work plan 2019-2020 were provided by the MSG.

Additionally, the Armenia EITI team prepares quarterly progress reports covering the implementation of activities by quarter. Stakeholders highlighted this as a useful tool to track progress and adjust activities if needed.⁸⁵

Initial assessment

The International Secretariat's initial assessment is that Armenia has made *satisfactory progress with efforts to go beyond* meeting this requirement. The publicly-accessible Armenia EITI work plans

⁸⁵ Annual and quarterly progress reports: <https://www.eiti.am/en/Quarterly-annual-reports>.

covering 2017-2018 and 2019-2020 reflect the national priorities and provide measurable and time-bound activities. The work plan provides costings and funding resources, including for the activities related to expanding the scope of the EITI reporting. One of the objectives of the 2019-2020 work plan is related to encouraging systematic data disclosure and strengthening mainstreaming capacity. In addition, according to Requirement 1.5.a, the country has gone beyond the minimum requirements by ensuring that national priorities and the work plan extend EITI implementation to responsible mining.

To strengthen implementation of Requirement 1.5, Armenia may consider in future EITI work plans activities related to analysing and using data related to revenue management and expenditure, discretionary social expenditures, subnational transfers. Moreover, the multi-stakeholder group is expected to agree and include in the work plan activities for disclosing all contracts and licenses with a clear time frame for implementation addressing any barriers to comprehensive disclosure.

TABLE 1 – SUMMARY INITIAL ASSESSMENT TABLE: MSG OVERSIGHT

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions
Government oversight of the EITI process (#1.1)	Government representatives make regular public statements of support for EITI. The MSG is chaired by Deputy Prime Minister Tigran Avinyan and comprises representatives from all relevant government entities. Analysis of MSG meeting minutes and stakeholder consultations confirmed that the government is fully, actively and effectively engaged in the EITI process.	Satisfactory progress
Company engagement (#1.2)	Metal mining companies are fully, actively and effectively engaged in the EITI process. In addition, the government has ensured an enabling environment for company participation by adopting the legislation on mandatory EITI reporting starting from 2017 fiscal year.	Satisfactory progress
Civil society engagement (#1.3)	The government has ensured an enabling environment for civil society and civil society is fully, actively and effectively engaged in all aspects of EITI implementation in Armenia. Stakeholders, including but not limited to members of the MSG, are able to freely express their opinions on transparency and natural resource governance issues, are substantially engaged in the design, implementation, monitoring and evaluation of the EITI process, and have the right to communicate and cooperate with each other. With regard to public debate, initial steps have been taken and awareness-raising activities have been conducted.	Satisfactory progress
MSG governance and functioning (#1.4)	The MSG has been established to oversee the implementation of the EITI and all constituencies are actively and equally engaged in the EITI process. The invitation to participate in the group was open and transparent, and all constituencies are adequately represented. Clear MSG Terms of Reference were agreed after the	Satisfactory progress

	establishment of the MSG and are followed in practice.	
Work plan (#1.5)	The publicly-accessible Armenia EITI work plans covering 2017-2018 and 2019-2020 reflect the national priorities and provide measurable and time-bound activities. The work plan provides costings and funding resources, including for the activities related to expanding the scope of the EITI reporting. One of the objectives of the 2019-2020 work plan is related to encouraging systematic data disclosure and strengthening mainstreaming capacity. In addition, according to Requirement 1.5.a, the country has gone beyond the minimum requirements by ensuring that national priorities and the work plan extend EITI implementation to responsible mining.	Beyond
<p>Secretariat's strategic recommendations:</p> <ul style="list-style-type: none"> • To strengthen implementation of Requirement 1.1, Armenia is encouraged to ensure additional capacity building on the EITI Standard for relevant government officials and technical specialist that are not part of the MSG, with a focus on systematic disclosures. • To strengthen implementation of Requirement 1.2, the industry constituency is encouraged to explore means of systematically disclosing data required by the EITI Standard through company systems such as corporate websites and annual reports. • To strengthen implementation of Requirement 1.3, Armenia is encouraged to further strengthen awareness-raising for civil society actors not part of the MSG and undertake additional capacity-building for analysing and using EITI data. Civil society MSG members are encouraged to pursue ongoing outreach efforts towards the broader constituency. • To strengthen implementation of Requirement 1.4, Armenia may wish to consider broadening engagement between the MSG and local governments, in the context of its engagement with the broader government constituency, to further reflect locally-significant challenges in the management of the extractive industries in the MSG's deliberations. Armenia may also wish to consider formalising the procedures for the MSG's rotation of members from all constituencies. • To strengthen implementation of Requirement 1.5, Armenia may consider in future EITI work plans activities related to analysing and using data related to revenue management and expenditure, discretionary social expenditures, subnational transfers and contracts. Moreover, the multi-stakeholder group is expected to agree and include in the work plan activities for disclosing all contracts and licenses with a clear time frame for implementation addressing any barriers to comprehensive disclosure. 		

Part II – EITI Disclosures

2. Award of contracts and licenses

2.1 Overview

This section provides details on the implementation of the EITI requirements related to the legal framework for the extractive sector, licensing activities, contracts, beneficial ownership and state participation.

2.2 Assessment

Legal framework (#2.1)

Documentation of progress

Legal framework: The 2016-2017 EITI Report provides a comprehensive description of the applicable legal framework and fiscal regime (pp.11-13, 87-139).⁸⁶ All relevant laws and regulations such as Article 10 of the Constitution, Mining Code, Tax Code are clearly referenced and sufficiently detailed in the report (section 3.1, pp.87-139). Moreover, a separate study on legal and institutional framework was prepared by the Center for Responsible Mining (CRM) under the American University of Armenia (AUA).⁸⁷

Government agencies' roles: Roles, competences and responsibilities of the state and community-level entities are described in the EITI Report (pp.119-135). Additionally, graphic visualisation of the main relevant ministries and other government agencies is provided (p.119).

Fiscal regime: The EITI Report provides a thorough overview of the applicable fiscal regime, tax and non-tax revenue streams, tax rates (pp.92-118).

Degree of fiscal devolution: According to the EITI Report, the system appears to be rather centralised. Metal mining companies pay value-added tax, excise and environmental taxes, royalties, customs duties and fees, nature use payments and a number of other taxes and payments to the state budget. Revenue streams collected directly by communities are specified in the EITI Report (pp.32, 119) and visualised in the scoping study for the 2016-2017 EITI Report (p.22).⁸⁸

Reforms: The EITI Report includes information on anticipated legislative reforms related to beneficial ownership disclosures (pp.172-174). Furthermore, the report notes legislative amendments related to the publication of subsoil use (extraction) contracts adopted in April 2018 (p.152). Several other mining sector reforms are also mentioned throughout various sections of the EITI Report. In addition, the key legislative and regulatory changes that took place in 2016-2017 and expected changes to the Tax Code are detailed in the 2016-2017 scoping study (pp.24-25).⁸⁹

⁸⁶ Hereinafter EITI Report: <https://www.eiti.am/en/annual-reports/2018/>, all page numbers refer to the English version.

⁸⁷ AUA Center for Responsible Mining, "Legislative and institutional review": https://www.eiti.am/file_manager/EITI%20Documents/ENG_LIRAP_EITI%20_30%E2%80%A408%E2%80%A42018.pdf.

⁸⁸ AUA Center for Responsible Mining, "Scoping Study for Republic of Armenia's 2018 Extractive Industries Transparency Initiative Report": [https://www.eiti.am/file_manager/EITI%20Documents/Scoping%20Study/Scoping%20Study%20EN/ENG_ArmeniaEITI_ScopingStudy_Mar%2015%202018%20\(Secretariat\).pdf](https://www.eiti.am/file_manager/EITI%20Documents/Scoping%20Study/Scoping%20Study%20EN/ENG_ArmeniaEITI_ScopingStudy_Mar%2015%202018%20(Secretariat).pdf). Hereinafter – Scoping study.

⁸⁹ AUA Center for Responsible Mining, "Scoping Study": [https://www.eiti.am/file_manager/EITI%20Documents/Scoping%20Study/Scoping%20Study%20EN/ENG_ArmeniaEITI_ScopingStudy_Mar%2015%202018%20\(Secretariat\).pdf](https://www.eiti.am/file_manager/EITI%20Documents/Scoping%20Study/Scoping%20Study%20EN/ENG_ArmeniaEITI_ScopingStudy_Mar%2015%202018%20(Secretariat).pdf).

Stakeholder views

Stakeholders across constituencies commented that the EITI Report and the national EITI website⁹⁰ were useful sources of information that provide a comprehensive overview of the legal framework, government agencies' roles and the fiscal regime applicable to the metal mining sector.

Government and civil society representatives noted that, with support from the World Bank, two studies – on environmental, social, economic and financial issues – were being prepared and would be used to inform policy decisions. Furthermore, stakeholders expected the government to develop its mining strategy and action plan in the coming years.

Representatives from government noted several changes to the relevant legislation were expected in the coming year. For example, the “Law on Targeted Use of Environmental Payments Made by Companies” was expected to be amended to expand the scope of metal mining companies and consequently the number of affected communities that receive transfers of environmental payments (see *Requirement 5.2*).

Several civil society representatives consulted highlighted the importance of further work on clarification and improvement of the legislation related to management and monitoring of mining's environmental impact and the alignment of all relevant laws.

Initial assessment

The International Secretariat's initial assessment is that Armenia has made *satisfactory progress with efforts to go beyond* meeting this requirement. In accordance with Requirement 2.1.a, Armenia has comprehensively disclosed all required information related to the fiscal regime, including the level of fiscal devolution, an overview of the relevant laws and regulations, and information on the roles and responsibilities of the relevant government agencies. In addition, in accordance with Requirement 2.1.b, Armenia has gone beyond the minimum requirements in the comprehensiveness of its overview of anticipated reforms.

License allocations (#2.2)

Documentation of progress

Award/transfer process: According to the EITI Report, two types of permits are applicable in Armenia: a permit for geological studies (exploration) and a permit for mineral extraction (production). The procedures of awarding permits for both exploration and production are described in the Mining Code and the EITI Report (pp.141-149). In line with the Mining Code, the report notes that the bearer of rights for conducting geological studies is given preference in cases of two or more applicants for the same subsoil area. Where there is no previous exploration rights holder, licenses are awarded on a “first come first served” basis. The report describes the ban on subsoil use activities in areas related to national security, cultural and historical values, environment protection, etc.

Furthermore, the report comments on the practices, rules and relevant government entities regulating transfer of subsoil use rights (pp.149-150). The scoping study notes that current legislation does not

⁹⁰ Armenia EITI reporting templates: <https://www.eiti.am/en/eiti-templates>.

regulate change of control of mining permits, for example, those due to company mergers and acquisitions (p.6).⁹¹

Awards/transfers: The legislation regulating license (permit) awards and transfers is well detailed, the number of permits awarded and information on permit holders is disclosed and publicly accessible. The report refers to the Ministry of Energy Infrastructures and Natural Resources (MEINR) website where metal mining contracts are published⁹² and includes the license (permit) register.⁹³ The license registry appears to be comprehensive and provides all relevant information required by the EITI Standard in chronological order starting from 2012.

With regard to awards and transfers in 2016 and 2017 fiscal years, the EITI Report provides the following information:

- During 2016, 15 companies applied for exploration permits, of which ten were rejected. During 2017, 36 companies applied for exploration permits, of which 28 were rejected (p.145). While the legislation does not stipulate the basis for refusing agreements for implementation of geological studies (p.151), the main possible reasons for declining rejections are provided in Table 3.2.1 (p.144). The report also notes that the applications were mainly rejected due to adverse findings of environmental impact assessments (EIA). The list of permits awarded in 2016 and 2017 is available online.⁹⁴
- During 2016, six applications were received for mineral extraction, of which three were declined. During 2017 no applications for mineral extraction were received (p.149). The main reasons for rejecting applications are provided in Table 3.2.3 (p.148). The list of permits awarded in 2016 and 2017 is available online.⁹⁵
- No applications for transferring the right for subsoil use were submitted to MEINR during 2016-2017 (p.150).

Technical and financial criteria: Technical and financial criteria for awards and transfers of permits for exploration and exploitation are detailed in the Mining Code and in the EITI Report (pp.141-149).

License awardee information: Comprehensive information about the recipient(s) of permits is provided in the license (permit) register on the MEINR website.⁹⁶ The register is provided in open data format (xls) and allows for filtering/sorting of relevant information by year and license awardee.

Non-trivial deviations: While the EITI Report does not provide an explicit assessment of non-trivial deviations, it highlights such deviations in practice by noting that the statutory timeframe for granting permits was exceeded in practice for exploration permits awarded to four of the five companies that received such permits in 2016 and seven of the eight companies in 2017. In addition, it is noted that no “privileged” applications were received. However, the report notes that exploration permits awarded to four of the five companies that received such permits in 2016 and seven of the eight companies in 2017 were granted with violations of the timeframes defined by the Mining Code. According to the EITI Report, violations of the defined timeframes were caused by deficiencies of the “single window” principle applied for granting permits as well as discrepancies in different relevant legislation (p.145).

Comprehensiveness: The information provided in the EITI Report and on the relevant government websites is comprehensive and includes data on companies outside the scope of the EITI Report.

⁹¹ AUA Center for Responsible Mining, “ Scoping Study”:

[https://www.eiti.am/file_manager/EITI%20Documents/Scoping%20Study/Scoping%20Study%20EN/ENG_ArmeniaEITI_ScopingStudy_Mar%2015%202018%20\(Secretariat\).pdf](https://www.eiti.am/file_manager/EITI%20Documents/Scoping%20Study/Scoping%20Study%20EN/ENG_ArmeniaEITI_ScopingStudy_Mar%2015%202018%20(Secretariat).pdf).

⁹² Metal mining contracts: <http://www.minenergy.am/page/571>.

⁹³ Information on metal mining permits according to the EITI Standard: <http://www.minenergy.am/page/569>.

⁹⁴ Ibid.

⁹⁵ Ibid.

⁹⁶ Ibid.

Bidding process: There are no provisions for license awards through competitive bidding, either statutorily or in practice. As described above, the bearer of the right for conducting exploration activities has a priority for receiving the right for mining exploitation. In case of the absence of a person with such right, the person first submitting the application receives the permit. The report provides a total number of applications for exploration and mining extraction as well as a number of rejected applications. Information related to the assessment of the financial and technical criteria of the rejected applications does not seem to be publicly available.

Commentary on efficiency: The EITI Report does comment on the efficiency of the licensing process.

Conclusion of contracts: Within 10 days after receiving notification related to exploration or production permit, a company is invited to ratify an exploration or production contract respectively. Articles 41 and 54 of the Mining Code describe the main components of the contract as well as consequences of not signing the contract within the specified timeframe.⁹⁷

Stakeholder views

None of the stakeholders consulted across all constituencies had any concerns about the permit allocation procedure. They noted that they had not encountered any deviations from the existing legal framework, except for delays in correcting the inaccuracies in applications and violations of deadlines for awarding a permit.

Representatives of all constituencies seemed to have a common understanding of financial and technical criteria for exploration and production permit applications and the award process. Government representatives confirmed that no further internal technical or financial criteria beyond those described in the EITI Report existed. Applications are assessed based on the requirements of the law, applying the officials' professional expertise. A government representative noted that the company received an explanation for the rejection of an application, although this was not publicly disclosed. In most cases, the main reasons for rejections were deficiencies in technical or financial plans submitted by the company and failure to provide additional information within the required timeframe.

Several company representatives called for further simplification of the permitting process. It was noted that after receiving a mining permit and signing a contract, companies needed to also apply for land use, water and other permits and that the process could in some cases be cumbersome.

Several stakeholders noted that no production permits had been granted in 2018 and 2019 due to citizens' general negative perception of mining in light of its potential impact on the environment and the resulting decline in investor interest.

Stakeholders noted that changes in mining company ownership were common, but that the government did not have oversight of these changes. According to the national secretariat, the MSG had tasked the Independent Administrator of the 2018 EITI Report to look into changes in license-holding company shareholding.

