

**ENVIRONMENT DIRECTORATE
ENVIRONMENT POLICY COMMITTEE
TASK FORCE FOR THE IMPLEMENTATION OF THE ENVIRONMENTAL ACTION
PROGRAMME FOR CENTRAL AND EASTERN EUROPE, CAUCASUS AND CENTRAL ASIA****Environmental Policy****PROMOTING COMPLIANCE WITH ENVIRONMENTAL REQUIREMENTS IN ARMENIA****Recommendations from an international review**

The current document presents the conclusions and recommendations of a peer review of the environmental compliance assurance system in the Republic of Armenia. The review was carried out at the request of the Ministry of Nature Protection of the Republic Armenia by a team of experts from Latvia, Kyrgyzstan, Netherlands, Russia, and Sweden. A representative of the Regional Environmental Centre for Central and Eastern Europe also took part in the review. The Secretariat of the EAP Task Force, which works under the auspices of the OECD Environment Directorate, coordinated the review process and prepared the review report. The "Guiding principles for the Reform of Environmental Enforcement Authorities in Transition Economies of EECCA", recommended for implementation by the Kiev Conference of Environment Ministers, served as a reference framework for the review.

For any questions or comments related to this document, please contact Angela Bularga at angela.bularga@oecd.org; tel.: +33 1 45 24 98 63.

JT03213204

FOREWORD

The Kiev Ministerial Conference of 2003 recommended that countries implement the “Guiding Principles for the Reform of Environmental Enforcement Authorities in Transition Economies of Eastern Europe, Caucasus, and Central Asia (EECCA)”. The Guiding Principles build on international good governance practices and provide a reference model for an effective and efficient system of environmental compliance assurance.

By endorsing the Guiding Principles, EECCA countries recognised the need for reform and also established a long-term development target. To accelerate the process of reform, a peer review scheme was established under the umbrella of the Regulatory Environmental Programme Implementation Network (REPIN) that operates under the Task Force for the Implementation of the Environmental Action Programme (EAP Task Force). The first review was conducted in the Republic of Kyrgyzstan in 2004.

This document presents the conclusions and recommendations of the second peer review of environmental compliance assurance, which was carried out in 2005 in Armenia. The review suggests a number of short and long-term measures for reform of compliance assurance strategies, instruments, and institutions in light of best international practice. These measures are closely related to the Armenian Poverty Reduction Strategy Paper. Moreover, they can help to ensure a higher accountability *vis-à-vis* the general public and international partners.

The review was conducted immediately after the enactment of the Law on Environmental Enforcement of the Republic of Armenia. Since it describes the baseline situation, the review can be used to monitor progress after the implementation of this law.

The review was carried out at the request of the Ministry of Nature Protection of the Republic of Armenia by a team of international experts. The members of the REPIN discussed and agreed upon the findings and recommendations of the review at their Seventh Annual Meeting (17-18 October 2005, Moscow). Representatives of EECCA countries, some OECD countries (Netherlands, Norway, Sweden, the United Kingdom, and the United States), NGOs, and international organisations attended this meeting.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	5
INTRODUCTION	9
Purpose of the Peer Review in the Republic of Armenia	9
Key phases of the review process	10
MAJOR ACHIEVEMENTS AND CHALLENGES	11
Improvement of environmental management and favourable conditions to promote reforms	11
Reforming the environmental compliance assurance system – a new priority	11
ADOPTING PERFORMANCE-ORIENTED REGULATION	13
Streamline the primary and secondary legislation, and increase its feasibility	13
Refine law-making procedures	14
Ensure feedback throughout the regulatory cycle	14
Integrate the permitting system	15
OPTIMISING THE USE OF POWERS, INTERNAL ORGANISATION, AND COOPERATION WITH OTHER AGENCIES	16
Conserve the current mandate and powers	16
Advance internal exchange of information and coordination, horizontally and vertically	17
Extend partnerships with governmental institutions	17
INCREASING TRANSPARENCY AND MUTUAL UNDERSTANDING WITH THE NON-GOVERNMENTAL SECTOR	18
Pro-actively communicate the SEI's mission and achievements	18
Interact meaningfully with the general public	18
Gradually develop compliance assistance and promotion	19
Promote self-monitoring, with a focus on low-cost measures	19
USING COMPLIANCE ASSURANCE TOOLS MORE EFFECTIVELY	20
Adopt strategic enforcement	20
Increase the quality of inspection and better record evidence of non-compliance	21
Critically review the use of non-compliance response tools	21
Fill in the gaps in performance measurement	22
ACTIVELY MOBILISING THE NECESSARY RESOURCES	23
Train and motivate staff	23
Upgrade the SEI's infrastructure	24
Prepare robust budget proposals and find additional financing sources that do not hinder integrity	25
CAPITALISING ON OPPORTUNITIES FOR INTERNATIONAL COOPERATION	26
Maintain SEI involvement in the ratification of Multilateral Environmental Agreements	26
Develop a comprehensive technical aid programme to raise the capacity to enforce MEAs	26
Gradually extending networking in the Caucasus Region	26

ACRONYMS

CEE	Central and Eastern Europe
EAP TF	Task Force for the Implementation of Environmental Action Programme
EECCA	Eastern Europe, Caucasus, and Central Asia
Guiding Principles	Guiding Principles for Reform of Environmental Enforcement Authorities in Transition Economies of Eastern Europe, Caucasus, and Central Asia
MEA	Multilateral Environmental Agreement
MNP	Ministry of Nature Protection
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
REC	Regional Environmental Centre
SEI	State Environmental Inspectorate
UNECE	United Nations Economic Commission for Europe
UNIDO	United Nations Industrial Development Organisation

EXECUTIVE SUMMARY

1. The review of environmental compliance assurance in the Republic of Armenia, carried out within the framework for the EAP Task Force/REPIN Network, has revealed that progress has been made over the last year in building effective enforcement and compliance promotion instruments and institutions. Unlike other countries, Armenia's Ministry of Nature Protection (MNP or "Ministry") has enjoyed institutional stability and has focused on improving environmental policy instruments, work practices, and procedures. Particularly impressive is Armenia's success in improving the legal basis for compliance assurance, and efforts made since 2003 to raise the quality of regulatory design.

2. Armenia's main environmental enforcement authority, the State Environmental Inspectorate of the Ministry of Nature Protection (SEI or "Inspectorate"), has the responsibility to check and ensure compliance with requirements related to the use of natural resources, industrial pollution, and other environmental impacts. The powers vested in the Inspectorate are proportional to the assigned responsibilities. The SEI ranks high in the MNP hierarchy; the institutional status allows it to make independent operational decisions within its legal mandate. Furthermore, the Ministry's high level officials provide necessary political support to the SEI.

3. Notwithstanding these significant achievements, Armenia has yet to address a number of challenges about which the SEI is fully aware and prepared to address. The unresolved problems requiring urgent attention from the Ministry and the Inspectorate include:

- The environmental regulatory framework is still incoherent; environmental quality standards and permit requirements tend to be unfeasible and difficult to enforce. This undermines the rule of law and public confidence in the government's capacity to regulate, and erodes staff morale and integrity;
- Incentives for regulatees to comply and improve environmental performance are low;
- The Inspectorate uses only a small number of the legally available tools to ensure compliance;
- The institutional capacity of the Inspectorate, particularly of its regional agencies, is low due to lack of training, imperfect staff selection approaches, and prolonged and heavy shortage of resources;
- Cooperation with other stakeholders, both domestically and internationally, is limited and sporadic thus having a marginal role in strengthening compliance with environmental law.

