

ARMENIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE MULTI-STAKEHOLDER GROUP'S MEETING MINUTES No. 15

27.04.2022 | Time: 10:30-12:00 | RA Prime Minister's Office Large Meeting Hall

Attendees:

Members of the Multi-Stakeholder Group:

Chairperson:	Hambardzum Matevosyan	RA Deputy Prime Minister
	Hovhannes Harutyunyan	Deputy Minister of Territorial Administration and Infrastructure
	Gayane Gabrielyan	Deputy Minister of Environment
	Arman Poghosyan	Deputy Minister of Finance (alternate member)
	Sirvard Gevorgyan	Secretary General of the Ministry of Justice
	Artur Manukyan	Deputy Chairman of the State Revenue Committee
	Oleg Durgaryan	President, "Centre for Community Mobilization and Support" NGO, (regional representative)
	Nazeli Vardanyan	Director, "Armenian Forests" environmental NGO
	Viktorya Burnazyan	Vice-president, "EkoLur" informational NGO, (alternate member)
	Artyom Petrosyan	Legal Director, "GeoProMining Gold" LLC
	Manvel Yeghiazaryan	Chief accountant, "Meghradzor Gold" LLC
	Aram Osikyan	General Director, "Assat M" LTD (alternate member)

RA EITI Secretariat:

Lusine Tovmasyan	Head
Hasmik Manukyan	Expert

Guests:

Nver Petrosyan	Advisor to Deputy Prime Minister Hambardzum Matevosyan
Lusine Martirosyan	Spokesperson of Deputy Prime Minister Hambardzum Matevosyan
Parandzen Darbinyan	Assistant to Deputy Prime Minister Hambardzum Matevosyan
Ori Alaverdyan	Head of the Revenue Policy and Administration Methodology Department of the Ministry of Finance

Absent members of the MSG:

Vache Terteryan	Deputy Minister of Territorial Administration and Infrastructure
Artur Nikoghosyan	Administrative Director, “Agarak Copper and Molybdenum Combine” CJSC
Vahe Vardanyan	General Manager, “Geomining” LLC (alternate member)
Gagik Shahnazaryan	Deputy General Director of “Aktala Mining and Processing Enterprise” CJSC (alternate member)
Sona Ayvazyan	Executive Director of “Transparency International Anticorruption Center” NGO
Suren Nersesyan	YSU Geology Faculty, the Chair of Regional Geology and Minerals Survey, Associate Professor
Artur Hambardzumyan	Council Member, “Civil Voice” NGO (alternate member)

Minutes taker:

Hasmik Manukyan

AGENDA

1. Opening of the Meeting of the RA EITI Multi-Stakeholder Group (MSG)

The RA Deputy Prime Minister Hambarzum Matevosyan, as the Chairman of the RA EITI MSG, welcomed the attendees and referred to the fact that for the first time since June 2020, the MSG is holding a meeting in real regime and renewed composition, including the new chairmanship. H. Matevosyan thanked the former members of the MSG and wished the new members fruitful and productive activity. The Deputy Prime Minister stated with satisfaction that although the MSG meetings and the opportunities for conducting discussions in real mode were interrupted due to the COVID-19 pandemic, it did not prevent the MSG members and the Armenian Secretariat of the EITI to implement the important activities envisaged by the work plan of the Initiative, including the preparation of the regular national Report for 2019, introduction of beneficial ownership declarations, signing of a new grant agreement with the World Bank, etc. Considering this, the introduction of the EITI in Armenia is a well established reality. The chairman reminded the attendees that the Republic of Armenia must pass the second international validation process of the EITI in the upcoming year according to the new model approved by the Board, which supposes greater involvement of the Multi-Stakeholder Group in the validation work. H. Matevosyan highlighted the fact that the pre-validation work will begin this year and expressed confidence that they will be successfully implemented. That said, H. Matevosyan suggested starting the discussion of the agenda items.

Agenda Items

2. Approval of the RA EITI Revised Work Plan for 2022 (not to be discussed)

The Multi-Stakeholder Group **approved** by general agreement (consensus) the RA EITI Revised Work Plan for 2022.

3. Presentation and Approval of the Terms of Reference for the Preparation of the RA EITI National Report for 2020-2021 by the MSG

3.1. Making a number of decisions required by the Standard of the EITI regarding the approval of the scope of the report

The representative of the EITI Secretariat informed that due to the actual delayed launch of the support grant project of the RA EITI which was provided to the Prime Minister's Office by the World Bank, the preparation of the EITI annual report was also delayed. However, in agreement with the International Secretariat of the EITI, the EITI national report for 2022 will present the metal mining industry of Armenia for both reporting years 2020 and 2021. The report is planned to be published in November 2022. **It was suggested** that the representative of the authorized body submit a proposal for changing the implementation date of the corresponding activity in the RA Government Action Plan for 2021-2026.

It was noted that the list of affected communities **should be adjusted** before the presentation of public reports for the reporting year 2021, since changes may have been made as due to the process of uniting communities.

It was reported that in connection with the amendments to the Tax Code that came into force in 2021, there was a need to make changes to the RA Government Decree N 666-N of June 8, 2018. **It was decided** to discuss the upcoming changes with the representatives of the authorized bodies, including the Ministry of Finance, the Ministry of Economy, the Ministry of Territorial Administration and Infrastructure, and State Revenue Committee, and to officially circulate the draft. The representatives of the authorized bodies and the Secretariat were **instructed** to organize a meeting with the representatives of all the responsible bodies in the coming week to discuss the submission method of disaggregated data on the state duty for issuing export permits for each ton of certain types of minerals and concentrates as defined by the RA Law "On State Duty" in the reporting year 2021, in particular, the solutions regarding the authorized body, the procedure and format of submitting the data, and to present them to the Deputy Prime Minister's office and the MSG.