Initial assessment

The International Secretariat's initial assessment is that Armenia has made *satisfactory progress* in meeting the requirement on license allocation. Information about the permits for exploration and production awarded in 2016 and 2017 is publicly available. Moreover, the permit register includes historic data starting from 2012. The process for awarding and transferring licenses as well as applicable technical and financial criteria are well described, and no significant non-trivial deviations

⁹⁷ Mining Code of Armenia: <https://www.arlis.am/DocumentView.aspx?DocID=126310>.

were noted beyond delays in the permitting process. Additionally, the EITI Report provides information on the number of application rejections and the main reasons for these refusals.

To strengthen implementation of Requirement 2.2, Armenia is encouraged to provide more detailed information on the rejections of applications for exploration and production permits and may wish to draw on the findings of EITI reporting on exceeding the statutory timeframes for certain permit awards as the basis for future reforms. The MSG could also consider clarifying the rules and implications of change of control/ownership of metal mining permit-holders.

License registers (#2.3)

Documentation of progress

Licenses held by material companies: The report provides a reference to the license (permit) register available online on the MEINR website.⁹⁸ The register covers 25 exploration and 28 exploitation permits, including all permits held by material companies. Appendices 13 and 14 provide the list of licenses/permits held by material companies in 2016 and 2017.

The report also provides a link to the website of the Republican Geological Fund,⁹⁹ which includes an interactive map of Armenia's natural resources with attached reports and corresponding mapping materials for each mine, provided mining rights, passports and maps of mines, and other relevant information (p.123).

The register on the MEINR website covers the following information:

- Name of the legal entity holding the permit;
- Date of application for the permit;
- Date of permit award, including permits number;
- Duration of the permit;
- Name of area or facility;
- Coordinates and a total size of the area;
- Type of mineral;
- Mining contract's number and date of conclusion;
- Additional information in case of amending the contract or permit extension.

Licenses held by non-material companies: The register published on the MEINR website is limited to 25 exploration and 28 exploitation permits issued starting from 2012. The Republican Geological Fund website includes more historic data, however, does not always provide all data required by the EITI Standard.

Stakeholder views

A government representative confirmed that the license (permit) register includes information about permits held by all entities, including companies that were not included in the EITI Report, i.e. where their payments fall below the agreed materiality threshold. It was also noted that the register on the MEINR website was designed according to relevant EITI requirements.

A government representative explained that the relevant ministry (MEINR – previously, Ministry of Territorial Administration and Infrastructure (MTAI)) sent the paper versions of the permits to the

⁹⁸ Information on metal mining permits according to the EITI Standard: <http://www.minenergy.am/page/569>.

⁹⁹ Republican Geological Fund: <https://www.geo-fund.am/en>.

Republican Geological Fund that was responsible for scanning and uploading the relevant documents to the website. Given paper versions were not being always sent immediately, as well as software and technical problems, the update of the Republican Geological Fund's website often took some time. As a result, some differences could be observed between data published on the ministry's and the Republican Geological Fund websites. Several ideas for improving this process were being considered.

Initial assessment

The International Secretariat's initial assessment is that Armenia has made *satisfactory progress* in meeting the requirement on license registers. All information listed under Requirement 2.3 is publicly available for metal mining exploration and production permits.

To strengthen implementation of Requirement 2.3, the MSG is encouraged to consider integrating the information provided in the license (permit) register and online interactive geological map, and could ensure that the efficiency of synchronising all relevant data with the Republican Geological Fund website is improved.

Contract disclosures (#2.4)

Documentation of progress

According to the EITI Report, mining contracts had not been publicly available until 7 April 2018 (p.152). The legislative¹⁰⁰ and scoping¹⁰¹ studies reviewed relevant legislation¹⁰² and concluded that there is some degree of ambiguity with regard to what information can be considered a commercial secret and what information should be publicly disclosed. The studies suggested amending the Mining Code and other relevant legislation in order to ensure disclosure of production contracts and other relevant data points required by the EITI Standard.

As a result of the Armenia EITI MSG's efforts, the law on "Making supplements and amendments to the Mining Code" was adopted in March 2018, leading to the publication of all subsoil use contracts for metal mining extraction, including their amendments and annexes, on the website of the Ministry of Energy Infrastructures and Natural Resources (MEINR).¹⁰³ All production contracts are provided in Armenian and are available in PDF format.

At the same time, exploration contracts do not seem to be publicly available. The Mining Code describes what information on mining activities should be publicly disclosed, the right of ownership of geological information, procedures for providing geological information and other related aspects, but does not explicitly require publication of exploration contracts.¹⁰⁴

The EITI Report provides a list of all contracts for exploration and extraction concluded since 2012 (pp.153-154) as well as detailed information on the social responsibilities stipulated in the contracts (see more under Requirement 6.1).

Additionally, Armenia EITI participates in the EITI's contract transparency network and is considering the feasibility of expanding the scope of contract disclosure beyond the metal mining sector.

¹⁰⁰ AUA Center for Responsible Mining, "Legislative and institutional review":

https://www.eiti.am/file_manager/EITI%20Documents/ENG_LIRAP_EITI%20_30%E2%80%A408%E2%80%A42018.pdf, pp.8-11.

¹⁰¹ AUA Center for Responsible Mining, "Scoping Study":

[https://www.eiti.am/file_manager/EITI%20Documents/Scoping%20Study/Scoping%20Study%20EN/ENG_ArmeniaEITI_ScopingStudy_Mar%2015%202018%20\(Secretariat\).pdf](https://www.eiti.am/file_manager/EITI%20Documents/Scoping%20Study/Scoping%20Study%20EN/ENG_ArmeniaEITI_ScopingStudy_Mar%2015%202018%20(Secretariat).pdf), pp.26-30, 72.

¹⁰² Civil code, Law on Protection of Economic Competition, Mining Code.

¹⁰³ Metal mining contracts: <http://www.minenergy.am/en/page/571>.

¹⁰⁴ Mining Code of Armenia: <https://www.arlis.am/DocumentView.aspx?DocID=126310>, see articles 9, 12, 13.

Stakeholder views

Stakeholders across constituencies confirmed that the government's policy was to publish all production contracts concluded since 2012. A government representative confirmed that all relevant contracts and their annexes were available on the MEINR website. No concerns regarding the comprehensiveness of information available on the MEINR website were expressed by any of the stakeholders consulted. It was noted that metal mining contracts were based on the Mining Code as well as model contract and included such general information as coordinates, scope and duration of work. Additionally, production contract annexes included information on environmental payments, payments to the reclamation fund, social obligations, mine closure plan and so forth. It was noted that some of the contracts prior to 2012 did not define environmental payments.

It was noted that environmental impact assessments (EIA) were publicly available on the Ministry of Environment (MoE) website.¹⁰⁵ At the same time, several stakeholders from different stakeholder groups expressed concerns regarding the availability and timeliness of publication of EIAs.

A media representative highlighted that contracts and EIAs were a useful source of information and had been used by media to monitor companies' fulfilment of their obligations¹⁰⁶. Concurrently, several stakeholders noted that contracts became available only relatively recently and called for further work on analysing and using disclosed contracts.

Initial assessment

The International Secretariat's initial assessment is that Armenia has made *satisfactory progress* in meeting the requirement on contract disclosure. The EITI Report as well as the legislative and scoping studies provide a detailed review of the relevant legislation and conclude that there is some degree of ambiguity with regard to what information can be considered a commercial secret. Prior to the deadline set by the 2019 EITI Standard, Armenia has systematically disclosed all production metal mining contracts.

To strengthen implementation of Requirement 2.4, Armenia is encouraged to undertake a review of published production contracts and to make efforts to encourage analysis and use of disclosed contracts by interested stakeholder groups. In addition, Armenia is encouraged to assess the possibility of systematic disclosure of exploration and production permits as well as exploration contracts.

Beneficial ownership disclosure (#2.5)

Documentation of progress

Government policy: The 2016-2017 EITI Report documents legal provisions and regulations concerning the disclosure of beneficial owners and describes anticipated legislative reforms (pp.170-176). The report clearly documents the MSG's position, including a draft definition of "beneficial owner" and suggested amendments to the current legislation. More information regarding the

¹⁰⁵ Environmental impact assessments on the MoE's website: <http://www.mnp.am/am/pages/66>.

¹⁰⁶ See for example, Infocom.am, "860 trees and no water permits: The mystery of Lichk mine shareholders, operation and termination": <https://infocom.am/?p=17173&l=am>.

recently-adopted legislation is available on the national EITI website¹⁰⁷. The leading responsibility is with the Ministry of Justice, but both policies and reporting practices are discussed in a beneficial ownership working group established by the MSG.

Actual practice: With support from the European Bank for Reconstruction and Development (EBRD), Armenia EITI prepared a legal review and developed its beneficial ownership roadmap, published on the national website in January 2018.¹⁰⁸ The roadmap includes a suggested definition of “beneficial ownership” as well as a timetable of activities for 2018-2019 aimed at ensuring beneficial ownership disclosures in the mining sector.

On 23 April 2019, the package of draft amendments to the Mining Code and other relevant laws was adopted by the National Assembly (Parliament). The amendments provide definitions of “beneficial owner” and “politically exposed person”, and outline the scope and timeframe of disclosures. Armenia has recently approved a reporting template and was expected to complete the first round of disclosures by February 2020.¹⁰⁹ The reporting template seems to include all data points required by the EITI Standard.

Legal owners of material companies: Legal owners are provided for seventeen mining companies with limited liability organisational legal form in the EITI Report (pp.175-176). The 2016-2017 EITI Report notes that the state legal registration agency of the Ministry of Justice¹¹⁰ is the source of the information provided.

It is also noted that information on shareholders of closed-joint stock companies is not publicly available and therefore not included in the report. Therefore, the list of shareholders of ten companies, including six material companies in 2016 and seven – in 2017, is not available. At the same time, the EITI Report notes that relevant legislation will come into force in 2020, requiring public disclosure of information about shareholders of closed-joint stock companies.

Stakeholder views

Stakeholders expressed considerable interest in beneficial ownership disclosures. Investigative journalists, in particular, consider such transparency in the ownership of mining companies as key. Heated debates have already taken place regarding political connections of persons who claimed to be the beneficial owners of mining companies.¹¹¹ Company and government stakeholders considered that some of the claims were false. The beneficial ownership register was expected to clarify the situation, although some stakeholders doubted the reliability of data submitted to the register.

Government agencies appeared committed to ensuring the comprehensive and accurate disclosures, although representatives consulted recognised potential challenges in ensuring data quality. The MSG’s beneficial ownership working group was expected to agree on a reporting template by the end of 2019. Government agencies had expressed differing views about the level of detail required from reporting companies. Government representatives noted that all collected information apart from identification numbers and home addresses would be made publicly available. Comprehensive disclosures by mining companies were feasible according to government representatives, as the requirement applied to a small number of companies. Government representatives confirmed that

¹⁰⁷ National EITI website, “Hereafter disclosure of beneficial owners of metal mining companies is a mandatory legislative requirement”: <https://www.eiti.am/en/news/2019/04/23/disclosure-of-beneficial-owners-of-metal-mining-companies-will-be-made-on-mandatory-demand-defined/60/>.

¹⁰⁸ Armenia EITI beneficial ownership roadmap:

https://www.eiti.am/file_manager/EITI%20Documents/Beneficial%20Ownership/BO%20Roadmap_EN.pdf.

¹⁰⁹ The Beneficial Ownership Declaration Form has been published: <https://www.eiti.am/en/news/2020/02/11/the-beneficial-ownership-declaration-form-has-been-published/81/>.

¹¹⁰ Corporate register: <https://www.e-register.am/am/>.

¹¹¹ See for example, “Mining Caucasian Gold: Corporate Profits Come at a High Price” <https://hetq.am/en/article/104582>; and “The Secret Owners of Armenia’s Largest Enterprise” <https://www.civilnet.am/news/2019/11/06/The-Secret-Owners-of-Armenian-Molybdenum/370063>.

following ongoing legal amendments, the legal owners of closed joint-stock would also be publicly available through the register.

OpenOwnership was providing technical support to Armenia, with feedback sought from other stakeholders such as Transparency International and the Open Government Partnership. The objective was to pilot disclosures in the mining sector, before considering extending the obligations to other sectors. Civil society representatives noted that the media sector was another sector of interest.

The MSG was playing a key role in promoting and facilitating beneficial ownership disclosures. Legal amendments and the reporting template had been discussed in the working group on beneficial ownership. Stakeholders noted that engaging companies and different government agencies through the working group had helped in gaining broad support for disclosures. Deputy Minister of Justice Srбуhi Galyan joined the MSG in September due to the ministry's leading role in ensuring beneficial ownership transparency. Government representatives noted that Armenia was moving towards beneficial ownership transparency in any case, but that the EITI had helped accelerate the process. Company representatives on the MSG expressed their support to beneficial ownership disclosures.

Initial assessment

Implementing countries are not yet required to address beneficial ownership and progress with this requirement does not yet have any implications for a country's EITI status. Armenia's progress towards beneficial ownership disclosures is commendable. Armenia EITI has developed and is currently implementing its beneficial ownership roadmap. The amendments to relevant legislation provide definitions of "beneficial owner" and "politically exposed person", as well as outline the scope and timeframe of disclosures.

To strengthen implementation of Requirement 2.5, Armenia is encouraged to analyse the first beneficial ownership disclosures and to ensure that the data is published in an accessible format for the future reporting periods. Once the register is established, the Ministry of Justice and the MSG should review the disclosures, assess any gaps and weaknesses and agree on a plan for addressing these.

State participation (#2.6)

Documentation of progress

As indicated in the scoping study for 2016-2017 EITI Report, an inquiry for providing clarifications on state participation in the metal mining industry was sent to the State Property Management Department of the RA Government (p.46).¹¹² A response to that inquiry from the Deputy Head of the State Property Management Department dated 22 November 2017 was received, stating that there are no companies with state participation operating in Armenian metal mining industry.

Stakeholder views

Stakeholders across constituencies confirmed that there are no state-owned enterprises in the metal mining sector of Armenia.

¹¹² AUA Center for Responsible Mining, " Scoping Study":

[https://www.eiti.am/file_manager/EITI%20Documents/Scoping%20Study/Scoping%20Study%20EN/ENG_ArmeniaEITI_ScopingStudy_Mar%2015%202018%20\(Secretariat\).pdf](https://www.eiti.am/file_manager/EITI%20Documents/Scoping%20Study/Scoping%20Study%20EN/ENG_ArmeniaEITI_ScopingStudy_Mar%2015%202018%20(Secretariat).pdf).

Initial assessment

The International Secretariat's initial assessment is that this requirement is *not applicable* in Armenia in the years under review.

