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6.13 Economics

The Amulsar Project will have a tangible positive macroeconomic effect, but will also generate local economic impacts. Four different economic impacts are assessed in this section:

- Macroeconomic effects, including contribution to the country's GDP and exports; and contribution to public revenues;
- Contribution to the local economy (Jermuk and surrounding area);
- Local level inflation; and
- Payment of land taxes at a local level.

6.13.1 Macroeconomic Effects

Project Activities Affecting Macroeconomics Effects

The Project as described in the ESIA includes the mining of Tigranes, Artavazdes and Erato deposits. General equilibrium economic modelling was undertaken by Armenian consultant economists, Avag Solutions, in 2014 to obtain direct and induced effects of the project on the country's economy¹. Avag Solutions assessed the Project as described in the v9f ESIA. While the Project description for this ESIA (v10) is different in some respects from that described in v9f (e.g. the assumed gold price has changed from USD \$1,250 per ounce to USD \$1,150 per ounce), the 2014 analysis has been included in this ESIA as it provides an indication of the Project's macro-economic contribution.

Direct economic effects refer to immediate project outcomes, whereas induced effects are concerned with increase in output in other sectors of the Armenian economy due to implementation of the Project. In particular, inter-sector relationships described with the help of a detailed social accounting matrix were complemented with updated projections from Armenian Development Strategy. Macroeconomic impacts due to Project implementation were estimated for two component stages – construction (investment) stage and mining (operations) stage.

These models assumed an expected gold price of \$1,250 per ounce and the conservative estimate of approximately 2.2 million ounces in the internationally approved *reserve* over an 11 year mine life. The estimates of royalties and taxes would increase greatly if it were

¹ Indirect or induced effects are additional results of project's activities that arise due to the multiplicative nature of increased spending.

possible to extract some or all of the current *resource*, estimated at 3.03 million ounces².

Potential Macroeconomic Impacts

Absolute Contributions

In the 2014 model, Lydian International anticipated committing more than USD 426 million³ in capital investment during the first two years in the form of construction and equipment to develop the Project (n.b. the capital investment is anticipated to be USD 370 million in the v10 ESIA). Over the life of the Project, it was expected to contribute USD 485 million to the state budget through taxes (including income tax on salaries and tax on dividends paid, as well as taxes paid during the construction stage) and royalties. Wages for employees were expected to be around USD 230 million over the life of the Project, including wages paid during the construction period. The Project was expected to increase Armenia's export earnings on average by around USD 285 million annually for the operational years. Table 6.13.1 summarises the total cumulative direct and induced contributions of the Project, as described in 2014, in nominal terms.

	Description	Total (in USD mln)	Direct - Project (in USD mln)	Induced (in USD mln)
1	Capital Investment	426.1	426.1	--
2	Taxes	584.4	485.4	99.1
3	Value added (GDP)	1,563.8	1,192.2	371.6
4	Export	2,688.0	2,575.4	112.5

Contribution to GDP and Export

Construction Phase

According to estimations undertaken by Avag Solutions in 2014, the construction stage of the Project was likely to increase the output of Armenia's construction sector by approximately USD 92 million per annum between 2015-16. This equated to a respective annual contribution to overall GDP of 0.62% during the construction years. The multiplier effect of increased output in construction on GDP was estimated at 1.29.

² Gold *reserves* are approved and technically and economically feasible to extract. *Resource* is not proven as certain given the current technical studies, but are possible.

³ This figure may change as detailed engineering design progresses.

Operations Phase

The primary macroeconomic effects of the project stem from the operations period. It should be noted that the intensity of the modelled operations were not evenly distributed along the project lifetime. The operational plan, as defined in 2014, indicated higher net cash flow between 2017-2020, with higher profits in the second half of the operational period. This was reflected in the absolute and relative figures of contribution to GDP in Table 6.13.2, as well as in the contribution to exports. Direct contributions alone to GDP between 2017-2020 would have been almost 1% annually, constituting approximately 8% of export from Armenia. The multiplier for mining is higher than that for construction (1.32 compared to 1.29). This means that for each unit of contribution to GDP there will be an additional 0.32 units of positive impact.

		2017-2020 (yearly average)		2021 and on (yearly average)	
		% of Total	USD mln	% of Total	USD mln
1	Total Contribution to GDP	1.2%	156.5	1.1%	160.2
1a	Direct	0.9%	118.8	0.8%	121.7
1b	Induced	0.3%	37.6	0.3%	38.5
2	Total Contribution to Export	7.8%	337.2	5.2%	269.1
2a	Direct	7.5%	324.3	4.9%	255.6
2b	Induced	0.3%	12.9	0.3%	13.5

Contribution to Taxes

Construction Phase

Total tax revenues during the two years of the construction stage (including the induced taxes due to expanded output across the sectors of the economy) were estimated in 2014 to be USD 16 million, which was approximately 0.6% of total tax revenue.

