**Matching Vulnerabilities to Risks**

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| **Vulnerabilities** | **Resulting corruption risks**  |
| Vulnerability1: **The procedure of application to conduct geological expertise and the actual proceeding of this type of expertise is not publicly knowable.** Geological expertise is an initial and major stage in the process of awarding a mine exploitation right and the actual decision on the operation of the mine is taken at this stage. The lack of transparency of this critical process affects the possibility for public oversight and increases the risks for corrupt arrangements. | **PD3**: What is the risk that the steps of an award process will not be publicly knowable? |
| Vulnerability 2: **There are no publicly knowable criteria for confirmation of the deposit reserves.** The composition of the mining deposit shall be confirmed as a result of geological expertise by the Mining Agency of the RA Ministry of Energy Infrastructures and Natural Resources through the process of geological expertise. However, there are no standards against which the conclusions are drawn, which has a risk of leading to deals between the companies and government entities to draw discretionary figures in order to manipulate with the investments.  | **PD4:** What is the risk that criteria for awarding the permit will not be publicly knowable? |
| **Vulnerability 3: There is no mechanism for the cost-benefit assessment of mine exploitation.** According to regulations, geological expertise shall be based on the assessment of the ‘industrial value’ of a mining deposit with consideration of the market value of the confirmed resources and the costs of processing through the selected technology, as well as the social and environmental impacts of the mining project. However, there is no methodology for assessment of social and environmental costs at the stage of geological expertise, while the EIA and the state environmental impact expertise is conducted at a later stage and its conclusion is not considered as part of the ‘industrial value’. This leads to a risk that the mines can be allocated based on mere deals between the companies and the government, disregarding the actual impact and the public interest. | **PD4:** What is the risk that criteria for awarding the permit will not be publicly knowable?  |
| *Vulnerability 4:* **There are no publicly knowable regulations and standards to conduct the environmental expertise.** Hence, there is no adequate mechanism to oversee the lawfulness of the issued conclusions by the Ministry of Nature Protection. Lack of standards and methodologies leads to an uncertainty and large discretion for using double-standards by the mentioned institutions. | **PD4**: What is the risk that criteria for awarding mining right will not be publicly knowable? **PP9:** What is the risk there is no a mechanism of verification of the accuracy or truthfulness of EIA reports? |
| *Vulnerability 5:* **The design of the environmental expertise of mining projects does not guarantee the complete analysis of environmental and social impacts and the adequate proficiency of the expertise.** Only one-two experts (internal and external) of the Environmental Impact Expertise Centers are engaged in the review of EIA reports of mining projects, who do not have the comprehensive knowledge about the all aspects related to the mining. Additionally, the selection of external experts is not based on publicly knowable criteria. Hence, it is rather likely that the issued expert conclusions, which are critical documents for awarding the mining rights, will lack the necessary competence for verification of the EIA reports and will be arbitrary, also subject to negotiations. | **PP2:** What is the risk that staff of the Center of Environmental Impact Expertise does not have sufficient professional capacities and specialists to duly perform their obligations? **PP9:** What is the risk there is no verification of the accuracy or truthfulness of environmental impact assessment (EIA) reports? |
| *Vulnerability 6:* **Companies are able to freely pay money to community development funds or other institutions before getting permits.** In practice, most often the payments are made to funds that are controlled by community leaders or state officials or the related persons. As a matter of fact, these ‘charity’ payments directly affect the standing and decisions of the key players, and, hence, may be considered as bribes.  | What is the risk that community leaders negotiate with a mining company will not represent community member’s interests?CF11: What is the risk if “charity” payments directly affect the standing and decisions of mayors of affected communities and other officials? |
| *Vulnerability 7:* **Administrative bodies change the conditions of mining rights without following the law requirements on EIA and respective publicity.** Social and environmental assessment of modifications of mining projects is a mandatory requirement, however it is not duly observed by the companies and/or the respective institutions. This results in changing the mining conditions and contracts behind the closed doors and reduces the opportunities for filing complaints against the unlawful decision-making. Such practice can be perceived to be conditioned by corrupt deals and intentions to hide certain details of mining projects.  | **PD40:** What is the risk that a permit or contract will be renewed without being publicly explained or justified? |
| *Vulnerability 8:* **Information on the beneficial ownership of mining companies is unknown.** As a matter of fact, all companies operating in metal mining industry in Armenia are registered in offshore zones and/or have links to networks of affiliated companies in such territories. The non-transparency of the ownership creates concerns about the involvement of high-ranking officials in the mining business. Such concerns are also grounded on evidence and the revealed cases of engagement of several officials in the mining business, oftentimes registered on the name of the related persons.  | **CF10:** What is the risk that senior public officials or politicians will not declare assets, shares or income related to mining interests?**PD9:** What is the risk that applicants for licences etc. will be controlled by undeclared beneficial owners? |
| *Vulnerability 9:* **The design of the assessment of the expediency of mine exploration is not adequate to receive a comprehensive data on the impacts of mining.** Almost all mine exploration projects fall under the activity category ‘C’, for which the law does not require a full-scale EIA and respective environmental impact expertise, hence oftentimes the mine exploration rights are issued for deposits located on territories of specially protected areas, rare forests or other vulnerable areas. Later, unsurprisingly the companies become interested in the exploitation of the found resources, supported by the exclusive rights to acquire the explored land plots without competition. This means that the decision-making on the exploitation of mines is actually done at the exploration stage – without adequate information about and assessment of the environmental and social consequences, leaving more opportunities for non-transparent ad corrupt deals.  | **PD4**: What is the risk that criteria for awarding licences etc. will not be publicly knowable?  |
| *Vulnerability 10:* **Access to information about the geological data is oftentimes being unlawfully rejected.** Although the law does not directly prohibit the authorized state entities to provide information about geological data of a certain deposit upon request, it is treated as a ‘commercial secret’. Therefore, there is a risk that the awarding may be not transparent and/or economically justified.  | **PD11:** What is the risk that geological data about specific permit documents and mine areas will not be publicly knowable?**PD36:** What is the risk that the details of permits that have been awarded will not be publicly known? |