TABLE 2 – SUMMARY INITIAL ASSESSMENT TABLE: AWARD OF CONTRACTS AND LICENSES

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions
Legal framework (#2.1)	In accordance with Requirement 2.1.a, Armenia has comprehensively disclosed all required information related to the fiscal regime, including the level of fiscal devolution, an overview of the relevant laws and regulations, and information on the roles and responsibilities of the relevant government agencies. In addition, in accordance with Requirement 2.1.b, Armenia has gone beyond the minimum requirements in the comprehensiveness of its overview of anticipated reforms.	Beyond
License allocations (#2.2)	Information about the permits for exploration and production awarded in 2016 and 2017 is publicly available. Moreover, the permit register includes historic data starting from 2012. The process for awarding and transferring licenses as well as applicable technical and financial criteria are well described, and no significant non-trivial deviations were noted beyond delays in the permitting process. Additionally, the EITI Report provides information on the number of application rejections and the main reasons for these refusals.	Satisfactory progress
License registers (#2.3)	All information listed under Requirement 2.3 is publicly available for metal mining exploration and production permits.	Satisfactory progress
Contract disclosures (#2.4)	The EITI Report as well as the legislative and scoping studies provide a detailed review of the relevant legislation and conclude that there is some degree of ambiguity with regard to what information can be considered a commercial secret. Prior to the deadline set by the 2019 EITI Standard, Armenia has systematically disclosed all production metal mining contracts.	Satisfactory progress
Beneficial ownership disclosure (#2.5)	Armenia's progress towards beneficial ownership disclosures is commendable. Armenia EITI has developed and is currently implementing beneficial ownership roadmap. The amendments to relevant legislation provide definitions of "beneficial owner" and	

	“politically exposed person”, as well as outline the scope and timeframe of disclosures.	
State-participation (#2.6)	The International Secretariat’s initial assessment is that this requirement is not applicable in Armenia in the years under review.	Not applicable
<p>Secretariat’s strategic recommendations:</p> <ul style="list-style-type: none"> • To strengthen implementation of Requirement 2.2, Armenia is encouraged to provide more detailed information on the rejections of applications for exploration and production permits and may wish to draw on the findings of EITI reporting on exceeding the statutory timeframes for certain permit awards as the basis for future reforms. The MSG could also consider clarifying the rules and implications of change of control/ownership of metal mining permit-holders. • To strengthen implementation of Requirement 2.3, the MSG is encouraged to consider integrating the information provided in the license (permit) register and online interactive geological map, and could ensure that the efficiency of synchronising all relevant data with the Republican Geological Fund website is improved. • To strengthen implementation of Requirement 2.4, Armenia is encouraged to undertake a review of published production contracts and to make efforts to encourage analysis and use of disclosed contracts by interested stakeholder groups. In addition, Armenia is encouraged to assess the possibility of systematic disclosure of exploration and production permits as well as exploration contracts. • To strengthen implementation of Requirement 2.5, Armenia is encouraged to analyse the first beneficial ownership disclosures and to ensure that the data is published in an accessible format for the future reporting periods. Once the register is established, the Ministry of Justice and the MSG should review the disclosures, assess any gaps and weaknesses and agree on a plan for addressing these. 		

3. Monitoring and production

3.1 Overview

This section provides details on the implementation of the EITI requirements related to exploration, production and exports.

3.2 Assessment

Overview of the extractive sector, including exploration activities (#3.1)

Documentation of progress

Section 2 of the 2016-2017 EITI Report is dedicated to the background information on the mining industry in Armenia and covers the following topics:

- Share of the mining industry in the country's economy;
- Employment in the metal mining industry;
- State revenues from the metal mining sector;
- Production, reserves, export and local sales in the metal mining industry;
- Subsoil exploration activities; and
- Donations to foundations.

Exploration: The EITI Report and its annexes provide a thorough overview of exploration activities, including a list of granted permits for geological studies and a description of important subsoil geological studies implemented during 2010-2017 (pp.76-78, 282-283). The information about exploration licenses is also available on the MEINR website.¹¹³

Stakeholder views

Stakeholders consulted highlighted that the EITI Report provided a detailed overview of Armenia's metal mining sector, which was considered a useful source of information about the sector. Stakeholders noted that no significant exploration activities were omitted from the EITI Report.

Initial assessment

The International Secretariat's initial assessment is that Armenia has made *satisfactory progress* towards meeting this requirement. The EITI Report provides a detailed overview of the extractive industries, including significant exploration activities.

¹¹³ Information on metal mining permits according to the EITI Standard: <http://www.minenergy.am/page/569>.

Production data (#3.2)

Documentation of progress

According to the EITI Report, copper, molybdenum and ferromolybdenum, gold and silver alloy, and zinc were the main minerals produced in Armenia in 2016-2017 (pp.47,50-51). Additionally, the report notes that 28 metal mines are currently exploited.

Production volumes and values: Companies' reporting of production volumes and values for 2016 and 2017 are provided for copper ore and concentrate, molybdenum concentrate and ferromolybdenum, zinc ore and concentrate, as well as gold, disaggregated by company and with information on the location (region) of production (pp.50-60). Production values are not disaggregated by ores and concentrates due to the existing tax classification system. The report includes a separate section focusing on volumes and values of domestic sales (pp.72-75).

Information on the volumes as well as average yearly commodity prices is also publicly available on the Statistics Committee¹¹⁴ and Statista¹¹⁵ websites. Production volumes according to the Statistics Committee and international average annual prices per commodity are briefly summarised in the EITI Report (p.248). Moreover, the report provides a comparison of data collected from different sources and discusses the differences between publicly available data and values provided by the companies (p.229).

The EITI Report also highlights that information on precious metals disaggregated by commodity is classified as a state secret, and that EITI reporting is thus focused on data provided by companies (p.59).

Location: Regional contributions to mining and quarrying production are visualised in the EITI Report (pp.48), which notes that Syunik and Lori as the regions (marzes) with the highest production volumes in both 2016 and 2017. Additionally, the report notes the names of communities where the main companies operate. This information is provided for all key metal mining commodities produced in Armenia. For example, copper is mainly produced in Lori and Syunik regions (p.53).

Stakeholder views

None of the stakeholders consulted from all constituencies expressed concerns regarding the reliability or comprehensiveness of production data in the EITI Report. However, they highlighted that data provided by companies and the Statistics Committee differed because of different methodologies in calculations of production values. The IA team noted that ores and concentrates are classified under one category, and that relevant information could therefore not be further disaggregated. This information was also confirmed by government representatives, who noted that unprocessed ore was considered to have no value and was not sold before it was processed. Therefore, the government statistics did not monitor ore values and focused on information on concentrates.

With regard to production of precious metals, different stakeholders consulted expressed various opinions about what statistical information should be considered a state secret. At the same time, it was noted that disaggregation of data for precious metals was difficult due to the fact that the main commodity produced in Armenia was in the form of "dore" alloy, an alloy of gold and silver. Since Armenia's refining capacities were limited, "dore" alloy was exported and further refined in other countries. It was also noted that there were no other significant precious metals produced in Armenia

¹¹⁴ Statistical Committee of the Republic of Armenia: <https://www.armstat.am/en/>.

¹¹⁵ Statista: <https://www.statista.com/>.

than gold and silver. None of the stakeholders consulted across constituencies expressed any concerns regarding the available data on precious metals reported by companies.

Initial assessment

The International Secretariat's initial assessment is that Armenia has made *satisfactory progress* towards meeting the requirement on production data. The EITI Report provides a comprehensive overview of production data reported by the companies and publicly available on government websites. The 2016-2017 EITI Report notes the limitations related to the level of disaggregation of government production data for precious metals. At the same time, the report provides comprehensively disaggregated information as reported by companies.

To strengthen implementation of Requirement 3.2, Armenia is encouraged to ensure that more detailed information on production volumes and values of precious metals is publicly disclosed, including a comparison of applied methodologies and differences in the data reported by the companies and the data systematically disclosed by the government. In addition, the MSG may wish to clarify the legislation hindering disaggregated disclosure of precious metals production data and consider different reporting options that will ensure systematic disclosure of production data for precious metals.

Export data (#3.3)

Documentation of progress

Export volumes and values: The EITI Report provides the share of metal mining in Armenia's total exports in 2016 and 2017 (23% and 28% respectively) (p.63). Copper remained the main metallic mineral exported in the two years covered by the EITI Report. Material companies' reporting of export volumes and values are provided separately for copper, molybdenum and ferromolybdenum, zinc, precious metals ores and concentrates (pp.63-71). Moreover, the report includes detailed information on export destinations disaggregated by company and commodity (pp.65-70).

Additionally, a comparison of information provided by the metal mining companies and the Statistical Committee of Armenia is provided, alongside an explanation for significant differences between different sources of information (p.70). The report also noted export of titanium and lead ores and concentrates in 2012 (p.69), however, does not seem to provide information about these two minerals for 2016 and 2017. Analysis of publicly accessible information confirms that there were no exports of titanium and lead ores and concentrates in fiscal years under review.¹¹⁶

The report notes that government data on export volumes and values for precious metals cannot be disaggregated per commodity since Armenian legislation treats this information as a state secret. At the same time, the report provides company data on volume and value of exported precious metals concentrate containing gold (p.70) which can be considered as an equivalent to the dore alloy.

Analysis of publicly accessible information shows that the following gold and silver export data, including volumes and values, is available on the Statistics Committee website:¹¹⁷

- Silver, unwrought or semi-manufactured, silver powder;
- Gold, unwrought, semi-manufactured, powder form;

¹¹⁶ Statistical Committee of the Republic of Armenia, External trade database according to the commodity nomenclature at 4-digit level: <https://www.armstat.am/en/?nid=148>.

¹¹⁷ Statistical Committee of the Republic of Armenia, External trade database according to the commodity nomenclature at 4-digit level: <https://www.armstat.am/en/?nid=148>.

- Metals not precious, silver or gold, clad by platinum;
- Waste or scrap of precious metal;
- Jewellery and parts, containing precious metal;
- Gold, silversmith wares of or clad with precious metal;
- Articles of, or clad with, precious metals.

The information under the category “7108 Gold, unwrought, semi-manufactured, powder form” seems to correspond to the export values provided by companies in their EITI reporting as well to other publicly accessible sources of information as UN Comtrade database (in million USD):¹¹⁸

Table 3.3.1 – Production values for gold alloy

	2016	2017
Information provided by companies (EITI reporting)	131.57	148.96
According to the Statistics Committee	131.16	147.58
According to the UN Comtrade database	140.85	144.98

Location: Export destinations are provided for each company (for example, pp.66 for copper ore and concentrate) and the operating location of each exporting company can be easily identified through publicly available resources. The 2016-2017 EITI Report includes a list of metal mining companies, the locations of mines and the commodities produced (table 2.4.1, p.48).

Stakeholder views

No stakeholders expressed a lack of confidence in the reliability of the export data provided in the EITI Report.

The IA team noted that the government provided statistical data on all exports of all precious metals in aggregate, in accordance with the commodity classification used in the Eurasian Economic Union. At the same time, a government representative noted that export data for precious metals were available on the Statistics Committee website, disaggregated by commodity. However, they noted that this data might cover data on gold and silver that included not only locally-produced minerals as well as imported minerals.

Civil society and company representatives confirmed that most of the exports of precious metals come in the form of gold and silver alloy. None of the representatives from any constituencies consulted expressed any concerns regarding possible omissions or methodological deficiencies related to companies' EITI reporting of exports of precious metals.

The IA team confirmed that more detailed information on the region of origin could be provided in the upcoming reporting cycles.

Initial assessment

The International Secretariat's initial assessment is that Armenia has made *satisfactory progress* in meeting this requirement. The EITI Report provides export volumes and values for all major minerals exported. The report also provides an overview of data provided by different sources of information, is transparent about the limitations of official export data and comments on the possible reasons for differences.

To strengthen implementation of Requirement 3.3, Armenia is encouraged to ensure that a comparison of data on precious metals exports from companies and from government websites is

¹¹⁸ UN Comtrade Database: <https://comtrade.un.org/data/>.

publicly disclosed, alongside additional information on region of origin for all metal mining exports, where relevant.

TABLE 3 – SUMMARY INITIAL ASSESSMENT TABLE: MONITORING AND PRODUCTION

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions
Overview of the extractive sector, including exploration activities (#3.1)	The EITI Report provides a detailed overview of the extractive industries, including any significant exploration activities.	Satisfactory progress
Production data (#3.2)	The EITI Report provides a comprehensive overview of production data reported by the companies and publicly available on government websites. The 2016-2017 EITI Report notes the limitations related to the level of disaggregation of government production data for precious metals. At the same time, the report provides comprehensively disaggregated information as reported by companies.	Satisfactory progress
Export data (#3.3)	The EITI Report provides export volumes and values for all major minerals exported. The report also provides an overview of data provided by different sources of information, is transparent about the limitations of official export data and comments on the possible reasons for differences.	Satisfactory progress
<p>Secretariat's strategic recommendations:</p> <ul style="list-style-type: none"> • To strengthen implementation of Requirement 3.2, Armenia is encouraged to ensure that more detailed information on production volumes and values of precious metals is publicly disclosed, including a comparison of applied methodologies and differences in the data reported by the companies and the data systematically disclosed by the government. In addition, the MSG may wish to clarify the legislation hindering disaggregated disclosure of precious metals production data and consider different reporting options that will ensure systematic disclosure of production data for precious metals. • To strengthen implementation of Requirement 3.3, Armenia is encouraged to ensure that a comparison of data on precious metals exports from companies and from government websites is publicly disclosed, alongside additional information on region of origin for all metal mining exports, where relevant. 		

4. Revenue collection

4.1 Overview

This section provides details on the implementation of the EITI requirements related to revenue transparency, including the comprehensiveness, quality and level of detail disclosed. It also considers compliance with the EITI Requirements related to procedures for producing EITI Reports.

4.2 Assessment

Materiality (#4.1)

Documentation of progress

Materiality threshold for revenue streams: According to the inception report and the 2016-2017 EITI Report, the materiality threshold for selecting revenue streams for reconciliation was set at 1% of total government revenues from the extractive industries (pp.192-195). There is evidence that this threshold was discussed and approved by the MSG before data collection (protocol #9).¹¹⁹ The EITI Report notes that this threshold was based on the scoping study and suggestions from the consultant undertaking the scoping study (BDO). Only one non-tax payment was identified during the preparation of the report – rent payments – and was included in the reconciliation (p.195).

All revenue streams listed under Requirement 4.1.b have been analysed by the IA and have been either reconciled or confirmed to be not applicable in Armenia in the years under review. The following revenue streams were reconciled in 2016 and 2017 (p.194):

Table 4.1.1 – Material revenue streams in 2016 and 2017.

N	2016	2017
1	Royalty	Royalty
2	Value-added tax	Value-added tax
3	Income tax	Income tax
4	Profit tax	Profit tax
5	Custom duties and fees	Custom duties and fees
6	Rent payments	Rent payments
7	-	Penalties
8	-	Fines

According to the report, revenues from material revenue streams accounted for 97.06% and 97.74% of total government extractives revenues in 2016 and 2017 respectively. No revenue streams accounting for 1% or more in total revenues from the extractive industries have been excluded (pp.192-193).

Descriptions of material revenue streams: All material and other relevant revenue streams are described in detail in the EITI Report (p.92).

Materiality threshold for companies: According to the report and MSG meeting minutes (protocol #9), all 27 companies that hold permits to extract metal minerals were required to report in 2017 and were encouraged to report in 2016.¹²⁰ At the same time, only companies with taxes and payments

¹¹⁹ MSG meeting minutes from 27 March 2018:

https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minutes_27_03_2018_eng.pdf.

¹²⁰ Ibid.

equivalent to or exceeding 150 million AMD (roughly USD 300 000) were considered to be material and were reconciled (p.197). Bankrupt companies were exempt from reporting.

Material companies: Based on this threshold, nine companies in 2016 and 11 companies in 2017 were identified as material companies. The 2016-2017 EITI Report provides a list of material companies (pp.189-191). Total payments to government from non-material companies accounted for 0.82% of total government extractives revenues in 2016 and 0.50% – in 2017.

Payments to the government from the nine material companies accounted for 96.59% of total government extractives revenues in 2016. In 2017, this ratio was equal to 97.39% for 11 companies.¹²¹

The IA notes that only 22 of the 27 companies reported for 2016 and only 26 of 27 companies reported in 2017. The lower number of reporting companies in 2016 compared to 2017 was due to the fact that reporting was not backed by legal provisions before 2017. From 2017 onwards, all metal mining companies have been obliged to submit payment data through the online reporting system.¹²² At the same time, all material companies reported on all material revenue streams in both 2016 and 2017.

Material government entities: The State Revenue Committee, the Ministry of Territorial Administration and Infrastructure and the Ministry of Nature Protection are listed as material government entities for 2016 and 2017 (p.188).

Discrepancies: In case of discrepancies in the reconciled data, the IA investigated all discrepancies equivalent to 4% or more of the “financial data”, but not less than AMD 1m (approximately USD 2000) (p.198). The initial reconciliation identified material discrepancies for 8 out of 9 and 10 out of 11 material companies for 2016 and 2017 respectively (pp.200-206).

The EITI Report provides the following values for discrepancies before the reconciliation process (p.200):

- 2016: -4.6% net, or 7.39% gross
- 2017: 13.86% net, or 29.64% gross

After the reconciliation process:

- 2016: 0.27% net, or 0.38% gross
- 2017: 0.94% net, or 1.23% gross

The EITI Report lists the most common causes of discrepancies and a detailed explanation of discrepancies per company and per revenue stream in Annex 7 (p.251).¹²³ The biggest discrepancies were observed for royalties and VAT due to technical mistakes when filling the preliminary report.