The representative of the Government constituency **proposed** to consider removing the vehicle property tax from the revenue streams submitted in the coming years based on the fact that the vehicles are used in the scope of the companies' activities in other fields as well. As with a number of other revenue streams, this revenue stream cannot be calculated at the project level, so it is not correct to attribute the given revenue stream to the mining industry alone.

It was presented that considering the fact that since September 2021 the RA Government owns a share in "Zangezur Copper-Molybdenum Combine" CJSC, the Independent Administrator will study and submit proposals on the applicability of the EITI Standard requirements to the Government's engagement in the sector, which, according to the further decisions by the MSG, will be extended to the RA EITI of next years and on the scope of data disclosure.

It was noted that the public reports for 2020 were already submitted, while the public reports for 2021, as in the previous years, will be submitted through the online system within the timeframe defined by the law, i.e., by August 1, 2022. The list of reporting companies for 2021 that have mining permits will be determined by the authorized body before the given period.

The Multi-Stakeholder Group **approved by general agreement (consensus)** the MSG decisions on regarding the scope of the 2020-2021 national report. The decisions of the MSG are presented in Annex 1.

The representative of the Government constituency **suggested** that for 2022 and the following reporting years, the compensations for damages caused to atmospheric air, water and land resources, flora and fauna as a result of economic activities should be considered as financial flows from extractive industries. Currently, the amounts of fines are presented, while the compensations for damages are not introduced. **It was decided** to discuss the issue during the approval of the reporting formats for the following years.

3.2. Presentation of the Terms of Reference

It was reported that the Terms of Reference for the preparation of the RA EITI report for 2020-2021 were submitted to the MSG members and the EITI International Secretariat, and the considerations were taken into account in the Terms of Reference.

The MSG **approved by general agreement (consensus)** the Terms of Reference for the preparation of the RA EITI report for 2020-2021 by the Independent Administrator (advisor).

It was reported that the announcement of the tender will be published after the approval by the World Bank.

3.3. Introduction of candidates for the members of the evaluation committee made up of the representatives of the MSG constituencies

It was proposed to include one member from each of the MSG constituencies, on the recommendation of the respective constituency, and one member from the National Secretariat in the evaluation committee for the selection of the Independent Administrator (Consultant) who is responsible for preparing the RA EITI report for 2020-2021. The committee will be chaired by a member of the Government constituency. It was reported that before the meeting, only the Civil Society constituency of the MSG presented a candidate for a member of the committee.

Mining companies were proposed and the Government constituency **was instructed** to present the candidate of the respective constituency within 3 days.

4. Disclosure of Beneficial Ownership and the Course of the Opening Extractives International Programme

The representative of the Government constituency presented that according to the current legislation, the Agency for State Register of Legal Entities of the RA Ministry of Internal Affairs registers information exclusively about limited liability companies in the unified register, while the information about joint-stock companies is collected, registered and stored by the Central Depository of Armenia, to which the Agency for State Register has no access. In order to change the situation, it will be necessary to make a number of legislative changes, particularly to the law “On Securities Market” and the law “On State Registration of Legal Entities”. Relevant discussions with the interested departments will be required, because the RA Central Bank has certain objections to providing the information of the Depository. As an alternative solution to the problem, it was also proposed to define a relevant requirement in the RA Subsoil Code, according to which all companies with a mining permit or applying for it, including joint stock companies, will be obliged to publish information about their beneficial owners on the RA official website of public notices azdarar.am, as well as set deadlines for regular updates of relevant changes. Such a change requires discussions with other stakeholders, including the Ministry of Economy, the Ministry of Finance, the Ministry of Territorial Administration and Infrastructure, the RA Central Bank and the Central Depository.

In response to the proposal of solving the problem through public notices, other attendees highlighted that first of all, the legislation has already set a timeframe of 40 days for implementing the changes, and second, it is preferable to solve the problem through developing a unified register, because it helps to control the process, verify the accuracy of the submitted data, oversee the submission deadlines, impose the necessary sanctions in case of detected violations, as well as to avoid double spending of state resources and imposing a burden of additional obligations on companies. In addition, it was noted that the Central Bank’s argument which states that having access to information about the legal participants of companies can negatively affect potential investments is not well-grounded if a number of circumstances are taken into account. In particular, the beneficial ownership declarations published in the register show the intermediate legal entities in the companies’ chain of ownership, and secondly, the current internationally accepted investment norm confirms that the transparency of the beneficial owners/participants contributes to the increase of

investments, i.e., the higher the level of “business integrity”, the greater the company’s chances to attract investment.

The Chairman of the MSG **instructed** the Ministry of Territorial Administration and Infrastructure and the Ministry of Justice to continue discussions on the regulation of the availability of the beneficial ownership data with the interested partner state institutions in detail and to propose a solution. The discussion for enforcing the solution will follow then.

