



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

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BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Armenia	EUROPE AND CENTRAL ASIA	P173686	
Project Name	Armenia Mineral Sector Policy II		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Energy & Extractives	Investment Project Financing		5/8/2020
Borrower(s)	Implementing Agency(ies)		
Ministry of Finance	Armenian Territorial Development Fund (ATDF)		

Proposed Development Objective(s)

To support the development of a Mineral Sector Policy and associated action plan for Armenia that focuses on strengthening the contribution of the mining sector to sustainable economic growth.

Financing (in USD Million)	Amount
Total Project Cost	0.30

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

Armenia has an abundance of mineral resources such as copper, gold, silver and zinc, as well as industrial minerals such as diatomite, gypsum, limestone, perlite and rhenium salt. In 2011, it ranked 7th in the world in molybdenum production.

Armenia’s economy has undergone major structural changes since independence, changing from an industry-based economy to increasingly becoming an economy based on agriculture and trade. The minerals sector represents one of few industrial sectors that have developed in an economically positive way, and it is seen by the Government as having an important role in further development of the country's economy.



On a local basis, Mining companies can be significant job providers though, especially as they offer formal jobs in more rural areas where those jobs are rare. “Local Content”, the development of upstream and downstream industries around the mining sector, is less developed in Armenia, but there is strong government interest to develop this.

Mining, although a potential engine for growth, is also a contested subject in Armenia. There is strong suspicion of mining activities by parts of the population, and in particular civil society. This distrust is largely fueled by a lack of information and dialog between stakeholders, existence of radical CSOs that are totally against of any new mining project and the fact that most metallic mines were developed in the Soviet era under weak environmental and social standards

All the key stakeholders agreed that the mining sector's future development has to be accompanied by a strong, constructive and transparent dialogue on the future of the sector, between the government, the private sector, civil society and the communities affected by mining activities. In 2015-2016, The World Bank, under the Extractive Industries-Transaction Advisory Facility Multi Donor Trust Fund (EI-TAF MDTF), supported the undertaking of a Strategic Mineral Sector Sustainability Assessment[1]. It showed that, whereas mining is important to the Armenian economy, individual operations are not generally contributing sufficiently to the longer-term sustainable development of the nation. This is in spite of a range of past and ongoing initiatives taken by the regulators to reform the sector. It therefore strongly recommended for Armenia to develop a clear vision and long-term strategy on where the country wants to go with its mining sector; in other words, a Mining Sector Policy.

A publicly available stand-alone Mineral sector policy is a useful regulatory tool that serves two important functions:

1. it provides the mineral industry with a clear statement of the government's expectations and intent towards the industry,
2. it provides lawmakers, regulators and other stakeholders with broad guidance; and helps coordinate between different agencies.

The development of a National Mining policy through an inclusive multi-stakeholder process will help establish the appropriate policy framework for mineral sector governance in Armenia, while making sure the sector will develop according to the highest social and environmental standards. With several mining projects in early development stages and an about 50 exploration taking place, now is an excellent time to develop a long-term vision for the sector.

This project aims to support the development of a Mineral Sector Policy and associated action plan for Armenia that focuses on strengthening the contribution of the mining sector to sustainable economic growth. The policy which will be the basis for the Governments approach to the sector.

The activities of the Project will be concentrated on a) finalization of the development of the Mining Sector Strategy/Policy; b) a legal review to assure that the existing legislation is brought in line with the priorities and objectives outlined in the Mining Sector Strategy/Policy; c) capacity building activities for the line ministries' staff and d), dissemination of information on the Policy for local communities, industry sector and public servants.



