

PUBLIC

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

STRATEGY FOR ARMENIA

**REPORT ON THE INVITATION TO THE PUBLIC
TO COMMENT**

PUBLIC

1. INTRODUCTION

In accordance with the EBRD Public Information Policy (PIP), the draft Strategy for Armenia was posted on the EBRD website in English and Armenian for 45 calendar days, starting from 31 August 2015 to 30 October 2015. The previous Strategy was also made available on the website in English and Armenian at <http://www.ebrd.com/where-we-are/armenia/overview.html>.

Information about the public consultation process was posted on the EBRD's dedicated webpage "Have your say", which highlights the latest opportunities for the public to comment on the Bank's policies and strategies under review. In addition, targeted notifications of the consultation process were sent to local and international civil society organisations (CSOs) that have expressed interest in the Bank's work in the country. The start of the review process was also advertised through social media platforms (e.g. Facebook and Twitter).

In line with the Bank's increased efforts to involve civil society at an early stage of country strategy development, the EBRD organised consultative meetings with civil society organisations on 13-14 November 2014 in Yerevan and Gyumri to gather civil society's feedback during the preparatory phase leading to the draft strategy. The consultation provided a platform for dialogue between civil society representatives and EBRD staff involved in the Strategy preparation process, including senior political councilors and economists.

The consultative meeting was chaired by the Head of the Resident Office in Armenia. The workshop attracted civil society representatives from 14 civil society organisations. The summary of the meeting and list of participating organisations are provided in the Annex to this report.

During the consultation period two comments were received by the Bank in written format.

This report captures the key themes and views received during the consultation process. It summarises written comments received in English and Russian languages through the Bank's dedicated email address as of 30 October 2015; it also provides management responses to these comments.

2. PUBLIC COMMENTS AND STAFF RESPONSES

Reference	Comment	EBRD Response
Strategic orientations		
Strategic directions	A CSO expressed concerns that the views of civil society are not adequately taken into account in the formulation of the strategic orientations for the new Strategy period.	As mentioned in the introduction to this report, the draft Strategy was made available for the public to comment in line with the EBRD's Public Information Policy. Local and international civil society stakeholders were informed about the start of the consultation period via various channels including direct email notifications and social media. In addition, prior to the publication of the draft Strategy, local CSOs participated in consultation meetings and provided their inputs for the Strategy development.
Key challenges and Bank activities	A CSO has urged the Bank to continue its support for the implementation of modern risk-based systems of inspections and to take into account the impact of the government's moratorium on inspections. The CSO suggested that although the moratorium by its terms has suspended all inspections (apart from tax inspections) for the period from 1 August 2015 to 1 January 2016, in fact inspections might be suspended for a longer period of time. The CSO cautioned that the moratorium would reverse the benefits of inspection reform and risk-based checks which are supported by the EBRD through its support for the	The purpose of moratoriums is to support inspection system reform by mitigating the impact of non-efficient inspections and helping inspectorates focus on the implementation of the reform process leading to more transparency and efficiency. The current moratorium contains certain exceptions; notably it does not affect the State Environmental Inspectorate of the Ministry of Environment. The new Law on Inspection Bodies is expected to lead to fewer but better inspections that have significantly higher overall impact while reducing barriers to doing business in Armenia. The EBRD acknowledges the concerns raised by the CSO and is continuing to support the

	Investment Council.	Government, in cooperation with the IFC, in the implementation of the new Law and of a modern risk-based inspection system as part of an effort to improve the business climate in Armenia.
Environmental and Social Implications of Bank Proposed Activities	Some concerns were expressed regarding the quality of EBRD's project monitoring, in particular regarding the engagement of civil society stakeholders in the process. It was also suggested to include assessments of the social and environmental impacts of EBRD projects in the Strategy.	The EBRD promotes the application of best practices on environmental and social matters as stipulated in its Environmental and Social Policy (ESP) and its Performance Requirements (PR). Investments are structured to comply with ESP and PR. To ensure compliance of individual projects, environmental and social due diligence identifies the relevant environmental and social sustainability risks and impacts, and determines the mitigation measures and stakeholder engagement approach required to address such risks and impacts. In addition, the legal agreements that form the basis of the Bank's financing commitments always contain requirements related to environmental and social performance, usually in an Environmental and Social Action Plan. Clients are required to report at least annually on the status of their compliance with these requirements. Information on the above mentioned assessments can be found on the corresponding project sites of the EBRD website.

