

The EBRD's (ir)responsible exit from the Amulsar gold mine project in Armenia



Photo: Amulsar gold mine in Armenia

The engagement of the European Bank for Reconstruction and Development (EBRD) in supporting the Amulsar gold mine in Armenia in its early stages resulted in adverse environmental, social, economic, and human rights impacts. The EBRD terminated funding to the Lydian International mining company (Lydian) and exited the project, but the harm remains unremedied neither by the client nor by the Bank.

A decade of struggle

Starting in 2009, the EBRD invested EUR 13 million of equity financing for the exploration and development programme of drilling, feasibility studies, and environmental and social mitigation measures for the Amulsar project. Construction of the Amulsar mine began in 2017, leading to negative impacts on local communities, agriculture, and the environment.

In 2014, the affected communities and civil society organisations submitted two complaints to the EBRD's Project Complaint Mechanism (PCM), but they were

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deemed ‘premature’ and rejected as ineligible.¹ In 2020, local residents filed a third complaint² alleging non-compliance with international standards and the EBRD’s Environmental and Social Policy.³ In November 2020, the EBRD’s Independent Project Accountability Mechanism (IPAM) launched a compliance review,⁴ which is still ongoing. In 2021, following the discovery of evidence of corrupt land deals in Gndevaz, a village in the municipality of Jermuk, a group of civil society organisations filed another complaint with the EBRD’s Office of the Chief Compliance Officer (OCCO), but with no success.⁵

In 2016, the non-governmental organisation Ecological Right submitted a communication on Armenia’s non-compliance under the UNECE Aarhus Convention, which was found admissible by the Convention’s Compliance Committee. In March 2020, Bankwatch and Armenian civil society organisations filed a complaint with the Secretariat of the Convention on the Conservation of European Wildlife and Natural Habitats (Bern Convention) against the Armenian government, alleging violations of protected natural areas near Amulsar.⁶ The Secretariat recommended that the authorities ‘halt any developments that can negatively affect the habitats and species protected under the Convention’. In 2023, it reiterated its call and invited the Armenian authorities to revise the existing environmental and social impact assessment for the gold mine, in light of the recent biodiversity findings and possible transboundary impacts.⁷

In 2018, the protesters started a blockade of the Amulsar mine site that lasted for over two years. The same year, 3,000 residents of Jermuk and surrounding villages signed a petition for a mine-free Jermuk.⁸ In 2020, clashes occurred at the mine site between protesters and Lydian’s security forces, who tried (and failed) to open access to the mine; police violently detained protesters and human rights defenders.

In 2023, in response to the announcement of the Amulsar project restart, Jermuk community residents made a public statement of disagreement with the plans,⁹ and 118 Armenian civil society organisations joined the call to prevent the development of the mine due to environmental and social risks.¹⁰ This resulted

¹ EBRD, [PROJECT COMPLAINT MECHANISM ELIGIBILITY ASSESSMENT REPORT: COMPLAINT:DIF LYDIAN \(AMULSAR GOLD MINE\) REQUEST NUMBERS: 2014/02 AND 2014/3](#), EBRD, 2014.

² Accountability Console, [LYDIAN \(AMULSAR GOLD MINE\) - EXTENSION](#), Accountability Console, accessed 6 May 2024.

³ Accountability Console, [INDEPENDENT PROJECT ACCOUNTABILITY MECHANISM](#), Accountability Console, accessed 6 May 2024.

⁴ EBRD, [Lydian \(Amulsar Gold Mine\) Processing Steps November 2020](#), EBRD, 3 November 2020.

⁵ Armenian Environmental Front, [Who Privatized and Sold Gndevaz Land Areas \(Hetq.am\)](#), Armenian Environmental Front, 17 February 2021.

⁶ CEE Bankwatch Network, [Armenia breaks international agreement on biodiversity over gold mine funding, alleges complaint](#), CEE Bankwatch Network, 30 March 2020.

⁷ EcoLur, [The Bern Convention Bureau Calls upon the Armenian Government to Halt Construction of the Gold Mine on Mt. Amulsar and Revise the ESIA](#), EcoLur, 7 December 2023.

⁸ Armecofront.net, [With 3000 signatures Jermuk community members petition the central and local government to ban metal mining in their territory and boost ecologically friendly economy](#), Armecofront.net, 6 December 2018.

⁹ Citizen’s voice, [Amulsar Guardians Open Letter to EDB](#), Citizen’s voice, 26 December 2023.

