



ARMENIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE MULTI-STAKEHOLDER GROUP'S MEETING MINUTES No. 11

5 December 2018 | Time: 11:00-13:00 | Hotel "Ibis Yerevan Center"

Attendees: **Members of the Multi-Stakeholder Group**

Chairperson: Ararat Mirzoyan	Acting First Deputy Prime Minister
Davit Ananyan	Chairperson, State Revenue Committee
Irina Ghaplanyan	First Deputy Minister of Nature Protection
Vardan Gevorgyan	Deputy Minister of Energy Infrastructure and Natural Resources
Karen Isakhanyan	Deputy Minister of Territorial Administration and Development
Arman Poghosyan	Deputy Minister of Finance (alternate member)
Artur Nikoghosyan	Administrative Director, "Agarak Copper and Molybdenum Combine" CJSC
Perch Khachatryan	Head, Legal Department, "Zangezur Copper and Molybdenum Combine" CJSC
Vahe Vardanyan	General Manager, "Geomining" LLC
Sona Ayyazyan	Executive Director, Transparency International Anti-corruption Center
Inga Zarafyan	Chairperson, "Ecolur" Informational NGO
Harutyun Movsisyan	Associate Professor, Department of Search and Exploration of Mine Sites, Yerevan State University
Manvel Yeghiazaryan	Chief accountant, "Meghradzor Gold" LLC (alternate member)
Andranik Aghabalyan	Deputy General Manager, "GeoEconomics" CJSC (alternate member)

Armenian EITI Secretariat:

Lilya Shushanyan	Head
Lusine Tovmasyan	Expert
Anahit Arustamyan	Expert

Guests:

Anna Karapetyan	Acting First Deputy Prime Minister's Office
Kristinne Grigoryan	Acting First Deputy Prime Minister's Office
Davit Karapetyan	Acting First Deputy Prime Minister's Office
Narine Tadevosyan	World Bank Armenia Office
Jens Petersen-Thumser	GIZ
Aleksandar Dragojlovic	GIZ
Gor Khachatryan	GIZ
Varant Meguerditchian	American University of Armenia's Center for Responsible Mining (AUA CRM)
Litta Muradyan	American University of Armenia's Center for Responsible Mining (AUA CRM)

Independent Administrator:

Vahagn Marukhyan	"Ernst and Young" CJSC
Levon Gevorgyan	"Ernst and Young" CJSC
Kamo Karapetyan	"Ernst and Young" CJSC
Marika Harutyunyan	"Ernst and Young" CJSC
Nvard Rostomyan	"Ernst and Young" CJSC

Absent members of the MSG:

Suren Qrmoyan	Deputy Minister of Justice
Armen Stepanyan	Deputy President for Sustainable Development, "Lydian Armenia" CJSC
Arthur Hambartsumyan	Board member, "Civil Voice" NGO

Aram Osikyan	General Manager, “ASMAT” LLC (alternate member)
Davit Tadevosyan	Deputy General Manager, “Teghut” CJSC (alternate member)

Minutes taker: Anahit Arustamyan

AGENDA

1. Opening of the Meeting of Armenia's EITI's Multi-Stakeholder Group (MSG)

A. Mirzoyan, as the Chairperson of the MSG of Armenia's EITI, welcomed the attendees and mentioned that the meeting was one of the most important ones of the MSG of Armenia's EITI, considering that it was planned to approve the First National Report of Armenia's EITI, as well as documents outlining the activities of Armenia's EITI during the coming two years. The chairperson of the meeting presented the activities implemented in the Republic of Armenia during 2018 within the framework of EITI implementation, noting the preparation of the Report and the development of draft laws ensuring the disclosure of beneficial owners and the creation of a public register as important progress. It was mentioned about the assistance provided by the World Bank (hereinafter referred to as the WB) and the United Nations Development Program (UNDP) during the work carried out by the RA EITI in the current year, as well as the new partner of Armenia's EITI, Deutsche Gesellschaft Für Internationale Zusammenarbeit GmbH (German Agency for International Cooperation or GIZ) was presented. The latter will provide technical support for the EITI implementation activities. **A. Mirzoyan** also noted that the Government, specifically in terms of fighting corruption, is committed to continuing the institutional and real systemic reforms it had started.

