

ARMENIA MINERAL SECTOR POLICY II PROJECT
PREPARATION OF MINERAL SECTOR POLICY DOCUMENT
ENVIRONMENTAL AND SOCIAL ASPECTS

– Sections of Terms of Reference for Consulting Services–

Draft June 2020

1. BACKGROUND

The Republic of Armenia is a landlocked mountainous country located in the South Caucasus. 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 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. 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.

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. The mining sector is one of the largest contributors to the industrial sector and exports.

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 - in particular, civil society. This is largely fueled by the fact that most metallic mines were developed in the Soviet era following weak environmental and social standards.

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. The project will be implemented nation-wide.

2. OBJECTIVE

The present document is intended as a section of Terms of Reference (TOR) for the consultancy services to draft the Mineral Sector Policy document for the Republic of Armenia. The present document ensures that the environmental and social aspects of the Mineral Sector Policy will be addressed in the final TOR once the funding is made available to the Government of Armenia. Details and other parts of the assignment would be added to the full TOR. Implementation of the project's Stakeholder Engagement Plan (SEP) will also form part of the present assignment.

The objective of this component of the assignment is to review and assess environmental and social risks and impacts associated with the implementation of mineral sector policy in Armenia, to ensure that legislation with regards to the environmental and social management of the sector is in line with international good practices and suggested reforms are thoroughly studied, through the lens of local context and resources, in order to ensure implementation feasibility in Armenia. The assessment will follow the national norms and standards and the World Bank's Environmental and Social Standards.

3. OUTPUTS

This document serves as a (preliminary) section of the TOR for the development of Mineral Sector Policy for Armenia. The output for the broader TOR will be the Mineral Policy Document, including completion of meaningful stakeholder engagement activities as per the project SEP. The consultant will be involved in identifying key environmental and social risks related to the economic development of the mineral sector. This activity should be based on a detailed analysis of the problems encountered in Armenia and should help provide all stakeholders (government agencies, public and private sector development partners, mining industry actors, civil society, local communities) with thorough information and knowledge regarding the likely environmental and social impacts of mining sector development, along with an assessment of the main likely effects of mining sector growth on the biophysical environment and socioeconomic conditions (populations); these should be ranked by order of importance, using the WB ESF as a guide.

The consultant will ascertain the position of the mining sector within the government environmental and relevant aspects of social policy. This positioning of the mining sector will cover past, current, or planned industrial extraction of mineral resources. The consultant shall identify and distinguish between direct and indirect impacts on the one hand and short-term and long-term impacts on the other. The assessment will review all negative and positive impacts likely to be observed as a consequence of the implementation of the mineral policy.

Among the strategic priorities, the consultant will present the relevant recommendations for the promotion of sustainable development of Armenia's mineral sector.

Consultant's team, comprised of professionals of various fields and responsible for different aspects of the Mineral Sector Policy document, will be required to work closely with each other and analyze the synergic effect of any solution before generating any recommendation to be acceptable for the Client. The environmental and social aspects of the assignment will inform the development of mineral sector policy and action plan through the following:

- Review existing studies undertaken under the 1st Mineral Sector Policy Grant pertaining social and environmental issues observed in the mineral sector, including the determination of the current environmental liabilities and potential impacts resulting from the application of mineral policy and the management of the sector, in physical as well as economic terms of the impacts. This assessment will cover industrial mining and describe the current state of the environment in the mineral sector with the main environmental and social risks and impacts, by order of importance;

- Provide recommendations on realistic and economically effective measures to be included in the policy aimed at reducing, alleviating, or avoiding the identified environmental and social risks and impacts;
- Review international best practice on the conditions of granting mining licenses in designated zones, like national parks or sites of cultural heritage, as Armenia is a country with a small area but rich history remnants of which can be found everywhere.
- Analyse the mineral sector policy in relation to the sustainable development of the sector, the environmental protection and the social impact of the mining activity, as well as technical safety issues;
- Define strategic priorities for the improvement of environmental management in mineral sector and recommend actions and legal amendments for achieving it. These recommendations should cover aspects and gaps of all separate phases: pre-licensing period, granting, operation, closure and post-closure periods.

4. TASKS

The work will comprise of the following tasks, among other tasks, that the Government of Armenia will add or rectify in the final/full ToR.

4.1 Overview of the current state of the environment in the mineral sector and evaluation of the mineral sector policy and the legal, regulatory, and institutional framework for the environmental protection in Armenia: based on, but not limited to the Environmental and Health Assessment undertaken during the 1st Policy Development Project in 2019.

The consultant will evaluate the regulatory and institutional framework which governs mining sector activities within the context of the government policies for socio-economic development and sustainability. The consultant will identify those which concern sector policies from those which refer to the national or multi-sector development as well as the role played by sector policies in the use of natural resources, water and land.

The consultant will compose the list of gaps both already identified in previous studies and revealed through their own research and consultations. For each gap, the consultant will review the best practices that fit the local context most and suggest practical solutions and recommendations taking into account:

- 1) Necessary and available resources
- 2) Implementation timeframe in order to ensure synchronized implementation of interlinked and interdependent activities/reforms.