4. Under these circumstances, Armenia's environmental enforcement authorities are called to maintain and, where possible, improve the state of the environment taking account of social, economic, and environmental considerations. To achieve this balance, the compliance assurance system must rest upon ambitious but feasible requirements, set within a streamlined, clear, and coherent regulatory framework. The Inspectorate has to leverage its compliance assurance tools in a more consistent and comprehensive manner, build up its institutional capacity and train staff, carry out a systematic dialogue with stakeholders, and engage in a result-oriented cooperation.

5. Considering the provisions of the “Guiding Principles for Reform of Environmental Enforcement Authorities in Transition Economies of EECCA”, the peer review recommends that the Ministry and its Inspectorate focus their efforts on the following priorities of institutional development:

1. Streamlining the regulatory framework and making it feasible

6. Development of sound foundations for environmental enforcement in Armenia calls for a better legislation and improvements in the regulatory process. To this end, it is recommended to:

- **In the short term:** (1) revise environmental quality standards to ensure their feasibility and enforceability based on the dialogue between the policy designers, the environmental inspectors, and the regulated community, and on a full understanding of the incentive framework for industries to comply with environmental requirements. This requires studying and taking account of factors motivating firms’ behaviour; (2) address social aspects of regulation by improving public consultation mechanisms used within the law-making process, and applying these mechanisms systematically (for instance, organise public hearings of draft laws, and provide feedback to their participants on comments that were considered or rejected and reasons for rejection); (3) consolidate procedurally the permitting system and implement the “one stop shop” approach; (4) extend permit validity, particularly in those cases when production processes and output volumes are stable; (5) secure feedback between inspection and permitting stages of the regulatory cycle (in particular, inform routinely the Inspectorate about issued permits and their conditions, and make use of compliance histories when issuing permits);
- **In the medium term:** streamline primary and secondary legislation under the umbrella of a framework environmental protection law. Within the framework of this process, identify and dispose of any conflicting legal provisions that prevent compliance, and minimise chances for ambiguous interpretation of laws and regulations;
- **In the long term:** introduce an integrated permitting system for major industry with a simultaneous reduction of the complexity of regulation for small and medium-sized enterprises (SMEs).

2. Optimising the use of powers, vertical structure, and cooperation with other agencies

7. To develop its institutional capacities, the SEI needs to further improve internal organisation and coordination, and work out better partnership relations with executive and judicial bodies involved in environmental compliance assurance. This requires the following actions:

- **In the short term:** (1) improve information exchange with other sub-divisions (especially with permit writers, public relations, and international affair officers) of the MNP by communicating openly and systematically, and by introducing necessary internal procedures; (2) in order to gradually give an enlarged mandate to territorial units and local communities, the SEI should clarify distribution of responsibilities and powers between central and territorial level, develop inspection and enforcement policies, build institutional capacity at the territorial level, develop performance management approaches, and assess ways to provide financial support to territorial units; (3) build partnerships with other executive and judicial authority agencies based on clear distribution of responsibilities and specific cooperation objectives and mechanisms, at the central and sub-national level; (4) improve the procedure of filing court cases against violators, and feedback on results of such cases;
- **In the medium term:** (1) within the SEI (or at the Ministry level) establish a position (small unit) to identify emerging economic activities and environmental problems that will need both attention in the work of the SEI and additional resources; (2) launch the delegation of powers to territorial units.

3. Increasing SEI transparency and mutual understanding with the non-governmental sector

8. The governance system adopted in Armenia requires the environmental enforcement authorities to increase their transparency and establish meaningful relations, with the regulated community and with non-governmental actors. In this respect, the following actions need to be taken:

- **In the short term:** (1) inform the general public and NGOs involved in consultations about the terms and conditions built into environmental permits that are issued after these consultations; (2) raise the awareness of the regulated community about regulatory objectives and specific requirements, and the purpose of compliance and enforcement overall (including its objective to maintain a level playing field for businesses); (3) draft and enact secondary legislation on self-monitoring by industrial operators with an emphasis on incentives for the voluntary implementation of self-monitoring; (4) engage in a meaningful dialogue with NGOs; (5) inform citizens about their right to complain, and the procedure for filing complaints; (6) disseminate compliance and enforcement information through external channels, *e.g.* publications of the Department for Emergency Situations or the Industry Association.
- **In the medium term:** (1) proceeding onwards from target group analysis, including compliance behaviour models, develop a strategy for raising awareness and increasing public participation; (2) be open to alliances with NGOs; in this respect, consult NGOs regularly on possible joint actions, develop joint plans, and implement them; (3) inform the general public proactively about SEI functions and the results of its work.
- **In the long term:** adopt and apply a broader spectrum of compliance promotion tools, including information disclosure, performance ratings, promotion of cleaner production in parallel with adoption of integrated permitting, clearing house mechanisms on new technologies, etc. In this domain, enlarge cooperation with UNIDO.

4. Using compliance assurance tools more effectively

9. In modern systems, understanding the economics of enforcement and developing compliance assurance strategies based on such understanding becomes critical in improving the tools and performance of environmental enforcement authorities. In this regard, it is recommended to:

- **In the short term:** (1) analyse the incentive framework for the regulated community to comply (or not) with environmental requirements, and based on this analysis, increase the effectiveness and efficiency of compliance assurance instruments; (2) develop enforcement policies and an operational manual on how to use the existing tools and powers; (3) during on-site visits, focus on the technical condition of inspected facilities and their environmental impact, rather than on the review of documentation; (4) improve reporting on outcomes of site visits to better document evidence of non-compliance; (5) introduce the practice of drafting phase-in plans for newly adopted laws and regulations, which would also take into consideration training needs within the SEI and the regulated community;
- **In the medium term:** (1) proceeding from overall environmental, economic and social priorities, develop a compliance assurance strategy with clearly identified environmental outcomes, compliance targets, and implementation tools and schedule; (2) improve the performance measurement system of the SEI, including standardisation of terminology, re-design of data collection and management systems, and development of better data analysis approaches; (3) upgrade the design of the SEI's information system, and create and update its (integrated) databases on a regular basis.