The EITI Report includes the IA’s observations that there were certain limitations related to short deadlines for data collection and report completion as well as a lack of reporting experience for companies and government entities since the online reporting portal was used for the first time. Nevertheless, according to the EITI Report, “*these factors did not affect the comprehensiveness of the reports and data thanks to close cooperation with the Secretariat and activities realized with the purpose of mitigating the impact of the mentioned factors*” (p.198).

Full government disclosure: According to the summary data files prepared for the 2016-2017 EITI Report, total government revenues from the extractive industries were equal to almost AMD 52bn (USD 0.11bn) in 2016 and AMD 88bn (USD 0.18bn).¹²⁴ The values are consistent with the 2016-2017 EITI Report (pp.192-194). Total government revenues are disaggregated by revenue stream.

¹²¹ International Secretariat’s calculation based on figures provided in the 2016-2017 EITI Report. Calculation confirmed by the IA.

¹²² Amendments to the Mining Code from 28 March 2018, see here <https://www.eiti.am/en/eiti-templates/>.

¹²³ Different approached for VAT calculation, missed non-resident profit tax amounts, etc.

¹²⁴ Summary data files (Armenia): <https://drive.google.com/drive/folders/OB361RU22DTPfUUp1dVFmQ2VSU3M>.

Stakeholder views

The IA (EY) confirmed that BDO had proposed the materiality threshold as a result of their scoping work. The IA had undertaken sensitivity analysis on the data to assess whether small adjustments to the materiality threshold would affect the number of material revenue streams or companies. They had concluded that the thresholds set for reconciling revenue streams and companies were appropriate. The IA noted that they considered the payment and revenue data in the 2016-2017 EITI Report to be comprehensive and reliable. They confirmed that all material government agencies and companies had submitted all required data. Other stakeholders did not express concerns related to the comprehensiveness of disclosures.

Government representatives clarified that all metal mining companies were obliged to disclose data on payments through the online reporting system. The materiality threshold only limited the companies and revenue streams to be disclosed. The IA confirmed that the large initial discrepancies identified in reconciliation were due to misunderstandings in initial reporting. In some cases, companies and the State Revenue Committee had interpreted the reporting requirements differently. The reporting template was improved after the publication of the 2016-2017 EITI Report.

Initial assessment

The International Secretariat's assessment is that Armenia has made *satisfactory progress with efforts to go beyond* meeting the requirement on comprehensiveness. The MSG's decision on material revenue streams and material companies is clearly justified and resulted in comprehensive disclosures. Material companies and government agencies provided all required data, and reconciliation was comprehensive. Total government revenues from extractives are disclosed by revenue stream. In addition, the online portal includes disclosures from all metal mining companies disaggregated by company and by revenue stream. Corresponding data is disclosed by the government. Although this data is not reconciled, the disclosures are exceptionally comprehensive and backed by legislation.

To strengthen implementation of Requirement 4.1, Armenia may wish to consider revising the scope of reconciliation in its transition to systematic disclosures, to strike a balance between the comprehensiveness of reconciliation and improvements in the comprehensiveness, disaggregation and reliability of systematically disclosed extractives revenue data.

In-kind revenues (#4.2)

Documentation of progress

As noted in the scoping study for the 2016-2017 EITI Report, there is no indication that the government collects any share in production or receives any revenues collected in-kind from any mining operations (pp.45-46).¹²⁵

Stakeholder views

Stakeholders across constituencies confirmed that there are no in-kind revenues in the metal mining sector of Armenia.

¹²⁵ AUA Center for Responsible Mining, "Scoping Study":

[https://www.eiti.am/file_manager/EITI%20Documents/Scoping%20Study/Scoping%20Study%20EN/ENG_ArmeniaEITI_ScopingStudy_Mar%2015%202018%20\(Secretariat\).pdf](https://www.eiti.am/file_manager/EITI%20Documents/Scoping%20Study/Scoping%20Study%20EN/ENG_ArmeniaEITI_ScopingStudy_Mar%2015%202018%20(Secretariat).pdf)

Initial assessment

The International Secretariat's initial assessment is that this requirement is *not applicable* in Armenia in the years under review.

Barter and infrastructure transactions (#4.3)

Documentation of progress

The 2016-2017 EITI Report confirms that this requirement is not applicable (p.222).

Stakeholder views

The IA team confirmed that the applicability of this requirement had been discussed with different government entities and it was confirmed that there were no barter or infrastructure provisions of extractives contracts.

Initial assessment

The International Secretariat's initial assessment is that this requirement is *not applicable* in Armenia in the years under review.

To strengthen implementation of Requirement 4.3, Armenia is encouraged to ensure that the existence of infrastructure provisions and barter arrangements is reassessed annually ahead of EITI reporting.

Transport revenues (#4.4)

Documentation of progress

The 2016-2017 EITI Report confirms that this requirement is not applicable (p.222) based on the MSG's decision from March 2018.

Stakeholder views

The IA team noted that international experience was analysed in the discussion of applicability of the requirement on transportation revenues. It was confirmed that only railway and truck transportation was applicable for the metal mining sector. It was also concluded that there were no significant state revenues from transportation and mainly third parties were involved in transportation of metallic minerals.

Initial assessment

The International Secretariat's initial assessment is that this requirement is *not applicable* in Armenia in the years under review.

To strengthen implementation of Requirement 4.4, Armenia is encouraged to ensure that the existence of transportation revenues is reassessed annually ahead of EITI reporting.

Transactions between SOEs and government (#4.5)

Documentation of progress

As indicated in the scoping study for 2016-2017 EITI Report, an inquiry for providing clarifications on State participation in the metal mining industry was sent to the State Property Management Department of the RA Government (p.46).¹²⁶ A response to that inquiry from the deputy head of the State Property Management Department dated 22 November 2017 was received, stating that there are no companies with State participation operating in Armenian metal mining industry.

Stakeholder views

Stakeholders across constituencies confirmed that there are no state-owned enterprises in the metal mining sector of Armenia.

Initial assessment

The International Secretariat's initial assessment is that this requirement is *not applicable* in Armenia in the years under review.

Subnational direct payments (#4.6)

Documentation of progress

Information on payments by mining companies to community (local government) budgets is provided in the EITI Report (pp.32-39). In 2016, the total value of direct subnational payments by mining companies to community budgets was approximately AMD 1.2bn (USD 2.5m), or 0.9% of total government extractives revenues. In 2017 this amounted to 1% of total government extractives revenues, or AMD 1.3bn (USD 2.7m). Rent payments to communities, contributions defined by extractives companies' operating contracts, property tax, land tax and fines are the main payments made by the mining companies to the communities. According to the set threshold of 1%, only rent payments appeared to be material and were reconciled (p.33). Rent payments accounted for 65% and 66% of all subnational direct payments to communities in 2016 and 2017 respectively.

According to the reporting templates, both companies and communities reported rent payments (pp.294,304) and the relevant data can be accessed online by using a filtering tool available on the e-reporting portal.¹²⁷ The data can be downloaded in Excel format. Additionally, the reconciled information per company is presented in Annex 7 of the 2016-2017 EITI Report (pp.254-255,263-264).

¹²⁶ AUA Center for Responsible Mining, " Scoping Study":

[https://www.eiti.am/file_manager/EITI%20Documents/Scoping%20Study/Scoping%20Study%20EN/ENG_ArmeniaEITI_ScopingStudy_Mar%2015%202018%20\(Secretariat\).pdf](https://www.eiti.am/file_manager/EITI%20Documents/Scoping%20Study/Scoping%20Study%20EN/ENG_ArmeniaEITI_ScopingStudy_Mar%2015%202018%20(Secretariat).pdf).

¹²⁷ Reporting on subnational payments (online e-reporting portal, filtered search): <https://reports.eiti.am/hy/report/search/company-paid-local-taxes-and-fees/?year=2016,2017&company=3,4,5,6,7,8,9,10,11,12,13,14,15,16,17,18,19,20,21,22,23,24,25,26,27,28,29&rental-fees=1>.

Stakeholder views

The IA team and government representatives noted that direct subnational payments, including rent payments, applied to all companies that operated in communities. However, higher rates might be applied for mining activities. Rent payments, property tax, land tax and contribution to socio-economic development were mentioned as the main direct subnational payments. The IA team explained that the same materiality threshold as for all other revenue streams was applied in case of direct subnational payments and only rent payments appeared to be material and, therefore, were reconciled.

It was also confirmed that the information on the e-reporting portal included data on both companies that paid rent taxes and recipient communities. All discrepancies and their reasons were considered well detailed in the EITI Report.

Initial assessment

The International Secretariat's initial assessment is that Armenia has made *satisfactory progress* towards meeting this requirement. The MSG established that rent payments from companies to subnational government entities are material and ensured that these payments and the receipt of these payments are disclosed and reconciled in the EITI Report.

Level of disaggregation (#4.7)

Documentation of progress

Reconciled revenue data is presented by an individual company, individual government entity and individual revenue stream.

The 2016-2017 EITI Report mentions that the predominant majority of companies in the metal mining industry in Armenia hold only one permit, meaning that government revenues from the majority of projects are available on a project level (p.221). At the same time, the report does not seem to explicitly clarify whether a company might hold both exploration and production contracts and does not provide a list of companies that are de facto reporting on a per-project basis. Further information and recommendations for a full transition to project-level reporting are also briefly described in the relevant section (pp.218-221).

The report also mentions some challenges related to full transition to project-level reporting, including royalty calculation mechanism, and notes that additional adjustments of mining contracts and relevant legislation might be needed in order to ensure that extractives data can be disclosed on a project level.

Stakeholder views

Stakeholders across constituencies confirmed that reporting is effectively disaggregated by company and revenue stream.

It was also noted that all metal mining companies in Armenia except for one have only one production license, therefore reporting is de facto by project. It was noted that one company had two licenses in the reporting period, but at least one of them was not active. Additionally, it was confirmed that in order to fully transition to project-level reporting, Armenia will need to amend the existing legislation and tax reporting forms for companies.

Initial assessment

The International Secretariat's initial assessment is that Armenia has made *satisfactory progress* in meeting the requirement on the level of disaggregation. The EITI data is presented by an individual company, government entity and revenue stream, albeit not consistently by project.

To strengthen implementation of Requirement 4.7, Armenia may wish to analyse any legal changes required and consider the extent to which it can make progress in implementing project-level EITI reporting for all fiscal periods ending on or after 31 December 2018.

Data timeliness (#4.8)

Documentation of progress

The first EITI Report covers 2016 and 2017. In June 2018, the Board agreed that Armenia was eligible for an extension to its reporting deadline to 9 March 2019.¹²⁸ The draft 2016-2017 Armenia EITI Report was prepared in December 2018 and subsequently finalised in January 2019. The EITI Report was discussed and approved by the MSG on 5 December 2018 with a condition that the IA reflect the comments expressed during the MSG meeting and the final version of the report would be shared with all MSG members before publication.¹²⁹ Additionally, all revenue data has been made publicly available through the e-reporting portal.¹³⁰ The preparation of a systematic disclosures feasibility study is ongoing.

Stakeholder views

None of the stakeholders consulted from any constituency expressed any concerns regarding the timeliness of EITI data. At the same time, there appeared to be a shared interest in publishing data in a timelier manner if technically feasible. Some contextual information, such as data on mining permits and contracts, was updated on a regular basis.

Initial assessment

The International Secretariat's initial assessment is that Armenia has made *satisfactory progress* in meeting the requirement on data timeliness. The first EITI Report covering 2016 and 2017 fiscal years was published in January 2019 and before the deadline set in the EITI Board's extension to Armenia's EITI reporting deadline.

To strengthen implementation of Requirement 4.8, the MSG is encouraged to explore opportunities to disclose data as soon as practically possible, for example, through continuous online disclosures or, where available, by publishing additional, more recent contextual EITI data than the accounting period covered by the EITI revenue data.

¹²⁸ EITI Board decision on Armenia's reporting extension request: <https://eiti.org/BD/2018-28>.

¹²⁹ MSG meeting minutes from 5 December 2018:

https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minutes_05_12_2018_EN.pdf.

¹³⁰ Online e-reporting portal: <https://reports.eiti.am/hy/>.

Data quality (#4.9)

Documentation of progress

Terms of Reference for the Independent Administrator: The IA's ToRs for the 2016-2017 EITI Report¹³¹ follow the standard ToRs, apart from context-specific adjustments. These adjustments did not lead to deviations from the standard procedure. Both contextual and reconciliation parts were prepared by EY Armenia, with support from international EY experts.

During the EITI MSG meeting held on 27 March 2018, the ToRs for the IA, the list of material companies and government entities were approved.¹³² The materiality thresholds for companies and revenue streams and the report's coverage of 2016 and 2017 were confirmed at the same time.

Appointment of the Independent Administrator (IA): The IA was appointed in July 2018 and presented to the MSG at its 31 July 2018 meeting.¹³³ As noted in the MSG meeting minutes, the Selection Committee, comprised of representatives of all three MSG constituencies, chose EY as the IA, a decision that was subsequently approved electronically by the MSG.

Agreement on the reporting templates: The reporting templates were developed by the national secretariat, discussed with a broader group of representatives of the mining companies and government agencies, and finally approved by the MSG. The reporting templates were also shared with the EITI International Secretariat for comments and input. The reporting templates were approved by RA Government Decree #666-N on 8 June 2018 (p.15). The Independent Administrator was asked to provide feedback on the reporting templates, although they were agreed before the IA was formally contracted.

Review of audit practices: The EITI Report describes the legal framework regulating audit requirements for both companies and government entities (pp.177-180). Recent changes to legislation are presented, although independent external audits were not statutorily required from companies of government entities in the years under review. Annex 2 includes a table listing the seven companies that underwent external audits in 2016 and 2017, based on the information provided in reporting templates. Information the accessibility of companies' audit reports is included where available (p.234).

Assurance methodology: The informative summary of the work conducted by the IA is provided in the EITI Report (p.196). The reliability of data provided by companies and state entities is confirmed by signatures of the senior management (p.17). The Government Decree on EITI reporting templates requires that before the templates are electronically submitted the user certifies by electronic signature that the information provided is accurate and reliable.¹³⁴ This approach was confirmed by the MSG in December 2017, and the EITI Report provides a link to the relevant MSG minutes. The application of e-signatures is a mandatory step for the electronic platform used for submission of reporting templates. In order to clarify any information gaps or discrepancies, the IA directly contacted the responsible persons from reporting companies and government entities.

Confidentiality: The ToRs for the IA noted that the IA should confirm any procedures or provisions relating to safeguarding confidential information. The inception report confirms that data entered into the electronic reporting system can only be accessed by the Independent Administrator, the EITI national secretariat and the IT company managing the web page. This considered as sufficient to

¹³¹ Available from the International Secretariat.

¹³² MSG meeting minutes from 27 March 2018:

https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minutes_27_03_2018_eng.pdf.

¹³³ MSG meeting minutes from 31 July 2018:

https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minutes_31_07_2018_eng.pdf.

¹³⁴ Government Decree on EITI Reporting templates: <https://www.arlis.am/DocumentView.aspx?DocID=132674>.

protect data confidentiality. There is no indication that safeguards concerning confidentiality were breached.

Reconciliation coverage: The final reconciliation coverage is detailed in sections 4.1.1 (p.188) and 4.1.2 (p.192).

Assurance omissions: The IA notes some limitations but also confirms that they have not affected the comprehensiveness and data quality. The EITI Report confirmed that all material reporting entities submitted data on all material revenue streams and management sign-off was a precondition for submitting data (p.196).

In addition, the report provides an overview of completeness of the reconciliation process (p.199). The 2016-2017 EITI Report does not note any government or company omissions.

Data reliability assessment:

The report notes that the “*Independent Administrator considers the information provided by the reporting entities and state bodies to be comprehensive and reliable, since it is confirmed by the signatures of the heads of the companies and state bodies or chief accountants, or by persons authorized by the latter*” (p.197).

