**ARAMENIA**

**THE AMULSAR MINE**

**PROJECT TYPE**
Amulsar gold mine.

**FINANCING IN FOCUS**
EBRD - US$ 8.9 million in equity (2016).

**REPRISALS**
- Intimidation.
- Stigmatization.
- Threats.
- Online gender-based harassment.
- Criminalization.
- SLAPPs.
- Repression of protests.

**TIMELINE**

- **2006**
  Lydian International starts developing the Amulsar mine.

- **2007**
  IFC starts investing in the project.

- **2009**
  EBRD provides US$ 4.5 million in equity.

- **2011**
  Protests against the project start.
  - During community meetings, local activists start being harassed and intimidated.
  - Activists address the first letter of complaint to EBRD.

- **2013**
  A group of citizens submits a public enquiry to EBRD, complaining about the project.

- **2014**
  Armenian CSOs file formal complaints to EBRD and IFC.

- **2016**
  EBRD provides an additional US$ 8.9 million in equity.

- **2017**
  Construction work starts; IFC withdraws.

- **2018**
  Local communities block the access roads to the mine; protests and retaliations intensify.

- **2020**
  EBRD exits the project.
ARmenia: The Amulsar Mine

In south-east Armenia, the Amulsar mine has caused great concerns among local communities, who have been strongly opposing the project and speaking out against its serious environmental, health and economic impacts. The gold mine is located near the town of Jermuk — one of the country’s top tourist destinations, famous for its spa resorts — and some rural villages where people mainly rely on agriculture. Pollution caused by the mine and the risk of toxic contamination pose a serious threat to the economic livelihood of these communities, and to endangered animal species in protected areas nearby.

Moreover, there were serious failures in the human rights due diligence process and local communities were not adequately consulted. These failures led to an escalation of social tension and reprisals, with those opposing the project facing harassment, threats, attacks and criminalization.

The multinational corporation Lydian International started developing the project in 2006. Exploration and construction activities have already been carried out, but the mine infrastructure has not been completed yet and the project is currently on hold. Widespread protests and blockades, as well as withdrawal by major financiers, contributed to the project being halted. However, local defenders fear that new investors might provide funds in the near future to push the project forward.

The Amulsar mine project has received a total of US$ 426 million from DFIs and private investors. The European Bank for Reconstruction and Development (EBRD) provided US$ 4.5 million in equity to Lydian in 2009 and 8.9 million in 2016, but exited the project after Lydian International restructuring in 2020. Apart from EBRD’s support, throughout the years Lydian also received a total of US$ 16.4 million from the International Finance Corporation (IFC), but the bank withdrew in May 2017.


26 Between 2007 and 2015, IFC supported Lydian International through 12 equity investments. IFC withdrew its funding after the Office of the Compliance Advisor Ombudsman (CAO) issued a report that found shortcomings in IFC’s appraisal and supervision of the project, such as the lack of an economic impact assessment of the town of Jermuk. However, when explaining its decision to withdraw, IFC did not mention the conflicts around the project. It only stated that Lydian had succeeded in attracting funding for mine development from private sector sources, and therefore the bank was going to deploy the capital where it was needed most. See: “CAO Investigation of IFC’s Environmental and Social Performance in Relation to its Investments in Lydian International (Amulsar Gold Project), Armenia”, CAO, June 2017, https://aconsole-static.s3.amazonaws.com/media/public/cases/LydianComplianceInvestigationReport-06192017_forwebsite.pdf; “IFC Refused from Funding Lydian International’s Amulsar Project”, Ecolur, September 2017, https://www.ecolur.org/en/news/amulsar/international-finance-corporation-of-world-bank-ifc-refused-from-funding-lydian-internationals-amulsar-project/9492/.
In this case study, the focus will be on the 2016 EBRD investment, which shows no evidence that the bank conducted a comprehensive human rights due diligence and assessed reprisal risks. By that time, the bank had already received several complaints and was aware of reprisals against local defenders in the context of the project, but nevertheless it provided further support to Lydian International. However, prior EBRD and IFC investments also indicate how both DFIs failed to conduct meaningful consultations with affected communities and failed to adequately assess, identify and address reprisal risks and other human rights impacts.

Retaliation

Since 2011, local residents and environmental defenders have drafted petitions, submitted official complaints and organized numerous protests to oppose the development of the Amulsar mine. They have raised concerns regarding the project impacts, as well as the lack of transparency, inadequate environmental and social impact assessment procedures, lack of consultations and meaningful stakeholder engagement, corruption, and the retaliation suffered by those opposing the project.