The attendees of the meeting were introduced to the upcoming events of the Opening Extractives programme which is jointly implemented by the EITI and the Open Ownership organization. The programme aims to provide technical assistance to the participating countries in the development of mechanisms for the automatic verification of beneficial ownership data. It was reported that experts are planning a one-week visit to Armenia in May, during which meetings with the officials of authorized bodies will take place to reveal and discuss the possibilities that will help to find out the accuracy of the data presented in the beneficial ownership declarations automatically or through interoperability. In order to ensure effective cooperation with international partners, all the stakeholders should be engaged in the process and in particular during the visit of technical experts. It is also possible to conduct a workshop for the employees of the relevant bodies, as well as the members of the MSG, in order to train the required skills. Therefore, **it was suggested** that the state bodies introduce the topics that the relevant bodies find interesting for the workshop agenda in advance, by May 2.

5. Launching the EITI Data Systematic Disclosure Electronic System’s Development Works

It was reported that the development of the electronic system for the systematic disclosure of public data in the field of mining industry is launched within the framework of EITI introduction in Armenia. The system will be created with the support of World Bank’s “Armenia EITI Support: additional financing” grant project which is provided to the RA Prime Minister’s Office, and the work will continue until the 1st quarter of 2024, which is the deadline of the grant project. A number of leading EITI member countries pass to the systematic disclosure of data after the publication of annual national reports, which implies the introduction of a system for automatically publishing the most recent information through the electronic systems of the bodies that own the data. This allows the EITI reports to focus more on the substantive issues of the field and increase the EITI efficiency. **It is proposed** to create an inter-agency working group that will coordinate the implementation of the works. It is suggested

including the data managers of authorized state bodies, as well as the representatives of the body responsible for the digitization of state information systems in the group.

The first task in this regard is to prepare the Terms of Reference for the IT system of systematic data disclosure, after which the development of the IT system will begin.

The Chairperson of the meeting highlighted the importance of excluding the repeated implementation of similar works in the digitization of state bodies' IT systems within the framework of various projects, noting that it is also essential to cooperate with e-Governance Infrastructure Implementation Agency for Consultation. He also mentioned that the work to be carried out with the support of the grant project should not slow down because of the digitization of the entire state system, which requires cooperation with the Digitization Council of Armenia.

The representative of the Government constituency emphasized the importance of ensuring the cyber security of the state bodies' automated systems, noting that the security rules of the existing systems should be considered in the implementation of the new system.

6. Presentation of the Course of the Mining Strategy Development

It was reported that the development of the “Mining Strategy” is implemented by the independent advisory firm Grant Thornton, funded by the World Bank grant project. On September 7, 2021, a contract was signed with the aforementioned firm, of which the Armenian Territorial Development Fund is the contracting party. The RA Ministry of Territorial Administration and Infrastructure which is the executive body managing the use of subsoil, supervises and coordinates the entire process. The total value of the contract is about 105 million AMD, 16.5 million AMD of which is co-financed by the state. After signing the contract, 20 million AMD was paid as a down payment, while the remaining amount was to be paid in 4 stages. However, during the regular payment in February, the Ministry had some dissatisfaction with the course of the work, and as a result of negotiations, the contract period was extended until June 21, 2021. Accordingly, the deadlines for regular payments were also extended. At the beginning of the work, the Ministry provided Grant Thornton with the details of all stakeholders. The advisory firm held a lot of meetings and discussions with stakeholders, target and professional groups, including in Lori and Syunik marzes. The amended second draft of the Strategy was introduced to the stakeholders and a deadline for commenting it was set by May 5, after which the comments will be provided to the advisory team. The importance of ensuring active participation in the discussions of the project for the final document was highlighted.

The Chairman of the MSG **asked** the constituencies of the Group to actively present opinions and remarks on the project and **instructed** them to send a request following the list presented by the Ministry of Territorial Administration and Infrastructure to the state bodies that provided incomplete comments on the documents circulated so far. The Deputy Minister of TAI was informed that after sending the instruction, the Ministry itself should follow up on greater involvement of the interested state agencies.

Other attendees of the meeting noted that quite a few comments were made on the first draft of the Strategy. Comments were provided especially during the last focus group meeting, where representatives of both Civil Society and Business constituencies raised many useful questions to the advisory firm, which are expected to be considered in the updated version of the second draft.

The representative of the Business constituency suggested extending the deadline for the preparation of the Mining Strategy document so that it can be prepared completely. The representative of the Government constituency explained that according to the signed contract, Grant Thornton will hand over the work on June 21 this year, but until then, and by October, when the document must be submitted to the Government, the stakeholders have the opportunity to put forward their views and, if acceptable, reflect them in the Strategy document through active cooperation.

The representative of the Civil Society constituency expressed concern that there are no civil society representatives and independent experts in the Advisory team which develops the Strategy. It was also mentioned that the Civil Society constituency presented quite a few proposals which they hope will be considered in the amended version and more emphasis will be placed on environmental issues.

The representative of the Government constituency countered that the Advisory provides the complete project packages to all stakeholders for comment, including through the EITI platform.

7. Discussion of Other Issues

7.1. Discussion of the expediency of publishing mining contracts on the geological study of the subsoil for mineral extraction

It was presented that the EITI International Secretariat raised this issue during business calls with the EITI national coordinators and in the discussions of the working group on the

transparency of Contracts and suggested that the member states once again address the expediency of publishing the Contracts on the geological study of the subsoil for mineral extraction. The EITI Standard does not put forward a specific requirement to publish these contracts, however, the guideline sets out the cases when the Multi-Stakeholder Group may decide to publish these contracts. According to the guideline, mining contracts must be published if they envisage significant payments to the state and/or communities, or contain non-fiscal obligations that would be of public interest. However, there are apparently no such financial obligations in geological study contracts. The MSG should make sure whether there are substantive provisions in the contracts which could be of public interest, and make a decision on publication. It was also noted that when the publication of the contracts was under discussion in 2018, there was also a quick reference to the geological study contracts and back then the MSG decided that they were not of any significance.