Sourcing of information: Both contextual and reconciliation parts of the report provide clear links to all relevant information. Contextual information was prepared by the IA.

Summary tables: The summary data tables were prepared by the IA and shared with the International Secretariat in a timely manner. The Armenia EITI team has also volunteered to pilot preparation of the updated summary data template that was further approved at the EITI Board meeting in June 2019.

Recommendations: The 2016-2017 EITI Report provides clear recommendations for improvement of the EITI reporting process (pp.208-227).

Stakeholder views

The Independent Administrator (IA) confirmed that it considered the data presented in the 2016-2017 EITI Report to be comprehensive and reliable. The online reporting system does not allow for data to be submitted without management sign-off, and the IA confirmed that all reporting entities submitted signed data. Other stakeholders did not express any concerns regarding the reliability of the data or the credibility and competence of the IA.

Government representatives confirmed that the 2016-2017 EITI Report gave the correct picture regarding audit practices in government agencies. They did not undergo external audits in 2016 or 2017, and thus the revenue data provided by the government was not based on audited financial statements. Development partners clarified that Armenia was undergoing a reform of its auditing system. Legal reforms in 2018 had led to renaming the Control Chamber as the Audit Chamber and broadening the institution’s mandate.¹³⁵ As of 2019, the Audit Chamber would conduct annual financial audits of both government revenues and expenditure. Stakeholders noted that the Audit Chamber had capacity challenges and required support. Stakeholders also confirmed that companies were not required to undergo external audits, although companies were increasingly doing so.

Government and company representatives, as well as the IA, confirmed that the IA’s recommendations related to the reporting process had led to improvements in the reporting template. They also confirmed that all stakeholders had had the opportunity to comment on the reporting templates.

¹³⁵ Law “On Public Audit Chamber” (in English): http://www.armsai.am/files/law/law_eng.pdf.

Initial assessment

The International Secretariat's initial assessment is that Armenia has made *satisfactory progress* towards meeting the requirement on data quality. Reconciliation was undertaken by a credible Independent Administrator, whose appointment was endorsed by the MSG. The IA's ToRs for the 2016-2017 EITI Report followed the standard template and was approved by the MSG. Data quality assurances are described in the 2016-2017 EITI Report, and they were followed by the reporting entities. The report includes the IA's assessment of the reliability of data and specifies which entities had undergone an independent audit in the years under review. Armenia was the first country to submit data for the revised summary data template. The EITI Report includes a set of recommendations.

Transitioning away from reconciling revenues and payments would require ensuring that all reporting entities undergo a credible, independent audit annually. To strengthen implementation of Requirement 4.9, Armenia is encouraged to use its upcoming EITI reporting as a diagnostic of implementation of reforms in auditing public institutions. The MSG is encouraged to collaborate with the Audit Chamber to agree a plan for building capacity and ensuring that extractive revenues are subject to an independent audit. Armenia is also encouraged to ensure that extractive companies undergo credible, independent audits made publicly available in a timely manner.

TABLE 4 – SUMMARY INITIAL ASSESSMENT TABLE: REVENUE COLLECTION

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions
Comprehensiveness (#4.1)	The MSG's decision on material revenue streams and material companies is clearly justified and resulted in comprehensive disclosures. Material companies and government agencies provided all required data, and reconciliation was comprehensive. Total government revenues from extractives are disclosed by revenue stream. In addition, the online portal includes disclosures from all metal mining companies disaggregated by company and by revenue stream. Corresponding data is disclosed by the government. Although this data is not reconciled, the disclosures are exceptionally comprehensive and backed by legislation.	Beyond
In-kind revenues (#4.2)	The International Secretariat's initial assessment is that this requirement is not applicable in Armenia in the years under review.	Not applicable
Barter and infrastructure transactions (#4.3)	The International Secretariat's initial assessment is that this requirement is not applicable in Armenia in the years under review.	Not applicable
Transport revenues (#4.4)	The International Secretariat's initial assessment is that this requirement is not applicable in Armenia in the years under review.	Not applicable
Transactions between SOEs and government (#4.5)	The International Secretariat's initial assessment is that this requirement is not applicable in Armenia in the years under review.	Not applicable
Subnational direct payments (#4.6)	The MSG established that rent payments from companies to subnational government entities are material and ensured that these payments and the receipt of these payments are disclosed and reconciled in the EITI Report.	Satisfactory progress
Level of disaggregation (#4.7)	The EITI data is presented by an individual company, government entity and revenue stream, albeit not consistently by project.	Satisfactory progress

Data timeliness (#4.8)	The first EITI Report covering 2016 and 2017 was published in January 2019 and before the deadline set in the EITI Board's extension to Armenia's EITI reporting deadline.	Satisfactory progress
Data quality (#4.9)	Reconciliation was undertaken by a credible Independent Administrator, whose appointment was endorsed by the MSG. The IA's ToRs for the 2016-2017 EITI Report followed the standard template and was approved by the MSG. Data quality assurances are described in the 2016-2017 EITI Report, and they were followed by the reporting entities. The report includes the IA's assessment of the reliability of data and specifies which entities had undergone an independent audit in the years under review. Armenia was the first country to submit data for the revised summary data template. The EITI Report includes a set of recommendations.	Satisfactory progress

Secretariat's strategic recommendations:

- To strengthen implementation of Requirement 4.1, Armenia may wish to consider revising the scope of reconciliation in its transition to systematic disclosures, to strike a balance between the comprehensiveness of reconciliation and improvements in the comprehensiveness, disaggregation and reliability of systematically disclosed extractives revenue data.
- To strengthen implementation of Requirement 4.3, Armenia is encouraged to ensure that the existence of infrastructure provisions and barter arrangements is reassessed annually ahead of EITI reporting.
- To strengthen implementation of Requirement 4.4, Armenia is encouraged to ensure that the existence of transportation revenues is reassessed annually ahead of EITI reporting.
- To strengthen implementation of Requirement 4.7, Armenia may wish to analyse any legal changes required and consider the extent to which it can make progress in implementing project-level EITI reporting for all fiscal periods ending on or after 31 December 2018.
- To strengthen implementation of Requirement 4.8, the MSG is encouraged to explore opportunities to disclose data as soon as practically possible, for example, through continuous online disclosures or, where available, by publishing additional, more recent contextual EITI data than the accounting period covered by the EITI revenue data.
- To strengthen implementation of Requirement 4.9, Armenia is encouraged to use its upcoming EITI reporting as a diagnostic of implementation of reforms in auditing public institutions. The MSG is encouraged to collaborate with the Audit Chamber to agree a plan for building capacity and ensuring that extractive revenues are subject to an independent audit. Armenia is also encouraged to ensure that extractive companies undergo credible, independent audits made publicly available in a timely manner.

5. Revenue management and distribution

5.1 Overview

This section provides details on the implementation of the EITI requirements related to revenue management and distribution.

5.2 Assessment

Distribution of revenues (#5.1)

Documentation of progress

The scoping study for the 2016-2017 EITI Report provides information about the distribution of revenues (pp.21-23).¹³⁶ It notes that funds are directed to either the state budget or a community budget. The 2016-2017 EITI Report notes that mining companies pay value-added tax, excise and environmental taxes, royalties, customs duties and fees, nature use payments and a number of other taxes and payments to the state budget (p.27).

In addition, the report provides information on contributions by mining companies to community budgets (p.32). The term community in Armenia refers to municipalities, local government bodies. Rental lease payments, land expropriation payments, contributions for the socio-economic development of communities, property lease payments, land tax and other fines and penalties are paid to the community budgets. The EITI Report discloses the total revenues collected by each community from mining companies, as well as the total sum collected by all communities for each revenue stream (pp.33-35).

The scoping study notes that payments earmarked for mine closure and environmental activities are paid to an extra-budgetary Reclamation Fund (p.23). The scoping study also notes that payments to finance monitoring activities are kept in a separate deposit account at the Central Treasury (p.21). Annually, payments are made from this account to the extra-budgetary Environmental Targeted Fund and are not reflected in the national budget. These are not considered material revenue streams by the MSG and were not reconciled for the 2016-2017 EITI Report, but they are disclosed in the online portal. The scoping study also notes that communities may establish extra-budgetary funds (p.23). There is no indication of material payments being directed outside the state or community budget. Information provided by the national secretariat confirms this. A table provided by the national secretariat suggests that customs fees are collected in an extra-budgetary account. However, it appears that these are recorded in the state budget.¹³⁷

The report classifies revenues according to the IMF Government Finance Statistics Manual 2001.

¹³⁶ AUA Center for Responsible Mining, " Scoping Study":

[https://www.eiti.am/file_manager/EITI%20Documents/Scoping%20Study/Scoping%20Study%20EN/ENG_ArmeniaEITI_ScopingStudy_Mar%2015%202018%20\(Secretariat\).pdf](https://www.eiti.am/file_manager/EITI%20Documents/Scoping%20Study/Scoping%20Study%20EN/ENG_ArmeniaEITI_ScopingStudy_Mar%2015%202018%20(Secretariat).pdf).

¹³⁷ Customs Code, Article 109: http://siteresources.worldbank.org/INTCUSTOMPOLICYANDADMIN/Resources/615371-1134156797950/Armenia_01_2003.pdf.

Stakeholder views

Government representatives confirmed that all payments by metal mining companies, apart from those related to reclamation or monitoring, were recorded in the national or community budgets. They noted that to date, no funds from the Reclamation Fund or the Environmental Targeted Fund had been utilised. Both are targeted for mine closure and are collected under each company's name. The government is entitled to use the funds in case the company refuses to rehabilitate the mine site after closure. The monitoring fee is collected to monitor the post-closure impact of the mine site and to assess how effective the closure was. There is no specific regulation related to the oversight of these funds.

The Independent Administrator confirmed that metal mining companies did not make payments to communities' extra-budgetary funds in the period under review. Other stakeholders did not express concerns about the distribution of extractive revenues.

Initial assessment

The International Secretariat's initial assessment is that Armenia has made *satisfactory progress* in meeting this requirement. The 2016-2017 EITI Report and the scoping study disclose which revenues are recorded in national and community budgets and which are directed to special extra-budgetary funds, with an explanation of the use of extractives revenues not recorded in the national budget. Revenue streams are classified according to the IMF Government Finance Statistics Manual 2001.

To strengthen implementation of Requirement 5.1, Armenia is encouraged to include in its upcoming EITI reporting links to further information about the national budget and the budgets of communities that receive revenues from metal mining companies. The MSG may wish to make recommendations to improve the accessibility and usability of this information.

Subnational transfers (#5.2)

Documentation of progress

The 2016-2017 EITI Report does not clearly state whether mandatory subnational transfers exist or are considered material by the MSG. The only subnational transfers of revenues generated by the extractive sector appear to be transfers of environmental payments (pp.40-46). Companies make payments based on the Law on Nature Protection and Nature Usage Payments¹³⁸ to the central government. The payments are applicable to all mining companies, but the payments made by five¹³⁹ metal mining companies listed in a separate law are re-allocated to communities affected by their operations.¹⁴⁰ The communities propose projects, which the central government approves and authorises the transfer of funds. The term community in Armenia refers to municipalities, local government bodies. The MSG does not appear to have taken a separate decision on the materiality of these subnational transfers. The MSG agreed to include subnational transfers in the scope of the EITI Report but not to reconcile them.

The EITI Report discloses funds allocated to each community (municipality) in 2016 and 2017, as well as the related project (Annex 4, pp. 240-244). According to the tables, nine communities were

¹³⁸ Law on Nature Protection and Nature Usage Payments (in Armenian): <https://www.arlis.am/DocumentView.aspx?DocID=87833>.

¹³⁹ The 2016-2017 refers to four companies, but consulted stakeholders confirmed that the correct number is five.

¹⁴⁰ Law "On Targeted Use of Environmental Payments Made by Companies": <https://www.arlis.am/DocumentView.aspx?DocID=55110>

allocated funds in 2016 and 14 – in 2017. The amounts in the 2016-2017 EITI Report are extracted from the state budget, which is available online.¹⁴¹ It, therefore, appears that the “allocations” indicated in the EITI Report are budget allocations rather than actual transfers. It is unclear whether the budget allocations were fully transferred and whether there is a mechanism for monitoring these financial operations.

The report also includes a table, which lists the affected communities and specifies the proportion of funds each community was allocated in 2016 and 2017 (table 2.3.4, p.44). The communities listed in this table do not fully correspond to the actual allocations presented in the report. Many of the cities and villages where projects were carried out in 2016-2017 are not included in the list (p.45). The table below demonstrates this.

Table 5.2.1 – Comparison of communities listed as affected and communities that received allocations.

Year	Communities (municipalities) listed as adversely affected in table 2.3.4 (p.44)	Communities (municipalities) listed as recipients of allocations in Annex 4 (pp.240-244)
2016	Achana, Ararat, Artsvanik, Kajaran, Kapan, Lernadzor, Sevaqar, Sotq, Syunik.	Agarak, Akhtala, Ararat, Charentsavan, Kajaran, Kapan, Karchevan, Lernadzor, Odzun.
2017	Achana, Ararat, Artsvanik, Kajaran, Kapan, Lernadzor, Sevaqar/Chapni, Sotq, Syunik.	Agarak, Akori, Alaverdi, Ayrum, Chochkan, Haghpat, Hagvi, Kajaran, Kapan, Koghb, Mets Ayrum, Noyemberyan, Odzun, Snogh.

As noted below in stakeholder views, the discrepancy between the communities listed in table 2.3.4 and the communities that actually received funds may be explained by three factors: table 2.3.4 is only a partial extract of the full table, some communities have merged and changed names and not all communities entitled to funds presented projects.

A legal and institutional study from August 2018 also notes the lack of clarity about the basis for defining affected communities and the basis for determining amounts to be awarded to each community.¹⁴²

Table 2.3.4 appears to describe the revenue-sharing formula for determining the allocation of revenues received from the five mining companies between communities in 2016 and 2017, defining which proportion each community should receive of the payments made by each of the five extractive companies. However, the formula presented only covers two companies and does not appear to correspond with the actual allocations of revenues. These discrepancies have not been explicitly highlighted or analysed in the EITI Report. The information in the report does not allow the reader to assess discrepancies between calculations based on the revenue-sharing formula and actual transfers, as the actual allocations are not disaggregated by company whose operations the payment relates to. Some communities are entitled to transfers of payments from several companies. The allocations to each community are disclosed in the state budget, but it is not possible to assess whether they reflect the proportion reserved for each community according to the revenue-sharing formula.

The transferred amounts are relatively small: AMD 90m (around USD 190,000) in 2016 and AMD 138m (around USD 290,000) in 2017 (p.45). However, the sums may be considered significant by the local population. It is not clear whether the MSG considers the transfers to be material. It is also

¹⁴¹ State budget of the Republic of Armenia 2017: http://www.minfin.am/en/page/state_budget_2017/.

¹⁴² AUA Center for Responsible Mining, “Legislative and institutional review”: https://www.eiti.am/file_manager/EITI%20Documents/ENG_LIRAP_EITI%20_30%E2%80%A408%E2%80%A42018.pdf.

unclear whether the central government transferred to the communities the full amount in accordance with the law or whether it partly retained funds.

The EITI Report identifies deficiencies in the current framework, including the lack of regulation related to assessing the damages caused to the community and weaknesses in the monitoring of project implementation (p.46).

Stakeholder views

Several government agencies participate in the management and redistribution of environmental payments.¹⁴³ Based on consultations with relevant national and local government representatives, companies, civil society and relevant studies, the process for subnational transfers was described as follows.

The SRC collects the environmental payments and communicates the sums collected from companies each year to the Ministry of Finance. The Ministry of Finance calculates the total sum to be redistributed to communities based on payments made in the three previous years.¹⁴⁴ The formula for calculating this sum is included in the “Law on Targeted Use of Environmental Payments Made by Companies”. The relevant ministries, in collaboration with regional offices, determine the proportion of funds available to each affected community (municipality). The proportion is determined based on population, degree of pollution and land areas encumbered by waste. The Ministry of Environment maintains a list of affected communities, which is drawn from environmental impact assessments. The resulting table, with the proportions reserved to each community, is shared with relevant government authorities and communities but is not publicly available. Table 2.3.4 of the 2016-2017 EITI Report is an extract of that table.