4.2. Environmental Impact Assessment process; public consultations

The consultant will review national legislation of Armenia, institutional structure, monitoring and enforcement mechanisms, as well as prominent capacity constraints or challenges, if any, as related to the environmental impact assessment (EIA). The consultant will review the requirements for baseline information to be presented in EIA reports, the EIA methodology, and procedures prescribed for the conduct of public consultations. Consequently, the consultant

will prepare a (sub-)section of the mining sector policy dedicated to key principles, procedures and standards to be adopted in the sector. The assessment will also feed into the legal review and reform action plan proposed as part of the implementation of the policy.

The consultant will be guided by the World Bank's Environmental and Social Standard (ESS) 1 on Environmental Assessment as well as good international industry practice (GIIP).

(Areas of focus will be detailed in final ToR)

4.3. Vulnerable groups in the context of mining activities

The Consultant will identify sub groups who can be deemed vulnerable in the context of mining activities in Armenia, describe the way, if any, in which they can be disadvantaged vis a vis others (e.g. where they live, linguistic barriers, health impacts, abused as casual labour with poor working conditions etc.). Based on review of current policy, the Consultant will recommend any special provision or outreach to ensure that such groups are not disproportionately and negatively affected by mining activities and can benefit from mining sector development in their respective regions of the country. The identification, outreach to and consultations with vulnerable groups and their representative organizations will be aligned with the activities described in the Stakeholder Engagement Plan.

(Areas of focus will be detailed in final ToR)

4.4. Technical safety

The consultant will review the national legislation of Armenia, institutional structure, monitoring and enforcement mechanisms, as well as prominent capacity constraints or challenges, if any, as related to technical safety of mining infrastructure. The consultant will examine the requirements and criteria for designing, building, maintaining, and closing of mining facilities. Consequently, the consultant will prepare a (sub-)section of the mining sector policy dedicated to key principles, procedures and standards to be adopted in the sector. The assessment will also feed into the legal review and reform action plan proposed as part of the implementation of the policy.

The consultant will be guided by GIIP.

(Areas of focus will be detailed in final ToR)

4.5. Stakeholder consultations in the mining sector

The Consultant will be responsible for including the Stakeholder Engagement Plan implementation steps in Inception Report. The consultant will produce a consolidated document or annex describing the outcome of all consultations conducted in the process of preparing the mineral sector policy document.*(Areas of focus will be detailed in final ToR)*

4.6. Labor, health and safety in the mining sector

The consultant will review the national legislation of Armenia, institutional structure, monitoring and enforcement mechanisms, as well as prominent capacity constraints or challenges, if any, as related to labor rights and occupational health and safety in Armenia from the lens of the mining sector and workers engaged in the sector. Consequently, the consultant will prepare a (sub-

)section of the mining sector policy dedicated to key principles and standards to be adopted in the sector, including the standards for their review, reporting and supervision. The assessment will also feed into the legal review and reform action plan proposes as part of the implementation of the policy.

The consultant will be guided by the World Bank's ESS 2 on Labor and Working Conditions, Environmental Health and Safety Guidelines of the World Bank Group (General), and other GIIP in the mining sector, for example, issued by the International Labor Organization and applicable to labor and working conditions in the mining sector.

(Areas of focus will be detailed in final ToR)

4.7. Balanced mechanisms for land acquisition and public interest

The consultant will review existing studies and reports already undertaken under the previous policy grant on land acquisition, expropriation, land use restrictions, resettlement issues, public interest or economic interest as they relate to the mining sector, as well as will do necessary studies on specific issues. Consequently, the consultant will prepare a (sub-)section of the mining sector policy dedicated to key principles and standards to be adopted in the sector. The assessment will also look at current procedures and practices and make any inputs to ensure that identified glitches are addressed when land is acquired in the context of mining activities. This part of the assessment will also feed into the legal review and reform action plan proposes as part of the implementation of the policy.

The consultant will be guided by the World Bank's ESS 5 on Land Acquisition, restrictions on land use and Involuntary Resettlement.

(Areas of focus will be detailed in the final ToR)

4.8. Financial insurances and other mechanisms

The consultant will examine financial mechanisms aiming at ensuring prevention or full compensation of negative impacts related to the mining sector, such as reclamation fund, monitoring fees or mine closure guarantees, employee health and safety insurances and/or other. Consequently, the consultant will prepare a (sub-)section of the mining sector policy dedicated to key principles and standards to be adopted in the sector. This part of the assessment will also feed into the legal review and reform action plan proposes as part of the implementation of the policy.

(Areas of focus will be detailed in the final ToR)

4.9. Transparency, social accountability, and benefit sharing

The consultant will review transparency and accountability aspects of the mining sector including, among others, transparency in allocation of permits for mining activities, public consultation, public spending and revenues generated from the mining sector, and benefit sharing specifically as it relates to towns and communities most affected by mining activities. Practice of reporting on the sustainability of mineral sector operations will be examined as well.

Consequently, the consultant will prepare a (sub-)section of the mining sector policy dedicated to key principles and standards to be adopted in the sector with regard to social accountability and benefit sharing. This part of the assessment will also feed into the legal review and reform action plan proposed as part of the implementation of the policy, having a global goal to ensure broad transparency and, at the same time, to overcome unilateral negative information flow against the sector. This section will be written to link with the relevant aspects of Stakeholder consultation which is integral to good benefit sharing practices.

(Areas of focus will be detailed in the final ToR)