The representatives of authorized bodies provided clarifications on the content of geological study contracts. It was noted that the content helps to only predict what extraction contracts may be concluded later. It was also mentioned that even if all the revenues and financial flows of the company which is engaged in the geological study are considered, it would dilute the overall picture of mining revenues, as they are generated as a result of other business activities of the companies as well.

The representative of the EITI Secretariat emphasized that the register of geological study permits which is published on the website of the Ministry of TAI, the timeframes of permits, the coordinates of the study sites are publicly available, while the content of the contracts can be made publicly available by publishing its template. The national security issues of the country should also be taken into account when making a decision.

The representative of the Mining Companies' constituency opposed the publication and noted that geological studies can last up to 7-8 years, and the companies do not pay royalties; only a state fee of 50,000 AMD is paid, which is not a significant amount.

The representative of the Civil Society constituency expressed support for the publication, noting that the studies cause environmental damage, namely, wells are dug, a large number of test samples are collected. These contracts help attract huge funds, and since the study contracts, as a rule, are a basis for concluding further extraction contracts, they must be transparent.

The Chairperson of the meeting **suggested** that the constituencies once again discuss the affirmative and negative arguments, and later make a decision on the publication of these

contracts probably through electronic voting. At the same time, **it was instructed** not to publish confidential information during the discussions.

7.2. Discussion of Further Suggestions

7.2.1 The representative of the Government constituency suggested discussing the expediency of applying the EITI Standard in the field of renewable energy, particularly HPSs, and highlighted the importance of ensuring a high level of transparency particularly in the hydropower sector. The representative of the EITI Secretariat informed that according to the previous decision by the MSG, the advisory organization was ordered to study the expediency of applying the EITI Standard in the sectors of mineral groundwater extraction and metallic mineral resources processing. According to the results of the study, it was decided to refrain from expanding the EITI Standard in the field, considering that the revenues generated from the above-mentioned sectors are not significant. Currently, the EITI International Board attaches special importance to the application of the EITI Standard in the energy transition, and the EITI member countries Albania and the Philippines include the EITI Standard in the hydropower sector. In this regard, it was suggested to study the experience of the above-mentioned countries first and later discuss the application of this practice in Armenia.

7.2.4. The representative of the Business constituency expressed concern about the work of the authorized bodies. It was noted that when discussing the scope of the companies' obligations, the best international experience is referred to as a guideline, while the authorized bodies never apply the experience of countries like Norway when working with companies. The state bodies leave the companies' inquiries unanswered for months, do not process the applications and documents, providing no explanations, and violate the legal requirements. Such a working style is unacceptable. The representative of the Business constituency suggested applying the best international experience in activities with the companies as well.

7.2.2. Representatives of the Civil Society constituency proposed to legislate the transportation of mining companies in the community of the place of operation so that the corresponding property tax is paid in that very community. The Chairperson of the meeting **suggested** studying the expediency of this proposal within the framework of the strategic document being developed and reflecting the results in the document accordingly.

DECISIONS OF THE MSG ON THE SCOPE AND MATERIALITY THRESHOLDS OF THE 4TH EITI REPORT OF ARMENIA FOR 2020-2021

1. The 4th EITI National Report of Armenia will be prepared for the fiscal years 2020 and 2021 and will present the metal mining industry of Armenia.
2. Reporting state bodies and mining companies for the 4th EITI National report of Armenia

Reporting state bodies and mining companies for the fiscal year 2020

According to the RA Law requirements, by August 1, 2021, the state bodies, including the State Revenue Committee, the RA Ministry of Environment, communities (data are submitted through the RA Ministry of Territorial Administration and Infrastructure) and, as of August 1, 2021, all the companies having metal mineral extraction permits, except for those, which declared bankruptcy submitted public reports for the reporting year 2020 on the EITI online reporting system reports.eiti.am.

The MSG **decided** that the public reports for companies whose metal mineral extraction permits terminated as of August 1, 2021, should be submitted by the reporting state bodies unilaterally, because these companies do not have mining permits by law, therefore they did not have an obligation to submit public reports.

The companies' public reports for 2020 are based on the data calculated by the tax calculation (adjusted calculation), declaration (adjusted declaration), inspection act (acts) (examination protocol) (including penalties and fines) for the reporting year as of May 31, 2021.

Considering the fact that the RA Ministry of Environment does not have information on penalties and fines, The RA Environmental Protection and Mining Inspection Body submitted the data on penalties and fines against all subsoil users in the reporting year in the prescribed format in accordance with the RA Prime Minister's instruction to the Ministry of Environment, which included them in the public reports for the reporting year 2020.

The list of all companies having metal mineral extraction permits as of August 1, 2021, and the clarifications are presented in Annex 1.

State bodies and mining companies reporting for the fiscal year 2021

By August 1, 2022, the state bodies, including the State Revenue Committee, the RA Ministry of Environment, communities (data are submitted through the RA Ministry of Territorial Administration and Infrastructure), and as of August 1, 2022, all the companies having metal mineral extraction permits, except for those, which declared bankruptcy should submit public reports for the reporting year 2021 on the EITI online reporting system reports.eiti.am.

