



RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
ARMENIA EITI SUPPORT  
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ENERGY & EXTRACTIVES

EUROPE AND CENTRAL ASIA

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## ABBREVIATIONS AND ACRONYMS

CSO	Civil Society Organization
GoA	Government of Armenia
EITI	Extractive Industries Transparency Initiative
MEDI	Ministry of Economic Development and Investment
MTAI	Ministry of Territorial Administration and Infrastructure
MoF	Ministry of Finance
MoJ	Ministry of Justice
MoE	Ministry of Environment
MSG	Multi-Stakeholder Group
EGPS	Extractives Global Programmatic Support



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## BASIC DATA

### Product Information

Project ID P166274	Financing Instrument Investment Project Financing
Original EA Category	Current EA Category
Approval Date 08-Feb-2018	Current Closing Date 31-Jan-2021

### Organizations

Borrower Prime Minister's office	Responsible Agency Prime Ministers Office, Republic of Armenia
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### Financing (in USD Million)

## SUMMARY

<b>Total Project Cost</b>	0
<b>Total Financing</b>	0
<b>Financing Gap</b>	0

## DETAILS



### Project Development Objective (PDO)

Original PDO

To assist the Government of Armenia to increase transparency and accountability in the mining sector by implementing the Extractive Industries Transparency Initiative standard.

### Summary Status of Financing (US\$, Millions)

TF	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
TF-A6768	14-Feb-2018	20-Mar-2018	18-Apr-2018	31-Jan-2021	.35	.29	.06

### Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

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## I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

### Project context

1. Armenia's economy has undergone a profound transformation since independence. Sustained growth, ambitious reforms, as well as inflows of capital and remittances have created a market-oriented environment. However, the global financial crisis has impacted the economy significantly. Following robust growth in the past three years, growth has turned negative since March 2020 due to the restrictions imposed as the Covid-19 pandemic spread. Traditionally, Armenia's economy has largely been on industry—chemicals, electronic products, machinery, processed food, synthetic rubber and textiles; it was highly dependent on outside resources. Armenian mines produce copper, zinc, gold and lead.
2. The mining sector is a key contributor to the national economy of Armenia. Armenia has rich resources of copper, molybdenum, gold and multi-metals (lead and zinc). According to Extractive Industry Transparency Initiative (EITI) Report<sup>1</sup>, the mining and quarrying sector contributed to GDP of Armenia by 3.3% in 2017 and 2.8% in 2018. Besides, the mining sector is the largest contributor of export and foreign currency. The share of the metal mining sector in the total export of the Republic of Armenia was 35.9% (US\$ 856.4 million) in 2018, a 30% increase compared to 2017. In 2018, tax and payments from metal mining companies to the State budget totaled 78.3 billion AMD or 6% of total revenues. With an estimated 9200 employees, the share of mining and quarrying sector in total industry employment for 2017 and 2018 was respectively 6.9% and 7.3%.
3. In 2015 the Government of Armenia decided to implement the EITI Standard to improve the management of extractive resources and make it more open and accountable. In 2015-2017, Armenia fulfilled the required sign-up steps, following what the country was officially accepted as an EITI implementing country by the EITI Board in March 2017. The World Bank has been supporting the Government of Armenia to meet the application requirements and initiate its first two-year Action Plan.

### Project Status

4. To be able to implement the EITI Standard and an Action Plan the Government of Armenia requested support from the World Bank. In response, the World Bank managed to secure a US\$ 350,000 grant from the Extractive Global Programmatic Support Trust Fund (EGPS). The "Support to EITI in Armenia project" (P166274) was subsequently approved in November 2017 and the Grant Agreement was signed on February 14, 2018. The grant has four main components:
  - a) EITI Report and Mainstreaming

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<sup>1</sup> <https://www.eiti.am/en/>