The Ministry of Environment annually communicates to each community the value of funds reserved for each local government unit. The communities prepare proposals for environmental or health projects that correspond to the sums allocated. Health projects are reviewed by the Ministry of Health (MoH) and environmental projects by the Ministry of Environment. The ministries support the communities in improving project proposals before they are approved by the community council and submitted to the ministries. Once the central government has approved the project proposal, it is reflected in the state budget law. Community representatives consulted did not appear to have a full understanding of the amounts available or the process for accessing them. Some stakeholders also noted that the funds available would fluctuate significantly depending on the year.

Several stakeholders commented that communities did not present project proposals annually due to low capacity. Sometimes communities would present larger projects covering more than one year. According to the Ministry of Finance, they monitor unclaimed funds by communities. However, in practice, unclaimed funds enter the state budget and are not retained in a special fund. Stakeholders also noted that many small communities were merging into larger units. Communities are the smallest administrative body that the central government can transfer funds to, but ministries are encouraging communities to present projects that benefit the settlements affected by mining. According to stakeholders, information about the implementation of the projects should be available on community websites, but this was not independently confirmed.

The local environmental impacts of mining are a controversial topic in Armenia, and stakeholders consulted expressed interest in data on subnational transfers. Government representatives also noted that the government was considering amending the “Law on Targeted Use of Environmental Payments

¹⁴³ E.g. the Ministry of Territorial Administration and Infrastructure (MTAI), Ministry of Environment (MoE), Ministry of Finance (MoF), State Revenue Committee (SRC) and community representatives.

¹⁴⁴ For example, the sum to be allocated in 2020, is based on payments made in 2016-2018.

Made by Companies” to include more companies. This would mean that a larger portion of the environmental payments would be redistributed to local governments and that more communities would be entitled to transfers. Accessing information about environmental payments and transfers is challenging, as the responsibility is divided between several government agencies. Government representatives considered that the allocations reflected actual transfers, but could not confirm whether the budgeted amounts were in fact fully transferred.

Initial assessment

The International Secretariat’s initial assessment is that Armenia has made *inadequate progress* towards meeting this requirement. The redistribution of the environmental payments made by five metal mining companies is considered to be material subnational transfers mandated by the law. The 2016-2017 EITI Report includes a reference to the relevant law and the actual sums transferred to each community, as well as descriptions of the projects. However, the law itself does not include a clear formula for allocations, which are calculated annually. Publicly available information does not allow a comparison between calculations according to the revenue-sharing formula and the actual allocations. The limited information that is available is scattered across different sources.

In accordance with Requirement 5.2, Armenia is required to disclose the revenue-sharing formula and any discrepancies between the formula and actual transfers to communities. Armenia should disclose (1) the basis for calculating the total amount of environmental payments by metal mining companies to be redistributed to communities, (2) the resulting amount in the year under review, (3) the proportions reserved for each affected community, (4) the total amount assigned for each community, (5) the actual transfers, and (6) any discrepancies between the values to be made available according to the revenue-sharing formula, the values actually made available to each community and the values actually transferred to each community. The responsible government agencies may wish to comment on the reasons behind possible discrepancies.

To strengthen systematic disclosures, the Ministry of Environment is encouraged to proactively publicly disclose the proportions assigned to each community and the basis of calculation. The MSG is encouraged to consider additional disclosures related to the design and execution of health and environmental projects in communities.

Additional information on revenue management and expenditures (#5.3)

Documentation of progress

The scoping study notes that revenues are not earmarked, unless they are paid to a special-purpose extra-budgetary fund (see *Requirement 5.1*). The exception is environmental payments, some of which are transferred to affected communities (see *Requirement 5.2*).

The scoping study for the 2016-2017 EITI Report notes that monitoring community-level extra-budgetary funds is challenging and makes recommendations to improve disclosures (p.41).

The state budgeting process is described in the EITI Report (pp.182-186). This includes a description of the process for determining transfers from the central government to communities (“financial levelling”). These transfers are not related to extractive revenues or activities. The report includes a link to the website where state and community budgets are published (p.183).¹⁴⁵

¹⁴⁵ For state and community budgets, see <http://www.azdarar.am/>.

The 2016-2017 EITI Report includes information about audit requirements, including ministries' internal audit processes (pp.177-179). The 2016-2017 scoping study specifies that the Audit Chamber audits the government agencies on the central and local level that receive funds from state and community budgets (pp.43-44). The study notes that while central government expenditures in 2016-2017 had been audited, revenues had not. Audits of state revenues or local revenues and expenditures were not required by the law.

There is no indication that the government publishes projections of extractives production or revenues.

Stakeholder views

Government representatives and development partners noted that legal reforms in 2018 had led to renaming the Control Chamber as the Audit Chamber and broadening the institution's mandate.¹⁴⁶ As of 2019, the Audit Chamber would conduct annual financial audits of both government revenues and expenditure. It also had the mandate to undertake compliance and performance audits.

Initial assessment

This requirement is encouraged and is not considered when assessing progress in meeting the EITI Standard. It is commendable that the MSG has included information about the budgeting and auditing processes in the scoping study and the 2016-2017 EITI Report.

To strengthen implementation of Requirement 5.3, Armenia is encouraged to disclose information on extractive sector production and revenue projections as a means of supporting forward-looking public debate on the extractive industries.

¹⁴⁶ Law "On Public Audit Chamber" (in English): http://www.armsai.am/files/law/law_eng.pdf.

TABLE 5 – SUMMARY INITIAL ASSESSMENT TABLE: REVENUE MANAGEMENT AND DISTRIBUTION

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions
Distribution of revenues (#5.1)	The 2016-2017 EITI Report and the scoping study disclose which revenues are recorded in national and community budgets and which are directed to special extra-budgetary funds, with an explanation of the use of extractives revenues not recorded in the national budget. Revenue streams are classified according to the IMF Government Finance Statistics Manual 2001.	Satisfactory progress
Subnational transfers (#5.2)	The redistribution of the environmental payments made by five metal mining companies is considered to be material subnational transfers mandated by the law. The 2016-2017 EITI Report includes a reference to the relevant law and the actual sums transferred to each community, as well as descriptions of the projects. However, the law itself does not include a clear formula for allocations, which are calculated annually. Publicly available information does not allow a comparison between calculations according to the revenue-sharing formula and the actual allocations. The limited information that is available is scattered across different sources.	Inadequate progress
Information on revenue management and expenditures (#5.3)	It is commendable that the MSG has included information about the budgeting and auditing processes in the scoping study and the 2016-2017 EITI Report.	
<p>Proposed corrective actions:</p> <ul style="list-style-type: none"> In accordance with Requirement 5.2, Armenia is required to disclose the revenue-sharing formula and any discrepancies between the formula and actual transfers to communities. Armenia should disclose (1) the basis for calculating the total amount of environmental payments by metal mining companies to be redistributed to communities, (2) the resulting amount in the year under review, (3) the proportions reserved for each affected community, (4) the total amount assigned for each community, (5) the actual transfers, and (6) any discrepancies between the values to be made available according to the revenue-sharing formula, the values actually made available to each community and the values actually transferred to each community. The responsible government agencies may wish to comment on the reasons behind possible discrepancies. <p>To strengthen systematic disclosures, the Ministry of Environment is encouraged to proactively publicly disclose the proportions assigned to each community and the basis of</p>		

calculation. The MSG is encouraged to consider additional disclosures related to the design and execution of health and environmental projects in communities.

Secretariat's strategic recommendations:

- To strengthen implementation of Requirement 5.1, Armenia is encouraged to include in its upcoming EITI reporting links to further information about the national budget and the budgets of communities that receive revenues from metal mining companies. The MSG may wish to make recommendations to improve the accessibility and usability of this information.
- To strengthen implementation of Requirement 5.3, Armenia is encouraged to disclose information on extractive sector production and revenue projections as a means of supporting forward-looking public debate on the extractive industries.

6. Social and economic spending

6.1 Overview

This section provides details on the implementation of the EITI requirements related to social and economic spending (SOE quasi-fiscal expenditures, social expenditures and contribution of the extractive sector to the economy).

6.2 Assessment

Social expenditures (#6.1)

Documentation of progress

The social obligations required by the mining law and contracts are summarised in the 2016-2017 EITI Report (pp.155-157). Table 3.3.3 of the 2016-2017 EITI Report describes the social obligations included in mining contracts (pp.158-162). These appear to be quite vague, for instance requiring companies to contribute to the socio-economic development of the community. In total 14 metal mining companies have clauses in their contracts that require social expenditure.

Table 3.3.3 also includes the mandatory social expenditures executed in 2016 and 2017 respectively, disaggregated by company. Regarding mandatory social contributions, the 2016-2017 EITI Report appears to include only in cash payments. The company reports available in the online portal include also mandatory in-kind payments, although there are gaps in disclosures of the nature of these in-kind expenditures in some cases. The relevant community is disclosed, but it is unclear whether the community (local government body) is in all cases the recipient or whether there are non-governmental beneficiaries as well. The data was unilaterally disclosed by reporting companies, not reconciled.

The list of revenue streams in the 2016-2017 EITI Report includes “social-economic contribution”, which falls below the determined materiality threshold (pp.192-194). It is unclear from the EITI Report whether this revenue stream includes all mandatory social expenditures, including contributions to third parties, and whether the MSG has taken a clear decision on the materiality of mandatory social expenditures. The total sums for social-economic contributions (AMD 84m and AMD 352m for 2016 and 2017 respectively¹⁴⁷) do not correspond to the mandatory or voluntary social payments disclosed in the EITI Report.

The EITI Report also includes information about voluntary social expenditures. Payments by mining companies to foundations, other non-commercial entities and individuals are disclosed. Where possible, the information reported by companies was reconciled with information derived from reports published online by the relevant foundations (pp.81-84). Donations to individuals are disclosed in Annex 5 of the report (p.245).

Stakeholder views

Government representatives were not able to clarify which payments the revenue stream “social-economic contribution” included. Local benefits of the mining industry appeared to be a topic of interest in Armenia. Stakeholders noted that the MSG had not taken a clear decision on the

¹⁴⁷ Approximately USD 177k (2016) and USD 740k (2017).

materiality of mandatory social expenditures as their extent was not known before the preparation of the 2016-2017 EITI Report and as contracts were not public at the time.

A government representative noted that although the 2016-2017 EITI Report identifies 14 companies whose contracts included social obligations, in practice only four-to-six companies made social payments deriving from their contractual obligations in 2016-2017.

Company representatives consulted noted that contractual obligations related to social expenditures were often vague. A government representative noted that monitoring of companies' compliance with their social expenditure obligations was weak. Civil society representatives highlighted the use of publicly-disclosed contracts in improving the monitoring of companies' compliance.

Initial assessment

The International Secretariat's initial assessment is that Armenia has made *meaningful progress* towards meeting this requirement. The 2016-2017 EITI Report summarises the social obligations included in each metal mining contract, and the full contracts are publicly available. Information about in-kind and in-cash mandatory social payments is available in the company reports in the online portal. They are disaggregated by type and by community. However, the nature of the in-kind expenditures is not disclosed in all cases and it is unclear whether in some cases the beneficiary is a third party, i.e. not a government agency.

In accordance with Requirement 6.1, Armenia is required to disclose information about the nature of extractives companies' mandatory in-kind social expenditures, as well as possible third-party beneficiaries of mandatory social payments. Armenia should ensure that its EITI reporting and/or the online portal provide an overview of total mandatory social expenditure by companies, both in cash and in-kind. For upcoming EITI reporting, Armenia is encouraged to document its assessment of the materiality of mandatory social payments.

SOE quasi-fiscal expenditures (#6.2)

Documentation of progress

Armenia does not have state-owned enterprises that participate in the extractive sector.

Stakeholder views

Government representatives confirmed that there are no state-owned enterprises participating in the extractive sector.

Initial assessment

The International Secretariat's initial assessment is that the requirement is *not applicable* in Armenia in the years under review.

Contribution of the extractive sector to the economy (#6.3)

Documentation of progress

Share of GDP: The mining industry's contribution to the economy is thoroughly described in the 2016-2017 EITI Report (p.19-21). Mining and quarrying contributed AMD 131bn or 2.6% of GDP in 2016, and AMD 177bn or 3.2% of GDP in 2017. The report presents annual data starting from 2010. The report notes that there does not appear to be any informal activities in the mining sector (p.22).

Government revenues: Total government revenues from the extractive sector are included in the EITI Report (p.27). Extractive revenues represented 4.4% of total government revenues (AMD 51.1bn) in 2016 and 7.1% of total revenues (AMD 87.1bn) in 2017.

Exports: The 2016-2017 EITI Report provides detailed information about extractives exports (pp.63-71). The report includes the volume and value of mineral exports by commodity and by company. The share of metal mining exports in total exports was 23% and 28% in 2016 and 2017, respectively. The report also specifies the main destination countries for different minerals and analyses changes across years (pp.65-68). The report also compares data provided by the statistics office and the companies themselves and analyses the identified discrepancies (pp.70-71).

Employment: The 2016-2017 EITI Report includes comprehensive information about employment in the extractive sector, including both in absolute terms and as a percentage of total employment (pp.22-27). Data is provided both on total employment in the mining and quarrying sector and on the metal mining sector specifically. Employment data is also disaggregated by gender, type of contract (permanent/temporary) and type of residence (Armenian resident/foreign national). The report notes differences in the data provided by the companies and the Statistical Committee and seeks to analyse reasons behind them.

Location: The 2016-2017 EITI Report provides extensive information about the key regions where production is concentrated. The report lists the region each metal mining company is located in and includes the value of mineral production in each region (p.48-49). The report also describes where mineral reserves are located, by region (pp.61-62).

Stakeholder views

Government representatives noted that the difference in export data provided by reporting companies and the Statistical Committee was perhaps caused by methodological differences. The Statistical Committee annually collected employment data from mining companies, but it was not disaggregated by gender or position. Government representatives noted that they did not have data on informal activity in the extractive sector.

Generally, stakeholders across sectors commented that the 2016-2017 EITI Report provided a comprehensive view on the extractive sector's contribution to the Armenian economy and did not express reservations on the data. Government representatives considered the EITI Report provided useful information for a study of the sector's economic impact, which was currently being prepared.

Initial assessment

The International Secretariat's initial assessment is that Armenia has made *satisfactory progress with efforts to go beyond* meeting the requirement on contribution to the economy. The information provided by the EITI Report exceeds Requirement 6.3 in scope and detail. The disclosures and the visualisations of data provide the reader with a comprehensive understanding of the contribution of the extractive sector to the Armenian economy.

To strengthen implementation of Requirement 6.3, the Statistical Committee is encouraged to consider collecting and disclosing the information referred to in Requirement 6.3 of the 2019 EITI Standard. Armenia EITI could focus on interpreting, analysing and visualising the data.

TABLE 6 – SUMMARY INITIAL ASSESSMENT TABLE: SOCIAL AND ECONOMIC SPENDING

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions
Social expenditures (#6.1)	The 2016-2017 EITI Report summarises the social obligations included in each metal mining contract, and the full contracts are publicly available. Information about in-kind and in-cash mandatory social payments is available in the company reports in the online portal. They are disaggregated by type and by community. However, the nature of the in-kind expenditures is not disclosed in all cases and it is unclear whether in some cases the beneficiary is a third party, i.e. not a government agency.	Meaningful progress
SOE quasi-fiscal expenditures (#6.2)	There are no state-owned enterprises participating in the extractive sector in the years under review.	Not applicable
Contribution of the extractive sector to the economy (#6.3)	The information provided by the EITI Report exceeds Requirement 6.3 in scope and detail. The disclosures and the visualisations of data provide the reader with a comprehensive understanding of the contribution of the extractive sector to the Armenian economy.	Beyond
<p>Proposed corrective actions:</p> <ul style="list-style-type: none"> In accordance with Requirement 6.1, Armenia is required to disclose information about the nature of extractives companies' mandatory in-kind social expenditures, as well as possible third-party beneficiaries of mandatory social payments. Armenia should ensure that its EITI reporting and/or the online portal provide an overview of total mandatory social expenditure by companies, both in cash and in-kind. For upcoming EITI reporting, Armenia is encouraged to document its assessment of the materiality of mandatory social payments. <p>Secretariat's strategic recommendations:</p> <ul style="list-style-type: none"> To strengthen implementation of Requirement 6.3, the Statistical Committee is encouraged to consider collecting and disclosing the information referred to in Requirement 6.3 of the 2019 EITI Standard. Armenia EITI could focus on interpreting, analysing and visualising the data. 		