Operations Phase

On average, each year taxes (including employee income tax and dividend tax) and royalties paid to the Government would have been in the order of USD 50 million according to the 2014 calculation. The Project was expected to be among the top five tax payers in Armenia. Royalties made up the largest proportion of taxes paid by the Project. Figure 6.13.1 provides a breakdown of taxes by element to be paid by the Project during operations.

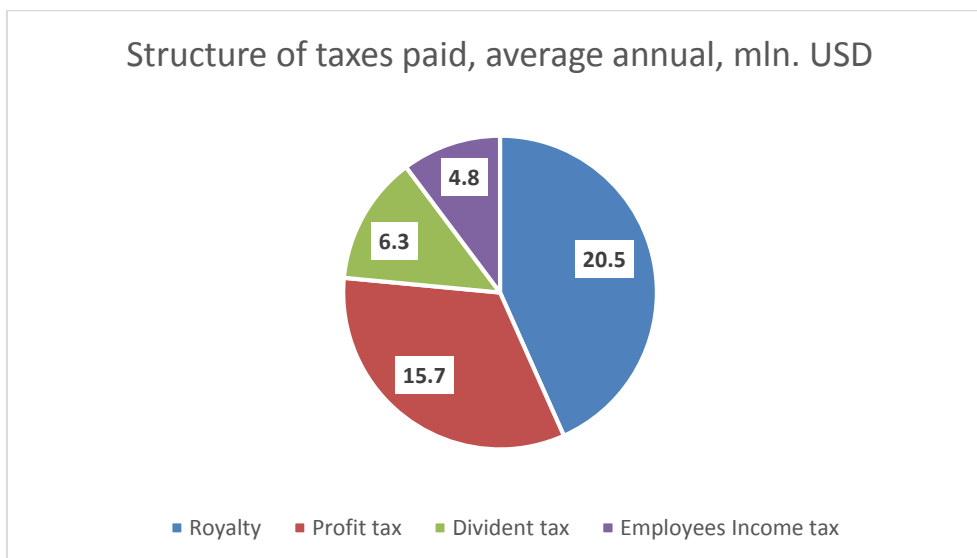


Figure 6.13.1: Structure of Tax Payments by the Project

It is important to mention that taxes paid are highly sensitive to changes in the price of gold. For example, a USD 500 increase in the gold price would almost double tax revenues, however a USD 500 decrease in the gold price would drop the tax revenue by 80%.

Absolute contributions, GDP contributions, and royalties and taxes are considered positive impacts, though the overall significance is lessened by the potential risk of non-transparent payments and corruption that is possible when large payments are not properly monitored and reported. These benefits will also cease when the mine closes, making these positive impacts temporary.

Mitigation/Enhancement Measures for Macroeconomic Impacts

The management of economic benefits from the project is primarily the responsibility of the RA. While Armenia is not currently a candidate country for the Extractive Industries Transparency Initiative (EITI), Lydian will comply with IFC requirements to report on all taxes and government payments. This disclosure is part of the EITI process and is required by the IFC for new extractive industry projects.

Full disclosure of royalties and taxes will build on the trend already established by the Project where it has been reporting on the amount of land tax paid to each rural community each year (see Section 6.13.3). Full details of Lydian's corporate governance commitments are available on the company's website.

The Project will also seek to promote economic growth within Armenia through its local procurement and recruitment policies.

Residual Macroeconomic Impacts

Table 6.13.3: Impact Analysis, Macro Economics						
Sub-category	Direction	Magnitude	Extent	Duration	Impact (prior)	Impact (post)
Macroeconomics effects	Positive	High	National	Medium term	Moderate (positive)	Major (positive)

6.13.2 Contribution to Local Economy

Project Activities Contributing to the Local Economy

The Project will contribute to Jermuk’s economy both directly and indirectly. The primary direct contributions will be the occupancy of up to 370 hotel rooms in Jermuk during the construction period, and rental accommodation for approximately 210 families and hotel accommodation for 250 individuals during the operations period. These direct benefits will be experienced predominantly by the hotel owners and operators and families renting out apartments during the operations period. The indirect contributions will include: increased spending within Jermuk due to the increased level of cash income within the Project area; increased demand for goods and services which may prompt and support the development of new businesses during the period of mining operation; and an expansion in the number of local jobs within Jermuk to operate and maintain hotel accommodations.