D. Environmental and Social Overview

D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]

The Republic of Armenia is a land-locked mountainous country located in the South Caucasus, bordering with Azerbaijan, Georgia, Iran and Turkey. The majority of the country is at high altitude (over 1,000m above sea-level) including Lake Sevan a freshwater lake which, at 5,000km², spans approximately one-sixth of the nation's area. The Armenian climate is continental with hot summers and cold winters, and the country is regarded as being especially sensitive to the effects of climate change. The topographic and climatic variations have resulted in highly diverse ecosystems. Armenia is a seismically active country. The country comprises of ten administrative regions, called marzes: Aragatsotn, Ararat, Armavir, Gegharkunik, Kotayk, Lori, Shirak, Syunik, Tavush and Vayots Dzor. The municipality of the capital city of Yerevan is a self-standing administrative unit. The population of the country slightly exceeds 2.9 million, over 60% of which resides in urban settlements. The project will be implemented nation-wide.

Armenia's economy for more than 20 years was based on the industrial (mainly mining) and agricultural sectors. During the last 10 years, growth in the service and trade sectors have also increased their share in the GDP. Armenia's poverty rate has decreased in the last decade and is currently at 23 percent. The unemployment rate has also decreased and was 16 percent in 2019. The mining sector is one of the largest contributors to the industrial sector and exports. Overall, exports of minerals accounted for 35.9% of the country's export revenue in 2018. In 2018, the country's mining sector exports were valued at \$723 million which is 1.5 times higher compared with 2016. Mining activities are mostly concentrated in the North and South of the country. There are about 440 mineral and 25 metal mining permits issued in the country. Locally, mining companies are significant job providers that offer formal jobs in secondary town and rural areas where those jobs are rare. "Local Content", the development of upstream and downstream industries around the mining sector, is less developed in Armenia.

Mining, although a potential engine for growth, is also a contested subject in Armenia. There is a strong suspicion of mining activities by parts of the population and in particular civil society. This distrust is largely fueled by a lack of information and dialog between stakeholders, and the fact that most metallic mines were developed in the Soviet era under weak environmental and social standards.

To address that lack of trust and improve the investment climate, the Armenian Government, supported by the World Bank, joined the Extractive Industries Transparency Initiative (EITI) in 2017. Since joining EITI Armenia has formed the required Multi-Stakeholder group, consisting of representatives of Government, Civil Society, and Industry, and dialogue among the key stakeholders has been advanced.

In 2015-2016, The World Bank, under the Extractive Industries-Transaction Advisory Facility Multi-Donor Trust Fund (EI-TAF MDTF), supported the undertaking of a Strategic Mineral Sector Sustainability Assessment. It showed that, whereas mining is important to the Armenian economy, individual operations are not generally contributing sufficiently to the longer-term sustainable development of the nation. The current project aims to develop a comprehensive Mineral Sector Policy and Action Plan.

D. 2. Borrower's Institutional Capacity

The Recipient of this grant is the Government of Armenia and specifically the Ministry of Infrastructure and Territorial Administration. The project will be implemented by the Armenian Territorial Development Fund (ATDF). The ATDF (formerly known as the Armenian Social Investment Fund, ASIF) was created in 1996. Since then it has completed three IDA-financed projects (ASIF III project, which included three additional financings). ATDF currently implements the SILD and LEID projects. The ATDF has generated a sound implementation record through 23 years of project



implementation, and has build a reputation of trust in communities across Armenia. The ATDF’s responsibilities include all fiduciary arrangements, such as financial management (planning and budgeting, accounting, financial reporting, external auditing, funds flow, and internal controls) and procurement (selection). The ATDF also manages the application of the World Bank’s safeguard policies to the project activities. This is the first project with ATDF prepared under the Bank’s new Environmental and Social Framework (ESF), the client’s capacity to deliver an ESF based project is limited.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Moderate

Environmental Risk Rating

Moderate

This grant will provide advice on the development of a national mineral sector policy and is not expected to be directly linked to follow-up physical investments. The project will not support civil works or other on-the-ground activities with immediate environmental impacts that need to be managed. Therefore the environmental impacts of carrying out the project activities are minimal. Moreover, the policy will provide clear guidance towards the development of a sound, sustainable and equitable mining sector. At the same time, the mineral sector policy may have potentially significant downstream environmental impacts when implemented through future investments (including implications on the future disposal of mining waste, the health and safety of workers and communities, etc.) unless these issues are appropriately addressed in national legislation. One of the objectives of the legal review to be supported under the project is to ensure that legislation with regards to environmental and social management of the sector is in line with international good practices; as such the project is expected to improve environmental management in the sector. It should be noted that national environmental legislation requires strategic environmental assessment and state expertise to be applied to the policy/strategy document on the mining sector, and environmental implications can be addressed in the policy implementation process. With the above considerations, the overall environmental risk of the activity is assessed as Moderate.