Part III – Outcomes and Impact

7. Outcomes and Impact

7.1 Overview

This section assesses implementation of the EITI Requirements related to the outcomes and impact of the EITI process.

7.2 Assessment

Public debate (#7.1)

Documentation of progress

The 2016-2017 EITI Report is available in Armenian and English. It is voluminous but generally written in a comprehensible style.¹⁴⁸ The summary report includes key figures and visualisations.¹⁴⁹ The 2018 annual progress report notes that paper copies of both the full report and the summary are available.

Armenia EITI has developed a communication strategy that includes a broad range of activities for 2018 and 2019.¹⁵⁰ It also maps out different stakeholders' interests and proposes key messages. Activities focus on increasing awareness about the EITI, communicating the 2016-2017 EITI Report and training and outreach on beneficial ownership transparency. The majority of the activities have been implemented. The 2019-2020 work plan includes further activities to develop the Armenia EITI website, produce communications materials, organise events with stakeholders in mining communities and build civil society's capacity.¹⁵¹

Data from 2016-2017 EITI reporting is available for download in an open format on an online reporting platform.¹⁵² The platform allows for data searches by type (production data, payments), company and year. The Armenia EITI website includes a link to the online reporting platform.¹⁵³ Armenia was the first country to pilot the updated summary data template, which was completed for both 2016 and 2017. The open data policy was approved in December 2017 and is available on the Armenia EITI website.¹⁵⁴ The policy is comprehensive and confirms that EITI data shall be disclosed in a machine-readable format and can be reused without prior consent. It also seeks to ensure that data is easily accessible, searchable and stored.

In January 2019, Armenia EITI organised a conference to launch the 2016-2017 EITI Report. According to the Armenia EITI website, representatives from all three constituencies, as well and

¹⁴⁸ The English version is 309 pages with annexes.

¹⁴⁹ Summary of 2016-2017 EITI Report: https://www.eiti.am/files/annul_reports/main/1/EITI_Report_Summary_2018.pdf.

¹⁵⁰ Armenia EITI communications strategy:

https://www.eiti.am/file_manager/EITI%20Documents/Communication%20Strategy/ENG%20EITIArmenia_Communications%20Strategy%20and%20Action%20Plan_30%20April%202018.pdf.

¹⁵¹ Armenia EITI 2019-2020 work plan:

https://www.eiti.am/file_manager/EITI%20Documents/EITI%20Work%20Plan%20and%20NPs/EITI_Workplan_Armenia_2019-2020_eng.xlsx.

¹⁵² Downloadable data from 2016-2017 EITI Report: <https://reports.eiti.am/hy/>.

¹⁵³ Armenia EITI annual reports: <https://www.eiti.am/en/annual-reports/2018/>.

¹⁵⁴ Armenia EITI Open Data Policy:

https://www.eiti.am/file_manager/EITI%20Documents/Minutes/en_EITI_Open_Data_Policy_Armenia_eng.pdf.

foreign guests participated in the conference.¹⁵⁵ In February 2019, an event to present the EITI Report was held at Yerevan State University.¹⁵⁶ Armenia EITI has also produced several videos about the extractive sector and EITI implementation.¹⁵⁷ Quarterly progress reports demonstrate that Armenia EITI has organised GIZ funded events to present the 2016-2017 EITI Report in mining regions, including Gegharkunik, Lori and Syunik. Stakeholders from all constituencies participated. The reports also document active outreach to media in mining regions and dissemination of communication materials.¹⁵⁸ The national secretariat regularly includes updates on EITI data, events and news articles on the EITI Armenia Facebook page and other social media.¹⁵⁹

There appear to be frequent references to the EITI in news articles related to the mining sector, including on the development of the controversial Amulsar mine.¹⁶⁰ In June 2019, the investigative journalism website Hetq referred to export data from the 2016-2017 EITI Report and the EITI's requirements on beneficial ownership in an article about gold mining in Armenia.¹⁶¹ The 2018 annual progress report notes that EITI stakeholders gave interviews to media about legal reforms related to beneficial ownership transparency. Overall, it appears that although EITI is referred to regularly in the media, use of EITI data has remained limited to date.

There is little evidence of civil society or researchers analysing EITI data or using it for advocacy. However, civil society is undertaking outreach in mining regions with support from USAID. The project's objective is to ensure that communities affected by mining are fully engaged in EITI implementation.¹⁶² For example, EITI data on environmental and social payments are disseminated in discussions with the communities and their views are sought on the impacts of mining and the use of funds.¹⁶³ Ecolur, a CSO that is represented on the MSG, regularly publishes updates about the EITI on its website.¹⁶⁴

Stakeholder views

Stakeholders across constituencies noted that the EITI had significantly increased the availability of information about the mining sector. Company representatives noted that they could refer to the EITI Report when asked questions about the sector. Investigative journalists found that the EITI Report provided comprehensive background information. Civil society representatives noted that they were making use of information on social and environmental payments and of disclosed extractives contracts that include provisions related to these issues. Stakeholders confirmed that representatives from all constituencies participated in all outreach events.

Company and government representatives noted that the EITI had thus far not led to increased trust in the sector or evidence-based public debate. According to stakeholders consulted, the mainstream media rarely used EITI data, even though mining was a topic of interest. However, a company representative noted that EITI data was commonly referred to in Facebook groups in the mining region

¹⁵⁵ Armenia EITI news item "Conference on the First National Report of the Extractive Industries Transparency Initiative of Armenia": <https://www.eiti.am/en/news/2019/01/30/conference-on-the-first-national-report-of-the-extractive-industries-transparency-initiative-of-arm/49/>.

¹⁵⁶ Armenia EITI news item "The Extractive Industries Transparency Initiative and the First National Report were Introduced to YSU Students and Lecturers": <https://www.eiti.am/en/news/2019/02/19/ysu-students-and-lecturers-were-introduced-to-the-extractive-industries-transparency-initiative-and/50/>.

¹⁵⁷ Armenia EITI videos: <https://www.eiti.am/en/short-videos>.

¹⁵⁸ Quarterly progress report January-March and April-June 2019 (in Armenian): <https://www.eiti.am/en/Quarterly-annual-reports>.

¹⁵⁹ Armenia EITI Facebook page: <https://www.facebook.com/EITIArmenia/>.

¹⁶⁰ See e.g. [Mining Technology](https://www.mining-technology.com/features/mining-armenia-protests-test-velvet-revolution/), "Mining Armenia: protests test the Velvet Revolution": <https://www.mining-technology.com/features/mining-armenia-protests-test-velvet-revolution/>.

¹⁶¹ Hetq, "Mining Caucasian Gold: Corporate Profits Come at a High Price": <https://hetq.am/en/article/104582>.

¹⁶² Ecolur, "Mining-Impacted Communities To Become Full Participants in EITI Process": <https://www.ecolur.org/en/news/mining/-/10884/>.

¹⁶³ Ecolur, "Mining-impacted Communities – Full Participants in EITI Process" Project in Full Swing": <https://www.ecolur.org/en/news/mining/-/10914/>.

¹⁶⁴ Ecolur news items related to the EITI: <https://ecolur.org/en/news/?keyword=eiti>.

of Kapan. Civil society organisations appeared to have little capacity or interest to analyse the EITI's financial data, even though the data was available in open format.

Stakeholders noted that there was high public interest in the mining sector and that the public perception of the sector was often critical to the development of mining projects. The environmental impact of mining and beneficial ownership attracted the most interest according to stakeholders consulted. The EITI had adapted to this context and offered both data and engagement opportunities related to these topics. This helped ensure that EITI contributed to public debate and policy-making about the mining sector. A government representative noted that EITI data was being used in preparing two comprehensive impact studies about the sector, which would form the basis for a new mining strategy. A government representative noted that the Ministry of Territorial Administration and Infrastructure had used data on environmental payments from the 2016-2017 EITI Report to inform a draft amendment to the legislation. Several stakeholders noted that the parliament was actively discussing mining but the EITI's engagement with parliamentarians had so far been limited. However, there were opportunities for deepening engagement in the fact that the current speaker of the parliament was the former MSG chair Ararat Mirzoyan.

Initial assessment

The International Secretariat's initial assessment is that Armenia has made *satisfactory progress* in meeting the requirement on public debate. EITI data is easily accessible in an open format and a wide range of both digital and paper-based communications materials have been produced and disseminated. The national secretariat and the MSG are engaging with media across the country, and several outreach events have been organised in key mining regions. Stakeholders' interest or capacity in analysing the financial data disclosed through the EITI is limited. The EITI has adapted to stakeholder demands to provide data and engagement opportunities related to environmental and social impacts and beneficial ownership. This has ensured that the EITI is embedded in public debate about the mining sector and contributes to policy-making.

To strengthen implementation of Requirement 7.1, Armenia is encouraged to build stakeholders' capacity to analyse financial data and to strengthen engagement with research institutions. Armenia EITI is also encouraged to engage with parliamentarians to ensure that EITI data helps inform their decision-making.

Data Accessibility (#7.2)

Documentation of progress

A summary of the 2016-2017 EITI Report, containing informative visuals, has been produced.¹⁶⁵ The summary report is authored by Armenia EITI and EY and includes clearly-sourced data.

The 2016-2017 EITI Report summarises and compares the share of each revenues stream to the total amount of revenue on both state level (table 2.3.1, p.29) and community level (table 2.3.3, pp.36-37). Revenue streams are classified according to the IMF Government Finance Statistics Manual 2001.

Data for the EITI Report is submitted by companies and government agencies through an online reporting system. Revenues are reported annually. Encouraging systematic disclosures is one of the objectives of the 2019-2020 work plan.

¹⁶⁵ Summary of the 2016-2017 EITI Report: https://www.eiti.am/files/annul_reports/main/1/EITI_Report_Summary_2018.pdf.

Capacity-building efforts to increase awareness about EITI data have been undertaken. In 2018, members of the MSG and the national secretariat presented the EITI to representatives of government agencies and communities as well as to journalists and civil society organisations. The courses were organised by the Armenia Media Initiatives Centre.¹⁶⁶ There is no indication that training or other capacity-building efforts related to the use of financial data have been organised to date.

Stakeholder views

Stakeholders consulted noted that Armenia EITI had contracted a local consultant to undertake a mainstreaming feasibility study. A rapid transition to full systematic disclosures of EITI data was not expected by stakeholders consulted due to limitations in revenue data reliability and government agencies' capacity.

Although comprehensive data is available in an open format, stakeholders did not appear to be using it to conduct analysis or research. Several stakeholders across constituencies noted that the 2016-2017 EITI Report provided useful background information. Most civil society organisations involved in the EITI focused on environmental issues. There appeared to be lack of capacity, and possibly interest, to analyse financial data. Stakeholders noted the need to build this capacity and collaborate with academic institutions to ensure that EITI data reached a broader audience.

Initial assessment

This requirement is encouraged and is not considered when assessing progress in meeting the EITI Standard. It is commendable that Armenia has undertaken activities to ensure that extractives data is accessible.

To strengthen implementation of Requirement 7.2, Armenia is encouraged to focus on capacity-building efforts to develop stakeholders' capabilities to analyse financial data, which could involve collaboration with economic research institutions such as universities.

Lessons learned and follow-up on recommendations (#7.3)

Documentation of progress

The 2016-2017 EITI Report includes recommendations related to the reporting process (pp.208-223), as well as Armenia EITI's work on responsible mining (pp.224-225). The report also lists policy-relevant findings, from which recommendations can be easily derived (pp.227-230).

Based on available documentation, it does not appear that the MSG has systematically followed up on recommendations from the 2016-2017 EITI Report at MSG meetings. The 2019-2020 work plan includes as an activity discussion on the recommendations of the 2016-2017 EITI Report.¹⁶⁷ The first quarterly progress report indicates that recommendations related to reporting templates were implemented and other recommendations had been communicated to the MSG chair for further follow-up. MSG meeting minutes from April 2019 demonstrate that the MSG agreed to broaden the

¹⁶⁶ 2018 annual progress report: <https://www.eiti.am/en/Quarterly-annual-reports>.

¹⁶⁷ Armenia EITI 2019-2020 work plan:

https://www.eiti.am/file_manager/EITI%20Documents/EITI%20Work%20Plan%20and%20NPs/EITI_Workplan_Armenia_2019-2020_eng.pdf.

scope of the next EITI Report, but the minutes include no indication of the MSG discussing the recommendations from the 2016-2017 EITI Report after its publication¹⁶⁸. The MSG discussed some of the recommendations during the December 2018 meeting where the report was approved.¹⁶⁹ The ToRs for the 2018 EITI Report require that the Independent Administrator reviews the status of recommendations from the 2016-2017 EITI Report.¹⁷⁰

Discrepancies identified in the 2016-2017 EITI Report were largely due to misunderstandings and shortcomings in the reporting template (see *Requirement 4.9*). The Independent Administrator's detailed recommendations on improving the reporting templates were reflected in the updated reporting templates for the 2018 EITI Report.

The MSG's work on responsible mining demonstrates that Armenia has a reform-oriented approach to EITI implementation. Armenia EITI has prepared a roadmap for responsible mining, as well as an MSG working group on the topic.¹⁷¹ In September 2019, the MSG agreed a concept note on responsible mining that defines key concepts and includes concrete recommendations.¹⁷² The work contributes to the government's ongoing policy reforms.

The MSG prepared thoroughly for Validation, seeking to identify gaps in the 2016-2017 EITI Report and holding a pre-Validation workshop in August 2019.

Stakeholder views

Stakeholder consultations confirmed that relevant actors were following up on the key recommendations from the 2016-2017 EITI Report and that the MSG's overall mindset was reform-oriented. No stakeholders expressed concerns about discrepancies or the lack of follow-up on recommendations.

The MSG's work on responsible mining was considered central by all constituencies and there was a shared view that it would contribute to the review on Armenia's mining strategy. Company representatives noted that the MSG's concept note on responsible mining drew on the findings and recommendations of the 2016-2017 EITI Report.

A government representative noted that the 2016-2017 EITI Report's findings had contributed to draft amendments in the legislation on the use of environmental payments. Another government representative explained that the report had helped the government to identify companies that had not made the required payments to the reclamation and monitoring funds. As a result, these funds were being collected. EITI reporting had also led to improved inter-agency cooperation in sharing data that enables better monitoring of land use.

Government representatives also noted that two recommendations from the 2016-2017 EITI Report had been addressed in the ToRs for the Independent Administrator for the 2018 EITI Report, namely disclosing information about water use permits and obtaining land rights, as well as changes in extractive company ownership.

The 2016-2017 EITI Report includes a recommendation that the MSG prioritises beneficial ownership disclosures (p.208). Stakeholders across constituencies confirmed that the MSG's working group on

¹⁶⁸ MSG meeting minutes from 16 April 2019:

https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minute_16_04_2019_EN.pdf.

¹⁶⁹ MSG meeting minutes from 5 December 2018:

https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minutes_05_12_2018_EN.pdf.

¹⁷⁰ Available from the International Secretariat.

¹⁷¹ Roadmap for the introduction of responsible mining practices:

https://www.eiti.am/file_manager/EITI%20Documents/MSG%20Procedures/Responsible_Mining_Roadmap_ENG.pdf.

¹⁷² Responsible mining concept paper: https://www.eiti.am/file_manager/EITI%20Documents/Responsible_mining_concept_paper_eng.pdf.

beneficial ownership was making consistent progress towards disclosures in early 2020. A civil society representative noted that the IA's recommendations on beneficial ownership had been followed up.