2. Welcoming Remarks by the Representative of the International Donor, New Partner of Armenia's EITI

The representative of the German Agency for International Cooperation (GIZ) welcomed the attendees and presented that the Federal Government of Germany expresses its support to the Government of the RA by providing technical assistance through the German Agency for International Cooperation in the activities of implementation of the RA EITI.

The Issues Considered

3. Presentation of Armenia's 2018 Draft National Report and Approval by the MSG

The attendees **were informed** that prior to the presentation of the final draft of the National Report at the MSG meeting, it had been discussed during the outgoing working meeting in Tsaghkadzor on November 2-3 of current year, afterwards it had been amended, taking into account all of the comments, and had been submitted to the MSG members electronically, before this meeting.

The representatives of “Ernst and Young” CJSC auditing firm (hereinafter referred to as “Independent Administrator”), which had prepared the first EITI Report of Armenia, decided to **present** the key contextual parts of the National Report chapter by chapter, laying emphasis on the comments received by the MSG on the first draft of the Report during the discussions in Tsaghkadzor, thereafter, on the main changes made based on the additional observations presented by the Secretariat. The additional developments which had not yet been reflected in the final version were voiced separately.

It was mentioned that, in view of the presented observations, the “Introduction” of the Report describes in greater detail and with respective references to what EITI is about, as well as the process of Armenia's joining the EITI: the brief description of the main reasons for the discrepancies identified during the reconciliation process was added.

When presenting Chapter 1 of the Report, which provides information about the mining companies, the respective government agencies and the cash flows, **it was noted** that the information on the transportation revenues from the infrastructures is presented in Chapter 5 in a separate section.

Chapter 2 of the Report was presented which describes the metal mining sector, including information on:

- The share of metal mining in the economy of the RA, presenting separately, in more detailed data, the share in the GDP;
- Employment which is presented by gender, term of employment contracts and distribution by the province and the capital city;

The representatives of the Independent Administrator **informed** that due to lack of statistical data on employment rates for each community, the percentage ratio of employment in the mining sector was shown by the province. The Independent Administrator had also

made an additional inquiry from the companies, and the Report also presented the employment data provided by the mining companies by the community. **It was mentioned** about the deviations in the employment numbers in the mining sector presented in the same chapter (Chapter 2) which are accounted for by the difference between the data received from the mining companies and the methodology applied by the RA Statistical Committee for data collection. The difference is presented in detail in the “Findings” chapter.

- Government revenues, presenting with all the particulars the inflows from the sector to the National and community budget.
- Targeted programs, presenting the weaknesses in the law specified in the Scoping Study and identified as a result of an analysis. References were added related to the vagueness of the definition of affected communities.
- Production and resources, presenting the number of mines and the general list of mines verified with the RA Ministry of Energy Infrastructures and Natural Resources (hereinafter referred to as MEINR) by the mining company, the respective mine and the product, as well as the metallic mineral resources approved between 2010 and 2017.
- Export, presenting data based on reports received by the International Trade Centre (ITC) and the companies alike.
- Domestic sales, presenting the domestic sales indicators and net export figures provided by mining companies.
- Subsoil reserves exploration, presenting the 2016-2017 data, and, in the Annex, the list of companies presented by a table which have been issued a permit for conducting geological exploration.
- Donations made by the mining companies, presenting by a table the data provided by the companies both on the donations to foundations and on certain individuals.

It was mentioned that the importance of the Report lies in that it does not repeat information available somewhere but that it enables to obtain clear first hand information of interest to us. This is especially important, in view of that fact

that actually there are differences between data from different sources, or appropriate data are not available in official sources, for example in the RA Statistical Committee. **It was proposed** that the mining companies submit a report on employment, also by the community.