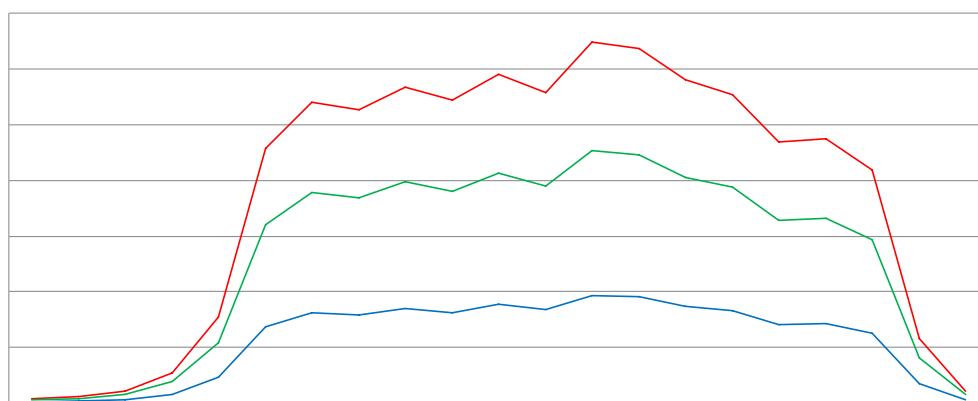
The project will also contribute to the economy of the local communities, sourcing approximately 380 to 390 locally recruited workers together with associated skills training for the life of the Project. It is also anticipated that there will be an increase in procurement of locally based goods and services, for example supplies of fresh fruit and vegetables to the worker accommodation camp and for increased hotel occupancy in Jermuk. Similar to the potential impacts in Jermuk, indirect spending may result in increased spending on goods for example from market stalls in Saralanj and Saravan and this may also prompt the potential for new business ventures to support the mining operations, based in the surrounding villages.

Potential Impacts on the Local Economy

A specific assessment on the impacts of worker accommodation on Jermuk has been completed by InterSocial and included as Chapter 6.21 of this ESIA.

Jermuk is primarily a spa tourism town. Tourism in Jermuk is highly seasonal, with hotels reporting full or near-full capacity in summer, and for a week over New Years Eve, and periods of occupancy rates around 20% for the remainder of the year. An absence of heating in one large hotel (Gladzor) requires it to shut for the winter period. The Jermuk economy is under-performing, with hotel operators reporting changes to the tourism industry following the Russian crisis (negative impact) and the introduction of Social Packages (positive impact).

The Project's construction accommodation requirements vary with the manpower schedule (see Figure 6.13.2, for construction phase). The worker accommodation assessment (summarised in Chapter 6.21) assumes a range of between zero and 370 beds might need to be rented in Jermuk during the construction period, peaking in May 2017. Assuming an average room rental rate of USD 85/night, this will make a significant contribution to the Jermuk economy in room rental alone. On top of this, the Jermuk economy will also benefit from payments for "board", ie meals and ancillary services.



nd indirect manhours

Figure 6.13.2 Manpower Schedule (December 11th, 2015)

During the off-season periods (October – December and mid-January – April/May), the Project's rental of rooms is unlikely to displace significant tourism activity. However, during peak tourist seasons, the rental of up to 370 beds is expected to displace some tourist activity,

effectively replacing tourist dollars with Project dollars. As such, the Project's economic contribution to Jermuk from the rental of hotel rooms can be considered new investment only in those times when it does not displace tourist revenues.

During the operations period, the Project will again contribute to Jermuk through the rental of hotel rooms and the anticipated arrival of a number of families who move into the area for the period of mining operations. The sustained benefit of 12-13 years of hotel room occupancy will no doubt have a strong economic impact upon the owner/s of affected hotels, while also spilling over to the rest of the economy through direct (e.g. catering and laundry services) and indirect support services.

The surrounding communities are expected to benefit from indirect economic impacts associated with the provision of food and services to support the accommodation industry in Jermuk and the construction phase accommodation camp. These communities will also benefit from the introduction of close to 400 new jobs in the area. The social implications of these impacts as addressed in Chapter 6.14.

Mitigation Measures / Opportunities for Contribution to the Local Economy

Based on the potential impacts (both beneficial and negative) associated with worker accommodation a separate study was undertaken during Q1 of 2016, in order to inform the impact assessment, mitigation measure and the requirement for the worker accommodation management plan. The results of this study are reported in Chapter 6.21 and Appendix 8.25 (the management plan), including a series of mitigation measures.

Residual Contribution to Local Economy Impacts

Residual effects are analysed and defined in Chapter 6.21.

6.13.3 Local Inflation

Project Activities Affecting Local Inflation

The Project will provide job opportunities for a peak of approximately 1300 workers during construction and 657 in operations. These workers will be earning salaries which are considerably higher than wages currently earned in the nearby communities, as can be seen in Table 6.13.4.

Armenian Labour category	Monthly Rate (AMD)
Teacher (range)	AMD 35,000-100,000
Librarian	AMD 30,000-40,000
Mineral Water plant employees	AMD 55,000-110,000
Amulsar Mine Operator (range)	AMD 120,000-420,000
Amulsar Mill operator (range)	AMD 80,000-200,000
Amulsar Junior Professional (range)	AMD 80,000-180,000
Amulsar Senior Professional (range)	AMD 115,000-520,000

Local procurement will also occur which has the potential to affect inflation of local prices if not managed.