The list of reporting companies as of August 1, 2022 will be verified with the RA Ministry of Territorial Administration and Infrastructure.

The MSG **decided** that the public reports for companies whose metal mineral extraction permits were suspended as of August 1, 2022, but were in force in 2021, will be submitted by the reporting state bodies unilaterally, because these companies do not have mining permits by law, and therefore do not have any obligation to submit public reports.

3. The format of public reports

The public reports for the reporting year 2020 were submitted in accordance with the RA Government Decree N 666-N dated June 8, 2018, on “Defining the procedure, timeframe and forms of publication of information on activities related to subsoil use, mineral extraction, and geological studies of subsoil for mineral extraction purposes, procedures, timeframe and forms for submitting public reports on the activities of subsoil users who have permits for metal mineral extraction, as well as the list of State bodies” (hereinafter Decree).

During the 1st semester of 2022, in coordination with the RA Prime Minister's Office and the EITI Secretariat, the draft amendments to the Decree will be developed and submitted to the RA Government, to align it with the legislative regulations that came into force in 2021, as well as with the proposals submitted in the EITI 3rd national report of Armenia which were accepted by the MSG. The draft Decree will also be discussed with the Independent Administrator if during its development, the Independent Administrator responsible for preparing the EITI 4th national report is selected and a contract for providing consulting services is signed with the latter. The changes to be made in the reporting forms should aim not to disrupt the operation of the online reporting system, following the principle of making minimal changes or making no changes at all.

4. Submission of reports

The EITI public reports are submitted through the EITI online reporting platform. The reporting state bodies and companies submitted the public reports for the reporting year 2020 by August 1, 2021. Mining companies and state bodies must submit public reports for the reporting year 2021 by August 1, 2022.

5. Companies subject to reconciliation

According to the MSG decision, the companies that paid taxes and payments to the RA State Budget equal to or exceeding 150 million AMD during each reporting fiscal year are subject to reconciliation for the fiscal years 2020 and 2021. This reconciliation threshold was also applied for 2016-2019.

6. Taxes and revenues included in the EITI reports

For the reporting year 2020

Both mining companies and state bodies included data in the EITI public reports on the following taxes and payments (without thresholds):

1. Profit tax
2. Income tax
3. Value added tax
4. Excise tax
5. Royalties
6. Nature use payments
7. Nature protection tax
8. Customs fines and payments
9. State duty for issuing mining (exploitation) permit for each mine of precious, ferrous, non-ferrous and rare metals
10. State duty for granting water use permit
11. Payments to the Environmental protection fund
12. Contributions to the company from the Environmental protection fund
13. Monitoring fees
14. Environmental impact assessment and expertise fee

15. Land tax¹
16. Property tax
17. Land acquisition
18. Payment of the difference in the cadastral value of the land at the time of the change of purpose
19. Rent fee paid to the local self-governing body (community)
20. Fines and penalties imposed by the RA Environmental Protection and Mining Inspection Body
21. Obligations related to socio-economic development of communities defined by mining contracts for mineral extraction
22. State duty for the issuance of licenses, permits or certificates for each ton of export of copper concentrate classified under 2603000000 code of the Commodity Nomenclature of Foreign Economic Activity (applicable for 2021)²
23. State duty for the issuance of licenses or permits or certificates for each ton of export of molybdenum concentrate classified under 2613 code of the Commodity Nomenclature of Foreign Economic Activity (applicable for 2021)
24. State duty for the issuance of licenses or permits or certificates for each ton of export of molybdenum classified under 7202700000, 8102 codes (except for 810297000 code) of the Commodity Nomenclature of Foreign Economic Activity (applicable for 2021)

Companies unilaterally disclose data for the following financial flows:

1. Charity contributions, donations or other gratuitous transfers made to the community by the metal mining companies,
2. Donations, gifts or other forms of gratuitous transfers to non-commercial legal entities (according to organizations),
3. Donations, gifts or other forms of gratuitous transfers to natural persons (the total amount of money and number of natural persons).

There are no significant revenue streams disclosed unilaterally by the state.

The Independent Administrator will reconcile the data recorded by the tax calculation (accrual accounting).

¹ Since January 2021, land tax and property tax have been combined as real estate tax, Tax Code, Section 11 on real estate tax, Chapter 45 on real estate tax and taxpayers, Article 224

² Clauses 22-24 apply only to the reporting year 2021

For the reporting year 2021, the aforementioned scope of data defined for 2020 will be preserved, considering the legislative regulations that came into force in the reporting year.

7. Material financial flows for reconciliation and the method of presenting the reconciled financial flow

9 companies were selected for the reconciliation purposes of 2018 and 2019, for which 7 types of taxes and payments were reconciled. In 2019, the net difference was 0.2% (or 193,133 AMD). After the reconciliation process, the difference was 23,299 thousand AMD, or 0.03%. Differences were recorded in the revenue streams presented in the table.

Results of reconciliation of the reports submitted by state bodies and companies (thousand drams) according to the national report for 2019, Table 6.3.1

Type of tax/payment	Initial reports, 2019			Reconciled reports, 2019		
	State bodies	Companies	Difference	State bodies	Companies	Difference
Royalty	37,426,583	37,450,399	(23,816)	37,426,583	37,450,399	(23,816)
Income tax	18,845,263	18,875,607	(30,344)	18,882,714	18,875,607	7,107
Profit tax	17,975,905	17,975,905	-	17,975,905	17,975,905	-
Value added tax	5,544,796	5,703,803	(159,007)	5,544,796	5,553,643	(8,848)
Non-resident income tax	2,348,969	2,346,305	2,663	2,348,969	2,346,305	2,663
Customs duty and fee	1,443,972	1,399,194	44,778	1,443,972	1,443,453	519
Rent payments	881,254	908,661	(27,407)	881,254	882,178	(924)
Total	84,466,741	84,659,874	(193,133)	84,504,193	84,527,491	(23,299)

According to the conclusion³ of the Independent Administrator, the reasons for the differences were mainly the mechanical errors in compiling the reports.