5. Actively mobilising necessary resources

10. Institutional stability enables the SEI to actively mobilise the necessary human, material, and financial resources. In this regard, the Inspectorate could:

- **In the short term:** (1) design, and make ongoing, a training programme for SEI staff, including initial theoretical and on-the-job training (mentoring) for newly hired staff; (2) develop a programme of computerisation at the SEI, especially at its regional branches, and provide IT training for employees prior to equipment procurement; (3) assess the situation with respect to the SEI's laboratory facilities and identify measures to optimise the quantity of equipment and quality of laboratory services; (4) improve staff selection and hiring techniques, including a greater focus on practical experience and skills, trial periods for newly hired staff, and involvement of future managers in candidate interviewing and employment decision-making; (5) improve the quality of budget proposals by linking them to performance targets and activity planning;
- **In the medium term:** (1) make the job of environmental inspectors more attractive by increasing wages; providing bonuses for high individual performance; ensuring necessary social protection; providing opportunities for professional/career growth; supplying better equipment, modern telecommunications and computer technology; having better interaction with the media; and assuring staff rejuvenation; (2) ensure accreditation of SEI laboratories; (3) organise joint training courses with industry; (4) initiate modernisation of equipment and facilities at the SEI; (5) assess the feasibility of using administrative charges to cover regulatory costs;
- **In the long term:** (1) legally mandate the improvement of social protection for environmental inspectors and equal their status with other law enforcement agencies; (2) complete the modernisation of equipment and facilities at the SEI.

6. Capitalising on opportunities for international cooperation

11. In order to consolidate the institutional potential of the State Environment Inspectorate, it is essential to expand the scope of international cooperation opportunities. To that end, it is deemed advisable to:

- **In the short term:** (1) improve internal communication within the Ministry on matters of international cooperation, in order to more fully account for the Inspectorate's needs (including the needs pertaining to the implementation of Multilateral Environmental Agreements) at both central and regional level; (2) communicate proactively with donors, international bodies, and secretariats of MEAs regarding needs and factors that hinder the implementation of such agreements; (3) continue international networking.
- **In the medium term:** improve the region-wide dialogue between environmental inspectors across the Caucasus.

INTRODUCTION

12. The members of the Regulatory Environmental Programme Implementation Network (REPIN) agreed, at their 5th annual meeting in October 2003, to launch a pilot Peer Review Scheme intended to facilitate reforms of environmental enforcement authorities in Eastern Europe, Caucasus, and Central Asia (EECCA). REPIN endorsed the objectives and methodology of peer reviews. The “Guiding Principles for the Reform of Environmental Enforcement Authorities in Transition Economies of EECCA”, recommended for implementation by the Kiev Conference of Environment Ministers, were adopted as a reference framework for the reviews.

Purpose of the Peer Review in the Republic of Armenia

13. The Ministry of Nature Protection (MNP) of the Republic of Armenia approached the Task Force Secretariat with a request to assess the national system of environmental compliance assurance in light of international practices and to identify priority actions for its reform within the framework of the peer review mechanism. In response to this initiative, the Network members supported the proposal to conduct the second pilot peer review in Armenia.

14. A peer review involves a systematic examination and assessment of the performance of a state by other states, with the ultimate goal of helping the reviewed country adopt the most advanced practices and comply with mutually established standards and principles. The peer review mechanism is free from any threat of non-compliance sanctions arising from the findings of the review: its impact relies on the influence and persuasion exercised by “peers” (equal partners in the review process). The review can serve the following purposes:

- Provide international peer support for institutional reforms;
- Enhance transparency, accountability, and visibility of enforcement authorities at national and international levels;
- Create opportunities for inter-governmental policy dialogue and support capacity-building.

15. The practical benefits and high policy profile of peer reviews have been demonstrated due to vast international experience in the area, including regular (economic, regulatory, and environmental performance) reviews undertaken by the Organisation for Economic Co-operation and Development (OECD)¹, environmental performance reviews carried out in EECCA by the United Nations Economic Commission for Europe (UNECE), as well as the reviews of environmental funds carried out by the EAP Task Force. The IMPEL Review Initiative of the European Union (EU) enforcement authorities, established by the EU member countries in 2001, provided another example of a successful application of the peer review concept.

¹ See *Peer Review: an OECD Tool for Co-operation and Change*, OECD, 2003.

16. The recommendations of this review concern the following building blocks of the environmental compliance assurance system in the Republic of Armenia:

- Regulatory and institutional framework;
- Compliance assurance strategies and instruments, and the necessary infrastructure to implement them;
- Interaction with key stakeholders, domestically and internationally.

17. It should be pointed out that this peer review discusses the performance of the regulatory and compliance assurance system and does not aim to review the environmental performance as such. The latter was the subject of a study carried out in the Republic of Armenia by the UNECE in 2000. The present review takes into account the outcomes of the UNECE study and extends them through a deeper analysis of the environmental management system and compliance assurance.

Key phases of the review process

18. The preparatory phase of the Peer Review consisted of preliminary analysis conducted from January 2005 to April 2005. The analysis was based on available background reports, national legal framework, the UNECE Environmental Performance Review, and a report prepared by the State Environmental Inspectorate.

19. The review mission was carried out from 23 to 28 May 2005 by a team of seven experts from the OECD, Central European and EECCA countries, the Regional Environmental Centre for Central and Eastern Europe, and the OECD/EAP Task Force Secretariat. The mission included a series of interviews with political leaders, managers, and experts representing the headquarters of the Ministry and the SEI, regional departments, other governmental and international organisations, as well as NGOs and the regulated community. About 60 people were consulted during these meetings. At the end of their mission, the review team members presented and discussed initial findings at a meeting with the MNP staff. A press conference was held jointly by the Secretariat and the First Deputy Minister Papyan on the objectives and outcomes of the review mission.

MAJOR ACHIEVEMENTS AND CHALLENGES

20. In 1991, the newly independent Armenia entered a period of radical changes that involved political, social, and economic systems. The transition period started with a drastic economic and energy crises, and the accompanying transportation blockage resulting from regional conflicts. The economic decline resulted in some 800 000 people (out of Armenia's population of 3.8 million) leaving the country. Economic growth restarted in 1994 and has continued to the present at a high rate, averaging 6-8% due to macroeconomic stabilisation, and the adoption of a liberal model of economic and trade regulation. Poverty in Armenia, and particularly the number of very poor, has diminished².

Improvement of environmental management and favourable conditions to promote reforms

21. Evidence shows that environmental management has improved over the last decade in Armenia. Policy objectives have been clarified, strategies to achieve them are being developed, and additional resources are provided to support the system of environmental management. The main environmental authority – the Ministry of Nature Protection (MNP) – has enjoyed structural stability and preserved the integrated scope of its mandate that covers both use of natural resources and pollution prevention and control.

22. Recently, the Ministry has strengthened its position within the government and the opinion of its leaders is considered when decisions are taken on development and sector policies. For example, priority environmental objectives covering the rational use of mineral and forest resources, managing the ecosystem of Lake Sevan, and waste management, were included in the Poverty Reduction Strategy Paper (PRSP).

23. As a result of environmental management reform, a whole range of policy instruments is already in place and includes, besides traditional command-and-control instruments, economic instruments. Also enforcement tools, such as monetary penalties, were reformed to provide a stronger deterrent effect and meet Principle 2 of the "Guiding Principles for Reform of Environmental Enforcement Authorities in Transition Economies of Eastern Europe, Caucasus, and Central Asia". The next planned step is to adopt instruments that make better use of market incentives and involve consumers and investors in the process of awarding good environmental performance and penalising non-compliance. The reform of the system of environmental compliance assurance has been launched.