¹⁰ Citizen’s voice, [The statement of NGOs regarding the Amulsar project and acceptance of the RA government of 12.5% of the shares of "Lydian Armenia" and ignoring democratic values and community rights](#), Citizen’s voice, 25 January 2024.

in a number of smear campaigns involving cases of defamation, intimidation, and criminalisation in 2024 against activists in Armenia for their peaceful and legitimate human rights work.¹¹

Environmental, social and economic harm

Since 2011, environmentalists have objected to the Amulsar mining project, outlining the serious risks it poses to biodiversity and to Armenia's precious water resources.¹² The town of Jermuk was excluded from the public hearings on the environmental impact assessment (EIA). Despite being classified by the EBRD as a category A project, which is defined as having significant adverse risks for stakeholder interests, open public consultations were not conducted. Communities reported being left out and claimed that information on the project was not effectively disclosed to them. This resulted in an inadequate impact assessment that failed to address and mitigate risks associated with cyanide leaching, acid draining, mine closures and biodiversity loss.¹³

Concerns extended to hazardous emissions from the open-pit gold mine, causing health problems for residents in the vicinity, damaging plants and animals, and threatening Armenia's water reservoirs.¹⁴ Reports included dark, muddy water affecting drinking water and irrigation systems, contamination of the Arpa river, and adverse effects on local farms and livestock.¹⁵ During the construction stage, villagers from Gndevaz reported that their apricots had become very unpopular on the market because people, concerned about health risks, were turning away from food products from the Amulsar region. Dust from the mine construction site reached Jermuk, causing snow to turn pink.¹⁶ A survey revealed a surge in illnesses among respondents. Furthermore, the town of Jermuk faced economic losses due to the impact on tourism.

Both Armenian and international experts also warned against the threats to biodiversity posed by the Amulsar mine, as numerous red-listed species had been detected in the planned mine area, and warned that the open-pit extraction and mine facilities would lead to the loss, or at least deterioration, of the habitat of these species, thus reducing their numbers. Moreover, it would breach Armenia's Mining Code, its Laws on Fauna and Flora, the provisions of the Bern Convention, and the Convention on Biological Diversity. The proposed biodiversity offset programme – the creation of Jermuk National Park – would not be an effective remedial measure, either due to the failure to offset impacts on the Emerald site¹⁷ or the harm to water sources, rivers, human health, and livelihoods. Nonetheless, although the harm to biodiversity and the

¹¹ CEE Bankwatch Network, [International groups stand in solidarity with Armenian environmental and human rights defenders facing defamation and criminalisation](#), CEE Bankwatch Network, 20 February 2024.

¹² CEE Bankwatch Network, FIDH and Civil Society Institute Armenia, [Amulsar : Human Rights Violations and Environmental Negligence in the Search for Gold](#), CEE Bankwatch Network, 28 June 2022.

¹³ Andrey Kovatchev, Elena Tsingarska-Sedefcheva and Andrey Ralev, [Report on New Circumstances Related to the Environmental and Social Impact Assessment \(ESIA\) of the Amulsar Gold Project in Armenia](#), Balkani Wildlife Society, 69, November 2018.

¹⁴ Lama Almoayed, ["Water is our Gold": Lessons from a Community Struggle in Armenia](#), Accountability Counsel, 5 June 2023.

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ The Emerald Network is an ecological network made up of Areas of Special Conservation Interest. Its implementation was launched by the Council of Europe as part of its work under the Bern Convention, with the adoption of Recommendation No.16 (1989) of the Standing Committee to the Bern Convention. Source: [Emerald Network of Areas of Special Conservation Interest](#).

Emerald site was done, the Jermuk National Park offset was never established, underscoring the need for mitigation and compensation before the damage is done.

One of the most significant economic impacts on the village of Gndevaz was the loss of apricot orchards due to the construction of the project's cyanide heap leach facility. Investigative journalists from the Armenian newspaper Hetq analysed the cadastre data and found that Lydian International acquired 278 plots of land (150 hectares) from 145 landowners for the needs of the Amulsar project and spent over USD 2.8 million for it.¹⁸ However, it turns out that a significant portion of the money went to the family of the former head of the village of Gndevaz, to members of the council of elders, to employees of the village administration and their relatives, and to other local officials. Hetq found that the officials had acquired land in the area through an auction for a low price, or simply through privatising community land, and had then resold it to Lydian for a much higher price.

In 2017, the Armenian non-governmental organisation Transparency International Anti-corruption Center published a report on corruption risks in granting subsoil use permits in Armenia.¹⁹ The report found that the process of granting permits for subsoil use, including mining, has significant transparency gaps: data regarding the gold reserves changed at least four times within a few years; there is an absence of proper regulations and publicly known standards for conducting environmental expertise; there is no state body to prepare or verify an independent cost-benefit analysis for a proposed mine project; opportunities exist for mining companies to influence decision-makers and heads of communities by making large donations to foundations linked to them and by exerting undue influence on legislation and regulatory acts. Some of the officials in charge of the project's impact assessment review and permit issuing were charged with corruption.²⁰

In 2018, the Armenian Environmental and Natural Resources Inspection Body revealed a number of violations and illegal activities during the construction of the Amulsar mine.²¹ For example, the report listed, among other things, Lydian's failure to follow the conditions of the mine permit, illegal extraction of clay for lining the cyanide facility pad, improper use of land for purposes other than those mentioned in the permit, the release of 187.9 tonnes of dust into the air, and failure to monitor dust emissions resulting from the construction. Subsequently, Lydian International turned to the administrative court of Armenia with an appeal against the inspection body's order to halt activities at Amulsar until an assessment of the new circumstances could be made.