Social Risk Rating

Moderate

The project activity is not associated with civil works or any direct physical footprint. The grant will finance consultancy work for the development of a Mineral Sector Policy document, legal review, and Action Plan. The grant will also finance the planning and implementation of stakeholder engagement activities, and as such, is expected to have a positive contribution to public dialogue on mining sector. Therefore the social risk from the direct footprint of the activity is low At the same time, the grant-supported activity (sector policy and action plan) will influence policy actions which may have important long-term social implications. The sector policy and related reforms have to consider environmental and social sustainability factors, including good practice regulations and enforcement of community health and safety, occupational health and safety, benefit-sharing of mining revenues, land appropriation and tenure with regard to mining activities, and mechanisms for continuous stakeholder engagement. Unless these issues are appropriately addressed in national legislation the social risks from implementing the mineral sector policy can be substantial. It should be noted that policy regulation in many of these areas, such as labor protection and land property legislation, falls outside the mandate of the implementing agency. Others such as benefit-sharing mechanisms and stakeholder engagement on mining activities can be addressed more directly by the mineral sector policy. With the above considerations, the overall social risk of the activity is assessed as Moderate.



B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

The Project (Grant) includes three Components: 1. Policy development, outreach, and consultation. Within this component a mineral sector policy document and an action plan will be developed and consulted with stakeholders; 2. Policy implementation and legal review. Within this component, a legal review will be carried out to identify key legal amendments applicable to the policy implementation; 3. Awareness Rising and Capacity Building. Within this component capacity-building plan will be developed based on which several trainings will be conducted to the key stakeholders.

Over the last five years, preparatory studies have been conducted to support the development of this sector policy. These include the Armenia: Strategic Mineral Sector Sustainability Assessment (2016) and the Armenia Mineral Sector Policy: Assessment of Environmental and Health Impact of the Sector (2020) and Economic Assessment of the Sector (not finalized). The assignment to be conducted under this project will build upon these assessment and integrate policy actions to address priority recommendations in the areas of environmental and social risk management. Since 2017, Armenia has joined the Extractive Industries Transparency Initiative (EITI) and established a Multi-Stakeholder Group consisting of representatives of Government, Civil Society and Industry. Still, as in many states across the world, the adequacy of mining sector policy in Armenia is often contested by environmental and social activists due partly to the lack of clear policy that provides consolidated guidance on key sector-relevant environmental and social requirements, and partly to lack of information and mechanisms for continuous and inclusive dialogue among government, CSOs, and private sector.

The assessments conducted so far indicate that some of the key environmental risks in the development of the sector may relate to the availability of a high number of small and poorly managed brown field exploration sites, land instability and risks association with the construction methods at mine sites, regulations for reclamation of no-longer used mine sites among others. The objective of the development of a mineral sector policy is to avoid such issues in the future development of the sector. Putting better regulations in place for the management of abandoned sites would be a positive development with regard to environmental risk management. Social risks are mainly associated with: (i) mechanisms to maintain open and inclusive dialogue with all stakeholders in the process of adopting and implementing the mineral sector strategy; (ii) transparency of information regarding benefit sharing of mining revenues; (iii) enforcement of good practice occupational health and safety and community health and safety standards in the mining sector; (iv) availability of fair trusted mechanisms for dispute resolution in the event of conflict between public or private stakeholders related to mining activities. In this respect, the proposed activity will help with setting of clearer guidelines towards more effective sector management, including in priority areas of environmental and social sustainability. No groups are expected to be disproportionately and adversely affected by this activity. Groups that may be more vulnerable in the context of mining activities include employees in the mining sector that may be affected adversely in case of inadequate terms and conditions of labor and/or occupational health and safety standards. Residents of settlements located near mining sites may also be more vulnerable to environmental pollution.