Reforming the environmental compliance assurance system – a new priority

24. The development goal of Armenia's environmental enforcement authorities is to maintain and, where possible, improve the state of the environment taking account of social, economic, and environmental considerations. The Inspectorate has to apply its compliance assurance tools in a more consistent and comprehensive manner, build up its institutional capacity and train staff, carry out a systematic dialogue with stakeholders, and engage in result-oriented cooperation. The compliance assurance system must rest upon ambitious but feasible requirements, set within a streamlined, clear, and coherent regulatory framework.

² For more detail, see the Poverty Reduction Strategy Paper.

25. In order to achieve this goal, the MNP and its Inspectorate will need to:

- Increase the coherency and feasibility of regulation;
- Optimise the use of powers, internal organisation of the SEI, and cooperation with partner governmental authorities;
- Increase SEI transparency and mutual understanding with the non-governmental sector;
- Use compliance assurance tools more effectively;
- Actively mobilise necessary human, material, and financial resources; and
- Capitalise on opportunities for international cooperation.

26. The necessary measures under each of these key intervention areas are discussed hereinafter. Overall, necessary preconditions are satisfied to improve the outcomes of environmental compliance assurance and to meet the recommendations of the Guiding Principles. This includes political will to pursue regulatory and institutional reforms, understanding of reform objectives, firm leadership, selectivity and gradualism, and understanding of development trends and the economic and social environment. It is important for environmental authorities to keep this momentum.

ADOPTING PERFORMANCE-ORIENTED REGULATION

Streamline the primary and secondary legislation, and increase its feasibility

27. The core of environmental legislation consists of the umbrella law “Fundamentals of Environmental Regulation in Armenia” of 1991 and 15 sectoral codes and laws. In addition, the Republic of Armenia ratified 27 documents belonging to international environmental law, including 16 conventions and 11 protocols. Once the regulatory basis for environmental management was established in the late 1990s, the Ministry of Nature Protection of Armenia started a “second cycle” of regulatory design, aimed at improving the quality of legal acts. This was important for moving towards a result-oriented, coherent, and fair regulatory framework (so-called “smart” regulation), as the findings of the review indicate that current primary and secondary legal acts are still imperfect.

28. The review confirmed the need for a “second cycle” of regulatory design, since an intensive decade of sector-specific law development resulted in a complex and fragmented legal framework, as well as incoherencies in requirements. Discrepancy exists between new laws and the secondary legislation (e.g. environmental quality standards) that was developed earlier and remains unchanged. For example, some environmental quality standards do not reflect new social and economic realities, and are not based on risk management. Another example is the incoherence of permitting procedures for different media.

29. Overall, the regulated community perceives the secondary legislation as unfeasible, thus unfair and de-motivating. The flaws in regulatory design prevent an effective and efficient implementation, and undermine the rule of law and public confidence in the government’s capacity to regulate.

30. To correct this situation and improve compliance with Principles 3 and 4 of the Guiding Principles, the following measures are suggested (for the short and medium-term perspective):

- Identify and address conflicting or incoherent legal provisions (in particular, as concerns administrative procedures), and minimise chances for ambiguous interpretation of laws and regulations;
- Revise environmental quality standards to ensure their feasibility and enforceability.

31. Technical and economic feasibility of regulations is essential to ensure industry’s acceptance of requirements, even when they are stringent. This also allows the cost of requirements to be kept within reasonable limits. This, in turn, enables a more cooperative environment between the regulators and the regulatees, as opposed to the current confrontational relations.

32. Within the Ministry of Nature Protection, the Legal and Methodological Department plays the key role in the process of regulatory re-design. As feedback from practice is important for this process, environmental inspectors will need to continue to identify implementation problems and signal incoherencies, gaps, or the lack of feasibility and enforceability of requirements. It will be important that the Legal Department envisages follow-up communication with inspectors on drafts of primary and secondary legal acts and seeks their comments and suggestions for improvement.

33. To ensure the quality of regulation, the Ministry of Nature Protection should adopt the practice of impact assessment resources and secure funds for this purpose. Currently, such assessments are difficult. For instance, while the deadline for enacting more feasible water quality standards (in particular, for fisheries) was set for September 2006, the necessary resources to perform environmental, technical, and

economic assessments are only partly available. To address this problem, the Ministry may need to mobilise donor assistance to supplement existing modest funding from the state budget.

Refine law-making procedures

34. The law-making procedures in Armenia are well developed, and foresee the assessment of quality of drafts by internal (within the government) and external (NGOs and regulated community) stakeholders. Very often, however, NGO representatives perceive these consultations as meaningless, as their suggestions remain largely disregarded or the limited time for consultation results in failing to meet deadlines to provide comments. There are several causes for this, including extremely tough schedules for the development of laws (sometimes 2-3 months), very short periods dedicated for public consultations, missing resources to publish drafts or organise public hearings.

35. There is a need to improve public consultation mechanisms used within the law-making process, and apply these mechanisms systematically to harness the benefits of such consultations, including:

- Consulting stakeholders provides an opportunity to take into account the experience, opinions, and ideas of people who will be directly affected by new regulations;
- Law-makers are able to balance different interests while keeping the integrity of regulation;
- Implementation problems or unwanted effects are identified at a very early stage;
- Benefits from introducing new regulatory requirements can be thoroughly assessed in relation to costs of compliance and enforcement;
- The fact that they are consulted increases the acceptance of new requirements and the motivation (and the moral responsibility) of the regulated community to comply with them voluntarily.

36. In order to conduct such consultations regularly, the Ministry will need to raise the level of resources to conduct public hearings by integrating them into budget proposals. The benefits of public hearings, listed above, can help to convince the Ministry of Economy and Finance to accept such budget expenses.

Ensure feedback throughout the regulatory cycle

37. All basic elements of the regulatory cycle are put in place in Armenia, including environmental assessments that are necessary to set facility-specific requirements, compliance promotion (although quite limited), inspection, and non-compliance response. The performance of these elements is evaluated, and reporting provided to stakeholders. At the same time, feedback is not secured between various stages of regulation (*e.g.* between permitting and inspection, and inspection and judicial enforcement). This absence of feedback can undermine the whole regulatory cycle and reduce the outcomes of regulation.

38. Therefore, it is recommended to focus on linking currently separated elements of regulation into a well-functioning regulatory cycle. It is acknowledged that this is a difficult task, since it implies the need to resolve many institutional problems and radically improve coordination and cooperation within the Ministry, and with other governmental actors. Thus, it is suggested to start with improving the links between permitting and inspection, and as the second stage, between inspection and judicial enforcement.

Integrate the permitting system

39. Since compliance assurance is never effective without a proper permitting system, it is worth emphasising that the Ministry is reforming media-specific permitting procedures. The reform of permitting in the field of water resource use and pollution is the most advanced. Nevertheless, the permitting system continues to be media-specific and does not integrate economic criteria into decision-making on permit conditions.

40. The permitting system will need to be gradually integrated, including shifting its base towards the use of a combination of environmental and economic criteria (through adoption of Best Available Techniques) to set permit conditions. This will maximise the environmental effectiveness of permitting and minimise related administrative burden. A long-term strategy of reform will need to be developed to meet this objective. The following elements have to be part of this strategy:

- Consolidate the permitting system procedurally (adopt “one-stop shop” approach);
- Extend permit validity from current short-term perspective (1-3 years) to a longer term (up to 10 years), particularly when production processes and output volumes are stable;
- Introduce a fully-fledged integrated permitting system for major industry;
- Reduce the complexity of regulation for small and medium-sized enterprises.