Potential Impacts on Local Inflation

Localised inflationary effects can primarily impact two economic sectors: the cost of goods and services within local communities and the cost of accommodation. The extent of these impacts is dependent upon the procurement policies of the Project, the number of employees who are likely to purchase and consume locally, and the accommodation approach adopted by the Project.

The Project anticipates purchasing locally where possible; however, the availability of local produce and the range of products available will provide a limit to the extent of local procurement. Local procurement is anticipated to focus upon produce which can be used for catering purposes in the construction workers camp and the hotel accommodations in Jermuk, and other supplies primarily linked to workforce services in the office area.

As described in Chapter 3, the Project expects to have a peak construction workforce of 1300, and an operations workforce of 657. During the construction period, it is anticipated that 30% of the workforce will be recruited locally, allowing them to remain living in their own homes while working for the Project. For the remaining 920 construction workers (at peak), a temporary camp will be constructed to accommodate a proportion of the workers. The size of the camp is yet to be determined, but will be accommodate between 500 and 920 workers (see Chapter 6.21 for further details). If a camp smaller than 920 beds is selected, the overflow of workers will be accommodated in hotel accommodation in Jermuk. It is anticipated that the camp will operate as a closed camp, and thus would limit the interaction between construction workers and local communities. Limited interaction will also limit the level of purchasing made by these workers in the local communities. However, because workers would also be resident in Jermuk and surrounding areas, including Gndevaz, it is very

likely that these workers, based in an onsite camp, would also make use of local services and facilities. From an inflation impact perspective, this results in between 400-770 workers with good access to local communities (this considers both workers resident in the communities and the maximum potential use of hotel rooms in Jermuk for 370 workers). With a study area population of 6,678, this could represent a significant increase in the volume of local purchasing, with consequences for inflation of local prices, during the construction period.

This trend is likely to continue and expand during operations, with approximately 195 local workers (30%) expected to be working for the Project. Of the remaining 462 workers, approximately 250 are expected to be accommodated in hotels in Jermuk, with the remainder comprising non-local workers who are expected to move with their families in to the area for the duration of the operation. This equates to approximately 250 single workers living in hotel accommodation and purchasing items in Jermuk, with another 210 families expected to take up residence within the Project area (likely to focus on Jermuk due to its greater size and availability of rental accommodation). Jermuk contains over 2500 apartment units, of which approximately 30% are typically made available for rental during holiday periods. These apartments have generally not been refurbished since their construction in the 1960s.

Project employees will have higher levels of disposable income than is typical in the rural and urban communities at present, where subsistence activities dominate. It is likely that this will result in mine workers being able to pay higher prices for accommodation, food, transport and other staple items. Depending on the availability of these items and the reaction of local traders, it is anticipated that this additional spending power will generate localised inflation. This is inter-related to the resource curse considerations discussed in Section 6.11. Households who own their own homes and remain predominantly reliant upon subsistence are likely to be shielded from inflationary impacts to a large extent. More significant inflationary impacts would be expected in the urban city of Jermuk, where cash income and transactions predominate, making households more vulnerable to price fluctuations for purchased goods.

Inflationary effects are likely to particularly impact households where no members are directly or indirectly employed by the Project but who are reliant upon a cash based economy either through renting or purchasing property or purchasing food items. Within this group, households headed by women, elderly people or households with no males of working age would be more vulnerable to this impact.

Mitigation Measures for Local Inflation Impacts

The negative impacts of inflation are difficult to predict. Lydian will monitor prices for a staple basket of goods on a monthly basis. The basket of goods will be defined with reference to the “basket of goods” used in the ILCS poverty surveys applied in Armenia⁴. This will be done in the local area of influence, as well as in other areas of the regional area of influence to determine if inflation is a localised impact related to the Project or may have other causes. This assessment will focus on the cost of goods in Jermuk as it is likely to experience the greatest potential impact.

Lydian will also work with tourism operators and hotel owners in Jermuk to ascertain an appropriate room rental fee which will be supportive of their businesses, without overly influencing the average room prices for tourists in the town.

The level of salaries paid to mine workers is often fundamental to localised inflationary pressures. Lydian has conducted extensive benchmarking studies within Armenia to determine salary ranges for equivalent positions across all of the majority categories of employees. The salaries proposed for Amulsar mine workers have been developed to be consistent with Armenian norms, thereby minimising the risk of wage related inflation, while still ensuring workers are compensated through an appropriate salary for their skills. Benchmarking will be repeated on an annual basis to ensure this consistency is maintained.