ANNEX 1

Summary of EBRD meetings with civil society- 13-14 November 2014, Yerevan and Gyumri

On 13-14 November 2014, the European Bank for Reconstruction and Development (EBRD) organised consultation meetings with civil society organisations (CSOs) to provide the opportunity to discuss strategic aspects of the new EBRD Strategy for Armenia and gather their feedback. The meetings were attended by 15 participants representing 14 civil society organisations.

Civil society participants welcomed the opportunity to discuss the EBRD's preliminary strategic orientations of the upcoming country strategy for Armenia. In Gyumri, CSOs particularly praised the Bank for its efforts to outreach to local civil society groups and provide an overview of the EBRD's planned activities in the Shirak Province.

Article 1 issues

Civil society participants expressed the view that the EBRD is developing its new country strategy in challenging times for Armenia. They raised concerns that the economic situation in Russia and Armenian membership in the Eurasian Economic Union (EEU) would significantly impact government policies, the regulatory environment and the pace of reforms in the country.

Despite the government's efforts to address issues related to human rights and fundamental freedoms in Armenia, civil society participants noted the political deterioration in Armenia due to the lack of public trust in the political system and corruption issues. Some civil society participants urged the Bank to enforce stricter conditionality on its investments in the country in order to encourage the Armenian authorities to undertake concrete steps to address shortcomings in compliance with Article 1 of the Agreement Establishing the Bank.

CSOs recommended considering the level of interdependence between the government and corporate sector in Armenia as part of the political assessment. It was also suggested to consider the implications of Armenian foreign policy on the economic situation in the country.

Enhancing private sector competitiveness

Civil society representatives welcomed the Bank's support to private sector and SME development in Armenia. However, they urged the Bank to be cautious about the actual power relationships behind the definition of "private sector" to avoid financing SMEs and private sector companies that are owned by oligarchs and/or government officials.

According to CSOs, the Bank should shift its focus to the proportional development of the country and increase its investments outside Yerevan. It was also suggested that the Bank should take into account the regional/local peculiarities in its assessment of the transition and economic challenges in the country. It was recommended that the Bank consider supporting the development of new infrastructure in the areas outside Yerevan, such as rural roads and infrastructure development around Lake Arpi National Park. Also, it was suggested that the

new strategy be reinforced with elements to support the tourist industry in Armenia, including in Gyumri to help the city to develop as a cultural and tourist centre of the country.

Responsible mining

Civil society participants expressed their concerns regarding the lack of an adequate environmental policy and regulatory frameworks in Armenia to ensure that mining projects are implemented in accordance with good international practice. They urged the EBRD to further promote the concept of responsible mining in Armenia, including through information sessions for local communities and CSOs.

EBRD and civil society

Civil society participants suggested that the Bank should further encourage its clients to involve local civil society in the design and monitoring of the projects as they could provide a valuable input at various stages of the project implementation. It was also suggested that the Bank should nominate local civil society representatives on the EBRD's evaluation committee that would help the Bank to better understand the impact of its projects on the local population, the environment and the development of a real economy in Armenia. Some civil society participants suggested that the EBRD should consider providing support for the institutional capacity building of local CSOs.

List of participating organisations in the consultation meetings on 13-14 November 2014

Yerevan

1. Analytical Center of Globalisation and Regional Cooperation (ACGRC)
2. Caucasus Research Resource Centre – Armenia (CRRC)
3. Civic Development and Partnership Foundation
4. Corporate Governance Centre
5. Eurasia Partnership Foundation
6. Helsinki Committee of Armenia
7. Transparency International - Armenia
8. Urban Foundation for Development
9. Yerevan Press Club

Gyumri

1. Association of Local Democracy Agencies (ALDA) – Gyumri office
2. Biosophia
3. Sakharov Centre for Human Rights
4. Shirak Center
5. Youth Initiative Centre