OPTIMISING THE USE OF POWERS, INTERNAL ORGANISATION, AND COOPERATION WITH OTHER AGENCIES

Conserve the current mandate and powers

41. Armenia's main environmental enforcement authority, the State Environmental Inspectorate (SEI or "Inspectorate") is part of the Ministry of Nature Protection. The Inspectorate has the responsibility to check and ensure compliance with requirements related to both the use of natural resources, including biological, geological, and land resources, and environmental protection, as well as pollution prevention and control. The Inspectorate does not issue permits as this is the task of several other sub-divisions of the Ministry. The SEI has the right, however, to assess and endorse draft permits and the obligation to support permit writers with any information they might need within the framework of permitting. Also, the SEI is consulted as regards policies and legal acts. Since 2005, the Inspectorate also performs compliance assistance activities, such as providing information on newly-enacted legislation to the regulated community.

42. The powers vested in the Inspectorate are proportional to the assigned responsibilities. The enactment of the Law on Environmental Enforcement in May 2005 further strengthened the legal mandate of the Inspectorate. According to this Law, the Inspectorate is entitled to:

- Enter a facility, without restrictions, with measuring and sampling equipment and, when needed, accompanied by authorised external experts;
- Have full access to relevant documentation;
- Examine and take samples of goods;
- Issue warning notes and impose coercive administrative measures, including partial or total cessation of production processes;
- Ask permitting authorities to suspend or revoke environmental permits (licences);
- File a court suit against violators; etc.

43. The SEI ranks high in the MNP hierarchy; its institutional status is sufficient to independently take operational decisions within its legal mandate. Recently, the head of the SEI acquired the powers of the Chief Environmental Inspector that for a long time were enjoyed by the Minister of Nature Protection who, for example, had the exclusive authority to shut down polluting facilities. The Ministry's senior officials provide political support to the SEI, when necessary. Evidence of this support is an increased allocation of financial resources to carry out inspection. At the same time, the Ministry exercise the supervision function and any decision taken by the Inspectorate can be contested through the appeal mechanism.

44. Given these facts, the Inspectorate fully complies with Principle 6 of the Guiding Principles. The current situation has significantly improved over the last two years and the Ministry and the Inspectorate merit praise for using international recommendations effectively. It is crucial to match this powerful mandate with a stronger institutional capacity and improved working approaches.

Advance internal exchange of information and coordination, horizontally and vertically

45. Overall, the SEI's structure conforms to Principle 7 and reflects environmental priorities and legally defined responsibilities. The key divisions are constructed around environmental media. This type of structure brings the advantage of focusing on results, and can encourage the development of management skills within the Inspectorate since it requires some level of internal autonomy. While, in theory, this kind of structure may limit cooperation between different divisions, this potential problem is solved within the SEI as an integrated approach to inspection is applied. Another positive characteristic is the existence of a unit that coordinates activities, and has other horizontal functions, *e.g.* information management, activity planning, and performance assessment.

46. At the same time, the review revealed that some functions, such as analysis of economic trends and law drafts, or of any emerging challenges, are not well covered. This needs attention in the future work of the SEI and additional resources, for instance, creation of a full time unit, or even a small sub-division. A diversification in the skills of the SEI's personnel would be needed to support this. Alternatively, it might be more effective to carry out this kind of analytical work within the Ministry, so that other sub-divisions (especially permit writers) can benefit, for instance, from improved knowledge of emerging economic sectors, in particular those having the mandate to issue permits.

47. In accordance with Principle 8, some responsibilities are delegated to the SEI's territorial units that exist at the local level in all regions (*martzes*) of Armenia. These units, however, are found to have insufficient institutional capacity and are not yet ready to take more responsibilities. Thus the central unit will need to clarify the distribution of responsibilities and powers between the central and territorial level, and give an enlarged mandate to territorial units only where intensive capacity building is simultaneous. The central unit will also need to establish mechanisms to provide methodological and other kinds of support to the offices at the sub-national level.

48. The review revealed problems of coordination with other sub-divisions of the Ministry. This, for example, concerns the timely availability of permit copies and decisions from other environmental assessments, or the limited involvement of the SEI in international cooperation. Therefore improving information exchange and cooperation with other structural units of the MNP is imperative in the short-term perspective.

Extend partnerships with governmental institutions

49. Effective compliance assurance requires that competent authorities work together in a coordinated way. The SEI cooperates with a range of agencies, such as the State Fiscal Service, the Ministry of Internal Affairs, the local administration, etc. In certain cases, however, communication and interaction with other bodies is hampered by a lack of clarity or legal delineations concerning responsibilities, competences, and information exchange. This is the case as concerns co-operation with the customs on control of imports and exports, as well as with local authorities in the field of land and biological resources control.

50. As part of its institutional development, the SEI needs to extend cooperation with partner agencies from both executive and judicial branches. Initially, the Inspectorate needs to identify the authorities that have attributions in environmental compliance assurance and with whom the SEI needs to cooperate, both at the central and territorial level. It might be useful to compile an inventory of such authorities and develop precise protocols for cooperation. Any undesired legal obstacles for cooperation should be revealed and subsequently removed by appropriate changes in legislation. Mechanisms of cooperation should be better reflected in internal procedures, and staff time should be allocated for information exchange and cooperation with other authorities. This will help the SEI to implement Principle 9.

51. Also, where deficiencies exist, prosecutors and judges dealing with environmental issues should have the opportunity to acquire the essential knowledge to improve their professional performances. This could be done by initiating a training programme dedicated to this effect.

INCREASING TRANSPARENCY AND MUTUAL UNDERSTANDING WITH THE NON-GOVERNMENTAL SECTOR

Pro-actively communicate the SEI's mission and achievements

52. The review revealed that the Inspectorate's public image is affected by two major factors: (1) poor understanding of objectives pursued by environmental inspectors, and lack of clarity about their powers to influence the situation "on the ground"; as well as (2) a low institutional capacity at the local level, in particular insufficient skills of field inspectors. While addressing the second factor will need time and resources, the first one is related to a more open and systematic communication, which can be ensured within the shorter term.

53. To improve its public image, the Inspectorate needs to use every opportunity to communicate its mission, values and principles of work, legally mandated functions, and the outcomes of its activities. The SEI's leaders, in cooperation with communication specialists, need to define better key messages and develop them to facilitate a better understanding of these messages.

54. Information on specific enforcement cases has the greatest outreach potential. Nowadays, the most well-known cases are those brought about by the NGO community. Typically, they reflect the government's failure to enforce. Communicating successful cases would help the Inspectorate to gain some positive publicity. It might be useful to start with dissemination of successful cases of cooperation between public and private actors. Simultaneously, since the SEI's experience in disclosing facility-specific information is still quite limited, it will be necessary to develop clear decision-making policies in this field, including that related to confidentiality of information.