Human rights violations

The scope of the EIA and the public consultations were designed to exclude important stakeholders, not least the inhabitants of Jermuk, the city which would be impacted the most. Although Lydian claimed to regularly engage with local stakeholders in Jermuk, these meetings were not public hearings on the EIA. Despite multiple complaints filed by the affected communities with the different accountability

¹⁸ Armenian Environmental Front, [Who Privatized and Sold Gndevaz Land Areas \(Hetq.am\)](#), *Armenian Environmental Front*, 17 February 2021.

¹⁹ A. Grigoryan, H. Movsisyan, A. Amirkhanyan, [Assessment of Corruption Risks in Granting Subsoil Use Permits \(in Armenian\)](#), *Transparency International Anticorruption Center*, 2017.

²⁰ Hetq.am, [Arrested for bribery by a UN expert at the Environmental Impact Investigation Center](#), *Hetq.am*, 19 February 2020.

²¹ RA Environmental and Natural Resources Inspection Body, [Act-30 on Inspections at Lydian-Armenia CJSC \(in Armenian\)](#), *Hetq.am*, 24 August 2018.

mechanisms, including those operated by the EBRD and the International Finance Corporation (IFC), and despite public calls for the company, local authorities and government officials to stop the project, community voices have been ignored.²²

In response to these protests, Lydian initiated lawsuits against environmentalists, resorting to defamation and systematic judicial harassment.²³ By 2020, Lydian had filed approximately 20 defamation lawsuits against various individuals, including environmental activists, independent experts, lawyers, media outlets, parliament members, and community members, who voiced opposition to the project.²⁴ These strategic lawsuits against public participation (SLAPPs) were aimed at censoring and intimidating critics. Other mining companies in Armenia started using SLAPPs as well.

In 2022, in the case against Tehmine Yenoqyan, the Armenian court ruled in favour of Lydian and ordered that Yenoqyan publicly refute ‘the slanderous information’ and pay approximately USD 2 600 for defamation and as material compensation ‘for the insult’ to the company.

Weakening of environmental safeguards

The EBRD’s and IFC’s early engagement in the Amulsar project contributed to the enabling environment, including weakening environmental regulations and introducing negative business practices, which may impact the entire mining sector in Armenia.

In 2014, Armenia’s government adopted a decree allowing the relocation of endangered species to another area, from Amulsar to the Sevan Botanical Garden, despite national environmental legislation prohibiting this. In 2015, the government adopted another decree, ‘On Establishing Technical Regulation for Safe Open-Pit Mining’, reducing the Amulsar project’s cost by USD 100 million. In 2022, amendments to the draft law ‘On Making Amendments and Addenda to RA Soil Code’ came into force. It introduced new provisions extending the exploitation rights on the subsoil in the case of force majeure, including in situations of civil disobedience that might impede the continuation of soil exploitation. The new provision allows for an extension of soil management without any new examination based on such circumstances. Lydian was the only company that benefitted from this new regulation.

In 2023, the new Mining Sector Development Strategy was adopted in Armenia in the absence of a Strategic Environmental Assessment or meaningful public consultations.²⁵ The strategy proposes simplifying the issuance of mining permits without taking residential planning, economic diversification, or climate resilience considerations into account. Moreover, it states that it will rely solely on basic financial assessments of immediate economic gains, completely overlooking the environmental and social issues associated with mining, which it is likely to exacerbate.²⁶

²² CEE Bankwatch Network, FIDH and Civil Society Institute Armenia, [Amulsar : Human Rights Violations and Environmental Negligence in the Search for Gold](#), CEE Bankwatch Network, 28 June 2022.

²³ Lama Almoayed, [“Water is our Gold”: Lessons from a Community Struggle in Armenia](#), *Accountability Counsel*, 5 June 2023.

²⁴ Ibid.

²⁵ EcoLur, [New Statement by EITI MSG Civil Society Faction on Mining Sector Development Strategy](#), *EcoLur*, 17 May 2023.

²⁶ A. Grigoryan, [Fundamental Gaps and Legal Inconsistencies of the Mineral Sector Development Strategy of Armenia](#), *HEINRICH-BÖLL-STIFTUNG*, 2024.