Even with salaries within the Armenian norms, the introduction of the Project will generate significant change to the salary profile of the local area (from a largely agriculture based economy with limited formal employment to an economy with an additional approximately 657 permanent jobs during the operations period). To assist in managing this change, Lydian will continue to support agricultural technical assistance projects in the local area of influence. These programs will serve two goals: to increase production ensuring sufficient supply is available to meet growing demand for agricultural items; and to improve the economic returns for farmers and cultivators to minimise the gap between the mining and non-mining sectors.

The scale of potential impacts to apartment prices during the operations period will depend

⁴ <http://www.armstat.am/en/?nid=82&id=1716> accessed December 23rd, 2015.

in part upon the success of the local recruitment undertaken by the Project. The training programmes discussed in Section 6.14 will be designed to increase the employability of local community residents and as such, enhance the level of local recruitment (target of 30%). Lydian will monitor apartment prices, both for purchase and for rental, within Jermuk. If significant changes in rental prices are observed, Lydian will work with Jermuk administrators and community representatives to understand the impacts of these price increases upon the residents of and businesses in Jermuk, and to assist with accommodation planning for the communities. Potential impacts to services are addressed in Section 6.12.

If prices are seen to be rising in the local area of influence, or inflation is raised as a significant concern through the community grievance mechanism, Lydian will consider additional support which may take the form of targeted social and financial assistance in the affected area or support to local producers through the local procurement strategy. This might include supporting small producers to gain better access to markets through identifying potential buyers and designing training programmes for small producers to improve business skills to enhance productivity and product quality. While a programme like this is primarily focussed on income generation opportunities, it would also contribute to the management of inflation within the host communities.

Residual Local Inflation Impacts

Armenia has a history of significant fluctuations in inflation nationally. The project will not influence these national trends, but a local impact is found in projects within a similar context, where a large increase in salaried employment causes an increase in the price of important staple goods and accommodation. This impact prior to mitigation is considered moderate (negative). Lydian will aim to mitigate this impact through promoting local recruitment, through use of a temporary construction camp (with capacity for between 500-920 beds), and technical assistance targeting productivity improvements in agriculture to maintain the supply of staple goods, thereby reducing the chance that there will be a spike in prices. This impact will have a particular effect upon households who are reliant upon purchased food and rental accommodation. Through this programme, the residual local inflation impacts are expected to remain Moderate (negative), potentially impairing the quality of life for residents in the local area of influence.

Sub-category	Direction	Magnitude	Extent	Duration	Impact (prior)	Impact (post)
Local Inflation	Negative	Moderate	Local	Medium term	Moderate (negative)	Moderate (negative)

6.13.4 Contribution to Land Rental Payments

Project Activities Affecting Land Rental Payments

Until 2014, the company rented two types of land from the rural communities of Gorayk, Saravan and Gndevaz: exploration licence area land with agricultural land use classification and rock allocation area land where land has been converted to industrial use classification. Land tax is calculated by government decree on the basis of a cadastral evaluation of the net income potential of each soil type and agreed with the receiving authority, which in this case is the Community Administration.

In 2012, Lydian received approval for the formal change of land use from land that had previously been rented with agricultural status to Industrial, subsurface use and production lands. In 2013, most of the rented land within the rock allocation area was registered to industrial use classification, causing substantial increases in the rents paid for land.

The process of municipal consolidation which is unfolding in Armenia will have a significant impact on the local political and administrative configuration, which will in turn affect who receives the payment of land rental from the Amulsar Project. The details of how the consolidation will be applied had not been confirmed at the time of the completion of this ESIA, however, it is anticipated that Gndevaz will effectively become “junior” partners in the larger municipality of Jermuk.

Potential Impacts to Land Rental Payments

As described in Chapter 2, under the Land Code, land rental is payable directly to rural communities and often forms one of the most important sources of revenue for community administration. The Council of Community Elders and the Community Head (often referred to as Mayor) are elected positions with a four-year term of office, hence the community is able to exert influence over the investment decisions made by the community administrators through an electoral process.

The land rents payable by the Project to each of the three rural communities in 2015 are summarised in Table 6.13.6. All of the land rented in 2015 was classified as “industrial” land

with the exception of 621.3ha in Gndevaz (classified as agricultural land).

	Rural Community		
	Gorayk	Gndevaz	Saravan
Number of hectares rented	245.2	946.6	1,102.7
Annual Amount (AMD)	177,156,668	57,986,155	188,433,163
Amount (USD)	\$369,076	\$120,804	\$392,569

This rental payment is retained by the rural communities, and is used for community projects as defined by the community administration. These rental payments represent major increases in community administration budgets derived from land. This is highlighted in the following figures, which represent the land tax payments made by Lydian to the rural communities.