55. Information can be disseminated during personal communication with NGO representatives, mass media, and on-site visits or meetings with business circles. This can also be done through mass media or through external departmental channels, *e.g.* publications of the Department for Emergency Situations or the Industry Association. At the same time, the SEI will need to continue to disclose its annual reports through the Ministry's web site, as is currently done.

Interact meaningfully with the general public

56. The environmental NGO community of Armenia is active, has a lot of expertise, and fulfils well the "watchdog" function. Compliance monitoring, as well as support to the general public to bring cases to court is less popular among NGOs and the general public, most likely because of a widespread belief that such actions cannot influence the situation.

57. In general, the legal framework offers to citizens many opportunities to contribute to environmental regulation and compliance assurance. Unfortunately, the NGO community reports that mechanisms of public involvement are still underdeveloped, and often the public is involved for the sake of respecting procedural requirements rather than for a meaningful dialogue. Therefore the need is still acute to further develop the mechanisms of public involvement. For example, the participants of public consultations, which are carried out during the State Environment Review and permitting, need to be informed about the terms and conditions built into environmental permits that are issued subsequent to public consultations. Furthermore, the Inspectorate needs to be more open to alliances with NGOs, consult them regularly on possible joint actions, develop joint plans, and implement them.

58. In Armenia, a certain number of inspections are done in response to complaints from the general public. Several avenues exist for delivering complaints, including in a written form or verbally over the phone. Complaints are addressed shortly after being received. This practice needs to continue, and citizens need to be better informed about their right to complain, and the procedure for filing complaints. On the other hand, the SEI should ensure that its planned inspections are not eclipsed (and resources exhausted) by petty violations reported by citizens. This could be done, for example, through better interaction with local authorities and police who could address some of complaints.

Gradually develop compliance assistance and promotion

59. Interaction with the regulated community is currently far from optimal, while cooperation between the authorities and the regulated community is of key importance if environmental problems are to be tackled in a cost-effective way. Interviews with representatives of the regulated community showed that industry often perceives regulation and compliance assurance as unfair and administratively and financially burdensome. Regulatees are discontent about a strong focus on “rule compliance” (strict compliance with existing requirements with no consideration of costs), while requirements are unfeasible under current economic conditions and many legal norms are contradictory. Constructive dialogue between the Inspectorate and the regulated community, a shared sense of joint objectives, and responsibility for solving urgent environmental problems are essentially missing.

60. Authorities need to adopt and apply the entire spectrum of compliance promotion tools, including information disclosure, performance ratings, promotion of cleaner production, clearing house mechanisms, etc. Substantial efforts are required to improve the current adverse relations between parties. It is important that the regulator and the regulatees adopt an open attitude, exchange information, invest in building a shared view and understanding of their problems, and work on feasible solutions. The challenge is to identify topics and approaches where – despite the different roles and functions of authorities and the regulated community – there is a mutual interest to make progress (“win-win” situations).

61. Within a short term, the Inspectorate will need to educate industry about regulatory objectives and specific requirements, and the purpose of compliance and enforcement overall (including guaranteeing the level playing field for business and prevention of future economic costs due to environmental impacts). This can be done through periodical awareness-raising meetings with industry, in particular with small and medium-sized enterprises. At the same time, inspectors need to show an open attitude towards the difficulties industry is facing in complying with the requirements. To assess whether this indeed is the case, the SEI will need to have access to experts in firm management and financial analysis of investment.

62. Within the long term, the SEI will need to adopt and use a full range of compliance promotion tools, including performance rating and information disclosure, promotion of cleaner production, including through dissemination of information on Best Available Techniques, etc. In this field, cooperation with UNIDO would be useful. In turn, regulatees need to work together (within industry associations) to foster opportunities to improve environmental performance. A possible goal would be to seek front-runners and form coalitions of companies that want to set benchmarks. This should lead to a situation where (organised) industry sets specific targets and takes its responsibility for accommodating best economic, environmental, and social objectives beyond compliance with existing legislation.

Promote self-monitoring, with a focus on low-cost measures

63. Self-monitoring is legally required, but only 10 out of 300 of the largest enterprises have resources to conduct direct measurements. All others use surrogate (indirect) parameters and calculations to monitor their impact on the environment. Self-reporting is limited to total amounts of key air and water emissions. Inspectors consider this information unreliable. To improve this situation, the Ministry needs to draft new secondary legislation that would put emphasis on incentives for voluntary implementation of self-monitoring, and on the quality assurance of self-monitoring results. The Inspectorate needs to focus on convincing the regulatees of the benefits of self-monitoring.

USING COMPLIANCE ASSURANCE TOOLS MORE EFFECTIVELY

Adopt strategic enforcement

64. The SEI's work is based on clearly identified priorities, which is a positive characteristic of the environmental compliance assurance system in Armenia. The priorities (currently including combating illegal logging, waste, air pollution, and excessive water resource use) are endorsed by the Minister of Nature Protection and they are re-evaluated on an annual basis. In the process of re-evaluation, the SEI can express its position on eventual priorities. Based on the endorsed priorities, the SEI produces an annual work plan that describes activities to be undertaken by the inspectors at the central and regional level. This plan reflects inspection priorities. It also contains a specific target of inspecting 80-90% of the regulated community annually.

65. Several criteria are used to identify installations to be inspected. They include, for example, environmental risks, compliance history, seasonal variations in production volumes. Priority sectors are identified, which currently include mining, the chemical industry, and wastewater treatment plants. The inspection of facilities representing these sectors is comprehensive, involving thorough assessments of all environmental media. For large facilities, joint inspections are conducted involving specialists from the central and regional levels. Some time is also allocated for *ad hoc* activities. The execution of the plan is regularly monitored and evaluated. Thus, good progress is seen with regard to implementation of Principles 14 and 15.

66. At the same time, not all elements of strategic enforcement have been fully adopted. The Inspectorate tends to focus on punitive instruments, thus its strategy is unbalanced and does not address some key roots of non-compliance, such as limited knowledge of legislation or low capacity within some industry branches to address environmental problems. Furthermore, due to the absence of facilities and skills, the compliance with rules is checked (and very often only administrative requirements, such as availability of permits or timeliness of payments related to pollution charges) rather than environmental impacts. Phase-in plans for new laws have not been fully developed, although in 2005 facility-specific compliance schedules were legally introduced as a new policy instrument. Activity and budget planning are not well linked, thus the policy makers do not receive a strong message with regard to the gap between the resources that would be required to implement policies and those actually provided.

67. The review considered it beneficial for the SEI to develop a compliance assurance strategy with clearly identified environmental outcomes, compliance targets, better balanced implementation tools, and an implementation schedule. This strategy should be designed with a good knowledge of roots of non-compliance, and take into account overall environmental, economic, and social priorities. In conjunction with this, the Inspectorate will need to introduce the practice of drafting phase-in plans for newly adopted laws and regulations, which would take into consideration both compliance challenges of the regulated community and enforcement challenges, such as staff training and resource allocation.

68. As a background for strategic enforcement, the identification and profiling of the regulated community needs improvement. Nowadays data on regulatees are scattered and still kept mostly in paper form. This information needs to be integrated in one database and converted to electronic format, so that different divisions are able to share data on the regulated community.