A similar picture was recorded during the reconciliation of the reporting year 2018.

³ 3rd EITI National Report, Section 6.3; “Description of the Reconciliation Process and Results”

<https://www.eiti.am/hy/annual-reports/2021>,

2nd EITI National Report, Section 6.2; “Integrity of the Reconciliation Process” <https://www.eiti.am/hy/annual-reports/2020>

Taking into account that data differences have a positive tendency to decrease and they do not exceed the materiality threshold due to improved skills of state bodies and companies of compiling reports and reducing the risk of making mechanical errors, as well as considering the need to ensure the financial efficiency of compiling reports and the EITI International Secretariat recommendations on “flexible reporting”, the following 5 revenue streams which are directly related to extraction activities that are material and risky in terms of mechanical errors will be considered reconcilable for the fiscal years 2020 and 2021.

Reconcilable revenue stream	Basis	Method of presenting the reconcilable financial flow
1. Royalty	revenue stream from the sector, exceeding the materiality threshold	data presented by the tax calculation (accrual accounting) will be reconciled
2. Value added tax	risk of making a mechanical error in compiling the report	data presented by the tax calculation (accrual accounting) will be reconciled
3. Customs duty/fee	risk of making a mechanical error in compiling the report	data presented by the tax calculation (accrual accounting) will be reconciled
4. Rent payment	risk of making a mechanical error in compiling the report	the actual financial payments will be reconciled
5. Obligations related to socio-economic development of communities defined by mining contracts	inconsistency problems of the data of communities and companies during the compilation of previous reports	Actual financial payments will be reconciled. The reconciliation cannot be realized in the case of non-financial liabilities, because their monetary assessment (cost price) is presented only by companies. However, in the event that the monetary assessment presented by the company exceeds the set materiality threshold, the Independent Administrator shall, if necessary, obtain additional information regarding the non-financial contribution (goods and/or services) from the community that received the goods or services and present it in the report.

8. Permissible/non material deviation limits in reconciliation

For the purpose of final reconciliation, the Independent Administrator will investigate the difference in the financial stream which amounts to 4% of the financial data in the two-sided report but is not less than 1 million AMD. The calculation to be based on the smaller data provided. The same principle was applied in reconciliation for the fiscal years 2016-2019.

9. Non-applicable financial flows within the scope of the RA EITI report

Based on the findings of the RA EITI national reports for 2016-2017, 2018, and 2019, as well as other analyses and discussions, the MSG decides that the EITI Standard requirements and financial flows which are not applicable for the fiscal years 2020 and 2021 within the framework of the RA EITI report are:

1. in-kind revenues from the sector,
2. Quasi-fiscal expenditures, provisions regarding infrastructures and trade regulations (4.3),
3. Transportation revenues (4.4),
4. Artisanal and small-scale mining since it was recorded in the previous EITI reports that “Artisanal and small-scale mining is not considered to be a part of Armenia’s metal mining sector.” Since there are no publicly available credible assessments of the informal sector in the country’s mining industry, the available relevant judicial acts and decisions of administrative bodies related to informal activities were studied for the analysis of the artisanal and small-scale mining operations. As a result of the study, no judicial acts related to informal activities in the mining sector were registered. The specifics of the sector, including its scale, legislation, control and reporting requirements suggest that there is no informal activity in this sector.

There is no need to address these questions in the 4th EITI national report.

10. State participation

In 2020 **no state participation was recorded** in any company having a metal mineral extraction permit.

The Independent Administrator should review the changes made in 2021, in particular, the current level of state participation in companies that have metal mineral extraction permits in Armenia, and, in this regard, suggestions should be submitted to the MSG regarding the applicability of the relevant requirements of the EITI Standard.

In order to determine the applicability of 2.6, 4.2, 4.3, 4.4, 4.5, and 6.2 requirements of the EITI Standard, the Independent Administrator should study the legal regulations regarding the

state participation in the metal mining industry of Armenia, identify the existing cases and format of participation, assess the potential revenues for the state participation and submit recommendations to the MSG on the materiality. The Independent Administrator shall consult with the EITI International Secretariat and the MSG to develop the proposals.

In case the MSG decides that the revenue streams from the state participation exceed the materiality threshold, the Independent Administrator shall submit proposals for the necessary legislative changes and corresponding drafts of legal acts to ensure the disclosure of information related to the aforementioned requirements of the EITI standard.

11. Socio-economic obligations

The EITI report should include the obligations related to socio-economic development of communities defined by mining contracts for mineral extraction, voluntary social contributions made in communities, as well as payments made to non-commercial legal entities and natural persons.

The obligations related to socio-economic development of communities defined by mining contracts for mineral extraction will be reconciled without applying the materiality threshold.

12. Distribution of revenues

The RA budget system does not provide an opportunity to present the distribution of revenues from the mining industry. However, in accordance with the RA Law “On Targeted Use of Environmental Payments Made by Companies,” the report should include the subventions allocated to the affected communities, as well as the corresponding environmental projects in 2021 and 2021. This information should be presented wholly, taking into account the gaps included in Armenia's 1st validation report and the scope of the information to be published.