In 2023, the Eurasian Development Bank (EDB) expressed its interest in investing in the Amulsar gold mine project and began its due diligence.²⁷ The same year, a memorandum of understanding was signed between the Armenian government, the EDB and Lydian to announce a USD 250 million investment into the Amulsar project.²⁸ In 2024, the Armenian government received 12.5 per cent of Lydian's authorised capital free of charge in return for the commitment to partner with the company in implementing the Amulsar project.²⁹

The EBRD's exit and responsibility

Lydian International's corporate restructure in 2020 resulted in the ownership of the Amulsar mine project being transferred to Lydian Ventures of Canada.³⁰ In 2020, the EBRD exited the project without acknowledging any responsibility for the project's impacts or for its lack of due diligence.

The EBRD Environmental and Social Policy (2019) requires comprehensive impact assessment, pollution prevention and control, biodiversity conservation, safety for local communities, responsible land acquisition, and meaningful stakeholder engagement, including zero tolerance for retaliation. As described before, the EBRD failed to comply with its own environmental and social standards, damaging the country's environment, community, and good governance practices.

The 'Do No Significant Harm' mandate at the EBRD highlights the obligation that communities should not be worse off as a result of the EBRD's involvement or exit. Exiting a project does not absolve an organisation of their responsibilities for remedy. A responsible exit strategy requires ongoing monitoring, technical assistance, and the implementation of action plans to limit negative impacts on the community and address existing unresolved issues.

Unfortunately for the community, the EBRD's exit from this project has meant that it no longer has leverage over the company to implement project recommendations from the compliance review, to ensure the company contributes to remedy, or to stop retaliatory acts against community members. Therefore, the EBRD should share the responsibility for damage and remedy the harm done by the Amulsar project.

Recommendations for the EBRD

1. Provide remedy for the negative impacts caused by the Amulsar project to local communities, human rights defenders, and the environment.
2. Update the EBRD Environmental and Social Policy to strengthen the Bank's preparedness for and response to unintended impacts:
 - develop a commitment to contribute to remedying harm caused by EBRD actions or omissions;
 - ensure that funding is available for remedial actions at the EBRD and client levels;

²⁷ Eurasian Development Bank, [The Government of Armenia, the EDB and Lydian Armenia to restart the Amulsar gold mine project](#), EABR, 2023.

²⁸ EcoLur, [The government will receive 12.5 percent of the shares of "Lydian Armenia". The memorandum to restart the Amulsar project was signed](#), EcoLur, 22 February 2023.

²⁹ Hetq.am, [Armenia Approves Deal to Restart Controversial Amulsar Gold Mine Project](#), Hetq.am, 18 January 2024.

³⁰ EBRD, [Lydian \(Amulsar Gold Mine\) - Extension](#), EBRD, 2016.

- revise the mitigation hierarchy to include remedial measures beyond compensation and offsetting.
3. Develop responsible exit principles to ensure the EBRD does not leave environmental and/or social harm unaddressed when exiting investments. This requires post-exit monitoring, technical support, and action plans to prevent and mitigate potential negative impacts on communities.
 4. Improve the EBRD's Environmental and Social Policy to guarantee meaningful rights holders and stakeholder engagement in project appraisal:
 - commit to the proactive and mandatory engagement of affected communities early on in the Bank's due diligence, at least for the countries outside the EU, ensuring all risks are identified and conflicts are prevented;
 - ensure that the Bank assesses and mitigates retaliation risks and that an effective response mechanism is in place, including for SLAPP cases.
 5. Enhance the EBRD Environmental and Social Policy to safeguard biodiversity:
 - no loss of biodiversity per se must be the primary objective of the policy on nature conservation, excluding an option for biodiversity offsetting measures;
 - acknowledge sites proposed for protection by scientific bodies or international non-governmental organisations, such as Emerald sites and Key Biodiversity Areas, even if they are not yet legally protected or proposed by national governments.
 6. Support the Armenian government in:
 - initiating an independent expert assessment of the costs and benefits of the Amulsar gold mine, thoroughly taking into consideration economic, social, health and environmental factors;
 - overhauling its environmental and mining legislation to ensure democratic and prudent governance of the mining sector;
 - reinforcing institutional capacity to implement and monitor respect for legislation, improve access to information and participation, clarify methodologies for decision-makers to conduct cost-benefit assessments, simplify the procedure for conducting cumulative impact assessments and implement robust anti-corruption policies and processes relating to mining;
 - protecting environmental and human rights defenders, specifically from SLAPPs and retaliation from Lydian or other groups;
 - improving the impact of the Extractive Industries Transparency Initiative (EITI) process at the community level by promoting the participation of local communities in the governance of natural resources;
 - conducting an independent and transparent investigation into the corruption surrounding the land acquisition in Gndevaz.