Increase the quality of inspection and better record evidence of non-compliance

69. The procedure of compliance control is regulated by the “Law on Organising and Performing On-site Inspections”. Any inspection should be properly planned, conducted, and recorded. Prior to the visit, the compliance history and all permits are reviewed. The date and period of inspection should be approved by the SEI management, and both announced and unannounced visits can be conducted.

70. According to the requirements of planned inspections, set in internal regulations, inspectors must check environmental documentation and actual compliance, assess environmental protection measures, verify equipment, and make sure that that pollution and resources charges are calculated and paid correctly. In reality, in most cases inspections focus on verification of relevant documentation and the SEI explained that this happens because of limited availability of monitoring equipment. Another explanation is that neither territorial inspectors nor specialists from the central level expect real improvements in environmental performance since they believe that industries cannot afford to improve environmental performance.

71. A mandatory requirement is that every on-site visit should result in an inspection record (control act) stipulating the violation(s) revealed, the legal requirements that have been violated, the cause(s) of non-compliance, and the corrective actions prescribed by the SEI. Detailed inspection reports with findings are not routinely prepared.

72. Given these circumstances, the review recommends improvements in the way site visits are conducted. First and foremost, attention should be dedicated to checking environmental performance, including the technical state of facilities, rather than the current focus on verifying documents. Furthermore, the evidence of (non)compliance should be better recorded and the structure of inspection reports should be amended and contain more extensive information on observed phenomena, interviews carried out on site, samples taken, etc. These improvements should be reflected in internal guidance documents for inspectors on the procedure of sector-specific environmental inspections.

73. After revealing a violation and recording it in the “control act”, the Inspectorate enters the dialogue with the offender. If the violation is not serious and the offender is ready to implement corrective measures, the Inspectorate limits the response to an administrative order indicating the deadline for implementing the corrective measures. Where there are violations involving serious negative impacts on the environment, the damages are evaluated and a claim for compensation is made. If the offender voluntarily pays the damage claim, the problem is considered to be resolved. If it does not, a court action may be initiated.

Critically review the use of non-compliance response tools

74. In accordance with Principle 18, the SEI has access to adequate remedies for non-compliance. Most of these have already been mentioned. It is important to mention that in 2004 the basic rates of monetary fines were increased 100-150 times, with the aim of providing a much stronger deterrent effect and cease the situation where paying fines and continuing to violate the requirements is the cheaper option. In addition to remedies that the SEI can use following the administrative path of enforcement, it can make recourse to courts for serious criminal cases. The stringency of administrative and criminal non-compliance response is determined by the seriousness of the violation.

75. The findings of the review show, however, that in practice the effectiveness of these instruments is low. Particularly, the filing of criminal court cases by the SEI has had limited success. Although the SEI has the legal right to file criminal court cases against offenders and actually does so, the majority of such cases are dismissed by courts. This negative result may be related to the low quality of the prepared cases, and/or to the lack of adequate information exchange between the inspectorate and the prosecutor’s office. Probably, it is also related to the limited expertise and experience of prosecutors and judges in the field of environment. Furthermore, cases are sometimes lost because applied methods of (damage) calculation are

not always legally bound. The fact that certain requirements in regulation and/or permits are not realistic also puts effective practical application of enforcement tools at risk.

76. Therefore the Inspectorate is advised to critically review the instruments available for exerting its powers and develop an enforcement policy. In the short term, it will be necessary to prepare a guiding document for the effective use of the available enforcement instruments. This document should offer the inspectors the essential information on the successful application of the instruments in specific situations. It should explain the advantages and drawbacks of the different tools and indicate the circumstances under which they can be applied effectively. In connection with such a guiding document, a training programme for inspectors should be put in place in order to disseminate the knowledge.

77. The members of the REPIN network, during the review meeting, underlined that all tools have to be carefully designed to avoid any perverse incentives for inspectors (or informal regulators). When there is a high likelihood that an instrument affects the integrity of regulation and inspection, it needs to be re-designed. In relation with this, the Ministry needs to assess once again its plans for licensing third parties to check cars for compliance with emission requirements, and consider incorporating this kind of verification to the standard procedures of the already-existing annual check of the technical state of cars, rather than creating new structures just for emission verification.

Fill in the gaps in performance measurement

78. The performance measurement system mostly reflects compliance assurance activities. Within this system, the SEI uses such indicators as the number of inspected facilities, the number of violations revealed and eliminated, the number of issued administrative orders, the number of persons fined/the sum of the fines, etc. Initial data are collected manually by *marz* inspectorates and are sent to the central level that summarises this information. Progress in implementing plans is the key indicator for the assessment of the institutional capacities of inspectorates. Performance is reported weekly during coordination meetings. In addition, quarterly and annual reports are prepared on the SEI's activities. Certain data from the SEI reports are then included in respective sections of the Ministry's quarterly and annual reports, as well as in reports published by the National Statistical Service of the Republic of Armenia.

79. The conclusions from the peer review show that the existing information does not provide a sufficient basis for the interpretation of the performance of the effectiveness of enforcement actions. A fuller interpretation is possible but only after obtaining verbal comments, thorough grouping of existing data, and calculating indexes. For example, there are striking differences in regional patterns of violations over recent years. While the latter differences are partially influenced by economic factors, the reasons for variations also lie in the data collection approaches, in different institutional capacities, etc.

80. One of the main conclusions is that data collection and management needs further improvement. Data collection at the regional level (in *marzes*) should be made on standardised forms, and whenever possible in electronic format. At the central level, the data should be entered into summary forms, which would be part of electronic spreadsheet software. All consecutive calculations should be done electronically. The SEI needs to put more emphasis on analysing trends and linking them to interventions. Reports prepared for an internal or external audience should be focused on the provision of interpreted outcome-related information rather than on the publication of raw input-output data.

81. Based on the results of the analysis, it is recommended to reform the system of environmental compliance and enforcement indicators based on good international practice, existing experience, and country's economic and social conditions. A reformed system of indicators could help the SEI to improve its effectiveness and efficiency, and to assess progress against concrete targets. Well-designed indicators could result in the improved accountability of regional (*marz*) units and their institutional development, as well as in the greater transparency of the environmental compliance assurance system at all levels.

ACTIVELY MOBILISING THE NECESSARY RESOURCES

Train and motivate staff

82. The Inspectorate is confronted with serious human capacity deficiencies. It is the result of the unattractiveness of the inspector's job in spite of measures that have been undertaken over the last two years to improve this situation, including gaining civil status for SEI employees, doubling or even tripling their salaries, and providing higher social security. Still, the Inspectorate is not able to provide a remuneration package that matches subsistence needs.