Protests intensified in 2018, when the Velvet Revolution swept old elites and an authoritarian government out of power. Members of the local communities started blocking the roads leading to the mine and the construction works were suspended. As the protest grew stronger, retaliations against those leading or participating in the protests also intensified. The risk of social conflict and escalation of attacks against project opponents could have been easily identified by EBRD, as cases of retaliations (such as threats and harassment during community meetings) had already received several complaints and was aware of reprisals against local defenders in the context of the project, but nevertheless it provided further support to Lydian International. However, prior EBRD and IFC investments also indicate how both DFIs failed to conduct meaningful consultations with affected communities and failed to adequately assess, identify and address reprisal risks and other human rights impacts.

The company has been systematically deploying Strategic Lawsuits Against Public Participation (SLAPPs) as a tactic to silence project opponents, and especially against those who were reporting cases of alleged corruption. Lydian has filed more than 20 cases, mostly in 2018 and 2019, and most of them are still ongoing. Through defamation lawsuits, it has been demanding people retract their criticism and seeking excessive financial compensation for the damages caused to its reputation.

Dozens of activists have been sued for social media posts or comments during meetings, two media outlets for publishing news stories about the project, and two members of parliament for their speeches during parliamentary meetings. In some cases, judges also suspended the bank accounts of activists accused by the company. Social media has been systematically used to harass activists, damage their reputations, and generate strong pressure to silence them. Women human rights defenders were targeted with offensive and sexist remarks. Although the authorship of these web pages


29 Interview with human rights defender (anonymous for security reasons), conducted online by the Coalition for Human Rights in Development, November 11, 2021. An overview of 14 of these lawsuits elaborated by BHRC is available at https://www.business-humanrights.org/documents/19132/SLAPPs_filed_by_Lydian_Armenia_bQqxzaI.docx.

30 Skizb Media was sued for publishing the article titled “What is the way out? Armen Sargsyan can change the situation”, available at https://www.1tv.am/2611361.html. The online newspaper Lragir and one of his journalists were also sued after an interview was published on the newspaper’s website.

31 Interview with human rights defender (anonymous for security reasons), conducted online by the Coalition for Human Rights in Development, December 2021.

is not always known, in one case a police investigation confirmed that Lydian was directly involved.13

There have also been physical attacks. Police have often cracked down on the protests and detained demonstrators, restricting their right to protest and to participation.36 Additionally, according to local activists, personnel hired by Lydian militarized the area. They threatened people and provoked clashes with community members, also during community meetings.15

EBRD’s failed due diligence

EBRD’s due diligence was inadequate and failed to identify and address risks related to the project, and in particular risks of retaliation against people opposing the mine.36 According to this research, there is no evidence that the EBRD conducted an independent assessment of the situation and the data gathered suggest that the bank ignored a number of factors which were clearly pointing to the risk of reprisals, including: the lack of consultations carried out prior to the project or meaningful engagement with the affected communities, the vocal and longstanding opposition to the project, the cases of alleged corruption, the retaliations which had already taken place before 2016, and the wider political context.

In 2016, when EBRD approved further funding for the Amulsar mine, many of these risk factors had already been communicated to the bank in a number of letters and official complaints. The bank approved the project under its 2014 Social and Environmental Policy. Although the policy does not mention the need to conduct a retaliation risk analysis as part of the due diligence process prior to project approval, it does state that the client must guarantee that “the consultation will be free of external manipulation, interference, coercion, or intimidation”.37 However, it does not mention the way in which the bank will evaluate whether these conditions are met and does not mention the word retaliation.18

LACK OF INDEPENDENT ASSESSMENT

A key shortcoming in the human rights due diligence process is that EBRD seems to have relied exclusively on documents prepared by the company.39 Over the years, Lydian approved several stakeholder engagement plans and in 2016 it also produced an environmental and social impact assessment to meet DFIs requirements.40 However, in the evaluation documents produced by Lydian, only some of the concerns raised by community members are briefly mentioned, but they have not been taken into account in the project implementation or further explored.41 There is also no reference to the affected communities’s opposition to the project and the possible risks of retaliations. Yet, EBRD left the task of carrying out consultations and risk assessments entirely to the company. Without any measures to account for

38 Similarly, the policy approved in 2019 states that prior consultations with stakeholders must be free from retaliation. However, it does not establish a procedure aimed at evaluating the risks of reprisals that guarantees that the communities can express themselves freely about the projects. The established procedure for categorizing projects based on risk does not explicitly mention the risk of retaliation. See “Environmental and Social Policy”, EBRD, 2019, https://www.ebrd.com/environmental-and-social-policy.pdf.
39 The project documents published on the EBRD page were prepared by the company.
Lydian’s interest in minimizing risks and silencing dissent, this led to a flawed process.44