- b) Capacity Building
  - c) Communication and Outreach
  - d) Beneficial Ownership Disclosure and Project Management.
5. The country has actively progressed since April 2017 to achieve the EITI Standard. EITI reporting requirements by mining companies as well as state bodies have been embedded in Armenia's legislation since 2020. The first EITI Report was published on January 30, 2019. The second EITI Report (covering the 2018 fiscal year) was published on September 17, 2020. The third EITI report was initially scheduled to be published in January 2021, however due to challenges related to COVID-19 as well as the conflict escalation in Nagorno-Karabakh, it has not been possible to meet this deadline. A 6-months extension of the Grant Agreement is necessary for the project to be able to deliver this third EITI Report. Finally, the legal Act regulating the procedure on beneficiary ownership was adopted during 2019-2020 and the open data registry to disclose beneficiaries is currently in testing phase. The launch of the software will be delayed for two months due to the above-mentioned reasons.
6. The overall progress of Armenia towards 2016 EITI Standard has been assessed by the EITI International Secretariat as Satisfactory. This was decided by the EITI Board on July 9, 2020 following independent validation and made Armenia the 9<sup>th</sup> country among the 54 EITI member countries to be granted such status. A key acknowledgement of the validation assessment was the contribution of the State to the initiative : all operating costs of the EITI National Secretariat (which is under the Prime Minister's office), including the salaries for the 3 main experts, are covered by the State Budget.
7. As of December 15, 2020 the grant is 71% disbursed and 100% committed. The Project implementation was rated Satisfactory in the latest ISR in July 2020. The overall rating of the Project within the whole implementation period is Satisfactory. The collaboration with the EITI National Secretariat and the MSG has been very fruitful and efficient.
8. The Financial management arrangements under the project are satisfactory and acceptable to the Bank. There are no overdue audits under the project.

## Rational for Restructuring

9. Since March 2020, the COVID-19 pandemic has had a huge impact on Armenia. The full and partial lockdowns, home-based work mode within Government and most institutions has slowed down the implementation of the activities. In addition, the conflict in Nagorno-Karabakh in September-November 2020 created new emergencies and caused some priority shifts and additional delays. As a result, the preparation and publication of the third EITI Report, the finalization of the testing and launch of the Beneficial Ownership software as well as some capacity building and awareness raising activities could not



be implemented on time before the current closing date (January 31, 2021). Government is therefore requesting a 6 months extension to achieve the expected results.

10. In addition, and despite the progress in the last three years, certain challenges remain: public distrust towards sector's governance, lack of clarity in certain procedures and insufficient control and oversight of the operators as well as inaccessible or partly accessible data hinder sustainable development of the mining sector. The country still needs greater transparency and accountability in the mining sector as well as sustainable capacity in disclosing, analyzing and using of the mining data for all participants and beneficiaries. It also needs increased public participation, including a sustainable dialogue between key stakeholders. These will make Armenia more attractive for investments and responsible investors.
11. Additional support is needed to fill the gap until EITI Armenia can be fully embedded in Government systems and made sustainable. The sustainability of mining sector data disclosure and use of that data for informed decisions is at the heart of the new EITI Standard and its requirement on mainstreaming. The capacity of the Government to provide data quality and assurance needs to be further built. The Audit Chamber which is responsible for external audit of income and expenditure of the state budget must become an active player in this process. To meet the existing financial gap between the activities planned to comply with the Standard and the current financial sources (the current Grant and the State Budget contribution combined), the EITI National Secretariat and the MSG requested the World Bank additional support.
12. A grant proposal jointly developed by the World Bank and the EITI National Secretariat was approved by the EGPS Trust Fund. With the additional US\$ 500,000 financing Armenia should be able to meet the existing financial gap and mainstream the initiative into Government systems in view of for sustainable implementation. In that sense, the new grant is financing a gap between where EITI Armenia is and where it should be self-sustaining and financially autonomous.

## II. DESCRIPTION OF PROPOSED CHANGES

13. The restructuring of the Armenia EITI Support Project includes two main changes: a) extension of the closing date of the original Grant (TF0A6768) to July 31, 2021 and b) additional financing to add US\$ 500,000 for a continuation of the activities within the same PDO and components. The Additional Financing Grant (TF0B4808) closing date will be March 31, 2024.
14. The PDO of the Project remains the same: To assist the Government of Armenia to increase transparency and accountability of the mining sector by implementing the Extractive Industries Transparency Initiative (EITI) standard. While the first Grant supported Armenia to implement the first Action Plan and meet enough requirements of the EITI Standard to reach the Satisfactory Progress, the new Grant is needed to support the country in the remaining compliance areas of the Standard, namely mainstreaming and capacity development. More specifically, the additional financing would make mining sector data more systematically



available for the public and would allow stakeholders to take informed decisions and establish more permanent dialog among government representatives, communities, CSOs and mining companies on mining good governance.