It was proposed that in the future the MSG could suggest that the Government develops an accountability mechanism for the special programs targeting the communities, because there are legal and practical deficiencies in them. It was proposed, for example, to prepare performance reports on such programs and make these public, which will enable, on the one hand, to understand whether these programs are developed properly and whether the communities have appropriate capacity, and, on the other hand, whether these programs are actually implemented.

It was proposed, if possible, make reference in the Report to the part of the “Strategic Mineral Sector Sustainability Assessment” Report commissioned by the World Bank which addresses the economic impact of the sector.

It was proposed to provide the explanations of the concepts used in the tables provided by the RA Statistical Committee, for example, “open pit”, “ore and concentrate”, etc., as well as to verify the table of the companies and operates mines with the RA MEINR, in order to clarify the nature of the mines.

Taking into account the fact that the contractual obligation of mining companies for social and economic investments is common and applies to donations to foundations and other donations, it was proposed to make reference in the respective part of Chapter 2 of the Report to the part of the section in Chapter 3 on socio-economic investments which describes in detail the information related to the contractual obligations, and, additionally, in the appropriate table, provide the data for 2016-2017 respectively, according to the 2016-2017 reports submitted by the companies.

Chapter 3 of the Report **was presented** with the recent updates. It was informed that a recommendation had been submitted on shortening the description of laws to the extent possible, however, in view of the fact that this was Armenia’s EITI’s first Report, and not all Armenian laws are accessible to the international community, **it was proposed** to present the legislative framework in greater detail. **It was informed** that the information on consents issued by the RA MEINR in order to transfer the right to mining would be added. The Independent Administrator **noted** also that the issue of holding the foundries accountable was

problematic because legislatively their definition was not unambiguous: most probably a separate study would need to be done on this issue and settle it by a separate law. The Government representative **noted** that the issue of including the foundries within the framework of EITI was problematic in terms of separating them and applying a legislative requirement. The activities of foundries is not considered to be subject to licensing; additionally, the activities of foundries have some specificities, from the perspective of EITI. Meanwhile it should be taken into account that the activities of foundries is out of the scope of regulation of the “Mining Code”. **It was proposed** to explore the possibility of identifying the foundries by the activity type classifier.

It was decided, given the interest in the possible accountability of foundries within the framework of EITI, to incorporate a recommendation on conducting an extra study in the ToR for identification of legal gaps and the Scoping Study in connection with expanding the scope of EITI in 2019.

The attendees were informed that the RA Ministry of Nature Protection and the MEINR would provide certain information related to the permitting process, to show whether or not there have been deviations from the established procedure, which too would be incorporated in the final version of the Report.

A member of the constituency of the extractive companies **suggested** to address the issue of observing the time frames by the respective government agencies when providing other necessary permits (e.g. water use permits, emissions permits) after issuing the mining permit because the mining companies later face problems because of that.

The Government representative noted that the raised issue was relevant and had been brought to the attention of the appropriate government agencies. It was reported that discussions on these issues were going on, specifically, to settle certain issues in the “Land Code”, however, it would be desirable to have the issue addressed by the Report, as a recommendation made by the mining companies.

The representatives of the Independent Administrator **informed** that, from the legislative perspective, the mine allocation permit or the mining permit do not guarantee the acquisition of the right to land use or the water use permit.

It was decided that albeit the requirement of the EITI standard applies to the mining permitting process, however, the Report should address the raised issue. Taking into account the fact that in 2019 the Government plans to carry out mining-related studies with the support of the WB, it was suggested that the MSG

too present observations and recommendations within the framework of that process.

Chapter 4 of the Report **was presented** which relates to the reconciliation process and the discrepancies resulting from reconciliation. For more emphasis, the discrepancies are planned to be presented in the final version through designer solutions.