LACK OF MEANINGFUL CONSULTATIONS

During the early stages, local communities were not informed about the project. Later on, to obtain the operating permits, the company conducted hearings in the small villages around the site. In the consultations the company promised jobs, funds for social projects and the reparation of some community buildings, without informing the residents of the potential risks.45

There have also been tensions and attacks during meetings organized by the company in 2011 and 2014, prior to the approval of the project. According to a defender interviewed for this research, the company would bring employees to the meetings, who didn’t even live in the communities.46 In a consultation held in 2014 there was a conflict when the community raised the issue of corruption. The police got into a fight, and people were attacked during the consultation.47 In addition, in Gndevaz many people were pressured to sell the land, under the threat that otherwise the land would be expropriated at a lower price or without any compensation.48 However, reference to this was not included in the project documentation.

Additionally, until 2016, Lydian only recognized the villages of Gndevaz, Saravan, and Gorayk as part of the affected area, but did not include the resort town of Jermuk, despite the serious impact on the health and livelihood of its residents. Even after Jermuk was recognized as one of the affected areas, the company did not hold consultations with its residents.49

While performing meaningful stakeholder engagement does not prevent retaliations from taking place, it is a precondition for anticipating and minimizing the risk. The case shows that a lack of meaningful stakeholder engagement prior to the approval of the project increased the risks of conflicts, and led to a failure to assess reprisals risks.

WHILE PERFORMING MEANINGFUL STAKEHOLDER ENGAGEMENT DOES NOT PREVENT RETALIATIONS FROM TAKING PLACE, IT IS A PRECONDITION FOR ANTICIPATING AND MINIMIZING THE RISK.

LACK OF ACTIONS FOLLOWING OFFICIAL COMPLAINTS

On several occasions, local residents and international CSOs urged DFIs to stop funding the project, including through official complaints to their accountability mechanisms. In 2014, Armenian civil society representatives filed two complaints to the EBRD’s project complaint mechanism (PCM), that identified failures in the consultation with the communities and assessment of the project’s impacts.48 The complaints were dismissed, as PCM said they were premature as at that moment the bank had only invested in exploration activities.49 Two years later, however, the EBRD approved further funding.
Other letters and communications addressed to EBRD were disregarded. In 2017, instead of addressing the concerns expressed in a letter from CSOs, EBRD stated that it could no longer have a dialogue as one of the signatories, the Armenian Environmental Front (AEF), had “repeatedly engaged in unprofessional advocacy practices.” According to AEF, this referred to the use of a protest strategy where some people were holding posters with the name of officials responsible for the project. AEF wrote in a statement, “it was puzzling that EBRD used similar wording and actions as Lydian (...): we can only assume that EBRD is trying to avoid responsibility this way”. During the same period, in 2014, local CSOs also submitted two complaints to the Office of the Compliance Advisor/Ombudsman (CAO), the recourse mechanism for projects supported by IFC. The claims provided additional information that should have been taken into account by the EBRD when evaluating its second project.

LACK OF ACTIONS TO ASSESS REPRISAL RISKS AND PREVENT REPRISALS

In the context of the Amulsar mining project, the cases of retaliation were easily foreseeable. When big money is involved, the greater the criticism, the greater the risk that those supporting the project will try to silence those opposing it. This is especially true in contexts where dissent is often repressed and opportunities for meaningful participation are missing. However, activists note that they were never consulted about retaliation risks. Also, when specific instances of reprisals were communicated, the bank did nothing to protect the right to participation and freedom of expression.

There have also been several allegations of corruption related to the project. As corruption generally involves officials who have the interest, power and resources to silence those who speak out, activists raising their voice around these issues are at greater risk. In fact, activists who reported corruption linked to the Amulsar mine were among the most targeted. However, EBRD did not take into account the numerous allegations and suspicions of corruption in order to identify and mitigate risks of retaliation.

In 2014, civil society organizations had also communicated to the bank that the company had threatened to file judicial cases against defenders who had criticized the project. In 2010, the then Special Rapporteur on the situation of human rights defenders, Margaret Sekaggya, had advised the Armenian government to review legislation with regard to insult and defamation. She also stated that environmental activists were among the most vulnerable groups of human rights defenders in Armenia.

In conclusion, this case study shows that EBRD failed to assess potential reprisal risks and therefore did not plan or implement any risk mitigation strategy. If the bank had carried out a consultation about the different threats and restrictions to participation that local activists and residents were facing, as well as an analysis of the wider context, it would have been able to predict the high risks of retaliations for defenders and potentially take actions to prevent attacks from escalating.