The TORs for consultancy assignment to develop mineral sector policy and action plan will include requirement to review and assess relevant environmental and social risks, consistent with World Bank ESSs, and include priority actions in the action plan for the sector. Environmental and social specialist and communication specialist will be part of the consultancy team, who will develop the sector policy document. Also, the national environmental legislation requires strategic environmental assessment and state expertise to be applied to the policy/strategy document on the mining sector, however, this assessment is not part of the project and has to be undertaken separately by the government.

With regard to ESS2, only direct and contracted workers (consultants) will be involved. The task will involve mainly desk-based work and consultations, some of which may require site visits. Labor management requirements will be included in ESCP. With regard to ESS10, a Stakeholder Engagement Plan (SEP) will be prepared.

The SEP will be publicly consulted on with all stakeholders and interested parties and, once acceptable to the Bank, disclosed both nationally and on the World Bank’s external website. The ESCP will also be disclosed by the project (grant) Recipient and the World Bank.

Areas where “Use of Borrower Framework” is being considered:

The use of Borrower's framework will not be used for the Project as a whole or for any of its parts.

ESS10 Stakeholder Engagement and Information Disclosure

Project stakeholders are the various groups outlined and represented in the Armenia EITI Multi-Stakeholder Group: the different government line Ministries, CSO: principally environmental and transparency focused organizations, academia and research institutes with a strong interest in responsible mining, and the various mining companies with operations in Armenia, and their constituencies, as well as the communities, including vulnerable groups, which are directly impacted by the mining industry.

The project aims to ensure ownership of the mineral sector policy development process by each of these constituencies. It will do so by creating a better understanding across all stakeholders of both the current state of the mining sector in Armenia, and international good practices in mineral sector management. The activity will strive to generate constructive discussion and common vision among stakeholders on the future of the sector, as well as a strategy on how to implement it.

The Recipient (implementing agency) will develop a Stakeholder Engagement Plan (SEP) before project approval. The SEP will specify the range of stakeholders classified in to (potentially) affected parties, and other interested parties. The SEP will outline the various engagement mechanisms, their tentative timelines, roles and responsibilities for their implementation, and resources allocated for implementing the SEP activities. Mechanisms for stakeholder engagement are expected to include interviews and focus groups discussions within mining regions and in Yerevan. Stakeholder engagement mechanisms will be tailored to the needs of vulnerable groups as identified in SEP. Mechanisms for continuous information sharing and feedback will be created, in consultation with stakeholders, that may be maintained beyond the life of the project. This may include an online feedback platform similar to, or building on, the website already established by the EITI which shares information on mining revenues and their utilization. The SEP will summarize and build on the consultation activities that have already been conducted. These include, among others, meetings of the Armenia EITI Multi-stakeholder Group, discussions conducted in the process of preparing the



Armenia: Strategic Mineral sector Sustainability Assessment (2016) and the Assessment of Environmental and Health Impact (2020) of the sector.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

The task will be conducted by expert consultants (contracted workers) contracted and supervised by the Armenian Territorial Development Fund (ATDF) (direct workers). Some technical guidance will also be provided by the staff of the Mining Sector Department of the Ministry of Territorial Administration and Infrastructure, who are civil servants. No specific labor or OHS risks are inherent in the project. The project activities will involve desk-based work with the exception of some consultations that will entail field visits. Labor management requirements will be included in ESCP. These will include: the requirement that an adequate grievance redress mechanism be available to all project workers; that a Code of Conduct which includes prohibition of Sexual Exploitation and Abuse and Sexual Harassment (SEA/SH) is adopted by all employers, who implement project activities, and is signed by all project workers; prohibition of child and forced labor as per Armenian legislation and ESS2.

ESS3 Resource Efficiency and Pollution Prevention and Management

This standard is not relevant as the project does not involve any physical intervention. However, consultations and capacity building activities should be informed by this standard as may be relevant in developing the workshops and training.