Initial assessment

The International Secretariat's initial assessment is that Armenia has made *satisfactory progress* in meeting this requirement. The 2016-2017 EITI Report was published in January 2019. Its recommendations have been mostly followed up on by the MSG and relevant government agencies. Concrete changes include improvements to the reporting template. Despite the lack of evidence of a mechanism for systematically following up on past EITI recommendations, there is evidence of follow-up in practice that was confirmed by all MSG members consulted. Moreover, the MSG and all actors involved have demonstrated commitment to acting upon lessons learnt and ensuring EITI implementation contributes to reforms in mining sector governance. The work on responsible mining and the progress made on beneficial ownership transparency demonstrate this.

To strengthen implementation of Requirement 7.3, the MSG is encouraged to establish a mechanism for considering recommendations from EITI reporting and Validation and to ensure that progress in addressing recommendations endorsed by the MSG is regularly monitored.

Outcomes and impact of implementation (#7.4)

Documentation of progress

The final version of Armenia's 2018 annual progress report¹⁷³ (APR) was approved by the MSG on 5 September 2019. The report provides a detailed and comprehensive overview of the outcomes and impact of EITI implementation. The impact is mostly captured in terms of a review of outcomes such as, for example, changes to legislation.

The APR assesses progress in implementing each aspect of the 2018 work plan, outlining activities, outcomes and impact (pp.7-29). Armenia also produces quarterly progress reports, which track the implementation of the work plan.¹⁷⁴

The APR includes an assessment of progress with meeting each EITI Requirement (pp.29-40). It highlights areas of progress beyond the EITI Standard, including the disclosure of mining contracts and establishing a working group on responsible mining. The report does not include an overview of the MSG's responses to recommendations from EITI reporting, as the first EITI Report was only published in January 2019.

The APR identifies the strengths and weaknesses of the EITI in Armenia, as well as outlines efforts to strengthen the impact of EITI implementation (pp.71-73). These include, for example, contract transparency and steps towards systematic disclosures and beneficial ownership transparency. Rather than impact, the APR captures outcomes of implementation. It also notes that the EITI's work on responsible mining can potentially have a significant impact on creating a culture of responsible mining in Armenia. The focus on outcomes is justifiable given that Armenia only joined the EITI in 2016.

¹⁷³ 2018 annual progress report: https://www.eiti.am/files/reports/1/Annual_Progress_Report_2019_09_05_ENG_revised.pdf.

¹⁷⁴ All progress reports are available on the Armenia EITI website (accessed 17 September 2019): <https://www.eiti.am/en/Quarterly-annual-reports>.

The APR also includes responses to a questionnaire conducted with the civil society and industry constituencies. The questionnaire sought the constituencies' views regarding engagement, achievement of objectives and challenges of EITI implementation (pp.60-66).

In addition to annual reports, the national secretariat prepares quarterly progress reports that track progress in implementing the activities defined in the work plan. The quarterly reports include a description of activities, and they are published on the Armenia EITI website following MSG approval. The latest available quarterly report covers April-July 2019.¹⁷⁵

Stakeholder views

Based on stakeholder consultation, drafts of the annual and quarterly progress reports are prepared by the national secretariat, which submits them to the MSG for comment and approval. Stakeholders from all constituencies felt that their views were considered in the preparation of the annual progress reports. Company representatives noted that they shared the drafts with the broader constituency through the mining association's mailing list to seek input. Civil society MSG members' efforts to seek the broader constituency's views appear to be more limited. According to civil society representatives consulted, attempts to seek views through a mailing list had not resulted in any input to date.

Overall, stakeholders did not raise concerns related to the process of preparing progress reports or their content. Many MSG members raised the outcomes and impacts flagged in the 2018 annual progress report in discussions. Progress on legal requirements for disclosures, beneficial ownership transparency and responsible mining were highlighted in particular.

Initial assessment

The International Secretariat's initial assessment is that Armenia has made *satisfactory progress* in meeting this requirement. The 2018 annual progress report includes all required elements and reflects stakeholder views. Follow-up of recommendations from EITI reporting or Validation is not included, as the first 2016-2017 EITI Report was only published in January 2019. In addition, quarterly progress reports help the national secretariat and the MSG to monitor progress against the work plan. The 2019-2020 work plan includes follow-up of recommendations as an activity, and the first quarterly progress report suggests some activity on this.¹⁷⁶

To strengthen implementation of Requirement 7.4, Armenia is encouraged to develop tools for the monitoring and evaluation of the impact of EITI implementation. When reviewing the outcomes and impact of EITI implementation in 2019, Armenia should include an overview of the MSG's responses to and progress made in addressing recommendations from the 2016-2017 EITI Report and Validation.

¹⁷⁵ As of 18 November 2019, <https://www.eiti.am/en/Quarterly-annual-reports>.

¹⁷⁶ 1st Quarterly Progress Report 2019 (in Armenian): https://www.eiti.am/files/reports/1/2019_1_MSG_Quarterly_progress_report_Jan_Mar.pdf.

TABLE 7 – SUMMARY INITIAL ASSESSMENT TABLE: OUTCOMES AND IMPACT

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions
Public debate (#7.1)	EITI data is easily accessible in an open format and a wide range of both digital and paper-based communications materials have been produced and disseminated. The national secretariat and the MSG are engaging with media across the country, and several outreach events have been organised in key mining regions. Stakeholders' interest or capacity in analysing the financial data disclosed through the EITI is limited. The EITI has adapted to stakeholder demands to provide data and engagement opportunities related to environmental and social impacts and beneficial ownership. This has ensured that the EITI is embedded in public debate about the mining sector and contributes to policy-making.	Satisfactory progress
Data accessibility (#7.2)	It is commendable that Armenia has undertaken activities to ensure that extractives data is accessible.	
Lessons learned and follow up on recommendations (7.3)	The 2016-2017 EITI Report was published in January 2019. Its recommendations have been mostly followed up on by the MSG and relevant government agencies. Concrete changes include improvements to the reporting template. Despite the lack of evidence of a mechanism for systematically following up on past EITI recommendations, there is evidence of follow-up in practice that was confirmed by all MSG members consulted. Moreover, the MSG and all actors involved have demonstrated commitment to acting upon lessons learnt and ensuring EITI implementation contributes to reforms in mining sector governance. The work on responsible mining and the progress made on beneficial ownership transparency demonstrate this.	Satisfactory progress
Outcomes and impact of implementation (#7.4)	The 2018 annual progress report includes all required elements and reflects stakeholder views. Follow-up of recommendations from EITI reporting or Validation is not included, as the first 2016-2017 EITI Report was only published in January 2019. In addition, quarterly progress reports help the national secretariat and the MSG to monitor progress against the work plan. The 2019-2020 work plan includes follow-up of recommendations as an activity, and the first quarterly progress report suggests some activity on this.	Satisfactory progress
Secretariat's strategic recommendations:		

- To strengthen implementation of Requirement 7.1, Armenia is encouraged to build stakeholders' capacity to analyse financial data and to strengthen engagement with research institutions. Armenia EITI is also encouraged to engage with parliamentarians to ensure that EITI data helps inform their decision-making.
- To strengthen implementation of Requirement 7.2, Armenia is encouraged to focus on capacity-building efforts to develop stakeholders' capabilities to analyse financial data, which could involve collaboration with economic research institutions such as universities.
- To strengthen implementation of Requirement 7.3, the MSG is encouraged to establish a mechanism for considering recommendations from EITI reporting and Validation and to ensure that progress in addressing recommendations endorsed by the MSG is regularly monitored.
- To strengthen implementation of Requirement 7.4, Armenia is encouraged to develop tools for the monitoring and evaluation of the impact of EITI implementation. When reviewing the outcomes and impact of EITI implementation in 2019, Armenia should include an overview of the MSG's responses to and progress made in addressing recommendations from the 2016-2017 EITI Report and Validation.

8. Impact analysis (not to be considered in assessing compliance with the EITI provisions)

Impact

The broader environment for the mining sector is challenging in Armenia. Controversy surrounds the sector's environmental impacts and many civil society organisations resist mining activities. This is a challenging context for the EITI but not uncommon. Armenia EITI has succeeded in becoming relevant to this challenge and is contributing to addressing it.

The EITI process is exceptionally embedded in the broader governance of the sector. The MSG is being consulted from the start in the preparation of the government's mining strategy. Members are contributing to the design of studies assessing the economic and environmental impacts of the sector. The studies draw on information disclosed through the EITI. The MSG has a working group on responsible mining that seeks to create a common understanding of what responsible mining means and to promote legislative changes.

Stakeholder relations on the MSG appear to have improved from the early days. However, trust between civil society and the two other constituencies still appears weak. Despite this, the MSG is capable of taking decisions and broadening the scope of EITI implementation to areas of particular relevance to Armenia. Some civil society representatives noted that the MSG was the only forum where issues related to the mining sector could be discussed face-to-face with government and company representatives.

EITI implementation has clearly improved the availability of reliable information about the mining sector. Many stakeholders consulted from government officials to companies and the media noted that they regularly refer to the EITI report. Following EITI implementation, metal mining contracts have been disclosed and beneficial ownership disclosures are underway. This has not yet translated into public trust in the sector.

The EITI process is challenged by the fact that a limited number of CSOs are interested in engaging with the EITI. While it can be expected that anti-mining CSOs do not find engagement meaningful, the scope for the MSG's engagement with these groups to ensure that any progress related to, for example, work on responsible mining is communicated to them. Any organisations that become interested in the EITI process should have the opportunity to engage and, for example, contribute to the work plan.

The use of EITI data is rather limited. The online portal offers revenue and payment data in an open format, but there is little evidence of researchers, journalists or CSOs analysing it. The CSOs engaged in the EITI are mostly focused on environmental issues or anti-corruption. The topics of broader interest are environmental impacts of mining and beneficial ownership. Stakeholders do not appear to have the capacity to analyse financial data. This could be addressed by specific trainings or engagement with universities.

The Velvet revolution of 2018 sets an interesting backdrop for EITI implementation. Many government officials are young and enthusiastic for change. Several amendments to the Mining Code and environmental legislation are under discussion, and more are to be expected following the mining strategy. Some groups within the government and parliament are critical of mining due to its controversial legacy.

The country is transitioning into a middle-income economy, and the EITI's expectations for transparency and citizen oversight fit this aspiration well. An area of potential impact is the collaboration between the EITI and the newly established Audit Chamber. In 2018, an independent audit institution was created. It is required to audit government revenues and expenditures annually.

The MSG and its EITI Reports can support the Audit Chamber in identifying issues in the extractive sector that require closer scrutiny. Confirming the reliability of government revenue data is also a necessary step on the way towards comprehensive systematic disclosures.

For the mining industry, the current situation is not encouraging. Licensing processes are in many cases delayed, with the Amulsar project of Lydian Armenia in particular faces protests. The EITI is contributing to resolving this situation through its work on responsible mining. Industry representatives appear to recognise that the poor reputation of the sector owes to weak environmental performance of some mining companies. They appeared at a loss about how to regain trust from government and citizens when complying with the law did not appear to suffice. So far industry engagement in the EITI has been strong. Sustaining this will require that this engagement results in improvements in their operating environment.

Several stakeholders pointed out that the government's capacity to monitor the sector is weak. The EITI can support the government in identifying priorities to be addressed. The MSG could seek to improve the public availability of environmental monitoring reports. However, challenges go beyond managing and monitoring environmental impacts. The stakeholders' limited capacity or interest in financial analysis means that little attention is being paid to whether the companies are paying what they should and whether the government is collecting all that it is owed. The State Revenue Committee highlighted the need for a government laboratory for assessing the quality of minerals produced. The EITI could draw attention to such needs.

Sustainability

Funding: The national secretariat is funded by the government. Development partners have supported a broad range of activities including establishing the MSG, preparing the 2016-2017 EITI Report and conducting trainings, workshops and studies. Principle partners include the World Bank (through an EGPS grant), GIZ, USAID and the British Embassy. While funding for the 2018 and 2019 EITI Reports has been secured, long-term financial sustainability might be a challenge. The EITI is linked to broader development priorities related to public financial management and anti-corruption.

However, as a middle-income country, Armenia should prepare to reduce its reliance on partners for funding. The on-going mainstreaming feasibility study is an important opportunity to recurrent the regular costs of EITI implementation. Armenia is well-positioned to begin transitioning to systematic disclosures but will require support for initial costs. Development partners' support to building the capacity of the Audit Chamber is also key in enabling systematic disclosures of revenue data. Another area where support continues to be needed is capacity-building in data analysis and research, especially among civil society and journalists.

Institutionalisation: The MSG is established by the Prime Minister's decree and disclosure requirements are included in the mining legislation. The EITI's current institutionalisation provides it with a strong mandate to obtain and disclose information. The National Secretariat is housed in the Prime Minister's office and is well placed to coordinate with different government agencies.

Annexes

Annex A – List of MSG members and contact details

Contact information on individuals can be requested from the Armenia EITI national secretariat: <https://www.eiti.am/en/EITI-Secretariat>.

List of MSG members per September 2019:

Government	
Tigran Avinyan	Deputy Prime Minister, MSG Chair
Davit Ananyan	Head of the State Revenue Committee
Irina Ghaplanyan	First Deputy Minister of Environment
Karen Isakhanyan	Deputy Minister of Territorial Administration and Infrastructure
Lilia Shushanyan	Deputy Minister of Territorial Administration and Infrastructure
Srbuhi Galyan	Deputy Minister of Justice
Arman Poghosyan (alternate)	Deputy Minister of Finance
Artur Manukyan (alternate)	Deputy Head of the State Revenue Committee
Industry	
Artur Nikoghosyan	Administrative Director, “Agarak Copper and Molybdenum Combine” CJSC
Vahe Vardanyan	General Manager, “Geomining” LLC
Armen Stepanyan	Deputy President for Sustainable Development, “Lydian Armenia” CJSC
Pertsh Khachatryan	Head of Legal Department, “Zangezur Copper and Molybdenum Combine” CJSC
Aram Osikyan (<i>alternate member</i>)	General Manager, “ASSAT” LLC
Andranik Aghabalyan (<i>alternate member</i>)	Deputy General Manager, “GeoEconomics” CJSC
Davit Tadevosyan (<i>alternate member</i>)	Deputy General Manager, “Teghut” CJSC
Manvel Yeghaizaryan (<i>alternate member</i>)	Chief Accountant, “Meghradzor Gold” LLC
Civil society	
Sona Ayvazyan	Executive Director, Transparency International Anticorruption Center
Inga Zarafyan	Chair, “Ecolur” NGO
Harutyun Movsisyan	Associate Professor, Yerevan State University
Artur Hambardzumyan	Member, “Civil Voice” NGO

Information on the MSG composition can be also found on the national EITI website: <https://www.eiti.am/en/MSG-composition>.

Annex B – Cost of EITI Reports

According to the 2018 annual progress report¹⁷⁷, the value of consulting services related to the preparation of the 2016-0271 EITI Report comprised USD 106 853. Co-financing from the state budget amounted to USD 17 818.

¹⁷⁷ <https://www.eiti.am/en/Quarterly-annual-reports>

Annex C – List of stakeholders consulted

Government

Anahit Avetisyan, Head of Industry and Energy Division, Statistics Committee

Ani Varderesyan, Advisor, Ministry of Justice

Aramais Avagyan, Chief Specialist, Ministry of Environment

Artur Ghavalyan, Head of Division, Ministry of Environment

Artur Manukyan, Deputy Head, State Revenue Committee

Ashken Papoyan, Deputy Head of Information Exchange and Management Unit of the IT Department, State Revenue Committee

Hrachya Muradyan, Head of Department of Administration Methodology, State Revenue Committee

Irina Ghaplanyan, Deputy Minister, Ministry of Environment

Karen Isakhanyan, Deputy Minister, Ministry of Territorial Administration and Infrastructure

Klara Gasparyan, Assistant of Deputy Minister, Ministry of Justice

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Satenik Hovhannisyan, PR Expert, EITI national secretariat

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