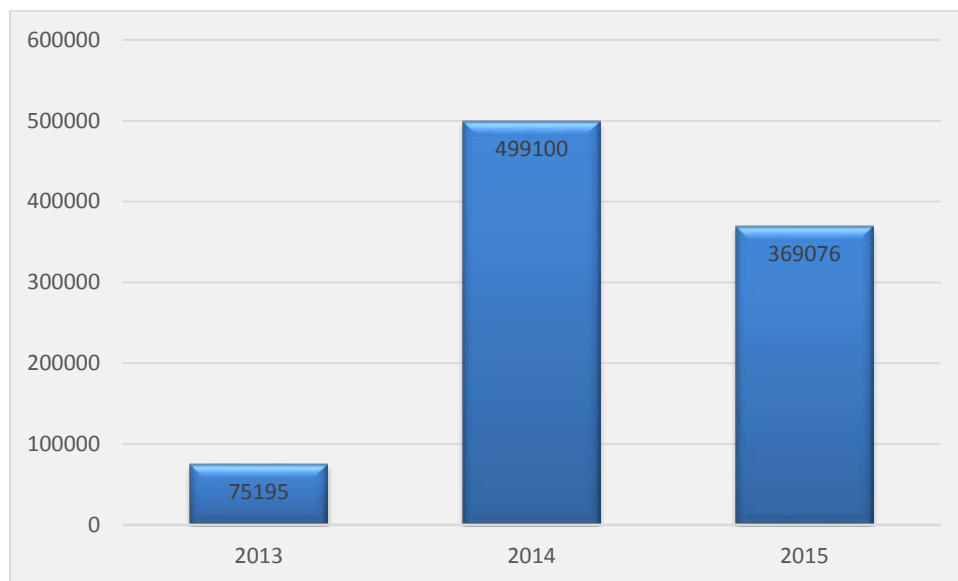


Figure 6.13.3: Gorayk Land Tax Payments by Lydian (USD)⁵

⁵ USD values for land rental have reduced from 2014 to 2015 primarily due to exchange rate changes between the USD and Armenian Dram.

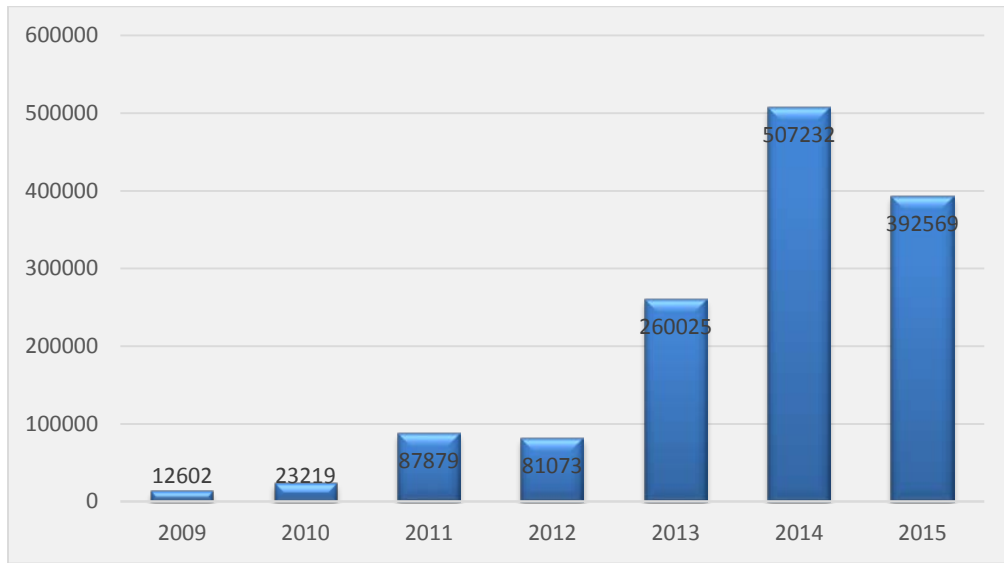


Figure 6.13.4: Saravan Land Tax Payments by Lydian (USD)