ESS4 Community Health and Safety

This standard is not relevant. No direct or indirect impact on community health and safety is expected as the project does not involve any physical intervention. The terms of reference for the Consultants developing the Mineral Sector Policy, legal review, and Action Plan will include summary of assessment and inclusion of actions relevant to community health and safety. These will be based on available analytical work (see references in ESS1) and may include legal, enforcement, capacity building, among other recommendations in the sector policy action plan. Consultations covering community health and safety issues, as relevant to the sector policy, will be included in the stakeholder engagement activities.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

Since no civil works or rehabilitation activities are envisioned, no involuntary acquisition of lands is expected. No land use and access restrictions are anticipated. Hence, this ESS is not relevant.

Land use and land relations in regard to mining are regulated by the Republic of Armenia Mining Code, Land Code, and Civil Code. Land



belongs to either the State, communities or is private property. The Strategic Mineral Sector Sustainability Assessment (2016) finds that the national law provides for a clear process to assign and access land for mining with negotiations between companies and landowners, and for making governmental decisions around expropriation and compensation in cases of mining projects of paramount public interest. It also recommends some improvements regarding introduction of modern concepts to protect landowners and land users rights in relation to compensation and resettlement. Specific recommendations relate to compensation of informal users and compensation of economic displacement, in which cases the national practice can be further aligned with international good practice such as IFC Performance Standard 5 on Land Acquisition and Involuntary Resettlement. Where relevant, the sector policy to be created under this project, will reference international good practice, and specific actions that may be taken by the Government of Armenia to align with such practice.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This standard is not relevant as the project does not involve any physical intervention.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

This standard is not relevant. No indigenous groups are known to reside in the Republic of Armenia.

ESS8 Cultural Heritage

This standard is not relevant. The project activities do not entail impacts on cultural heritage. National law prohibits mining in areas of historical and cultural value, and lands that have significant aesthetic, historical, cultural or recreational value.

ESS9 Financial Intermediaries

This standard is not relevant. No financial intermediaries will be involved in this activity.

B.3 Other Relevant Project Risks

There are no other project relevant risks that have not been described above.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways No

OP 7.60 Projects in Disputed Areas No

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

Public Disclosure



A. Is a common approach being considered?

No

Financing Partners

Not applicable.

B. Proposed Measures, Actions and Timing (Borrower’s commitments)

Actions to be completed prior to Bank Board Approval:

1. The Recipient will develop a Stakeholder Engagement Plan (SEP) and begin implementation as soon as possible.
2. The Recipient and the World Bank task team will jointly prepare and agree upon an Environmental and Social Commitment Plan (ESCP).
3. TOR sections, pertaining to the environmental and social aspects of the mineral sector policy document, will be prepared and disclosed prior to grant Approval.

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):

1. Ensure that qualified environmental and social specialist is present on the Consultant teams who will developing project activities;
2. Ensure that designated and qualified specialist or consultant is employed as needed to lead implementation of SEP activities;
3. Ensure that Terms of Reference for Consultancy assignment/s to develop the mineral sector policy document, and action plan include assessment of relevant environmental and social sustainability risks consistent with World Bank ESSs (based on existing literature as applicable) and relevant recommendations for policy action; E&S related sections of the ToRs will be disclosed prior to Bank approval of the grant;
4. Adhere to key labor management requirements (see ESS2) including availability of worker's GRM, CoC, which includes the prohibition of SEA/SH, is signed by all project workers, prohibition of forced and child labor;
5. Implement SEP, revise SEP as needed during the life of the project upon mutual agreement with WB team;
6. Regular review and updating, as necessary, of the ESCP.

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS

29-May-2020

IV. CONTACT POINTS

World Bank

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Borrower/Client/Recipient

Public Disclosure



Borrower: Ministry of Finance

Implementing Agency(ies)

Implementing Agency: Armenian Territorial Development Fund (ATDF)

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

Task Team Leader(s): Kirsten Lori Hund
Practice Manager (ENR/Social) Satoshi Ishihara Recommended on 29-Apr-2020 at 19:24:37 EDT