15. The components of the Project also remain the same. At this stage of the EITI implementation in Armenia, the Grant will fill the gaps on the areas of highest priority to improve transparency in the sector in compliance with the EITI Standard. The key focus will be on the implementation of the mainstreaming roadmap which is expected to allow the initiative to become sustainable. The Project activities under the existing components are described more precisely below.

**Component #:1 EITI Reporting and Mainstreaming**

- Publication of two EITI reports in line with the EITI 2019 standard
- Systematic disclosure and mainstreaming through development of an information technology portal, software development and upgrade of the sector related line ministries and other government institutions websites
- Legal/regulatory activities to address corrective actions and recommendations of the first Validation Report and EITI Reports, and to build legal background for systematic disclosures

**Component #:2 Capacity Building**

- Capacity building activities for the MSG, related line ministries and other government institutions, Audit Chamber, Parliament, affected communities, CSOs and academy to be able to use EITI data for decision making, namely for ensuring effective community participation in affected communities, preparing sustainable development projects and policies, eliminating legal discrepancies disclosed through EITI process, and also institutionalizing preparation and publication of timely EITI contextual data
- Capacity building activities specialized for Audit Chamber to be ready to take over the role of Independent Administrator
- Strengthening public participation on issues of mining sector socio-economic and environmental impacts

**Component #:3 Communication and Outreach**

- Development of a strategy for Awareness raising, including social media, PSAs, interviews and stories by TV and radio, for raising public awareness and participation in an informed dialog
- Competitions for academic researches, publication of thematic analysis and research papers by students and researchers from universities and academic institutions
- Wide and ongoing sector related consultations and discussions with decision makers and main stakeholders

16. In addition to the existing results two new results will be accomplished by the additional financing.

Outcome	Intermediate Outcomes	Indicators
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Armenia has systematic disclosure of EITI data	Related government institutions revised their websites in line with the EITI mainstreaming requirements	<b>Baseline</b> – 30% mining related data is available online in 7 government institutions websites <b>Indicator</b> – 80% mining related data available and systematically disclosed on online portals, websites
Increased women participation in mining sector decision making	Trainings, workshops and awareness rising activities for CSOs, academia and other stakeholders in regions and in Yerevan	<b>Baseline</b> – 20% women participation in decision making processes <b>Indicator</b> – 50% women participation in decision making, especially in regional level

17. All other aspects and conditions of the Project remain the same.

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### III. SUMMARY OF CHANGES

	Changed	Not Changed
Components and Cost	✓	
Loan Closing Date(s)	✓	
Additional Financing Proposed	✓	
Disbursement Estimates	✓	
Implementation Schedule	✓	
Implementing Agency		✓
Project's Development Objectives		✓
Results Framework		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Change in Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓



Financial Management		✓
Procurement		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

#### IV. DETAILED CHANGE(S)

##### COMPONENTS

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
EITI Implementation Support	0.20	Revised	EITI Implementation Support	0.50
Capacity Building and Mainstreaming Activities	0.06	Revised	Capacity Building and Mainstreaming Activities	0.19
Communication and Outreach	0.04	Revised	Communication and Outreach	0.10
Beneficial Ownership and Project Management	0.06	No Change	Beneficial Ownership and Project Management	0.06
<b>TOTAL</b>	<b>0.36</b>			<b>0.85</b>

##### LOAN CLOSING DATE(S)

TF	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
TF-A6768	Effective	30-Apr-2020	31-Jan-2021	31-Jul-2021	30-Nov-2021

##### ADDITIONAL FINANCING

Source	Currency	Amount	USD Equivalent
Extractives Global Programmatic Support(EGPS)	USD	500,000.00	500,000.00



<b>Existing Net Commitment USD Amount</b>		350,000.00
<b>Total</b>		<b>850,000.00</b>
<b>DISBURSEMENT ESTIMATES</b>		
Change in Disbursement Estimates		
Yes		
<b>Expected Disbursements (In US\$)</b>		
<b>Fiscal Year</b>	<b>Annual</b>	<b>Cumulative</b>
2018	0.00	0.00
2019	0.00	0.00
2020	0.00	0.00
2021	0.00	0.00
2022	150,000.00	150,000.00
2023	170,000.00	320,000.00
2024	150,000.00	470,000.00

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