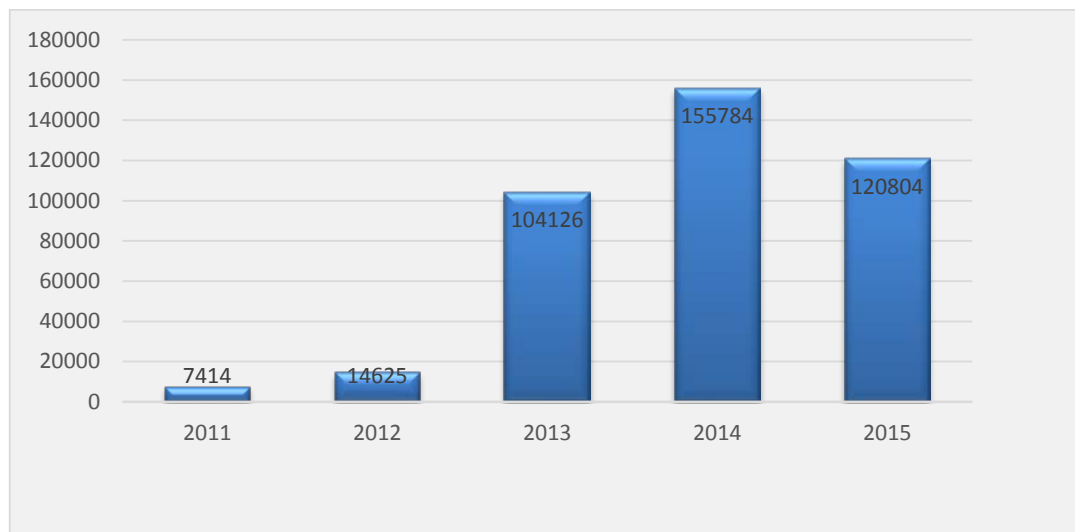


Figure 6.13.5: Gndevaz Land Tax Payments by Lydian (USD)

Under Armenian law, there is no provision or regulation that mandates local governments receive (either directly or indirectly via transfers) any other revenues from mining. While the land rental figures represent large increments in the income of the rural communities (ranging from 4 to 40 times what they receive from state sources), they are, in absolute terms, still relatively moderate payments for a community to manage. Similarly, the cessation of land rental payments associated with mine closure will also be moderated through the relatively modest amounts being paid.

Community administrators will need increased support in managing larger budgets, and

without support there is a risk that the income could be misspent or poorly managed and/or that this could generate conflict with other administrations that are not getting an increase in land taxations.

Mitigation Measures for Land Rental Payment Impacts

Increase in land rent is a positive outcome for communities renting the land. The transition to different land classifications has substantially increased the revenues for rural communities. However, the disparity between the increases in rental payments means that two of the rural communities (Gorayk and Saravan) will have substantial inflows of cash relative to the third (Gndevaz). This disparity will be reduced however by the land acquisition process which will occur within Gndevaz, affecting their economy in a different manner (predominantly through private land sales). The effect of the municipal consolidation process on the Gndevaz beneficiaries of the land rental payments is as yet unknown, but is expected to dilute the control over funds by the rural communities.

In situations where small communities and local administrators are expected to receive (or have already started receiving) large revenues from mining projects, it is good practice to implement a revenue management scheme with the affected administrators to train them in transparency and accountability and budget planning. An IFC Revenue Management expert has visited the Amulsar Project to assess the situation and provide guidance to the Project on how best to manage this impact. Given the relatively moderate scale of the land rental payments and the likelihood of change within the community administration structure, the expert advised against an ambitious revenue management program⁶.

In 2013, Lydian facilitated a financial capacity building training course for the Mayors of the four communities. To further target this assistance, Lydian will focus on providing access to community administrators to ensure they have a “voice” and are in a position to operate effectively in consolidated local government structure. Activities will include: building capacity of community administrators so they are well informed and trained on relevant issues (e.g. budget issues, relevant laws and regulations), and provision of information on the

⁶ This recommendation was made on the three counts: 1) the amounts received, although important for the local governments, are relatively small and they are not expected to increase significantly over their current levels, 2) the responsibilities of local governments are narrower than those in other countries, and 3) a process of “consolidation” grouping local governments in the near future. The first 2 points mean that no significant investments are likely to be undertaken by local governments to warrant a significant capacity building program. The third that any effort should take into account the upcoming changes.

municipal consolidation process to the communities. This will need to be undertaken through close partnership with the Government bodies and donor groups implementing the consolidation process. Opportunities to partner with donor groups to support this transition will be sought.

In addition to the land rental payments, these communities also receive contributions from Lydian through the community development programmes. The recent increase in the level of revenue received by these communities from land rental payments will provide additional opportunities for communities to implement medium-longer term projects, and to co-invest with Lydian to achieve community needs. Lydian’s community development team will work closely with community administrators to build capacity around this medium to long-term budgeting and prioritisation of projects.

Residual Impacts of Land Rental Payments

With the measures described above, and steps that will provide all stakeholders with clear information on the changes in local rural budgets, the land payments will be a moderate improvement on the existing situation. Through applying medium term financial management approaches, this revenue could potentially be used by community administrators to remedy challenges faced by their communities at present. The residual impact of these land rental payments will be significantly altered by the changes (yet to be defined) associated with municipal consolidation.

Table 6.13.7: Impact Analysis, Land Rental Payments						
Sub-category	Direction	Magnitude	Extent	Duration	Impact (prior)	Impact (post)
Local Taxes and Land Payment	Positive	Moderate	Local	Medium term	Moderate (positive)	Moderate (positive)

Table 6.13.8 summarises Project impacts on economics.