The EITI report should include in detail:

1. Procedures regulated by the RA Law “On Targeted Use of Environmental Payments Made by Companies”,
2. Basis for calculating the total amount of environmental payments by metal mining companies to be redistributed to affected communities,
3. Environmental payments and fees for use of natural resources made by companies, calculated on the basis of the unified tax calculations,

4. Proportions of environmental payments calculated for each affected community,
5. Amount of environmental payments calculated for each affected community,
6. Total amount of environmental payments allocated to each community,
7. Actual transfers made to the budgets of the communities,
8. Differences between the amounts of payments calculated according to the distribution formula, calculated for each affected community, and the actual transfers into the budget of each affected community, and the reasons behind these differences.

The authorized state bodies should, if necessary, comment on the reasons for any possible discrepancy.

The RA Ministry of Environment should provide the proportions set to each community and the basis for calculation.

13. Degree of data disaggregation (project-level reporting)

The MSG considers activities implemented under one mining right/permit as a project. All financial flows that can be presented at the level of extraction permits must be introduced at that very level in the report for 2020 and 2021, with a clear indication of this.

14. Production, Exports and Employment

Mining companies must provide **data on extraction, production, domestic sales, and exports**. Products must be presented according to the EAEU Nomenclature of Foreign Economic Activity.

When presenting data on domestic sales and exports, the mining companies must also provide data on the final volumes of payable metals in the delivered product (concentrate, alloy), expressed in weight (grams or tons).

When reporting data on exports, the Independent Administrator must provide disaggregated data by region of origin, company, or project, and present the sources and methods for calculating export volumes and values.

Companies must report **the employment data** according to the following categories:

- ✓ term of the employment contract,
- ✓ citizenship of the employees, i.e., RA and foreign citizens,
- ✓ community engagement of employees,

- ✓ distribution of women and men employees, as well as the number of female employees holding managerial positions among the total number of employees.

15. Data Credibility and Verification

The credibility and accuracy of the data presented in the public reports must be confirmed by the electronic signatures of the head of the company or the chief accountant, and a high-ranking official of the state body or their deputy.

The reports are signed by:

- 1) the heads and (or) deputies of state administration bodies,
- 2) the head or the chief accountant of the mining company with a mineral extraction permit

16. Audit of Submitted Data

The mining companies must submit information on the external financial audit conducted for the reporting year, and if available, provide the link to the financial and audit reports, or an e-copy of the report in case it is published in the print media.

17. Description of important subsoil exploration programs

The report should provide a description of the important subsoil exploration programs implemented during the reporting period, as well as the aggregated amount of resources in the country during the reporting year by mineral types. Information should also be provided on the stages of the ongoing exploration activities, as well as on the regions where these activities are being carried out.

18. Discussion of the possible role of the EITI in the context of energy transition

The report should include a section about the possible role of the EITI in the energy transition processes in Armenia, based on the documents and proposals prepared by the International Secretariat and the EITI Board. The section should also analyze the EITI as a tool to promote transparency and accountability in these important processes in the context of energy transition as well. The Advisor should consult with the International Secretariat of the EITI and the MSG during the implementation of the work.

List of mining companies submitting public reports for 2020

Clarification

- ✓ According to the Subsoil Code, the mining company which declared bankruptcy is released from the obligation to submit a public report.
- ✓ According to the decisions and approach adopted in previous years by the MSG, public reports of companies⁴ with mining permits terminated as of August 1, 2021, were submitted unilaterally by the reporting state bodies, because according to the law, these companies were no longer considered as mining companies, therefore they did not have any obligation to submit public reports.
- ✓ The companies that appealed against the termination of the mining permit **by August 16, 2020**, and as of August 1, 2021, the lawsuit was filed for court proceedings, were considered to be mining companies and, therefore, submitted public reports.

No.	Mining company	Registration number	TIN	Contract number and signing date	Notes
1.	“Chaarat Kapan” CJSC	27.120.01216	09416902	PV-183 (27.11.2012)	
2.	“Geghi Gold” LLC	72.110.121815	09423012	P-544 (22.07.2016)	
3.	“Bacteck Eco” LTD	282.110.06759	00870494	P-515 (22.08.2014)	

⁴ The companies that appealed the administrative act on termination of the mining permit before the entry into force of the RA Law HO-399-N “On Making Amendments and Changes to the RA Code of Administrative Procedure” adopted on July 16, 2020, are considered subsoil users, because the administrative act on terminating the mining permit is suspended and the termination of the mining permit cannot enter into force unless the legal processes related to the mining permit holder are completed.