83. In parallel with upgrading the status of employees to civil servants, staff selection procedures were changed to meet minimum criteria for competitive recruitment. Recruitment is done by an independent government agency to ensure consistency and transparency. Moreover, every three years, the SEI personnel undergo a qualification test. These assessments, however, overemphasise the simple memorisation of information (*e.g.* the knowledge of laws or some general data about the environment), instead of concentrating on the need to screen practical skills (*e.g.* knowing how to interact with the regulated community, or how to write effective reports), and checking the attitudes of staff members. Within the framework used to select candidates, new staff are hired without consulting their future manager, thus further diminishing the effectiveness of the selection. The current management style, based on partnership and co-operation is valued by most employees³. However, a staff survey found that Inspectorate employees want more possibilities for self-development and for taking on more responsibility. As concerns the actual situation, staff members were satisfied about the way "supervision" in their organisation was fulfilled. "Work conditions" were considered unsatisfactory (with an average score of 2.9 on the 10-point scale), followed by "job security" (3.2 points), and "personal development" (3.5 points). It was found that the most important performance motivator for the surveyed group was "salary", the second most important was "work conditions", followed by "personal life".

84. The number of personnel seems to be sufficient to cover all controlled installations (some 2 750 large and medium-sized installations), as well as to fulfil functions in the field of natural resources control (including underground, land, forestry, and biological resources). In total, 78 people work at the central level and 122 people at the territorial level. Most of them have a university education, with specialisation in fields that are relevant for priority industries in Armenia (for example, mining experts, chemists, engineers, etc.). The SEI has a lack of lawyers; this partially explains the failure to win court cases.

85. Comprehensive training programmes, and the means for their implementation are missing. Staff training is very irregular, although the Ministry and the central unit of the Inspectorate do disseminate information about new laws and organise seminars. This does not involve discussion of specific enforcement cases and causes, their success or failure, or site visits to upgrade practical skills. The on-the-job training for newcomers is limited and there is no "job start-up" intensive training.

³ Some 20 people were involved in a survey concerning the working environment at the SEI

86. To improve this situation, and meet Principle 20 of the Guiding Principles, the following actions are necessary:

- Make the profession of environmental inspector more attractive by continuing to increase wages and social benefits; rewarding high individual performance; providing opportunities for professional/career growth, personnel rejuvenation, and better working conditions, including modern telecommunications and computer technology;
- Ensure the diversification of expertise (in particular, hire lawyers) and provide opportunities for young people to join the SEI;
- Develop a staff training programme for the SEI and provide initial training and on-the-job coaching to newly hired staff;
- Share practical experience and organise on-site visits with the participation of representatives from different regions;
- Introduce the practice of joint training courses with industry representatives to exchange knowledge on new technologies and better environmental management practices;
- Improve staff selection procedures and, specifically, pay more attention to skills and attitudes; foresee trial periods for new employees, and involve managers in candidate interviewing and selection process;
- Within the longer term, legally elevate the social protection benefits of environmental inspectors to those enjoyed by law enforcement officers, given the comparable level of risks to which environmental inspectors (especially in the field of nature protection) are exposed.

Upgrade the SEI's infrastructure

87. The material resources of the SEI are below the necessary standards to carry out its responsibilities. There are only seven vehicles in the SEI's territorial units, and only two computers in the whole Inspectorate. Communication means besides telephone lines are non-existent. This combination makes travelling, data keeping, data processing, and communication very complicated. Moreover, the laboratory infrastructure has deteriorated, and none of laboratories has certification. This prevents the Inspectorate from using sampling and analysis carried out internally as evidence of non-compliance.

88. An appropriate material basis is needed if the Inspectorate targets to improve its effectiveness and efficiency, and meet Principle 21, are to be successful. To this end, it is recommended to:

- Identify the necessary infrastructure, including equipment needed to expand the use of information technology (IT), especially at the SEI's regional branches. Prior to procuring the equipment, it will be necessary to provide basic IT training for employees;
- Work out a development concept for analytical support of inspection and determine an optimal design and capacity for laboratory infrastructure. In this framework, one of the scenarios could be a total outsourcing of such services, although it is recognised that this will lead to losing some of the highly qualified staff that is presently employed at the SEI.

Prepare robust budget proposals and find additional financing sources that do not hinder integrity

89. The budget and financial management within the SEI follows national rules. The budget proposals are prepared within the government's budget cycle, as foreseen in Principle 22 of the Guiding Principles. Although budget financing has more than doubled in comparison with 2001-2002, these financial resources are still not sufficient to upgrade the enforcement infrastructure. Therefore the Ministry decided to create, as a temporary measure, an infrastructure development fund that will receive income from pollution charges and fines. This measure should be accepted only exceptionally by the SEI and for a very short time, with strict provisions for transparency and fiscal discipline. In parallel, the SEI should improve the quality of its budget proposals in order to obtain more funds from the state budget, and link more closely budget planning with activity planning and strategic management. In addition to budget grants, the SEI could study the feasibility of introducing, with a long-term perspective, administrative charges for inspection as an additional source for financing SEI activities.

CAPITALISING ON OPPORTUNITIES FOR INTERNATIONAL COOPERATION

Maintain SEI involvement in the ratification of Multilateral Environmental Agreements

90. The Inspectorate is regularly consulted and provides input before the signature or the ratification of any Multilateral Environmental Agreement (MEA). This practice needs to be maintained, in conjunction with improving the quality and detail of the SEI input. During the consultation process, it is necessary to analyse thoroughly the implications of MEA ratification on the inspectors' work. In the medium to long term, local inspectors have to be included in this analysis. At the same time, the SEI should participate in the development of a monitoring and assessment system for the implementation of MEAs.

Develop a comprehensive technical aid programme to raise the capacity to enforce MEAs

91. Because of severe budget constraints, international aid can be an important source for upgrading the SEI infrastructure and training its staff. A first step toward a better mobilisation of these resources is to improve internal communication within the Ministry in order to identify all the needs of the Inspectorate (including implementation of MEAs) at the central and regional levels, and communicate them efficiently to the donor community, the international organisations, and the secretariats of MEAs. This could be done through regular meetings and a more structured exchange of information. The Ministry's Department for International Cooperation (DIC) needs to explain to the SEI the content and form that should be used when providing project proposals that will subsequently be communicated to donors.

92. At the same time, the SEI could initiate a process of needs assessment in the field of institutional building, staff training, and technical equipment. In particular, SEI needs linked to MEA implementation need to be determined. The outcomes of the needs assessment could serve as a basis for developing a multi-component project for SEI strengthening. During the review mission, donors expressed their willingness to consider supporting such a project.

93. The process of strengthening human capacity for MEA enforcement should start from the central level and be gradually extended to the regions in the medium to long term. For this purpose, training of central level staff in MEA implementation should be one of the elements of the SEI capacity building strategy. The DIC should assist the SEI in communicating more efficiently with the MEA secretariats and in identifying training courses for SEI staff working with MEAs. Additionally, the Ministry needs to capitalise on the international training courses on MEAs by developing legislation, plans, and methodologies concerning the implementation of MEAs.

Gradually extend networking in the Caucasus Region

94. Effective dialogue and joint actions are still limited in the Caucasus Region for the implementation of MEAs. Therefore targeted actions should be developed to improve this situation. In practical terms, the implementation of joint projects and more frequent participation in bilateral or multilateral meetings with Georgia and Iran is required. In the medium to long term, establishing contact with inspectors from neighbouring Turkey and Azerbaijan will become necessary and would be mutually beneficial, although relatively difficult considering the political factors involved. In the long term, a programme for implementation of MEAs with all neighbouring nations could be established, including joint inspections, prosecution cases, training courses, and so on.