The Validator wishes to thank the MSG in Armenia for their helpful feedback and updates on progress. What follows is the Validator’s response to the feedback from the MSG.

Requirement 1.3: Civil Society Engagement

The Validator is grateful for the updated information on the civil society constituency of the MSG (5 members and 2 alternates).

Requirement 1.4: MSG Governance

The Validator is grateful for the update that the Secretariat has three employees as of February 2020.

Requirement 2.5: Beneficial Ownership Disclosure

The Validator is grateful to learn about the government directive on beneficial ownership disclosure from March this year and that the first disclosures are now publicly available on the online platform.

Requirement 5.2: Sub-national Transfers

The Validator notes that under this provision, it is required to document:

1. Constitutional, statutory, and other mandatory revenue sharing requirements;
2. MSG’s definition of materiality regarding mandatory subnational transfers;
3. Disclosure of material subnational transfers;
4. Disclosure of revenue sharing formula and the actual amount that was transferred between Central Government and each relevant subnational entity.

The validation guidelines state that it needs to be demonstrated that all aspects of the requirement have been implemented and that the broader object of the requirement has been fulfilled.

The Validator notes that Annex 1 of the Terms of Reference for the Independent Administrator effectively sets the materiality threshold at zero, as all sub-national environmental payments are to be considered.

The Validator also notes that the Armenia MSG has responded to the relevant corrective actions by disclosing the basis for calculating the total amount of environmental payments to be redistributed to communities and the resulting amounts by year for 2016-2019, as well as disclosing the proportions reserved for each community and reporting on the actuals.

In light of this new evidence, the Validator recommends that the EITI Validation Board consider upgrading this requirement to satisfactory.

Requirement 6.1: Social Expenditures
This provision requires the documentation of the MSG’s definition of materiality with regard to mandatory social expenditure. The validator is also expected to verify disclosure, reconciliation including any gaps of material social expenditure.

The MSG in its feedback provides additional information but not directly in relation to the above materiality requirements which are important elements to consider in terms of satisfactory compliance with this requirement.

However, the Validator notes that Annex 1 of the Terms of Reference for the Independent Administrator effectively sets the materiality threshold at zero, so all social payments are to be considered.

In addition, the Validator notes that in line with the proposed corrective action, Armenia has now disclosed the nature of in-kind social expenditures and information about third-party beneficiaries by year for 2016-2018.

In light of this new evidence, the Validator recommends that the EITI Validation Board consider upgrading this requirement to satisfactory.

**Requirement 7.2: Data Accessibility**

The Validator welcomes the news of the training course on analysing financial data supported by GIZ.