The mining permits of the companies that appealed the administrative act on termination of the mining permit after 16.08.2020 are suspended, because according to the RA Law HO-399-N “On Making Amendments and Changes to the RA Code of Administrative Procedure” (Article 83, Part 1, Clause 4.1), accepting the appeal claim for the court proceedings does not suspend the execution of the administrative act on termination or suspension of the mining permit by the entry into legal

4.	“Gharagulyanner” CJSC	286.120.929505	02583292	P-547 (25.10.2016)		
5.	“At-Metals” LLC	271.110.738775	00118721	P-514 (16.01.2015)		
6.	“Vayk Gold” LLC	264.110.11124s5	00114369	P-371 (30.11.2012)	Termination of the mining permit by Order N 711-A dated 19.12.2019 Appealed	
7.	“Sagamar” CJSC	278.120.03167	00410036	PV-093 (20.10.2012)		
8.	“Assat” LLC	77.110.00569	03807664	PV-366 (06.06.2013)		
9.	“Meghradzor Gold” LLC	286.110.07682	02709666	PV-057 (22.08.2012)		
10.	“Ler-Ex” LLC	27.110.00893	09412188	PV-094 (16.08.2012)		
11.	“Akhtala Mining and Processing Enterprise” CJSC	96.120.00632	06602309	PV-103 (20.10.2012)		
12.	“GeoProMining Gold” LLC	273.110.02424	01530525	PV-189 (20.10.2012)		
13.	“Lydian Armenia” CJSC	264.120.07314	00091919	PV-245 (26.09.2012)		
14.	“Agarak Copper-Molybdenum Combine” CJSC	79.140.00036	09700039	PV-311 05.04.2013		
15.	“Teghout” CJSC	286.120.06078	02700773	PV-376 (20.02.2013)		
16.	“Zangezur Copper-Molybdenum Combine” CJSC	27.140.00009	09400818	PV-232 (27.11.2012)		

17.	“Active Lernagorts” LLC	273.110.03365	01544838	PV-425 (28.12.2012)		
18.	“Lichqvaz” CJSC	286.120.07744	02710054	PV-293 (22.11.2012)		
19.	“Multi Group Concern” LLC	42.110.01460	03516447	PV-213 (20.10.2012)		
20.	“Vardani Zartokn” LLC	79.110.00234	09414399	PV-239 (27.09.2012)	<p>Termination of the mining permit by Order N 1075-A dated 07.08.2020</p> <p>The administrative act was suspended by the court's decision dated 05.05.2021</p>	<p>For the administrative act No. VD/8035/05/20, the RA Administrative Court made a decision “On satisfying the appeal complaint” filed by the Company to the Court of Appeal” /dated 05.05.2020/, according to which the petition to suspend the execution of the administrative act on termination of the mining permit of “Vardani Zartokn” LLC was satisfied and the implementation of the Minister of TAI order No. 1075-A dated 07.08.2020 was suspended until the legal entry into force of the judicial act resolving the administrative case No. VD/8035/05/20.</p> <p>The Ministry of TAI appealed the decision “On satisfying the appeal complaint” to the Court of Cassation.</p> <p>According to the RA Administrative Procedure Code, Article 148, Part 7, appealable interim judicial acts of the Court of Appeal enter into legal force 5 days after receiving them.</p> <p>The Ministry of TAI received the decision of the Court of Appeal dated 05.05.2020 on 14.05.2021. The Court of Cassation has not yet made a decision on filing court proceedings or refusing to accept the appeal regarding the decision “On satisfying the appeal complaint”. At this moment, the complaint is considered to be in legal force, because the 5-day period set by the law has expired, so at the moment “Vardani Zartokn” LLC is considered a mining company.</p>
21.	“Molybdeny Ashkhar” LLC	286.110.05872	02580107	PV-174	Termination of the mining	For the administrative case No. VD/7404/05/20, on

				(07.11.2012)	permit by Order N 1008-A dated 28.07.2020	<p>02.06.2021 the RA Administrative Court issued a judicial act on satisfying the claim of “Molybdeny Ashkhar” LLC, according to which Order No. 1008-A dated 07.28.2020 on termination of the mining permit of “Molybdeny Ashkhar” LLC was declared invalid. According to the RA Administrative Procedure Code, Article 127, Part 1, the judicial acts of the Administrative court resolving the case enter into legal force one month after the issuance, unless otherwise provided by this Code.</p> <p>The judicial act has not yet been on the DataLex judicial information platform, and the Ministry of TAI has not yet received the judicial act of the Administrative Court on administrative case No. VD/7404/05/20. If the judicial act is not appealed and enters into force within one month, “Molybdeny Ashkhar” LLC will be considered a mining company.</p>
22.	“Fortune Resources” LLC	39.110.01312	02806526	PV-169 (20.10.2012)	Termination of the mining permit by Order N 1033-A dated 31.07.2020	<p>Administrative case No. VD/8000/05/20</p> <p>The company's appeal complaint was satisfied, and the implementation of the RA Minister of TAI Order No. 1033-A dated July 31, 2020 “On Termination of Mining Permit” was suspended. The company is considered a mining company.</p>
Public reports for the below-mentioned companies for the reporting year 2020 were submitted by the state bodies unilaterally						
23.	“Mego Gold” LLC	77.110.00610	04213127	PV-184 (28.12.2012)	<p>Termination of the mining permit by Order 693-A dated 13.12.2019</p> <p>Appealed</p> <p>Mining company as of June 2021</p>	Declared bankruptcy on 16.12.2016.
24.	“Marjan Mining Company” LLC	273.110.05412	01569837	PV-398 (07.03.2013)	Termination of the mining permit by Order 692-A	Declared bankruptcy on 04.02.2019.

					dated 13.12.2019 Termination of the mining permit by Order 1018-A dated 29.07.2020	
25.	“Tatstone” LLC	264.110.06348	00079433	P-459 (11.02.2013)	Termination of the mining permit by Order Հր. N 729-A dated 12.05.2021	
26.	“Paramount Gold Mining” CJSC	286.120.58034	04219371	089 (12.06.2012)	Termination of the mining permit by Order N 1074-A dated 07.08.2020	