Table 6.13.8: Impact Summary - Economics						
Sub-category	Direction	Magnitude	Extent	Duration	Impact (prior)	Impact (post)
Macroeconomic effects	Positive	High	National	Medium term	Moderate (Positive)	Major (Positive)
Local Inflation	Negative	Moderate	Local	Medium term	Moderate (negative)	Moderate (negative)
Land Rental Payments	Positive	Moderate	Local	Medium term	Moderate (Positive)	Moderate (Positive)

6.13.5 Monitoring and Audit

As described above, mitigation measures that relate to managing economic impacts from the Project will be addressed in a number of management plans. Table 6.13.9 outlines monitoring indicators which will be used and developed further to assess the effectiveness of mitigation measures.

Table 6.13.9: Mitigation Summary Table

Section	Mitigation	Monitoring Indicator	Management Plan
6.13.1 Macroeconomic effects	<p>Lydian will comply with IFC requirements to report on all taxes, royalties and government payments. This disclosure is part of the EITI process and is required by the IFC for new extractive industry projects.</p> <p>The Project will also prioritise local procurement to enhance the macroeconomic contribution of the Project.</p>	<ul style="list-style-type: none"> • Royalty, tax and profit sharing payments reported annually. • Proportion of procurement which is undertaken with Armenia 	Environmental and Social Management Plan
6.13.2 Contribution to the Local Economy	See Table 6.21.2 Summary of pre-mitigation and post- mitigation		
6.13.3 Inflation	<p>Lydian will monitor prices for staple basket of goods on a monthly basis. This will be focused on Jermuk, as well as in other areas of the regional area of influence to determine if inflation is a localised impact related to the Project or may have other causes.</p> <p>Lydian will work with tourism operators and hotel owners in Jermuk to ascertain an appropriate room rental fee which will be supportive of their businesses, without overly influencing the average room prices for tourists in the town</p> <p>Geoetam will monitor salary levels paid to its staff on an annual basis to ensure it is not causing inflation within the labour market.</p> <p>Lydian will monitor house prices (rental and sale price) in Jermuk and Gndevaz to assess potential impacts to housing market. Lydian will assist village administrators to plan for expansions as required.</p> <p>Lydian will support agricultural technical assistance projects to increase supply and to boost economic returns for local producers.</p>	<ul style="list-style-type: none"> • Basket of goods identified and prices monitored on quarterly basis. • Hotel room rates and apartment rental and sale price monitored in Jermuk • Salary levels for standard positions in mining company • Bi-annual analysis of agricultural productivity and economic returns (small-scale survey) in affected communities • Follow-up on outcomes from targeted technical support to small producers 	<p>Environmental and Social Management Plan</p> <p>Human Resources Management Plan</p>

Table 6.13.9: Mitigation Summary Table

Section	Mitigation	Monitoring Indicator	Management Plan
	<p>If prices are still seen to be rising in the local area of influence, Lydian will consider additional technical support which may include providing producers with better access to markets and business skill training for small producers</p>		
<p>6.13.4 Land Rental Payment Impacts</p>	<p>Lydian will continue to facilitate capacity building for community administrators to assist them with medium term budgeting and to manage the consolidation process.</p>	<ul style="list-style-type: none"> • Training sessions attended by community administrators • Level of co-investment from Lydian and communities on community priority projects 	<p>Environmental and Social Management Plan , Stakeholder Engagement Plan</p>

6.13.6 Conclusions

The Impact assessment has been carried out to assess the effects of construction, operation and closure of the mine on economics. Key findings are summarised below:

- Impacts fall into four main categories: macro-economics (including royalties, taxes and profit sharing), contribution to the local economy, local inflation, and land rental payments. All of these impacts are expected to be medium term during construction and operational phases of the Project.
- Macro-economic impacts are likely to have a moderate positive impact before mitigation measures are considered and a major positive impact following the implementation of mitigation measures. Mitigation for macro-economic impacts focus on transparency and disclosure of financial transactions. At a national level, this will include disclosure and accountability in accordance with EITI standards.
- The Project's contribution to the local economy is expected to be seen as a positive economic contribution (n.b. the social impacts of this contribution are considered in other parts of this ESIA) so long as it is maintained at a level which does not "crowd out" existing tourism activity.
- Local inflation will have a moderate negative impact prior to mitigation, and this will remain a moderate negative impact after mitigation. Mitigation measures are embedded in the project design (through consideration of salary levels and accommodation planning) and in the agricultural technical assistance programmes directed at increasing productivity and economic returns for small producers.
- Land rental payment impacts will vary depending on the outcome of the municipal consolidation process. Under the current administrative structure, they are likely to have a moderate positive impact before mitigation and a moderate positive impact after mitigation.