Chapter 5 of the Report **was presented** which reflects the recommendations made by the Independent Administrator. According to the comments, a new section has been added connected with the non-applicable financial flows. The questionnaire on the implementation of the responsible mining practice in Armenia presented formerly was replaced with the analysis of the answers resulting from completing by the MSG members of the questionnaire, while the summary data are also presented in the Annex.

It was proposed to briefly present the recommendations contained in Chapter 3 in Chapter 5 as well because probably the readers would pay more attention to the recommendations presented in the last section of the Report.

The attendees were informed that within the framework of the Project implemented by Transparency International Anti-corruption Center through USAID grant support the non-governmental organizations would have the possibility to conduct analyses based on the Report and carry out awareness raising activities.

Chapter 9 of the Report **was presented** which contains all the disclosures by the Report.

Armenia's 2018 Draft National Report was presented to the MSG for approval.

The Multi-Stakeholder Group **approved** it by general agreement (consensus) on condition that the Independent Administrator make appropriate amendments related the issues voiced and discussed during the meeting and include them in the final report: the final version would be circulated among the MSG members before the printing.

4. Presentation of the Report on the Activities of the 3rd Quarter of 2018 of EITI Implementation and Approval by the MSG

The Report on the activities of the 3rd quarter of 2018 of EITI implementation was presented to the MSG for approval. Those present were informed that no written comments had been received from the MSG on this Report.

The Multistakeholder Group **approved** the Report on the activities of the 3rd quarter of 2018 of EITI implementation by general agreement (consensus).

5. Discussion of RA EITI's 2019-2020 National Priorities; Presentation of RA EITI's 2019-2020 Draft Work Plan and Approval by the MSG

RA EITI's 2019-2020 national priorities and RA EITI's 2019-2020 Draft Work Plan were presented to the MSG for approval. It was informed that the latter too had been discussed in advance, during the outgoing working meeting in Tsaghkadzor on November 2-3, afterwards they had been amended and submitted to the MSG members electronically before this meeting. It was noted that no written recommendations had been received on them. No additional observations were voiced during the meeting.

The Multi-Stakeholder Group **approved** RA EITI's 2019-2020 national priorities and RA EITI's 2019-2020 Draft Work Plan by general agreement (consensus), without discussion.

6. Presentation of the Draft Roadmap for Implementation of the Responsible Mining Practice in Armenia and Approval by the MSG

The Draft Roadmap for Implementation of the Responsible Mining (hereinafter referred to as RM) Practice in Armenia was presented, pursuant to which it is planned to implement a number of activities by the MSG RM Working Group members within the set time frames, specifically: development of the concept paper for responsible mining; participation in the WB-supported studies to be conducted by the RA Government in 2019 and the development of the mining sector strategy through submission of opinions and recommendations; and implementation of current activities of development of newly circulated and new draft legal acts with government agencies, i.e. monitoring of legal acts and drafts related to the mining sector and submission of recommendations for discussion by the Working Group, with a view to later presenting a petition with more compact opinions and substantiation.

The attendees **were informed** that prior to the presentation of the Final Draft Roadmap for Implementation of the RM Practice in Armenia at the MSG meeting, it too had been discussed during the outgoing working meeting in Tsaghkadzor on November 2-3, afterwards it had been amended, taking into account all of the comments, and had been submitted to the MSG members electronically, before this meeting.

The attendees **were informed** that the missing civil society member had submitted an opinion in written form, partly on responsible mining, which was decided to make available to all of the MSG members.

It was decided, to make an editorial change to one of the Activities for clarity: recommendations by the RM Working Group members may be presented not only on the new draft laws but also on existing laws.

It was suggested to extend the time frames for participation in the WB-supported studies to be conducted by the RA Government in 2019 and the development of the mining sector strategy on condition that these may be changed depending on the actual implementation time frames.

The Draft Roadmap for Implementation of the Responsible Mining Practice in Armenia was presented to the MSG for approval. The Multi-Stakeholder Group **approved** it by general agreement (consensus).